Financial inclusion in the UK

Review of policy and practice

Lavinia Mitton

Review of initiatives to tackle financial exclusion.

Financial exclusion has become a major policy concern. Many initiatives exist under the auspices of different government departments and statutory bodies. Policies between the devolved administrations also diverge. In addition, the voluntary and private sectors are crucial to providing services to financially excluded groups.

This study aimed to:

- identify and evaluate research on forms of financial exclusion;
- create a database of current work across the UK aimed at those vulnerable to financial exclusion;
- appraise relevant policy initiatives, identifying those vulnerable groups left out of current initiatives, either entirely or partly;
- assess which groups are likely to remain excluded and how policy-makers and practitioners can address their needs.

The study covers money and debt advice, financial capability, banking, affordable credit and insurance in all four countries of the UK. The report concludes with recommendations for both government and the financial services industry.

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FOUNDATION

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List of abbreviations

ABCUL	Association of British Credit Unions Ltd
BBA	British Bankers' Association
BERR	Department for Business, Enterprise and Regulatory Reform
CAB	Citizens Advice Bureau
CDFI	Community development finance institution
CIOBS	Chartered Institute of Bankers in Scotland
CLF	Community Loan Fund
CSR	Corporate social responsibility
CTF	Child Trust Fund
DCSF	Department for Children, Schools and Families
DfES	Department for Education and Skills (now the Department for Children, Schools and Families – DCSF)
DIUS	Department for Innovation, Universities and Skills
DTI	Department of Trade and Industry (now the Department for Business, Enterprise and Regulatory Reform – BERR)
DWP	Department for Work and Pensions
EMA	Education Maintenance Allowance
EPA	Enduring Power of Attorney
FIT	Financial Inclusion Taskforce
FSA	Financial Services Authority
IFA	Independent financial adviser
IFS	Institute of Financial Services
LHA	Local Housing Allowance
LPA	Lasting Power of Attorney
LSC	Legal Services Commission
LSRC	Legal Services Research Centre

MoJ	Ministry of Justice
NEET	Not in employment, education or training
OFT	Office of Fair Trading
PAT	Policy Action Team
POCA	Post office card account
RFID	Radio frequency identification
SAFE	Services Against Financial Exclusion
SGEI	Service of general economic interest

Executive summary

Financial exclusion has been defined as 'the inability, difficulty or reluctance of particular groups to access mainstream financial services' (McKillop and Wilson, 2007, p. 9). Because it can lead to social exclusion, the reduction of financial exclusion has been one of the priorities of the current government.

In the last ten years, *financial exclusion has emerged as a policy concern* and funding has been made available both at national and local levels. There are many different initiatives under the auspices of different government departments and statutory bodies, and divergence in the policies in England and the devolved administrations. The voluntary and private sectors also play a crucial role in providing services to financially excluded groups.

The study *had several aims*. The first aim of this study was to identify, summarise and critically evaluate research on the nature and forms of financial exclusion. The second aim was to create a database of work currently being done across the UK for those vulnerable to financial exclusion. The next aims were to provide a critical appraisal of policy initiatives with regard to financial exclusion and to identify 'vulnerable groups' that are being left out of current initiatives either entirely or partly. The final aim was to assess which groups are likely to remain excluded in the future and how policy-makers and practitioners can address their needs

The methods of the study included:

- systematic searches of existing research studies and databases;
- an email survey sent to 233 organisations across the UK;
- interviews with eleven umbrella organisations for background information (see Acknowledgements);
- telephone interviews with representatives of 52 organisations, which were chosen to cover a range of types of project, target group, size and UK regions;
- the database of Transact (a network for people interested in financial inclusion) was also used as a source.

The financial services covered included money and debt advice, financial capability, banking, affordable credit and insurance. Geographically, the interviews covered all four countries of the UK. The study identified a number of *groups that are vulnerable* to financial exclusion. These included: young people not in employment, education or training; care leavers; lone parents and divorced people; people with disabilities or mental health problems; carers; people living in isolated or disadvantaged areas; prisoners and ex-offenders and families of prisoners; people from minority ethnic communities; migrants; refugees/asylum seekers; older people; women; housing association tenants; people who are homeless; people with a post office card account or basic bank account; and people with low incomes.

However, much financial exclusion consists of a *complex set of overlapping barriers* and, consequently, successful financial inclusion initiatives must address many different issues. People who are excluded from mainstream financial services might use high-interest credit, lack insurance, pay more for utilities, or lack an account into which income can be paid.

The restructuring of the *financial services industry* has increased the risk of financial exclusion for some groups, but has led to greater financial inclusion for others. Credit unions are an important means of tackling financial and social exclusion. Banks need to enable customers on low incomes to retain control over their finances and to be aware of the constraints of managing a bank account on a low income.

In considering *money and debt advice services, and financial capability initiatives*, the study highlighted the huge diversity of financial inclusion work taking place and the specific policies of the devolved administrations. It was impossible to fully evaluate the impact of this work within the time span of this study. However, the data from the interviews suggested that key aspects of the work were:

- intervening at the point when the client is ready to receive advice or is looking for financial help;
- having continuity of funding so as to provide a continuing service;
- staff training – this might mean training money advisers in the needs of particular vulnerable groups or training those who work with particular groups to give appropriate money advice;
- attending to the marketing of the service to potential clients;
- creating partnerships with other relevant organisations.

In considering *financial exclusion in the future*, the main finding was that there will continue to be people who cannot take full advantage of the benefits of using bank accounts and other financial services, despite the impact of current policy. In particular, those whose low income is an exacerbating factor are likely to continue to be excluded from using many financial services.

The report concludes with recommendations for the future. Recommendations for *money and debt advice and financial capability projects* were as follows.

- Most importantly, understand the specific needs of the target group in terms of where, when and how to deliver, and topics to be covered.

- Make cross-referrals, recognising that financial exclusion can be only one of several issues that a person has.

Recommendations for *central, devolved and local government* departments were as follows.

- Provide more assured long-term funding to money and debt advice and financial capability projects, in recognition of clients' long-term needs and so that experienced staff are not lost to the sector.

- Continue to invest in money advice training of advice workers, particularly those working generally with a specific vulnerable client group.

- Ensure that the current government push for generic financial advice will be targeted enough, since the most successful projects are tailored to clients' circumstances.

- Continue to monitor the impact of technological, macroeconomic and demographic changes on the access to financial services for the specific vulnerable groups identified in this report.

Recommendations for the *financial services industry* were as follows.

- When planning services, consult with those groups that are potentially financially excluded, so as to understand their needs.

- Develop and support local partnerships with the voluntary sector, as a way of meeting local needs.

In terms of the balance of roles of the different sectors, the answer lies in a co-ordinated approach by the public, private and voluntary sectors. This will have to be led by Government because people on low incomes are the least attractive customers to banks and other service providers. The Financial Inclusion Taskforce will also have to continue to engage with the mainstream financial service providers, as they will otherwise be unlikely to make major changes or innovations to the services they offer to vulnerable groups. Further, credit unions are not widespread enough to be the single solution to high-cost lending, nor can they afford to take on the most high-risk customers.

The study concluded that, despite the impact of current policy and practice initiatives to combat financial exclusion, there will continue to be people who cannot take full advantage of banking and other financial services. There are many different reasons for this, depending on the different characteristics of particular vulnerable groups, but the reasons for exclusion are likely to be exacerbated by low income.

1 Introduction

What is financial exclusion?

Financial exclusion has been defined as ‘the inability, difficulty or reluctance of particular groups to access mainstream financial services’ (McKillop and Wilson, 2007, p. 9). To this could be added that the services accessed are inappropriate. Policy debates surround whether all people ‘should’ have and use mainstream financial services. In other words, who is to define financial inclusion? What would financial inclusion look like?

Financial inclusion can be conceptualised as having two elements. First is good financial decision-making. For this, people need to have financial literacy, which means understanding of financial concepts. But, more than that, people need financial capability – the skills and motivation to plan ahead, find information, know when to seek out advice and apply it to their own life. The range of financial products is getting ever more complex, so financial capability is now more important than it ever was before. The need for financial education is ongoing and continuous through people’s lives as the market and their own circumstances change.

Poor financial decision-making can affect people who do not have low incomes, but those most affected are the people who suffer from a greater loss of welfare as a consequence of those decisions. In other words, better-off people are more likely to have the advantage of a ‘cushion’ of financial assets and access to affordable credit, so do not need such good financial skills. They might be able to get by with only a rough knowledge of how much they earn and how much things cost, and are not financially excluded.

Second, people also need to have access to products and services that are suitable for their needs. As such, financial inclusion can be assessed in relation to ‘financial capability’ (the demand for financial services) and access to financial services (the supply of financial services). On the supply side, previous research has highlighted how financial products are failing to meet the needs of the financially excluded (e.g. Kempson and Whyley, 1999a, 1999b; Kempson *et al*., 2000; Collard *et al*., 2001b, 2003; HM Treasury, 2004; Clark and Forter, 2005; Atkinson *et al*., 2006; Collard, 2006; Opinion Leader Research, 2006).

The proportion of low-income households without a bank account has fallen sharply in recent years, from 20–25 per cent in the mid-1990s to 6 per cent in 2005–06 (New Policy Institute, 2007c). The fall has been particularly sharp in the two years since 2003–04: the number of adults in the UK without a bank account had, by 2005–06, fallen to 2 million, from 2.8 million in 2002–03 (HM Treasury, 2007d, p. 28). Despite this progress, there is still cause for concern, because, in an increasingly cashless economy, the consequences of not holding a bank account are ever more exclusionary. The fall in the proportion of low-income households without a bank account has coincided largely with the introduction of two new types of account – namely, basic bank accounts and post office card accounts. Many of those with bank accounts are on the margins of banking and barely use their account – about half of basic bank account holders prefer to withdraw all their money each week and manage it as cash, because it gives them more control over their finances than using a bank account that does not suit their needs, or because they have a basic bank account that comes only with a cash card (National Consumer Council, 2005). It is questionable whether holding a basic bank account constitutes true financial inclusion. If, as some argue, the post office card account (POCA) should not be included because of its limited functionality, the proportion of low-income households without an account in 2005–06 rises from 6 to 11 per cent (New Policy Institute, 2007c).

Causes of financial exclusion from banking or savings accounts have previously been identified – for example, by Kempson and Whyley (1999a, 1999b) and Kempson *et al*. (2000). These are interlinked and can be conceptualised as follows:

- geographical exclusion, e.g. resulting from branch closures;
- condition exclusion, e.g. the failure to qualify because of minimum deposit required, poor credit history or identity requirements;
- price exclusion, e.g. the relative cost of financial products and services such as unauthorised overdrafts;
- marketing exclusion, i.e. some less profitable groups of customers are not targeted by providers and so they are unaware of the financial services available;
- self-exclusion, i.e. cultural and psychological barriers – financial services as ‘not for people like us’.

These factors constitute a complex set of often overlapping barriers and, consequently, there are many aspects that successful financial inclusion initiatives have to address. Furthermore, Kempson and Whyley (1999a, p. 14) noted that exclusion from financial services is a dynamic process and has no single explanation. People can move in and out of financial exclusion either temporarily or for the long term.

Different groups have a different balance of capability and access needs. For some people, there is not so much lack of access to 'mainstream' financial services as arguably too much easy credit, such as credit cards, store cards and mortgage lenders willing to lend up to five times annual earnings. In this category are people who could be said to have access to too much borrowing and whose difficulty is lack of financial capability.

Implications of financial exclusion

There are several reasons why financial exclusion is a current policy concern.

First, exclusion from affordable loans leaves people who need a loan with no option but to use high-interest credit. This has knock-on effects on a person's mental well-being, as the consequences of problem debt can be stress, depression and a sense of insecurity (Balmer, 2006; Pleasence *et al.*, 2007). It might also make it impossible to move into work, as people on means-tested benefits who have accumulated high debt can face the prospect that their earnings will be chased by their creditors.

Second, lack of insurance and savings makes families vulnerable to financial crisis following unexpected events such as burglary or flooding. Lack of savings can lead to poverty in old age.

Third, not having a bank account with a direct debit facility excludes people from this method of paying bills. Since most (although not all) of the utility suppliers charge more for using other methods of payment – pre-payment meters, pay-point cards in convenience stores, postal orders or cash – 'the poor pay more' in this increasingly cashless economy (Strelitz and Kober, 2007). Cheque cashing agencies may charge 7 to 9 per cent of the value of the cheque plus a fee for the transaction (Moore, 2000). The facility to pay by direct debit also avoids having to use pay-as-you-go mobile phones. Some people would prefer to repay consumer credit commitments through a bank account, especially if it would reduce the cost of borrowing (Collard and Kempson, 2005b, p. 17). Therefore, financial inclusion contributes to a route out of poverty. Some services, such as satellite TV, can be paid for only by direct debit and not having the facility to pay for this can contribute to social exclusion. Having a bank account might make people 'job ready', as many employers will pay only into a bank account (Burden, 1999, p. 20).

Lastly, financial exclusion reinforces social exclusion. It is not just an individual problem. A whole community can suffer from under-investment in financial services. Therefore financial inclusion initiatives can form part of a community renewal policy (Marshall, 2004).

Aims

There is a substantial literature on financial exclusion in the UK within the general context of people with low incomes.[1] However there are some specific groups that are over-represented in those without access to financial services. Although organisations working with the many groups that are especially vulnerable to financial exclusion are aware of the financial exclusion of their service users, much less information on the issues facing specific groups has been published. Confusingly, there are a myriad of financial inclusion initiatives (which aim to reduce financial exclusion) taking place and the picture is moving fast. In addition, because government investment in financial inclusion is relatively recent, many initiatives remain at the early stages or are short-term, so few have been evaluated. The aims of this study were to:

- identify, summarise and critically review research on the nature and forms of financial exclusion, and existing policy evaluations;
- create a database of work currently being done across the UK for those vulnerable to financial exclusion;
- provide a critical appraisal of the policy initiatives with relation to financial exclusion;
- identify 'vulnerable groups' that are being left out of current initiatives, either entirely or through inadequate or inappropriate provision;
- assess which groups appear likely to remain financially excluded in the future, and how UK policy-makers and practitioners could begin to address their needs.

Methods

We looked at several aspects of financial inclusion. One was the money and debt advice that was available. This is usually carried out by not-for-profit organisations (we did not research financial advice by private sector advisers, who often recommend specific products to their clients). We also looked at the financial education being provided (on money management, how the banking system works and so on), and the services that the financial services sector offers. The evidence reported here is based, first, on research and reports identified through searching of academic indexing and abstracting databases, internet searches and the websites of key organisations. Second, the results are based on an email survey, in which a wide range of relevant organisations were contacted and invited to fill in a questionnaire. Third, more detailed telephone interviews were carried out.

First, for background information, we contacted several umbrella organisations, of which we interviewed eleven. We then did an email survey, which involved contacting 233 organisations and inviting them to take part in a survey, either online or by post. A list of these is provided in Appendix 1. The organisations were found by web search, referrals from contacts and through Transact (a network for people interested in financial inclusion, which is based at Toynbee Hall), which also gave us access to the results of its own survey. The questionnaire used for the online survey is given in Appendix 2. The survey produced data from 33 organisations. The response rate was lower than we anticipated at the outset, which may be partly because of the pressure that staff working within the sector are under.

Of those contacted, most agreed to give follow-up interviews and a small number filled in the survey but declined to be interviewed. There were also some organisations that did not fill in the survey but nevertheless were willing to be interviewed. Overall, 33 were interviewed. In deciding individuals and organisations to interview, we tried to achieve a range of types of project, size, target group and geographical scope. The initiatives that we interviewed are listed in Appendix 3, while a checklist of points covered in the interviews is given in Appendix 4. As the interviews progressed, common themes began to emerge, so we have some confidence that the findings are applicable beyond the sample. The interviews were analysed by identifying cross-cutting themes. The vast majority of respondents stated that they wished their comments to remain anonymous, but were willing to have their organisation listed.

It was not possible to carry out detailed research into the views of financial services providers. Although we tried, we were not able to secure interviews with mainstream financial product providers. However, our other respondents in the third sector gave us a great deal of information about their clients' experience of banking and other financial services. A better understanding of the perspectives of private sector providers would provide a welcome addition to future research.

In describing individual initiatives, the report is illustrative of key concepts, intervention types and issues, and is not intended to be exhaustive. First of all, Chapter 1 discusses the definition of financial exclusion, the groups vulnerable to it and the extent of their exclusion, and the implications for individuals and communities of financial exclusion. Chapter 2 outlines relevant recent government policies. Chapter 3 looks at the supply side of financial exclusion – whether the financial services that are available meet the needs of vulnerable groups. Chapter 4 looks at the demand side – projects that are addressing financial capability needs. Finally, we look to the future and present policy recommendations.

Identifying groups vulnerable to financial exclusion

It is clear that vulnerability to financial exclusion is related to both long-term and temporary low income, and to facing a major unexpected expense. Kempson (2000 *et al.*, p. 22) found that financial exclusion is mainly a function of having a low income. Those on the lowest incomes are also those least likely to have a bank account (National Consumer Council, 2005).

- Four out of five of the unbanked have monthly incomes below £825 per month.
- One in five of those in receipt of social security benefits remains unbanked.
- Half of the unbanked have been on benefits for more than five years.

Thirteen per cent of households with an income below £10,000 are without a bank account, compared to 5 per cent of all households (HM Treasury, 2007d, p. 15). But financial exclusion is not determined entirely by low income. Burden (1999, p. 6) identified a further six overlapping categories of vulnerable consumers: the unemployed; those suffering from a long-term illness or disability; those with no formal educational qualifications; minority ethnic groups; older people; and young people.

Kempson and Whyley (1999a) and Goodwin *et al.* (2000) found that lone parents and some black and minority ethnic groups are strongly represented among the financially excluded, as are households with a head out of work, younger people aged 16–24, those in social housing, households in densely populated areas, those who left education early and single pensioners.

For example, lone parents are less well provided for than other family types in terms of both current accounts and insurance. While 95 per cent of couple families have a bank account, this figure is only 80 per cent for all lone-parent families and 67 per cent for those lone-parent families where the parent works less than 16 hours a week (Barnes *et al.*, 2005, p. 178).

Income is a strong predictor of financial exclusion. This raises the question of how meaningful it is to single out other vulnerable groups. However, even if they have low income in common, there may be different ways of helping different groups of financially excluded people. In addition, there will be big overlaps between groups, such as between homeless people, care leavers and young people. Different vulnerabilities create unique (in some cases) and overlapping (in others) barriers to financial inclusion that interact with low income. People who belong to more than one vulnerable group are particularly at risk of financial exclusion. However, it is important to note that a focus on specific vulnerable groups can result in neglecting the differences (and similarities) within each group.

The following are also important points to note.

- While 97 per cent of home-owners have a bank account, only 75 per cent of housing association tenants do (Barnes *et al.*, 2005, p. 178). As many as 84 per cent of the financially excluded may be social housing tenants (Lovatt *et al.*, 2002, p. 4). The relatively high financial exclusion of those who own their home outright (6 per cent) probably reflects the financial exclusion of older people (Financial Inclusion Taskforce, 2006, p. 12).

- While 95 per cent of people in the South East of England have a bank account, only 82 per cent of people in the North East of England do (Barnes *et al.*, 2005, p. 179).

- Wales has a higher proportion of people marginally banked than England or Scotland according to the Financial Inclusion Taskforce (2006, p. 12), but the proportion of households without access to a bank or building society account in Wales is now similar to the British average, according to the New Policy Institute (2007e).

- In Scotland, the proportion of low-income households without a bank or building society account has fallen sharply in recent years, from a third in the 1990s to only one in 20 in 2005–06. The proportion of low-income households without bank or building society accounts is now similar in Scotland to Great Britain as a whole, after having been higher for many years, according to the latest data (New Policy Institute, 2007b).

- Over the period 2003–04 to 2005–06, a fifth of households in Northern Ireland in the poorest fifth of households lacked a bank account. This is twice the rate for the comparable group in Great Britain. At every income level, more households in Northern Ireland than Great Britain lack a bank account (New Policy Institute, 2006).

- In England, fewer households have no bank or building society account in rural districts than in urban districts – 4 per cent compared to 5 per cent (New Policy Institute, 2007a).

- While 92 per cent of families where the mother is white have a bank account, only 87 per cent of families where the mother is black do (Barnes *et al.*, 2005, p. 178).

- Centrepoint (2005, p. 11) found that 24 per cent of homeless young people did not have a bank account.

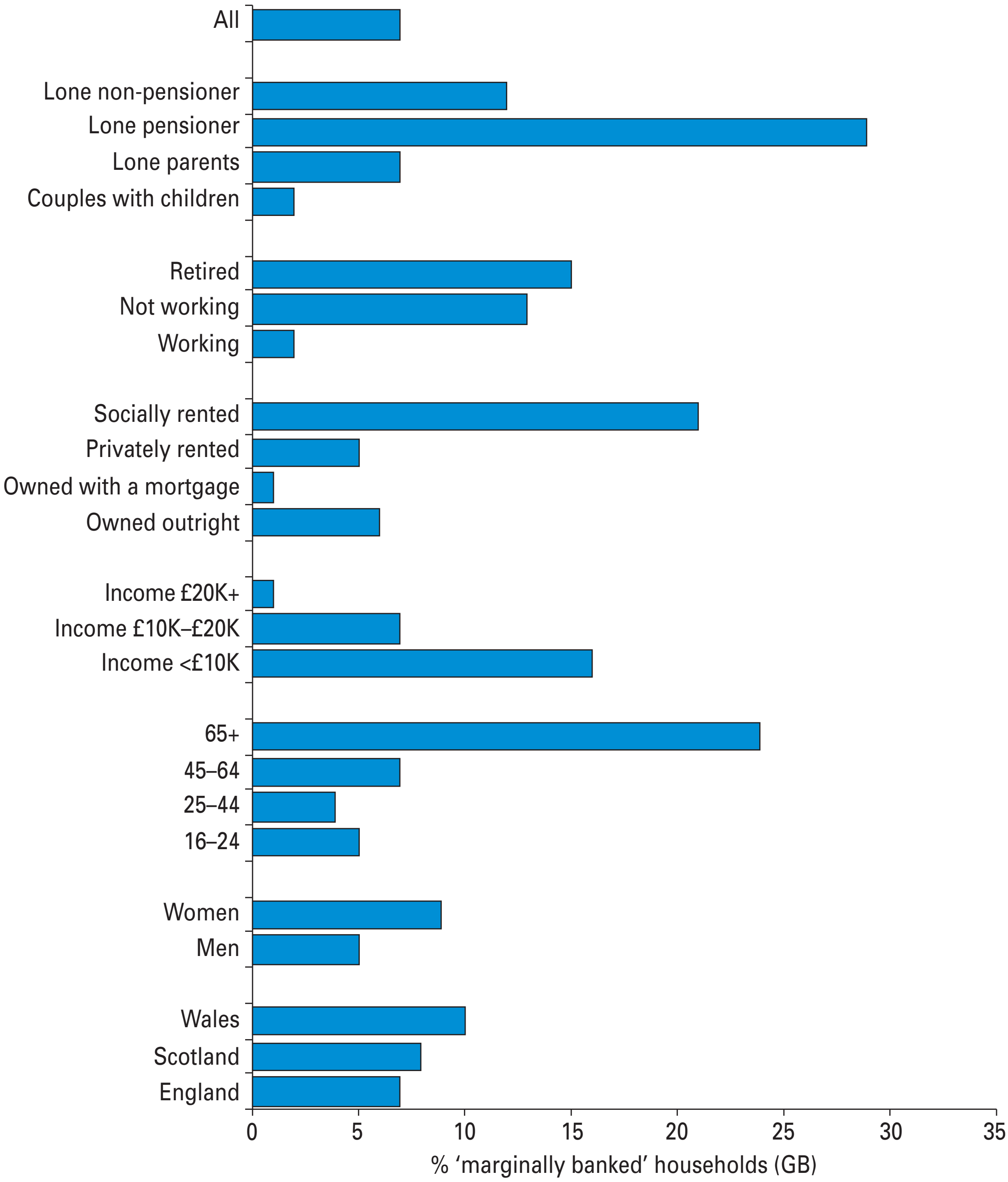
- The Legal Services Research Centre (LSRC) found that 73 per cent of prisoners interviewed in a survey were financially excluded (Buck *et al.*, 2007, p. 77).

- Capability Scotland (2002) found that one-third of disabled people in Scotland did not have a current account with a cheque book and two out of five did not have a debit or credit card.

- The majority of users of illegal lending are women (HM Treasury, 2007c, p. 15).

- Households with no home contents insurance are more than three times as likely to be burgled as those with insurance, but half of the poorest households do not have home contents insurance, compared with one in five for households on average incomes (New Policy Institute, 2007d).

Figure 1 Marginally banked status by demographic sub-groups[2]



Source: Financial Inclusion Taskforce (2006, pp. 12–13)

These were the groups we identified as potentially vulnerable, although statistics on financial exclusion were not available for all of them. We tried to survey organisations working with as many of these groups as possible:

- care leavers;
- children;
- people from minority ethnic communities;
- housing association tenants;
- jobseekers;
- Local Housing Allowance (LHA) recipients;
- lone parents/divorced people;
- migrants;
- young people not in employment, education or training (NEET);
- older people (60+);
- older workers;
- people living in isolated or rural areas;
- people who are homeless or moving to a tenancy;
- people with physical disabilities or health problems and carers;
- people with mental health or addiction problems;
- people with learning difficulties;
- people with low incomes;
- people with a post office card account/basic bank account;
- prisoners/ex-offenders/families of prisoners;

- refugees/asylum seekers;
- students;
- supported housing tenants;
- people living in disadvantaged areas;
- women;
- young adults.

The balance between financial capability needs and getting access to and using financial services is likely to be different between these groups of people. The Financial Services Authority (2004) identified four groups to focus on: families with young children; school-age children; young adults; and people of working age. These groups are relatively easy to bring together through their common use of facilities, but miss out most of the groups that we identify as vulnerable here.

Key points

- Financial inclusion can be assessed in relation to 'financial capability' (the demand for financial services) and access to financial services (the supply of financial services).
- People who are excluded from mainstream financial services might use high-interest credit, lack insurance, pay more for utilities or lack an account to have wages paid into.
- Some groups are particularly vulnerable to financial exclusion for reasons that are separate from (in some cases) or interact with (in other cases) having a low income.
- Financial exclusion constitutes a complex set of often overlapping barriers, particularly for some vulnerable groups, and consequently there are many aspects that successful financial inclusion initiatives have to address.

2 Financial inclusion policies

A decade ago financial exclusion was a relatively new concept. However, in the last ten years, it has emerged as a policy concern in the context of a wider agenda about social exclusion.

The policy of paying social security benefits and state pensions directly into a bank account provided the push to improve access to banking services. In the past, payment by order book or girocheque reinforced people's propensity not to use a current account (Kempson and Whyley, 1999a, p. 17; Citizens Advice, 2006). The introduction of the post office card account (POCA) and the basic bank account mainly for this purpose has had an enormous influence on cutting the number of 'unbanked'. The proportion of low-income UK households without a bank account has fallen sharply in recent years, from 20–25 per cent in the mid-1990s to 6 per cent in 2005–06. The fall has been particularly sharp in the two years since 2003–04 (New Policy Institute, 2007c). There are also other policies that generally require people to have a bank account, such as direct payment for social services and the new Local Housing Allowance. Although basic bank accounts vary in what they offer, they have limited functionality, allowing the use of ATMs, direct payment of wages and social security benefits, and in some cases a debit card, direct debits and withdrawals at a post office. By the end of 2005, 6.4 million basic bank accounts had been opened and a third of the customers who had their benefits paid direct into a bank account had set up an account specifically to receive their benefits (Adams *et al*., 2004, p. 15; House of Commons Treasury Select Committee, 2006). The POCA has only very limited functionality, so it is debatable whether holding one constitutes inclusion in banking facilities. The POCA is therefore an example of a partial solution to financial exclusion.

Asset-based welfare policies that encourage the holding of savings or assets by low-income families can contribute to financial inclusion, while also increasing opportunities and promoting engagement with society (Sherraden, 2002, p. 5). Two vehicles intended to encourage 'the saving habit' among low-income families were the Savings Gateway pilots (HM Treasury, n.d.) and the Child Trust Fund (CTF). They were seen, not just as a saving tool, but also as a way of teaching children and their families about money and savings (HM Treasury and Inland Revenue, 2003, p. 1; HM Treasury, 2007g). CTFs are delivered through open-market competition between a wide range of authorised providers, which it is hoped will also familiarise parents with making choices between financial products (HM Treasury, 2003). The effectiveness of the CTF in financial education remains to be seen. Early indications are mixed. A quarter of parents have not themselves taken out the CTF and the Government has had to do it on their behalf (HM Treasury, 2007g). Another policy with consequences for financial exclusion is that people are being expected to take more responsibility for saving for their own pension, so understanding financial services is becoming more important.

There are several government departments and statutory bodies involved in financial inclusion strategy: the Cabinet Office; the FSA; HM Treasury (which has overall responsibility for determining financial inclusion priorities and co-ordinating the delivery of policy); Department for Work and Pensions (DWP); the Legal Services Commission (LSC); the Office of Fair Trading (OFT); Department for Business, Enterprise and Regulatory Reform (BERR); Department for Innovation, Universities and Skills (DIUS); and Ministry of Justice (MoJ). There are also cross-cutting bodies such as the Financial Inclusion Taskforce (FIT), which was formed in 2005 to monitor progress on the objectives the Government had set out and will make recommendations on what more needs to be done.

Following the establishment of the Cabinet Office Social Exclusion Unit, policy action teams (PATs) of policy-makers and researchers were brought together to make policy recommendations. The Policy Action Team 14 (PAT14) published a report of the scope for widening access to financial services in 1999 (HM Treasury, 1999). Since then, the Social Exclusion Unit has produced other documents relevant to financial exclusion (e.g. Cabinet Office Social Exclusion Unit, 2004, n.d.).

The FSA exists to deliver an effective and efficient retail market for financial services and products and, through this, a fair deal for consumers, which in turn requires it to enable consumers to be ‘capable and confident’ (FSA, 2006b, 2006c). Working in partnership with the Government, the financial services industry and the voluntary sector, it leads the National Strategy for Financial Capability and published *Towards a National Strategy for Financial Capability* in 2003. It is involved in initiatives such as working with employers to provide workplace seminars (FSA, 2006d) and providing an educational website (FSA, 2006f). The FSA’s Financial Capability Innovation Fund was launched in June 2005. It provides grants to encourage innovative projects run by voluntary organisations. In 2006, *Financial Capability in the UK: Delivering Change* explained the FSA’s support to financial capability initiatives and announced the target of reaching millions of people (FSA, 2006c, p. 1).

Another player is HM Treasury. Its 2004 document *Promoting Financial Inclusion* was a major review of financial exclusion and outlined a commitment to tackle access to banking, affordable credit and face-to-face money advice (HM Treasury, 2004). It announced the creation of a dedicated Financial Inclusion Fund of £120 million, covering mostly England and Wales. This was initially over three years 2004–07, but an extension to 2011 has been announced, and a commitment to 'continue to assess the emerging evidence carefully, so that, in the following spending period from 2011 to 2014, financial inclusion initiatives can be mainstreamed into core departmental activities most effectively' (HM Treasury, 2004, 2007c, 2007d, 2007i).

The Government has set out its strategy to tackle financial exclusion in *Financial Inclusion: The Way Forward* (HM Treasury, 2007d) and *Financial Inclusion: An Action Plan for 2008–11* (HM Treasury, 2007c). The report outlines the Government's belief that everyone should be able to manage their money effectively and securely through having access to a bank account. It announced a determination to promote financial inclusion and that: 'the current level of intensity of action to promote financial inclusion will be maintained' (HM Treasury, 2007d, p. 10). The Treasury has also been working in partnership with the banking industry – for example, in the development of basic bank accounts.

The Government set out its approach to financial capability in *Financial Capability: the Government's Long-term Approach* (HM Treasury, 2007b). This states that a long-term aspiration is for all adults in the UK to have access to high-quality financial advice to help them make better decisions about their money. The number of advisers who will have to be trained means that this will have to be indeed a long-term project. The focus of the work by Government and the FSA is children, young people, families, adult basic skills and employees in the workplace (FSA 2006c, p. 4; HM Treasury, 2007b). This means that some of the harder-to-reach groups that we identified as vulnerable to financial exclusion will have to be left out.

Of the Financial Inclusion Fund, £36 million was allocated to the DWP for a Growth Fund to support third-sector lenders (e.g. credit unions) in increasing the availability of affordable credit (HM Treasury, 2007d, p. 8). That funding has since been extended. It provides support for lenders in parts of the country where supply is insufficient and credit unions that are investing in transactional banking capability. It also funds investment in the skills of staff and volunteers working in third-sector lenders.

The DWP also administers the Social Fund, which provides loans or grants for people on certain benefits or low incomes to meet one-off expenses. The Social Fund is not 'mainstream', but is nonetheless a source of affordable credit that should not be overlooked in an assessment of financial exclusion. The loans budget available from the Social Fund was £700 million in 2006–07, compared with £350 million of loans outstanding by credit unions at the end of 2006 (Department for Work and Pensions, 2006; FSA, 2007a). Credit unions are still a smaller sector, even after the Growth Fund is taken into account. In addition, their geographical coverage is uneven (HM Treasury, 2005b).

The DWP is delivering the 'Now Let's Talk Money' campaign, which aims to make people on low incomes aware of the services available to them, such as free face-to-face money advice and affordable credit. The OFT has been running relevant consumer education campaigns – for example, to help consumers decide how best to ensure they can afford to pay for Christmas. DIUS has been funding the Basic Skills Agency's financial literacy work.

A further £45 million from the Financial Inclusion Fund was committed to expanding the capacity of face-to-face money advice, which was overseen by the then Department of Trade and Industry (DTI), now BERR. More advisers are being trained and funding to third-sector providers of debt advice has been increased. The National Debtline telephone advice service has also received increased funding. Finally, BERR is involved in a number of policies to deal with high-cost credit (Department of Trade and Industry and Department for Work and Pensions, 2004, 2005, 2006; Collard, 2006). BERR also regulates consumer credit and is funding regional trading standards teams to tackle illegal loan sharks.

The Legal Services Commission also received money from the Financial Inclusion Fund for money advice outreach. HM Treasury announced in December 2007 that a further £5 million initiative will operate a prison-focused money advice outreach service in England and Wales, which will be funded partly by the MoJ. The Legal Services Commission announced plans in 2005 to integrate the civil legal aid services provided by law firms and advice agencies with advice services funded by local authorities to form jointly funded services, which include debt advice delivered through Community Legal Advice centres or networks. The Legal Services Commission also received money from the Financial Inclusion Fund for money advice outreach (Buck *et al.*, 2007, p. 1).

The national curriculums for schools in England and the devolved administrations are all in the process of being revised to cover personal finance. However, it will take many years for the benefits of this schooling to feed through and low attainment in maths may mean that many pupils do not attain financial capability. It is therefore crucial that shorter-term policies and initiatives address the needs of those who are not benefiting from these longer-term in-school initiatives.

There is currently a push for financial advice to be more widely available. The FSA's (2004) document *Building Financial Capability in the UK* established 'generic financial advice' – also referred to as 'money guidance' – as one of seven key priorities. The aim is to ensure that there is greater access to high-quality, affordable, 'sales-free' financial advice for those most vulnerable to the consequences of poor financial decision-making. The Thoresen Review feasibility study of 'generic financial advice' published its final report in March 2008, and recommended that the costs of such a service should be split equally between the Government and the financial services industry (Thoresen Review of Generic Financial Advice, 2008). It is difficult to measure demand for advice, but what can be said is that the amount of money now being put into advice should reduce waiting times.

In addition, the findings of the Competition Commission (2006) investigation into home credit were intended to give customers a greater choice of sources of credit.

The Welsh Assembly Government's Minister for Social Justice and Local Government last year stated an intention to take forward a National Strategy on Financial Inclusion, building on the Review of Over-indebtedness undertaken by the then Deputy Minister for Social Justice and Regeneration in 2005. The development of a Welsh Assembly Government National Strategy commenced in October last year with the dissemination to key partners and stakeholders of a framework on which a draft strategy might be devised. Responses to the framework were overwhelmingly supportive of the Strategy's key themes, namely facilitating access to mainstream financial services; improving financial literacy and capability; providing accessible financial and debt advice; maximising income; and extending affordable credit and loan opportunities. Specific actions include: overseeing the ongoing roll-out of free-to-use ATMs by both LINK and high street banks; introducing financial literacy education in schools and establishing a Welsh Unit for Financial Education to advise schools and teachers; an integrated approach to income maximisation to ensure people take up the benefits to which they are entitled; introducing a Child Trust Fund Welsh premium; and supporting the further development and diversification of credit unions.

The strategy will also encapsulate support for the credit union movement. The Welsh Assembly Government supports credit unions as part of a wider agenda regenerating disadvantaged communities, creating additional jobs and providing funding to business start-ups. Between 2001 and 2004, credit unions in Wales received support from the Welsh Assembly Government and European structural funds, with a total of £3 million over the six years to March 2007 going to credit unions in the most deprived areas of Wales. From 2006, credit unions also benefited from the Growth Fund. In 2007–08, the Assembly Government allocated direct funding for credit unions throughout Wales totalling £379,000. Another source of funding to Welsh credit unions is the Finance Wales Community Loan Fund (CLF), although this funds only capital not revenue cost.

An additional £1.25 million will be made available in the three years from April 2008 to help deliver the *One Wales* (the Welsh Labour/Plaid Cymru, 2007 policy paper) commitments, namely establishing them as forms of social enterprise throughout Wales; encouraging more credit unions in Wales to offer Child Trust Fund accounts; and providing every secondary school pupil in Wales with access to a credit union by 2011.

Where new or existing credit unions can prove financial exclusion within their common bond, they can receive public funding to carry out financial inclusion activities as a service of general economic interest (SGEI). In November 2005, the European Commission published a block exemption on SGEI, which means that the Assembly Government can use this block exemption and no longer has to notify its credit union funding schemes separately to the European Commission. However, funding must still be based around the provision of SGEI and the Assembly Government must report to the Commission any funding paid out under the block exemption.

Other credit union activity sponsored by the Assembly Government includes a strategic marketing campaign and the development of credit assessment and management information toolkits. Furthermore, monies have been awarded to allow Llandudno and District Credit Union to establish a transactional banking platform, which will test the benefits of basic banking for both the credit union and its members. All such work is to be included in a financial inclusion action plan that will ensure effective monitoring. That action plan will also embrace the lessons learnt from the Debt Redemption and Money Advice (DRAMA) initiative and, now, the Homelessness Prevention through DRAMA scheme, which is funded by the Oak Foundation and the Assembly Government.

In Scotland, six Closing the Opportunity Gap objectives were announced in July 2004, which are underpinned by ten specific targets announced in December 2004. One of those targets is 'by 2008 increase the availability of appropriate financial services and money advice to disadvantaged communities to reduce their vulnerability to financial exclusion and multiple debts' (Scottish Government, 2006). The *Financial Inclusion Action Plan* published by the Scottish Government in January 2005 set out plans to reduce the vulnerability of low-income families to debt and financial exclusion up to 2008 supported with £5 million per year funding (Scottish Executive, 2005).

The Scottish Government also provided a £1.1 million Credit Union Capacity Fund. This has since been followed by the Assistance Fund. Both of these are small grant schemes to provide infrastructure, such as IT, support marketing and other development activities. The Scottish Government has developed its SGEI Approval Scheme.

The Scottish Centre for Financial Education works to improve financial education in schools. Draft financial inclusion outcomes in numeracy and social studies in the curriculum for excellence have been published and the curriculum will be implemented in autumn 2008.

Funding is being provided for front-line money advice services. The Scottish Government funds Money Advice Training, Information and Consultancy, a joint venture between Citizens Advice Scotland and Money Advice Scotland, to provide a range of support for the sector, including training, second-tier consultancy and accreditation for the Debt Arrangement Scheme. It is also funding Citizens Advice Direct to provide telephone and email advice to complement the traditional face-to-face model, and is part-funding National Debtline. Support for front-line money advice also goes to local authorities.

The Office of the First Minister and Deputy First Minister in Northern Ireland highlighted financial exclusion as a priority in the consultation document *New Targeting Social Need (New TSN) – The Way Forward* (Office of the First Minister and Deputy First Minister, 2004), although it has since been de-emphasised in *'Lifetime Opportunities': Government's Anti-poverty and Social Inclusion Strategy for Northern Ireland* (Office of the First Minister and Deputy First Minister, 2006). Northern Ireland is in the process of introducing financial education into the school curriculum.

A distinguishing feature of Northern Ireland is that credit unions are far more established than in the rest of the UK. One of their strengths is that they are very much community organisations. However, not everyone has access if their borough or workplace does not have one. Debts to credit unions are not uncommon and can even lead to bankruptcy. Another problem is that some people do not want the community to know about their financial affairs. Those who get into financial difficulties are disadvantaged in the Northern Irish system because the court fees are higher and a solicitor has to be engaged.

Until recently, customers in Northern Ireland had little choice of banks. There were four main banks with most of the market, a situation the Competition Commission reported on in 2006. It is only in the last three to four years that the main banks have become fee-free. Prior to this, transaction fees were usual, unlike the rest of the UK. This is a development that should make it easier for more people to be able to afford a bank account. As in the rest of the UK, there have been post office closures, which have particularly hit the rural population.

What is distinctive about the approach of the devolved administrations is that they directly control only some of the levers for change, those that are devolved, while others are reserved for the UK Government, where it has to operate by influencing rather than direct action. For example, although outreach in prisons is a devolved matter, legislative change to the framework for credit unions is not a devolved function, so the Scottish Government has control only over its funding. The most significant reserved areas that impact on financial inclusion are the tax and benefit system, consumer credit and regulation of the financial services sector, including third-sector lenders.

As can be seen, there are many different initiatives under the auspices of different departments and statutory bodies. In its third report on financial inclusion, the Treasury Select Committee called for the Government to adopt a more 'joined-up' approach to tackling financial exclusion (House of Commons Treasury Committee, 2006, p. 28) and the establishment of a cross-departmental ministerial group to develop common goals across departmental boundaries has since been announced (HM Treasury, 2007b, p. 52).

Other key players in the provision of financial services and advice are the banking industry and the third sector. The banking industry worked with Government to introduce the basic bank account. It is also contributing to the development of generic financial advice. Further, it is in partnership with the private and third sector that the Government is investigating the feasibility of a reformed Social Fund budgeting loan for people on low incomes (HM Treasury, 2007c, p. 29).

The third sector (for instance, credit unions and housing associations) is able to combine advice with product provision, to undercut high street interest rates, to be socially responsible and to promote a savings ethic. As such, it is seen by Government as having an important role to play in the provision of affordable credit (HM Treasury 2005a, 2007h). This approach may also be beneficial, as private sector advisers, providers and the Government are often not trusted by financially excluded people, but community projects can be effective at understanding and reaching groups vulnerable to financial exclusion (Collard *et al.*, 2003).

The problems with relying on the third sector are that credit unions are only patchy in their geographical coverage (see HM Treasury, 2005b). They also have to balance making loans to people they see as a bad risk with self-reliance on income they generate themselves. The Growth Fund subsidy might undermine their community ethos (Goth *et al.*, 2006; McKillop *et al.*, 2007, pp. 37–44). At the same time, the downside of relying on housing associations is that they might not be trusted by their tenants to have full knowledge of their financial affairs, which limits their scope.

Key points

- In the last ten years, financial exclusion has emerged as a policy concern in the context of a wider agenda about social exclusion.

- There are a vast number of different financial inclusion initiatives under the auspices of different government departments and statutory bodies.

- The third and private sectors also play a crucial role in providing services to financially excluded groups, yet could do more.

3 Financial services and financial inclusion

The purpose of this chapter is to examine the way in which financial services are provided and how this can lead to financial exclusion. It also describes and assesses initiatives by the financial services industry to overcome these causes of financial exclusion.

The financial services industry

There is an increasing array of complex financial products available in the UK. Comparing financial products is difficult, even using comparison websites. More products are now available and there are more customers. For instance, many more people now hold mortgages than 20 years ago. The degree of choice can be daunting, so that customers need a higher level of confidence in making financial decisions than they did in the past. Credit and mortgages are not suitable for everyone, even if they are offered. Yet mis-selling scandals have reduced trust in financial advisers.

The demarcations between banks, building societies and insurers have become blurred since the deregulation of the financial services industry in the 1980s. The role of clerks at counters behind glass is diminishing. Instead, the job of branch staff has evolved into selling products. The trend to focus on more profitable customers by banks and the more commercially minded building societies has contributed to financial exclusion (Leyshon and Thrift, 1994; Thrift and Leyshon, 1997; Marshall *et al*., 2000). This process has been accelerated by the demutualisation of building societies, leaving them anxious to chase profits for their shareholders rather than serve their members (Marshall *et al*., 2000).

It has led to branch closure for efficiency reasons. Marshall *et al*. (2000) found that mutual societies were less likely than banks and former mutual building societies to withdraw from socially deprived locations. Branch closures and post office closures have reduced access to those on estates, inner-city areas and without cars (Leyshon and Thrift, 1994, 1995; Leyshon *et al*., 2006). This has led to some people having to use charging ATMs to access their money, which particularly penalises those who make small withdrawals at a time. Marshall (2004) notes how cashback facilities in supermarkets, which might mitigate against the geographical aspects of exclusion, are of no use to those who wish to withdraw less than £10. Branch closures also limit the choice of customers, which means they have to take their account with a local bank, even if the basic bank account it offers is one of those more restricted in its functionality.

The restructuring of the financial services industry has increased the risk of financial exclusion for some groups. This is because, at the same time as the expansion in financial services, the disadvantages to those outside the mainstream financial system have grown. For example, there is more use of telephone, online and postal banking and ATMs, especially by the newer entrants into the banking market such as supermarkets. This has left behind people who do not have access to the relevant technology or do not trust it. Furthermore, only those with internet access can benefit from money-saving price and interest comparison sites such as Uswitch and Moneysupermarket. Some popular current accounts are not high street banks, but online only.

Current accounts, even more so basic bank accounts, are not regarded as a profitable activity by banks (HM Treasury, 2004, p. 20). The nub of the problem is that, although the banks have worked in partnership with the Government in developing basic bank accounts, the drive to greater competitiveness, increasing shareholder value, and a general diminishing commitment to retail banking means the banks accord low priority to less profitable customers. A further disincentive for high street banks to get involved in financial exclusion initiatives is that the Saving Gateway evaluation showed that there were few commercial opportunities for banks to sell related products such as insurance, savings and investments and mortgages to these customers (Kempson *et al.*, 2005). Even so, some high street banks are working in partnership with voluntary organisations in the local provision of financial services and education, providing staff time or funding to support projects – for example Barclays (Barclays PLC, 2005) and HBOS (HBOS PLC, 2004).

From the point of view of the financial services industry, making its products more accessible is usually the job of the corporate social responsibility (CSR) department. CSR managers are often not integrated with product development and service delivery: ‘The focus tends to be on good deeds, not the way consumers access and use products’ (Alferoff and Knights, 2007, p. 3). So, while financial inclusion remains the responsibility of CSR managers, we may not see enough change. Banks are unlikely to see these lower-income customers as a core part of their customer base. The implication is that improvements might have to be forced on the industry by external factors, such as monitoring and regulation.

In summary, in the context of expansion of the industry, there is greater orientation towards profit and, consequently, greater market segmentation than in the past. This is creating a divide between the profitable customers that financial service providers want to court and those they do not even bother to target.

Credit unions do not have shareholders and are often prepared to lend to people who would be rejected by commercial banks. As member-owned, not-for-profit financial institutions, credit unions are a means to take forward measures to tackle financial and social exclusion. Some credit unions also address financial exclusion by providing bill payment facilities, financial advice and education, and life insurance. There are half a million credit union members in Britain (Collard, 2007, p. 16). However, credit unions are presently not widespread enough to play a totally effective role, as shown by the Treasury mapping study (HM Treasury, 2005b). It can also be questioned whether credit unions are 'mainstream' enough for membership of one to count as financial inclusion. Community development finance institutions (CDFIs) are not-for-profit organisations providing lending and investment facilities at competitive rates in disadvantaged communities. The majority of CDFI activity is focused on lending to small businesses, although they also do personal lending without the need to save first.

Housing associations are also contributing. They offer services direct, such as home insurance, and also act as intermediaries and enter in partnerships with banks and building societies. For example, a consortium of housing associations in London have developed a service called CHANGE and act as intermediaries across a range of services including credit. Some offer savings and loan schemes. Housing associations have the influence to work with providers to offer products suitable for their tenants' needs and the contacts to conduct outreach work. They are therefore well placed to fill gaps in local service provision, although take-up has been modest (Collard and Kempson, 2005b).

Opening bank accounts

Although the proportion of low-income households without any type of bank or building society account has fallen sharply in recent years (New Policy Institute, 2007c), a minority of people find it difficult to open bank accounts, including basic bank accounts. First, they need to be aware of their options. The Banking Code of March 2005 was strengthened so that banks must assess whether an applicant's needs are suited to a basic bank account. If so, they must offer a basic account if they have one. They must also offer a basic bank account if they are asked specifically for one. Nevertheless, mainstream providers do not advertise their services such as basic bank accounts to low-income consumers in the same way as they target more affluent consumers (Financial Services Consumer Panel, 2002; Banking Code Standards Board, 2005, p. 6; National Consumer Council, 2005; McCormick and Burns, 2006, p. 16). Advice from staff is a major way people find out about the basic bank account (Millward Brown Research, 2006), so staff training is important, as is giving incentives to bank staff to ‘sell’ basic bank accounts. However, mystery shopping surveys by the Banking Code Standards Board have found improvement overall in access to a basic bank account, although promotional literature is not always easy to find (Banking Code Standards Board, 2007).

Then customers need to qualify for access and to find opening an account straightforward. This can be a problem as bank accounts can be closed or refused because of unemployment, inadequate income or lack of credit history or bad credit history. We also uncovered difficulties, through our interviews with practitioners, in opening a new basic bank account if the old one had been frozen, or if a new one was needed for priority payments while the old one was overdrawn. Most banks understandably refuse to offer basic bank accounts to people who are undischarged bankrupts or have a record of fraud (FSA, 2007b).

Because of procedures that are in place to stop criminals using accounts to launder money, there might be difficulty in providing required proof of identity for people on low incomes disabled people, homeless people, young people, migrants and refugees who do not drive or travel abroad and so do not have the commonly requested driving licence or passport to prove their identities. It is not clear how great this problem is, as Government insists that the regulations are not prescriptive about acceptable forms of identity and that banks are only required to take reasonable steps to establish the identity of new account holders. Therefore a letter from a benefits office should be acceptable. Measures announced in January 2007 will also reduce regulatory burdens in low-risk areas – for example, firms will be able to make fewer checks in low-risk situations, such as Child Trust Fund administration (HM Treasury, 2007a).

Even so, we came across examples of young people finding it difficult to open an account to have their Education Maintenance Allowance (EMA) paid into. Evidence from our interviews showed that some young people do not have the same surname as the person who pays the utilities bills at the place where they live and they do not have a passport or a driving licence. An example of a way of tackling this kind of problem is Young Scot’s collaboration with Lloyds TSB Scotland who will accept the Young Scot card as suitable identification when opening a new account (Young Scot, 2007).

Also, some discharged prisoners do not have ID for opening bank accounts on their release, as a lot of documentation is being held by the prison system and providing proof of address is a problem for people in temporary accommodation such as hostels. Care leavers and non-UK citizens might not have the necessary documentation either. However, there is some evidence that branch staff are getting more helpful if people do not have standard ID (Banking Code Standards Board, 2007).

Overall, the evidence on refusal is mixed, both from previous research and from our respondents. In our interviews we came across reports of people who were initially refused, but who got a bank account or POCA eventually. There is evidence to suggest that only a minority of those without bank accounts have been refused. The main reason for not having one is personal preference (Financial Inclusion Taskforce, 2006, p. 19).

There will always exist some people who are not able to deal with the administrative process of opening an account. For example, research for the Alzheimer's Disease Society showed that there are around 700,000 people with dementia in the UK (Knapp and Prince, 2007, p. 4). According to Citizens Advice, services must be available to provide help to those who need assistance, since they are often isolated and difficult to reach, and might need support not only in terms of joining the financial system but also in managing their financial affairs effectively once they have opened an account (Citizens Advice, 2006). We were also told by respondents of older people having problems in opening the right account or using it in the optimum way. For example, they might have thousands of pounds in a current account not earning interest.

Overcoming the psychological barrier of mistrust of financial services providers might be one of the biggest challenges to promoting financial inclusion (Kempson *et al.*, 2000, p. 31). Having debt problems might foster in people a feeling that banks are lacking in sympathy (Tanner, 2005, p. 12). Banks might be perceived to be full of 'suits' or 'not for people like us'.

As in money and debt advice and financial capability work, partnership is an important part of a successful initiative. One model is small-scale partnership, such as a bank branch having links with a local organisation. England and Chatterjee (2005, p. 9) found that partnership with intermediaries worked well in providing services most relevant to the local population. However, the limitation of this can be if the link is broken when the senior bank manager involved moves on (Tanner, 2005, p. 12).

The problems for people with a low level of literacy can be overcome by partnerships. For example, Barclays has a relationship with the Passage homeless centre (Barclays PLC, 2005, p. 11). Services Against Financial Exclusion (SAFE) has a partnership with banks at a local level, helping people deal with the necessary paperwork (HM Treasury, 2004, p. 20).

Using bank accounts

However, for those who want one, opening the account may not be the biggest barrier, as one survey found that 82 per cent of people who had opened an account (bank, building or POCA) stated that they had found the process easy (Adams *et al.*, 2004, p. 15). Millward Brown Research (2006) found extremely high levels of satisfaction among those who had opened basic bank accounts with respect to the process of opening the account (93 per cent) and the application form (97 per cent).

One of the reasons people give for not using a bank account is that they prefer to budget in cash (Office of Fair Trading, 1999, p. 21). The National Consumer Council (2005) found that about half of basic bank account holders prefer to withdraw all their money each week and manage it as cash. The main reasons are ‘knowing exactly where you are’, ‘not being tempted to overspend’ and ‘knowing how much is left after paying bills’ (National Consumer Council, 2005). Monthly direct debts are not convenient for people who budget on a weekly basis. Sixty-four per cent of those without accounts felt that they faced no difficulties as a result of not having a bank account (National Consumer Council, 2005).

Providers need to take into account that fear of going overdrawn and incurring bank charges is a disincentive to opening an account for many people on low incomes (Office of Fair Trading, 1999, p. 6). Some people prefer to use high-interest home credit than risk bank charges. Bank services need to enable customers on low incomes to retain control over their finances, be transparent about bank charges and understand the needs of low-income households. How can banks do this? Among basic bank account holders who had previously had an account, but stopped using it, one of the most common reasons was the charges and fees (Millward Brown Research, 2006). One solution could be no imposition of penalty charges for failed direct debits and bounced cheques. This is a danger without the fall-back of an authorised overdraft and is more likely to be a problem for those with relatively small amounts in their account.

In previous research, some focus group participants said that they would like a small overdraft of £20–50 to 'tide them over' (Collard *et al*., 2001b, p. 15). This would give more flexibility around direct debit payments and alleviate uncertainty regarding when transactions would appear in the account. Once customers have gone overdrawn, they need money that is paid into their account to go to priority expenses they think are urgent rather than to pay off the overdraft. However, this might result in some customers being persistently at the limit of their authorised free overdraft.

Customers wish to be comfortable paying in small amounts at a time. Collard *et al*. (2003, p. 17) found that financially excluded people often do have a desire to save, but only small amounts over a short time, and often for a specific purpose. For these reasons it is common for people to save informally using piggy banks, letting benefits build up, using savings stamps, overpaying pre-payment meters, joining Christmas clubs or by giving money to someone else to look after, rather than setting up a savings account that they consider does not meet their needs.

Branch closures by banks and post offices contribute to financial exclusion (Leyshon and Thrift, 1994, 1995, 1997). Closures tend to be of less profitable branches in deprived or rural areas (Leyshon and Thrift 1995, p. 317) and can only make people think that banking is not for them, as they do not see branches in their locality. It may be that their social group do not use it either, so information is not passed on. Basic bank account Visa Electron cards are not accepted by some major outlets and some online retailers. This means that holders of basic bank accounts are not able to take advantage of cheaper supermarket prices and the convenience of home delivery.

Access to branches can be a problem for those living in rural areas or deprived areas, those unable to afford transport and those unable to travel far because of disability. The 2007 report *The State of the Countryside* (Commission for Rural Communities, 2007, p. 25) contained evidence of 'service deserts' in rural areas. Options for providing more banking services include some methods that already exist, such as more ATMs, agency agreements with the Post Office, as well as some that could possibly be developed, such as shared branches, community banks and partnerships with local authorities (Kempson and Jones, 2000), as well as mobile vehicle facilities. There seems to be little awareness that the Post Office acts as an agent for some banks. There are post offices sharing premises with shops. These are directions that should be expanded on.

New technology, while alienating some older people and younger deprived groups without access to the technology, can actually help some people for whom using telephone and internet banking is easier than getting to a bank branch. Older people are sometimes not familiar with direct debits and one way to overcome this is for money advisers to encourage older people to try out taking one direct debit initially and to stress how convenient having a direct debit set up is if, for example, they have to go into hospital.

Access to services for people with disabilities is covered by the Disability Discrimination Act. Withholding goods or services from people as a result of their disability breaches the Disability Discrimination Act, as does offering a disabled customer a lower standard of service. Bank branches therefore need to ensure that their staff are trained to recognise and be sensitive to the needs of customers who are disabled (and extend that level of service to customers who have a low level of literacy). The type of changes that banks have made to conform with the Act have been to provide Braille, large-print or audio statements; signers; templates to assist in writing cheques and paying-in slips; audio induction loops; typetalk or textphone; and changes to physical features such as ramped access, low-level counters and brochure stands, better lighting and clearer signs. Importantly, staff need to be well trained and able to help. Too often, the way in which people with disabilities are received depends on the personal experience of staff. An example of an innovative way of offering access is provided by Clwyd Coast Credit Union, which, working in partnership with Mencap, has opened a new branch within a further education college for young people with learning difficulties. It offers financial services that might not otherwise be accessible to some of the students (ABCUL, 2007b).

Disabled people who can no longer look after their own financial affairs might have problems using their bank account, even if their friend or relative holds an Enduring Power of Attorney (EPA) and, after 1 October 2007, a Lasting Power of Attorney (LPA) (in England and Wales – there are separate laws in Scotland and Northern Ireland). This is a legal document that allows them to act on behalf of the disabled person. Under the law, banks cannot refuse to deal with an attorney. But some banks claim concerns about verifying customers' identities and the risk of fraud stops them offering high-paying internet savings accounts to people with an EPA. In one case, a bank told a woman who had power of attorney on behalf of her disabled mother that she could withdraw cash for her mother at the post office only if she had a PIN – and that it could not give her a PIN because she was not the account holder (*Ombudsman News*, 2004). So, even with an EPA, disabled people might find themselves excluded from financial services.

There are several examples of ways that banks can make themselves more accessible to people with language support needs. In areas with a high concentration of black and minority ethnic groups, Lloyds TSB seeks to recruit multilingual staff to reflect the local population and to better serve people whose first language is not English (British Bankers' Association, 2000). Halifax has a similar policy and identifies on name badges any language that a member of staff can speak and interpret. Barclays Home Finance has used 'Language Line'. This provides qualified interpreters for three-way calls between the bank and customers whose first language is not English. The most requested languages have been Urdu, Bengali and Punjabi. The Bank of Scotland supports three Ethnic Minority Centres in Glasgow and Edinburgh by providing a member of staff to each centre one day per week to provide advice and guidance on the bank's products and services. HSBC has a specialist South Asian Banking Unit that focuses on building links and relationships with local individuals and businesses from South Asian communities.

Migrants and people from minority ethnic communities may be in particular need of a secure method of sending remittances. The security aspect is important. The money transfer company First Solution, which was used by thousands of Bangladeshi families to send money back home, collapsed in 2007 and customers lost nearly £2 million. Some banks have set up innovative products – for example, a second debit card, which family overseas can use to withdraw cash. Also, partnerships between banks, such as that between NatWest and Bank Polski, make setting up an account abroad and transferring remittances easier (BBC, 2007a).

In summary, groups vulnerable to financial exclusion can experience barriers to using bank accounts. Customers should be consulted more, to make sure that the banking facilities work for them – for example, the choice of alternatives to chip and pin, and ways of making automated telephone systems and websites accessible.

Affordable credit

For many people, credit is a useful tool. Providing cheaper credit to people on low incomes has been described as 'probably the biggest challenge in tackling financial exclusion' (Collard, 2007, p. 17). There are various ways to obtain credit.

- Private sector, e.g.:
  - 'mainstream' – credit card, bank loan, overdraft, building society;
  - sub-prime lenders, specialising in lending to those with poor credit histories;
  - licensed home credit, store card, catalogue credit, 'cash before payday' services, pawnbrokers.

- Not for profit or third sector, e.g. credit union, CDFI.

- Social Fund.
- Informal, e.g. 'jam jar', arrears on utility bills, borrowing from friends and family.
- Illegal private sector, i.e. 'loan shark'.

People often use a combination of these services, such as a bank and home credit as well. Our concern here is with unmanageable debt and access to inappropriate lending, which serves to exacerbate rather than alleviate financial exclusion. The main issue is to improve access to not-for-profit or third-sector lenders and the Social Fund, and responsible lending by mainstream services, by meeting the needs of people on low incomes. Until very recently, there has been plenty of private sector credit available – the problem is inappropriate lending. The advantage of expanding third-sector lenders is that they can lend at lower interest rates than alternative sub-prime lenders. Collard and Kempson (2005b) found that the main needs among people on low incomes are:

- access to small, unsecured, fixed-term loans in cash;
- quick access to credit without lengthy or intrusive applications procedures;
- affordable weekly payments with no hidden or extra charges;
- automatic repayment arrangements, such as deduction from benefit or home visits by a collector;
- opportunities for making late payments or rescheduling loans without incurring charges when temporary financial problems occur.

We would also add needs that were raised in our interviews:

- access to mainstream credit despite a poor previous credit history;
- older people can have the specific problem that they are denied credit purely on the basis of their age, not their income.

Given these needs, the availability of affordable credit could be extended by increasing the spread and financial sustainability of not-for-profit credit unions and CDFIs (Collard and Kempson, 2005b). Financial sustainability is achieved by generating sufficient income to cover administrative costs and build up reserves to cover losses. The Growth Fund and the move to greater professionalisation of credit unions should help here. Yet, although credit unions could theoretically be a solution to affordable credit, they are not available and accessible everywhere, and their use can be inhibited by a requirement to save with them prior to taking out loans. There is not space here to consider the ways the Social Fund is failing, but it could be reformed to provide greater access to loans (see Collard and Kempson, 2005b; Legge *et al.*, 2006; Patterson, 2008). On the part of the industry, responsible lending would involve greater data-sharing by lenders, which is particularly important when someone has multiple credit cards on which they are making minimum repayments.

Other financial services

Progress on inclusive financial services to date has been greatest in banking, and there has been less progress on home and life insurance (Collard, 2007, p. 19). Just over half of the poorest quintile of UK households lack contents insurance, compared with just over 20 per cent of households with average incomes (New Policy Institute, 2007f). Households with no home contents insurance are more than three times as likely to be burgled as those with insurance, but half of the poorest households do not have home contents insurance, compared with one in five for households on average incomes (New Policy Institute, 2007d).

The insurance industry developed to protect people from risks. Yet, ironically, insurance is least widespread among the population who are most vulnerable to risk. There have been developments in IT that enable tighter assessment of risk using statistical methods (Leyshon *et al.*, 1998). This has led to market segmentation and less risk-pooling. Potentially, the cost of insurance could go up in some areas.

Not having adequate home insurance can leave a household in a crisis if they experience the damage or loss of property. Social housing providers and other social services might have to step in. The take-up of home insurance is low, not because of exercise of meaningful choice (Office of Fair Trading, 1999, p. 3), but because of difficulty in affording the premiums out of a low income, the higher cost of insurance in deprived areas that often suffer a relatively high crime rate and the perception of not having possessions of value. The families of offenders might not be able to get insurance at all. A minimum sum to be insured can be a problem. The requirements to have security devices can also be a problem (Collard, 2007, p. 18), as can not having the option to pay with cash. Insurance cover that is taken out on an annual basis might not meet the needs of people who budget on a week-to-week basis and might prefer a PayPoint type service. One solution is the insure-with-rent schemes run by some housing associations. However, take-up has been patchy.

Having briefly reviewed the ways in which the financial services sector can combat or create financial exclusion, we now turn to the results from our research on financial advice and financial capability.

Key points

- The restructuring of the financial services industry has increased the risk of financial exclusion for some groups, but has led to greater financial inclusion for others.

- Some people from vulnerable groups still find it difficult to open and use bank accounts for a wide variety reasons to do with their specific needs.

- Credit unions and CDFIs can go some way to improving access to credit.

- Bank services need to enable customers on low incomes to retain control over their finances and offer loans suitable to the needs of people on low incomes.

4 Money and debt advice and financial capability initiatives

This chapter is concerned with the ‘demand side’ of financial exclusion. We interviewed practitioners working on the ground in money advice (general one-to-one advice), debt advice (addressing a crisis) and financial capability (developing the knowledge and skills to understand one’s own financial circumstances, and the motivation to take action). There are links between these, but also boundaries – for example, in terms of funding opportunities. We describe the factors that contribute to the success of money advice and financial capability initiatives, and give practical examples. Overall, we found that the groups vulnerable to financial exclusion that we identified in Chapter 1 are best reached in very different ways.

One of the challenges we found in conducting the research was that many organisations did not see themselves as working in ‘financial inclusion’, or even in money and debt advice. They might be working within a wider remit, such as ‘tenant welfare’. It might be a matter of this being a rather marginal and insecurely funded area of work. We were often told that ‘so and so’ has left or moved on to other work, or that the person on the phone is not sure who to put the call through to.

Similarly, a single organisation might be giving several different sorts of advice and services, which might mean that staff working primarily in a different role also in fact address ‘hidden’ financial exclusion issues. Much financial capability work is also on an informal basis (ABCUL, 2006). As a consequence, distinguishing money advice services from other sorts of advice services was often difficult.

However, although it might be marginal to an organisation’s activities, money and debt advice services and financial capability initiatives can be identified as the following.

- Those taking place within the Citizens Advice Bureau (CAB) structure. These might take the form of an identified project or office, or might be a person who specialises in giving this sort of advice, or a time when specialist advice is available.

- Those taking place within the structures of local government. The service is usually directed at take-up of benefits and payment of rent, as well as at giving money and debt advice.

- Those taking place within a housing association. The service is usually directed mainly at reducing rent arrears.
- Independent money advice projects.
- In addition, credit unions and CDFIs offer not only alternative banking services. Giving money and debt advice and support is intrinsic to the work of the movement, although there might be branches or times when the advice is more readily available.
- Organisations for specific groups that also offer money and debt advice alongside other services.
- Advice given by an independent financial adviser (IFA). The private sector cannot currently provide the solution to limited capacity in advice services because independent financial advisers are profit driven, so they do not offer advice to people seeking basic services.
- Advice given by a private sector financial services provider in connection with its own services.

We surveyed all of these, with the exception of the last two. A key theme to emerge was the huge diversity of financial inclusion work taking place. As we found, 'there are a lot of groups now beginning to do work in this area, but there is a lack of co-ordination' (disability charity). Another aspect to diversity is that some projects have wide-reaching aims for community regeneration – 'To increase the prosperity of the people in the community we serve'. Others have more targeted aims – 'To provide a free, confidential, impartial advice service', 'to maintain tenants in their housing'. Others have helping a target group, such as homeless people, as their main aim. Some key themes emerge and, next, we look at these and present examples of how they could work in practice.

Awareness/marketing

The FSA's desire to achieve fast progress has led them to focus on where existing information dissemination channels were strong – whether that be children in schools, students at university, employees in the workplace or tenants of housing associations (FSA, 2006e).

Some money and debt advice initiatives offering one-to-one advice did not need marketing, as they had too many clients already because of excess demand for their services:

> Lack of capacity means that services are often not widely promoted, as we cannot meet additional demand. (Law centre)

But the importance of marketing was mentioned by other organisations. For example:

> A service aimed at young people needs to be constantly in the face of the young people – advertising is vital. (Young people's advice project)

When it comes to credit unions, there is a low level of awareness. Very many people do not understand a credit union's function. Although it might be hard to find a budget for marketing out of the limited funds available to a small organisation, respondents stressed the importance of awareness-raising:

> Basic awareness needs to be key – spread the name and concept of our service. (Credit union)

> Kids want to save. A lot of parents want to encourage this. But – keeping a high profile in schools and with parents is important. (Credit union)

The difficulty of marketing a credit union might be linked to disinterest in personal finance issues. For example, financial capability projects found it hard to recruit voluntary participants and suffered from 'financial' or 'money' issues coming over as too dry unless they were marketed well. In the words of one respondent:

> Use creative marketing – try not to use the word 'money' to entice young people – work around the fact that the information they will receive will make them richer and/or nearer to independence. (Credit union)

Another problem in recruiting participants in financial capability work is that often people do not know what they do not know, or will not admit to not understanding money for reasons of stigma or shame:

> People with financial inclusion issues find it difficult to admit that they are financially illiterate or have financial problems. (Funding body)

As to marketing methods, one housing association we came across publishes articles in the quarterly newsletter for tenants and has a website. Another organisation broadcasts ‘tips’ on local radio over a few weeks and publishes columns in local newsletters to try and reach the socially isolated. However, word of mouth and networking (rather than print media) were strongly supported by very many of the organisations we contacted:

> The only way to get members is face-to-face presentation and by networking. (Credit union)

> Sometimes it can be difficult to engage those who would benefit most from the service. Word of mouth is the best way to encourage take-up. (Financial skills service)

As another example, an organisation for disabled people goes to various local groups for disabled people to talk about the services it offers, in order to extend local knowledge of what is available.

The proliferation of money advice and information projects can be a problem in itself:

> Most people still don’t know how to access advice … there are many sources of assistance both in relation to information and actual funding, but most people do not know how to find it out primarily because it is all in a million different places and it is too hard!!! (Independent advice service)

Partnership with other organisations helps with recruitment to the service because it facilitates ‘spreading the word’. Going round to community groups and GPs’ surgeries was also recommended to us as a strategy. Having a recognised ‘brand’ behind the project also helps: ‘It has been easier to get the message across with the FSA name behind what we do’ (student money advice service). The Thoresen Review is investigating how advice can be branded to raise awareness of it. In addition, some clients may be attracted to courses bearing qualifications: ‘Running accredited workshops helps develop self-esteem’ (money skills service). Such qualifications have been developed by the Chartered Institute of Bankers in Scotland (CIOBS), the Institute of Financial Services (IFS) and the Open University.

Importance of timing

Are initiatives reaching people at the right time? There are two broad types of initiative: those that are preventative (generally addressing a group of clients) and those reactive services that help in a crisis on a one-to-one basis. There is a tension here because, as mentioned above, it is hard to interest people in general financial education, which they might perceive as being irrelevant to them: ‘If the knowledge cannot be put into practice soon after it is heard there is almost no point presenting it in the first place’ (not-for-profit financial education provider).

A repeated theme was the difficulty of engaging potential clients in preventative strategies and the advantage of early intervention before people leave school, when there is, as one organisation put it: a ‘captive audience’ (CDFI). These were typical remarks:

> Financial literacy is best delivered on a mandatory basis when it is needed, i.e. in school prior to leaving, or as induction when starting work or further education. In my experience, vital though it is, it is too dry and remote a subject to engage people to volunteer to attend such courses. (Housing association)

> We wanted to work with adults [rather than young people] but realised most don’t want to discuss their financial matters. (Not-for-profit financial education provider)

In recognition of this problem, the national curriculums for schools in England and the devolved administrations are in the process of being revised to cover personal finance. However, it will take many years for the benefits of this schooling to feed through and low attainment in maths might mean that many pupils will not attain financial capability. Initiatives focused on educating young people must be seen as a long-term project. Initiatives by the private sector include the qualifications developed by the Chartered Institute of Bankers in Scotland (CIOBS) and the IFS.

One project we were in contact with told us that jobseekers preferred one-to-one advice, either because they did not want to discuss their affairs in front of others, or because they only wanted to sit through what was immediately relevant to their own situation. A student money advice service found that take-up of information sessions, even those held in the coffee shop, was very low. What worked better was a ‘shopping basket game’ around how to save money, which was held at the freshers’ fair for new students. However, their overall experience is that one-to-one debt management is where the demand is. Some projects use incentives to encourage participation in preventative work:

> … we provide incentives such as energy saving light bulbs and gift vouchers or day trips on the completion of a course of sessions. (Financial capability project)

Although people are more receptive once they already have money problems, when people are in deep difficulties is not a good time to try and give general advice. Where research has shown danger points for getting into debt, these would be useful times to provide information. It is best to give advice at a life stage associated with a drop in income or at which a person is able to make immediate use of advice. For example, one housing association we came across gives all new tenants an appointment to look at their whole financial situation. They have found that prospective tenants are receptive to advice, including preventative work, at this point. Other good times to signpost to debt advice are the first claim for Income Support, work-focused interviews at a Jobcentre, a claim for the Sure Start Maternity Grant, diagnosis of a medical condition, or discharge from hospital.

As another example, midwives and health visitors are in a position to give out information and referrals at a life point when many people are open to it. They and social workers are asked for money and debt advice all the time in any case. Youth workers could be trained to access the NEET group. This means an effective way of working is to give training to other groups in touch with clients: ‘second-tier training and advice is particularly effective’ (CAB).

When people are entering a crisis, intervention as soon as possible is needed, so short waiting lists for advice are vital. One problem that we identified was ‘lack of easy access to advice at the relevant time’ (independent advice service). But even people in financial crisis need to acknowledge their situation and be ready and able to receive advice. Some people are sceptical about whether it will help them. Others do not want to face up to their problems. Respondents said that, even when people have a developing financial problem, they often do not seek help until the bailiffs are at their door or they have received an eviction notice. For example, homeless professionals and homeless people themselves have said that their most common reaction to financial problems is to ignore them rather than seek advice (Kahn and Jones, 2001, p. 6). In terms of suitable timing to give help, with homeless people, it was necessary to work on practical issues first and not attempt financial inclusion work until the client’s position was stable, then reflect back with the client on what they could have done differently.

One problem mentioned was when referred clients just did not turn up for appointments. Other problems identified were that:

> You can only do so much to help people through the door. (Alternative loan and money advice service)

The commitment of the clients was also identified as important in financial capability work:

> The service user must want help and be motivated by the service they receive. (Tenant welfare service)

Funding

There are a huge number of diverse sources of funding for financial inclusion initiatives, such as:

- Abbey Charitable Trust;
- Barclaycard;
- Basic Skills Agency;
- Big Lottery Fund;
- Citizens Advice;
- commercial activities;
- Community Fund;
- Esmée Fairburn;
- European funding;
- Financial Inclusion Fund;
- Friends Provident Foundation;
- HBOS Foundation;
- HM Prison Service;
- HM Revenue & Customs;

- HSBC;
- housing associations;
- interest from loans (e.g. for credit unions);
- JobcentrePlus;
- Learning and Skills Council;
- Legal Services Commission;
- Lloyds TSB Foundation;
- local authorities;
- National Offender Management Service;
- Neighbourhood Renewal Funds;
- New Deal for Communities;
- NHS/primary care trusts;
- Northern Rock Foundation;
- regional development agencies;
- Royal Bank of Scotland;
- Tudor Trust.

These funding bodies support different types of financial inclusion work, some being more restrictive in what they will fund than others, which is a limitation where financial exclusion is linked to other issues that a person might have. A recurrent theme was shortage of funding relative to the demand from potential clients and the problems posed by short-term funding.

The need for money and debt advice and financial capability seems to be limitless, especially given that need is currently ‘hidden’ by people not coming forward for help. The Resolution Foundation believes there is a ‘financial advice gap’ even for people on moderate incomes. These issues have been recognised by Government and the Thoresen Review has therefore produced recommendations as to how providing a new 'brand' of 'sales-free' money advice could contribute to a solution (Thoresen Review of Generic Financial Advice, 2008). Typical comments relating to the shortage of funding that we found were:

> Financial sustainability is hard to achieve, grant funding is limited. (CAB)

> The value of face-to-face advice is recognised and appreciated by those who are able to access it but greater resources are needed to properly address the need. (CAB)

Face to face and one to one can be the best way of providing an advice service. However, advice-giving is labour intensive and a session can take an hour. One student advice service has now devised a debt pack, which means that students arrive at the one-to-one session prepared.

A paucity of funding means that it is often impossible to provide enough of this type of service. This raises the question of how to ration the limited services that can be provided. It also means that, in common with other parts of the voluntary sector, a great deal of administrative time goes into preparing bids for future funding. A typical comment was: 'Funding is always a battle' (credit union). Uncertainty about future funding hinders the progress of initiatives, because it takes time to gather evidence, appoint workers and set up structures. BERR has funded 500 more money advisers and it could be that the effect of this had not yet fed through to the respondents of the survey (HM Treasury, 2007e). The extension of the Financial Inclusion Fund, which will contribute to a £76 million initiative for free face-to-face advice will help, although it is still only guaranteed for a relatively short period – to 2011.

Short-term funding makes it hard to plan ahead and is particularly problematic when money and debt problems are long-term and complex. Clearing debts can take several years, with the results that projects that 'need long-term support for clients – need long-term funding' (independent money advice centre) and projects 'Must provide people with the skills needed to manage long term' (organisation working with young people). One money advice organisation that we surveyed keeps in touch with clients and will contact them every month if necessary. In addition, long-term funding is important because organisations 'need time for tenants to build confidence with money adviser' (housing and community association). Similarly 'it takes time to develop a successful "product" and to gain a good reputation' (CDFI). Another problem is that it can be impossible to show in the time available that the client's situation has improved, making it hard to obtain an extension of funding.

Features of successful initiatives are described as:

> Seeing people to the resolution of their money issues. Seeing the same adviser each time. (Housing association)

> Continuing support through the facility for them to access us throughout their course not just on a single occasion. (Student adviser)

> Security and length of funding gave us the opportunity to build on relationships over an extended period of time. (Project for lone parents)

These comments are echoed in research on the impact of debt advice by the Legal Services Research Centre (Pleasence *et al.*, 2007). On the other hand, projects are less successful:

> When [funding] is parachuted in for very brief periods. (Not-for-profit law and money advice centre)

The implication is that groundwork, such as getting partners on board, needs to be done in advance to get the most out of the period that the project runs for. The voluntary sector recognises the long-term nature of financial inclusion work, but the Government has committed funding only to 2011.

Credit unions had particular issues with funding, despite the existence of the Growth Fund:

> There is a huge demand for what they [credit unions] offer, but there is not enough capital to meet the demand. (Credit union)

Trying to get enough savers to fund lending is a problem:

> Focus on savings in order to keep balance of savers and borrowers – can't merely be aimed exclusively at low-income clients who will request loans. Without savings there is no chance of servicing loans. (Credit union)

Gathering evidence through the evaluation of initiatives, such as the amount of rent arrears collected, can help to secure longer-term funding.

Staffing and administration

Having the right staff is crucial to the success of an initiative. Success of financial inclusion projects often depends on the personal qualities of individual project workers, rather than any particular model of delivery (Wallace and Quilgars, 2005, p. 48). Several organisations commented on the dedication and hard work of their staff. As our respondents put it, factors contributing to success were:

> Great member of staff to drive the project. (Housing association)
>
> The experience and knowledge of the staff member, previous experience and knowledge of the client group. (Organisation working with families of disabled children)

Other valuable staff qualities are to be very good at going out to meetings, giving talks, greeting people and making contacts and social networking. The staff of a project need to feel confident with the topic, but short-term funding presents a problem for retention of experienced staff. Indeed, several projects we contacted had already finished and the staff had moved on. However, we did also find that sometimes staff might stay with an organisation, and even see the same clients, but be funded by a different project.

Another problem is that, with funds stretched, there can be insufficient in the budget for staff development and volunteer training. These are problems common with other parts of the not-for-profit sector. Typical remarks were:

> Many small VCS [voluntary and community sector] organisations still do not have time/resources to participate in appropriate training or capacity-building. (Training organisation)

Another organisation commented on: 'The apparent lack of accredited financial literacy courses available to anyone under entry level 3' (CAB). With the rapid expansion in financial inclusion initiatives, although courses are currently under development, we anticipate continued difficulty, at least temporarily, in recruiting highly qualified staff. Underlining how invaluable experience is, one organisation criticised targets 'that only look at volume not quality of advice' (local authority). For example, if a performance target is linked to the number of people seen, it might lead to a focus purely on those cases that are quickest to deal with, not where need is greatest.

In some cases, financial capability is embedded into a wider programme aimed at a particular group and one way to success is to train people whose main role is something else, but who are asked for money advice all the time.

Some initiatives, such as smaller credit unions, use volunteers. The use of volunteers can help to build trust with the clients and encourage community engagement. Employing volunteers might reduce costs, but having paid staff ensures better quality of staff and consistent availability. The attitude of staff was also seen as significant. A factor brought out as important to success is to 'always give a friendly, professional service' (credit union).

Accessibility

Accessibility was emphasised by respondents – services need to be delivered in the right place. For example:

> Accessibility to our office, or local community based points and the services we provide are very important to our members. (Credit union)

Projects can benefit from having a visible presence and premises can act as a drop-in. A typical comment mentioned 'The need for a shop front as a base to offer more accessible facilities and hours' (credit union). However, the location of offices needs to be somewhere central for the client group.

Although operating from a fixed location might make a service visible, there are other circumstances where outreach in community premises is appropriate. Community premises are sometimes suitable for use as occasional but regular advice provision if a private room is available. Some credit unions have set up collection points around their communities, to make themselves accessible. One strategy for making post office and bank services more accessible following branch closures is the sharing of premises with a village shop, church or school, or even community-owned shops, or a mobile bank.

Initiatives should take place in familiar settings such as schools and children's centres. For instance, the in-school credit union run by pupils at Lochend Community High gives them membership of New Easterhouse Credit Union (ABCUL, 2007c). Research by the Legal Services Research Centre has shown that financially excluded people welcome money advice in outreach locations (Buck *et al.*, 2007, p. 154). We found examples of targeted outreach. One project for older people went into sheltered housing, a group they had noticed did not tend to come forward for information. They went to existing groups such as lunch clubs and coffee mornings. A project aimed at disabled people was promoted at carers' groups and GPs' surgeries.

Sessions also need to take place at a time that is convenient for the clients. For this reason, one organisation recommended that: 'preferably the first appointment should be informal not a pre-booked appointment' (credit union). This financial capability project for families is a good example of how this might work in practice:

> All of our work is done in the community, we advertise and run sessions in local community centres and primary schools. We generally deliver sessions during school hours. We provide crèche facilities and refreshments. (Financial capability project)

However, a project for young people found that youth groups and scout groups were not such successful settings for financial inclusion work, perhaps because it was very different from the groups' other activities.

One respondent preferred to meet people at a 'neutral' place free of distractions. There are health and safety concerns about advisers going into people's homes, but we found there are other circumstances where outreach in clients' own homes is seen as appropriate for reaching the isolated. Another organisation commented that a factor contributing to success was:

> … the way in which the service is delivered, i.e. proactive advice and follow-up work, home visits offered as a matter of course to suit the needs of the clients. (Organisation working with families of disabled children)

Home visiting does not allow so many clients to be seen in a day, but is key for people with young children, disabled children, people with visual impairments or with transport problems. People with disabilities can be put off by having to travel to a CAB or wait in a long queue when they get there. It can also overcome the issue of people not turning up when an office appointment has been made. On the other hand, it was noted that 'self-help/phone support offers a route to follow, allowing advisers to see as many as possible with quality advice and helping more, and a route for clients not needing to come in' (independent debt advice centre).

Use of technology is potentially a way to make services more accessible, providing education and advice through the phone, internet, text messaging (more accessible for some than the internet), mobile phone, television, video link to an adviser and electronic payment systems. However, we also found typical comments were that:

> Word of mouth and face-to-face interaction are key to delivering our messages. (Credit union)
>
> Large numbers of excluded young people do not have or have limited access to the internet. (Organisation working with care leavers)

Therefore they prefer paper resources, so an organisation working with care leavers has produced a file with sections, such as how to open a bank account and what it means to have a loan. In summary, the Thoresen Report (Thoresen Review of Generic Financial Advice, 2008) echoes the experience of the organisations we interviewed, which suggests that technology might not be the best way to reach all the groups vulnerable to financial exclusion. Instead, a variety of ways to contact potential clients should be used.

Partnership

One theme that came up frequently is the benefit in forming partnerships with established groups, as these quotes illustrate:

> [What made our initiative successful was] Good partnership working with the Highland Council, local housing associations and other agencies. (Life skills training provider)

This mirrors one of the main findings of the Thoresen Report (Thoresen Review of Generic Financial Advice, 2008). A contributor to success for another of the respondents was 'Networking and relationship building with agencies we may not have worked with before' (housing association). The kind of partner agencies our respondents had worked with included care agencies, housing associations, health workers, the local council, CAB, emergency services and meals on wheels.

Partnership working offers a way of recruiting clients to money advice and financial capability projects from organisations in touch with potential clients. An example of working with partners is an outreach project to older people in sheltered housing, which found that getting the warden right behind the session was important, as they could 'spread the word' (the best way of advertising these kind of sessions), put up the posters and distribute flyers. These examples demonstrate the effectiveness of partnership working:

> Strong relationships are needed with referral organisations who are well placed to encourage their clients to access help. (Credit union)

> We work closely with partner organisations where we are running sessions to ensure that people who might be interested or in need of the sessions are told about the groups and motivated to attend. (Financial capability project)

The backing of a familiar group helps enormously. The key point here is 'the existing contact with the client group' (organisation working with families of disabled children). A financial capability project for sixth formers advertised sessions to school staff in order to get them on board and willing to let the organisation into school during lesson time. It contacted school staff through trade union newsletters and via local authorities.

Through partnership, important lessons can be learned about the needs of the target clients: 'Partnership working is highly effective and helps minimise reinventing wheel' (strategic planning organisation).

However, there can be problems in working effectively with partner organisations. One debt advice project, which relied on referrals from health workers found 'lack of co-operation from external problem noticers' (local authority) hindered the project. A similar comment was:

> Partner organisations on the whole promote our projects but are unable to sustain their clients' interest either through lack of time and resources or apathy. (Credit union)

Another issue that was commented on is that it 'takes time to build the partnerships and be clear of how best to work together' (housing and community development association). There can be unco-ordination. One organisation explained that the way around this is for it to 'liaise with as many agencies as possible to make sure we are working together' (money advice service).

However, what happens to those potential clients who are not already linked in with existing community groups? As one organisation explained: 'The difficulty is in reaching the hard to reach who do not access mainstream services or community-based intermediary organisations' (community development organisation). For example, it is not uncommon for vulnerable people to become socially isolated:

> Many people get by without the support they need which leaves them vulnerable. They may have mental health or learning disabilities which are not recognised or not severe enough for agencies to become involved. These are the people who are most likely to not have bank accounts,

> the correct benefits and are vulnerable to doorstep loans. (Independent money advice service)

In summary, interventions range from sophisticated arrangements involving lots of partners, to individual organisations forging a relationship with a local manager, but, as one organisation put it: ‘The key theme is that individual organisations, working alone, cannot deliver solutions to financial exclusion issues’ (welfare rights service).

Independence and trust

Perceived independence and trustworthiness of advice and education came through as important. Another important element of trust is to be non-judgemental about debt problems and to offer a confidential service. We were told that people in West Wales will travel a long way to discuss their finances at a CAB where they are not known and where there are not local people involved, even when there is a CAB closer to them (even though a CAB is a good example of an advice-giver that is recognised as confidential). It is especially important for initiatives not to be seen as linked to a local authority or the Government. A problem for housing associations in providing advice might be lack of trust in the landlord and so a preference by tenants not to reveal personal information. One respondent put the success of their initiative down to:

> The fact that the initiative was provided by a group with no ulterior motive, e.g. banks – who promote their own agenda either explicitly or implicitly through dress code or presentation logo. (Student adviser)

It is important to be embedded in the community: ‘workers need to become known faces and to build up contact with the groups using the outreach venue’ (credit union). Another trusted type of venue where work is going on is churches, where an important part of their success is ‘Church contacts with the community and its recognition as a “friendly place”’ (church-based debt advice project). Partnership working facilitates trust by going through an organisation that clients already have a relationship with – a finding confirmed by Legal Services Research Centre research (Buck *et al.*, 2007). Partnership can also signal the independence of advice, as these quotes illustrate:

> As a landlord we are not the best people to talk to about finance issues as tenants feel we will increase rent, etc. We try to work through other organisations. (Housing association)

Relevance

Initiatives that have a wide client base can be distinguished from those that are more targeted. Some of the money and debt advice initiatives were already so overwhelmed with clients that they felt that they did not need to actively target, and did not have time to do so. An advantage of such initiatives aiming to have a wide base of clients is that people who do not see themselves as belonging to a particular group will be included. However, broad area-based initiatives have the drawback that most vulnerable people do not live in a disadvantaged neighbourhood that is served by community-based projects and therefore need to be reached in other ways. Some credit unions were not targeting for a different reason – they needed a broad range of members, including earners, to reach a critical mass of savings, which would make their credit union sustainable.

Overall, though, we found strong agreement that: 'People are individuals who need tailored support. People have different needs and no single approach will apply to all' (CDFI and advice service). This mirrors the findings of a Scottish Government (2007) report into policies for specific vulnerable groups. In a review of financial education for the DWP, England and Chatterjee (2005) also found that effectiveness depended on how much a programme is tailored to the needs and characteristics of the client group. Typical recommendations from our respondents were:

> Be flexible and understand your community's profile and needs. (Community regeneration scheme)

> Understand the needs of those you aim to work with – one size does not fit all. (Credit union)

And organisations were critical of:

> Lack of understanding of the basic problems of the target group. (Student adviser)

Therefore, of particular interest to this study was whether initiatives are reaching the right people at the right time, and how doing this can be achieved for a diverse range of potential clients.

This section provides examples of how some of the groups we studied are already being targeted and services are being tailored to their needs. First, we discuss the general principle of involving the service user. Then we give practical examples of how to tailor services for different groups.

We were told that: People are ‘more willing to talk about finances than might be expected if the environment is correct’ (financial capability project). But how can this be achieved for different client groups? Partnership working facilitates tailoring and brings specific understanding of the needs of that group. Some people are more comfortable speaking to someone from a similar background to themselves. The solution of one organisation to this is that: ‘The service is targeted at parents and families, so all users have something in common’ (financial capability project), and it also facilitates valuable peer group support.

Consultation is important for financial capability work. As one organisation put it: ‘Working with, not just for, users’ (independent advice service). An organisation working in a disadvantaged area arranges to meet people informally at the organisation where they meet and gather their views – for example, at children’s centres, Age Concern, health projects and mental health support groups. Finding out at the start of a workshop what the participants hope to gain from the programme was emphasised by respondents. For example, NCH designed its programme for care leavers in consultation with young people and front-line staff in NCH care-leaving projects. A Welsh CAB arranges to go and meet people informally at the organisation where they meet to gather their views. Other examples are:

> The learners had been asked for suggestions for the topics … The topics were dealt with flexibly and adapted depending on the learners’ responses and ideas. (CAB financial capability project)
>
> Content of sessions: is based on participant needs – we consult widely with participants to determine the topics they would like to cover. Whilst we have a set programme of topics, we are very flexible in terms of what we deliver. (Financial capability project)

The importance of taking steps to ensure that the service user is able to make their voice heard and actively participate in the design and implementation of the service is now well established. In some cases, staff are already familiar with the problem facing that group: ‘I had been a university financial officer and could relate first-hand to their problems’ (student adviser). With their close links to the communities they serve, credit unions are well placed to identify, and target their advice function to, those most in need (although it remains to be seen whether the trend towards mergers of smaller credit unions will result in a weakening of those local links). There is an issue surrounding who should decide when and what financial education and advice a person needs (Wallace and Quilgars, 2005, p. 44). Should ‘experts’ design the services or should they respond to demand?

Popular approaches are participatory sessions, quizzes, case studies and games. The message is to keep it informal: 'Don't be like a teacher … have discussions rather than lessons, keep groups small' (CAB). And it is important to communicate with the group on their terms and in their language. However, a couple of organisations working with older people found that their older group wanted just to listen, possibly because of hearing or sight problems, or low literacy. In contrast, their Sure Start participants did want to interact and participate.

There should also be an emphasis on relevance and how the knowledge can be put into practice straightaway, which will vary for different target groups. For example, pensions information is likely to be perceived as boring by 16–24 year olds, but young people may feel motivated to participate in projects around budgeting for cars and mobile phones, which they perceive as immediately relevant:

> What made it successful was our going into schools, etc. and engaging directly with young people and using their experiences as a starting point and trying to make things as fun as possible. (Young people's advice project)

One project that we came across targets families, so, as well as budgeting, topics that were covered included the family Christmas, birthdays, saying 'no' to children's demands and communication with children. In the case of sessions carried out in schools, those about to leave school are most interested in budgeting and credit, wages and payslips, and the cost of going to university. Topics covered with students include saving money and budgeting, looking for ways to cut expenditure. The topics covered by an organisation that works with offenders depend on which are coming up in their debt advice, and around how to buy and budget for a car. In its work with care leavers, one organisation consulted with young people and found that the topics most relevant to them were budgeting, housing and getting a job. Our respondents told us that the topics most relevant to people who are homeless are budgeting on a low income, saving money and claiming benefits. Similarly, our respondents who work with young homeless people focus on immediately relevant life skills to help participants save money and run a bank account.

In the sessions for older people, a Welsh CAB found its participants wanted to know what was available, as all the products are confusing – when and how to get statements, and what to ask for in a bank. They were more interested in using direct debits; other financial products; paying tax; saving money by switching utilities; discounts at local retailers; and help with filing and getting organised.

The wider context

Financial exclusion might be one of several issues that a person is facing. For example: ‘Many of our clients have debt problems alongside other difficulties’ (independent advice service). Some people need more than just money and debt advice, so onward signposting and partnerships are ideal. When a person has multiple needs, help with effective money management has to come at a time when the individual feels ready for it. Until that point, support is about damage limitation and dealing with things that are more important, like safety, health and housing. For example, sometimes: ‘Target groups difficult to “capture” or to sustain involvement due to chaotic lifestyles’ (CAB). Also mentioned was that:

> The service user must not have other family issues outstanding, or if they are outstanding they are being helped to address the problems. [Such as] the existence of any mental health or depressive illnesses. (Tenant welfare service)

In some cases, money advice is part of a wider service offered to a particular client group – for example, domestic violence services. It might be quite marginal to the work of such an organisation and this has its advantages. Moreover:

> The work cannot exist in isolation and must have a holistic approach acknowledging the client’s experiences and feelings and link to other agencies. (Life skills training provider)

Another organisation said its approach is to:

> Embed everything in the reality of people’s situations. For instance, in a session covering budgeting we wouldn’t just examine the practical ‘how to’ but also the emotional/family side of budgeting. (Financial capability project)

As we found: ‘Tackling financial exclusion is not enough in itself, it must be integrated with access to solutions for a host of other topics’ (training provider). For example, a credit union commented that it is not always a good idea to buy people’s debts, as this leads to liabilities for the scheme and does not address the causes of the person’s indebtedness. An organisation that works with offenders makes its provision part of a wider range of services that support each other, such as basic skills, employability and accommodation support. A student advice service recognises the wider context by working closely with the student disabilities service and careers service to offer a holistic approach.

Other good examples of this are:

> Many of the problems faced were as a result of issues elsewhere in their lives, e.g. poor health, little or no assistance from social services, no social network. This placed [our initiative] in the perfect position to assist in these problem areas as it was possible to refer internally to other services within [our organisation] (Advocacy service, Good Neighbour, Home Safety). (Money advice service)

One of our interviews raised the problem that funders (in this case the Legal Services Commission) might have rather tight criteria for what areas of work the funding was to cover, which prevented staff from taking a holistic approach. Where referral was not internal to the organisation, respondents mentioned that another contributor to success was: ‘Providing access to good quality advice and links to other specialisms through referral’ (advice service). It is important that workers have a wide knowledge of other services in the area. For example, some initiatives engaged in:

> Active signposting to local debt advice agencies and other support services that may be needed or useful, for instance, local credit unions or food co-operatives. (Financial capability project)

This strengthens the case for partnership working where referral outside the organisation would be beneficial: ‘The need for joint, inter-agency working is still very strong and the potential benefits for clients significant’ (policy/research organisation). Partnership builds on individual strengths to bring together an effective collaboration. However, it needs to be easy for the client to approach the partner organisation or they may suffer from ‘referral fatigue’ – giving up because of being referred too many times. As one organisation put it:

> People seeking help need to be able to access as much as possible from the one venue. Any referring on that includes referral to a different venue makes it harder for the person seeking help. People coming into the shops often need additional time and support from the shop staff in order to feel confident in accessing further help. (Credit union)

This is confirmed by findings from the Legal Services Research Centre’s English and Welsh Civil and Social Justice Survey, which found that:

> A phenomenon of referral fatigue meant that the likelihood of respondents obtaining advice from an adviser to whom they had been referred sharply declined as respondents visited more advisers. (Pleasence *et al.*, 2004, p. 77)

Key points

- It is beneficial that so many organisations are involved in delivering diverse services, as this reflects the variety of the needs of vulnerable groups. However, it is difficult to evaluate the overall impact of advice and capability initiatives.

- However, some key themes in making an initiative successful emerged and these included: attending to marketing; intervening at a point when the client is ready to take on board information; continuity of funding; staff training; partnership with other organisations and being seen as independent from central and local government.

5 Future financial exclusion

In this chapter, we look at developments that might impact on financial exclusion in the next four to five years in the UK. The numbers of people without a bank account might be shrinking, but huge gaps remain on both the demand and supply side of financial inclusion. Every organisation that completed the survey said that their vulnerable client group was likely to remain financially excluded in the foreseeable future. There was a queue of people with personal finance problems. Those people in the vulnerable groups identified in this report are unlikely to see the level of service that the banks offer change in the near future. This means that the current gap between those who are able to take advantage of financial services and those who are not will widen further.

Those people in the vulnerable groups identified in this report who have a low income as the primary cause of their financial exclusion (because it is harder to keep control of a budget through a bank account) are unlikely to see what the banks offer change in the near future. This means that the gap will widen between those who are able to take advantage of financial services and those who cannot.

The macroeconomic environment will influence the availability of affordable credit. Rising housing and utilities costs could cause more people to need debt and money advice, and could increase financial problems for an emerging vulnerable group of home-owners. The changing labour market with less people experiencing regular work with one employer will lead to people having to assume greater responsibility for their current and future financial affairs. Demographic change will also have a bearing on future financial exclusion. For example, increased numbers of disabled older people will need help to operate their finances, but are likely to be living further away from their family. Financial services will need to better understand the needs of recent migrants.

Money and debt advice and financial capability

There is unmet need (which is greater than expressed demand) for money and debt advice and capability training (Money Advice Trust, 2007), and this need is likely to remain unmet. Our respondents told us that this need cuts across all the vulnerable groups we looked at. Once the effects of financial education in schools have fed through, there might be a somewhat reduced demand for one-to-one advice. We saw in Chapter 3 how funding limits the money and debt advice, and financial capability work that can be done. The demand for financial services and advice and information is impossible to measure. However, it is possible to quantify the extent of the policy initiatives currently in place. For example, the extra money advisers being trained is a welcome development, which will cut the waiting list for advice. However, unless funding continues after 2011, experienced staff will be lost to the sector. The 'Now Let's Talk Money' initiative is also positive and will make some inroads. However, its short-term impact of improving financial literacy might not feed through into actual changes in people's behaviour. It remains to be seen what impact a generic financial advice service might have on the future of the existing money and debt advice services, which might depend on the extent to which it is targeted at those groups most vulnerable to financial exclusion. A large group that remains with the highest level of financial exclusion is single pensioners. If they are socially isolated then it will be difficult to reach them, which limits the impact of future initiatives.

Banking

Having a bank account will become even more necessary in the future. There will be continuing pressure to receive benefit payments direct, which will always be difficult for those people with multiple problems who are leading very chaotic lives. There will remain advantages to making payments by direct debit, particularly for utilities. It will also become more convenient to have an account that comes with a card, as some retailers no longer accept cheques. It is also harder for those without a card to take advantage of internet purchasing (although stored-value cards are available). There may be charges for paper-based transactions in the future, because they cost the banks more.

A development of uncertain effect will be if penalty charges in the region of £30 for failed payments are found to be unlawful (the OFT is investigating this). The banks might then seek to recover this lost income by structuring their charges in other ways (BBC, 2007c). This could result in annual charges being made to hold an account (as is usual in France, for instance). This could ultimately be to the disadvantage of some low-income customers, while helping customers at all incomes levels who go into an unauthorised overdraft. First Direct has already started charging for its current accounts unless customers pay in a certain amount each month or hold another financial product with the organisation. This is to the detriment of low-income customers. It remains to be seen how many banks will follow suit and whether charges will be scaled progressively according to monthly income, with the richer account holders cross-subsiding the less well off ones.

Another development in prospect that will disadvantage low-income consumers is offering differential levels of service. HSBC has already relaunched a branch that will offer face-to-face contact only for those people who have signed up for its so-called ‘Premier’ service (BBC, 2007b). There is at least one bank that discourages use of the counter service by basic bank account customers (Halifax, 2007).

Different pricing strategies that work against those who do not fit a desirable consumer profile could be developed. RFID (radio frequency identification) tags in bank cards are being tested, which means that customers could be identified as soon as they entered a bank (National Consumer Council, 2004). If RFID is used to gain greater knowledge of consumers, such information could potentially be used in exclusionary (or inclusive) ways.

Another technological development is the availability of smart cards to make small purchases, such as the Oyster card originally developed as a means of paying for London transport. If these became widespread, it might lead to lower availability of ATMs. A SIM card can now act as a debit and credit card. Mobile phones are already being used to check balances, a service provided by Monilink. It is only a matter of time before mobile phones are used to deposit, transfer and withdraw cash. One of the barriers to switching to ‘mobile cash’ is the pre-existing infrastructure developed by banks and credit card companies. With the relative availability of ATMs and bank branches, there is no great call for an alternative payment system. However, there are pockets of the UK without cash machines and branches, which might benefit from mobile cash. A pilot scheme enables people to send expatriate remittances to Kenya via mobile phone (*Economist*, 2007, pp. 91–2). Mobile phones can now be used as a practical money management tool. With the Moneybasics ‘Spendometer’, people can set a monthly budget, break spending down into categories, enter spending as they go and get alerts as soon as they go over their limit. This should be particularly attractive to younger people. On the other hand, people who do not use mobile phones, such as some older people, will emerge as excluded. However, if banking costs come down as more technology is employed, lower-income customers might become more attractive to the banks.

On the positive side, involvement of the banking industry with the OFT Payment Systems Task Force set up at the request of the Chancellor resulted in agreement to deliver a faster electronic payments service, which is good news for bank customers who have less of a cushion. Further positive developments in cheque-clearing services and the governance of the payment systems in the UK are expected.

In terms of anticipated developments in financial services, those who find it easier to access services in a branch will be hard hit by the next wave of branch closures.

Even more post office and bank branches will close (Post Office, 2007). As 83 per cent of basic bank accounts were opened in branch (Millward Brown Research, 2006), opening accounts might be a problem in the future, as might be access to a branch for counter services. However, since an ATM working group was set up to examine the issue, a deal has been struck with banks and cash machine operators to increase free access to cash, and the provision of 600 free-to-use ATMs has been announced (HM Treasury, 2007f). There are now nine credit unions offering current accounts. The Government is also working with the banks to spread current account banking to more credit unions (ABCUL, 2007a).

The future of the POCA is currently uncertain. The contract for the successor to the POCA is currently out for tender. One possibility is that it will be replaced by a system run through convenience stores, building on the PayPoint concept. It remains to be seen whether this will be to the advantage of former POCA customers.

Although some of the banking gap can be overcome by credit unions offering banking services (which has already started to happen), their geographical coverage is still small. It is difficult to assess the role of banks, as they will not give out commercially sensitive data.

Credit

There are two developments that can be expected to reduce the availability of loans. First, there is the 'credit crunch', which will make it harder for people to obtain mainstream credit. Banks are following a more cautious lending strategy. Some providers have already withdrawn their loans facilities. Many credit cards have also introduced a combination of fee and rate increases and lower limits to reduce their exposure. Despite the limitations of credit unions in terms of coverage, there is some scope for them to fill this gap, as the Growth Fund enables them to lend to a member without the need for them to save first. Finally, it is unknown whether the Growth Fund subsidy to credit unions will continue after 2011. Although the infrastructure of credit unions will improve, they will continue to have patchy coverage in comparison with the Social Fund. In addition, the number of credit union loans going to those who are financially excluded is not measured, so cannot be evaluated.

There are also new laws that will affect the credit industry, especially home credit. The Consumer Credit Act 2006, which applies across the UK, has new rules, which, the industry says, will increase its costs. For example, changes brought about by the new Act will require additional information to be sent to customers, keeping debtors informed about the state of their accounts, particularly in relation to arrears. They have raised concern that the increasing regulatory burden will increase the cost of lending. The lenders will also be more susceptible to challenge by customers. More specifically, the open-ended provisions on 'unfair lending' could cause lenders to become cautious. A new EC consumer-credit Directive is also expected, which will give consumers greater rights. So, the trend is for there to be higher compliance costs. This means interest charges will go up, the minimum loan will go up, or lending will stop altogether for some clients. The industry argues that we could see 'credit deserts' created for consumers with little or no access to the mainstream market. Home credit will continue because it is able to lend small amounts of money and demand for this kind of loan is unlikely to go down. This is not a market in which the high street banks are interested.

Saving

Another future development with some scope to increase financial capability is the Personal Accounts for pensions, due to be launched in 2012. These are supposed to get people on modest incomes more engaged with long-term saving. However, whether this effect will result is doubtful, as there is an opt-out system and the accounts are managed by trustees, with minimum proactive involvement by the saver (this is to get around the fact that people would not save enough if left to their own devices).

The spread of the internet will leave behind some people, such as the 39 per cent of households who do not have internet access (National Statistics, 2007) or who do not want to put their personal details online. The internet has facilitated new saving and loan possibilities, such as Zopa. On this site, private individuals can invest relatively small amounts in loans to other individuals, who benefit from low interest by cutting out some of the overheads of the middleman. The risk is spread by an investment being distributed among several debtors. In theory, people could lend to risky individuals and charge relatively high interest. In practice, this kind of development excludes those with a poor credit rating, as the individuals lending tend to be risk-averse. It widens even further the division between those with a good and bad credit history. If, following the recent banking crisis, banks tighten up their lending criteria, this could be a further problem for the financially excluded and would also widen the divide between those with and without easy internet access.

Insurance

The underlying reasons why people do not take out home insurance, as identified by Perri 6 *et al*. (2005, p. 11), will continue: belief that they do not need insurance because they do not have enough belongings; belief that it is not for 'people like them'; confusion over the messages and adverts and not knowing which product to choose; general lack of trust in the industry (fear of the small print and of being denied claims).

Risk assessment is getting ever more sophisticated, so people living in deprived areas with higher crime rates might face higher premiums, as will those people in flood-risk areas, which will increase their financial exclusion (Kempson *et al*., 2000, p. 18). The spread of the internet enables some people to go online and get the cheapest insurance with minimum effort, something which is not open to non-internet users and which will serve to sharpen the 'insurance divide'. On the other hand, more housing associations might offer insurance-with-rent schemes to tenants in the future, although take-up will remain a problem, with people facing the financial demands of a low income giving it a low priority (Demos and SAFE at Toynbee Hall, 2005).

Conclusion

Overall, in the future, some people who find budgeting difficult will be able to better organise their finances by using more direct debits, online banking and text banking. But those whose main reason for financial exclusion is that their financial resources are stretched will remain unable fully to take advantage of their account. They have to keep tight control of their budget by necessity, which the current banking system makes difficult.

Key points

- The numbers of people without a bank account might be shrinking, but huge gaps remain on both the demand and supply side of financial inclusion.

- In the future, some people presently needing advice will find it easier to budget by using more direct debits, online banking and text banking.

- But there will continue to be people who cannot take full advantage of banking and other financial services. There are many different reasons for this, depending on the different characteristics of particular vulnerable groups, but the reasons for exclusion are likely to be exacerbated by low income.

6 Conclusion and policy recommendations

The aim of this research was to identify the strengths and weaknesses of current financial inclusion initiatives, and to identify which groups appear likely to remain financially excluded in the future.

The study reported here had as its first aim to identify, summarise and critically review research on the nature and forms of financial exclusion, and existing policy evaluations. We created a database of work currently being done across the UK for those vulnerable to financial exclusion. This is contained in Appendix 3.

In carrying out a critical appraisal of the policy initiatives with relation to financial exclusion, it was clear from the diversity of initiatives we identified that what helps one group of clients might not help another. The sheer variety of organisations meeting different needs that we were in contact with demonstrates this. The variety of advice is not necessarily a problem, given these diverse needs and how financial exclusion interlinks with other problems that a person might be facing. There remains considerable work to be done to understand 'what works' for different types of client. However, we identify below in our policy recommendations the general factors that contribute to the success of an initiative.

In identifying 'vulnerable groups' that are being left out of current initiatives, either entirely or through inadequate or inappropriate provision, we found that the need is so great that all the groups we looked at were likely to be vulnerable to financial exclusion into the future. In assessing these groups, we found that the gap between those making best use of financial services and those unable to looks likely to widen. We were also able to identify groups whose vulnerabilities were related not only to their incomes, such as people with disabilities and older people.

Below are the policy recommendations arising from this research for how UK policy-makers and practitioners could continue and take forward addressing the specific needs of those groups vulnerable to financial exclusion.

Money and debt advice and *financial capability projects* in all sectors should:

- most importantly, develop further understanding of the specific needs of the target group in terms of where, when and how to deliver, and topics to be covered;

- make cross-referrals, recognising that financial exclusion can be only one of several issues that a person has.

Central, devolved and local government departments should:

- provide more assured long-term funding beyond 2011 to money and debt advice and financial capability projects, in recognition of clients' long-term needs and so that experienced staff are not lost to the sector;

- continue to invest in money advice training for advice workers, particularly those working generally with a specific vulnerable client group;

- ensure that the current government push for generic financial advice will be targeted enough, since the most successful projects are tailored to clients' circumstances;

- continue to monitor the impact of technological, macroeconomic and demographic changes on the access to financial services for the specific vulnerable groups identified in this report.

The *financial services industry* should:

- when planning services consult with those groups that are potentially financially excluded, so as to understand their banking and borrowing needs;

- develop and support local partnerships with the voluntary sector, as a way of meeting local needs.

Recent government proposals to modernise and liberalise credit unions have been welcomed by the sector (e.g. ABCUL, 2008), but the Government should continue to support credit unions in making affordable loans by extending the Growth Fund after 2011. The loans budget available from the Social Fund was £700 million in 2006–07 (Department for Work and Pensions, 2006; FSA, 2007a), whereas, in 2005, credit unions in the UK had approximately £340 million owing in loans (FSA, 2006a). Even after factoring in the credit union Growth Fund for 2008–11 of £38 million (HM Treasury, 2007c), the Social Fund is large relative to the credit union movement. Therefore the accessibility of the Social Fund should be monitored by the DWP – for example, any difficulties in getting through on the phone to make a claim.

In terms of the balance of roles of the different sectors, the answer lies in a co-ordinated approach by the public, private and voluntary sectors. This will have to be led by Government because people on low incomes are the least attractive customers to banks and other service providers. The Financial Inclusion Taskforce will also have to continue to engage with the mainstream financial service providers, as they will otherwise be unlikely to make major changes or innovations to the services they offer to vulnerable groups. Credit unions are not widespread enough to be the single solution to high-cost lending, nor can they afford to take on the most high risk customers.

Overall, the numbers of the unbanked will continue to fall, as the need to have a bank account will only increase. However, the ongoing issue will be people who cannot fully take advantage of the benefits of using their accounts. The gap will widen further between those who stand to gain from being able to make the most of direct debits, online banking and text banking to budget, and those whose main reason for financial exclusion is that their financial resources are stretched, which makes it easier for them to use cash, and who are the least attractive customers to banks.

Notes

Chapter 1

1. For example Kempson (1996); Kempson and Whyley (1999a); Collard *et al.* (2001a); Collard and Kempson (2005a); Mitchell *et al*. (2005); Munro *et al.* (2005); Goth *et al*. (2006); Kempson and Collard (2006); Legge (2006); Loumidis and Middleton (2006); New Policy Institute (2007g).

2. Marginally banked is defined as not having a bank account or not using its functionality. See Financial Inclusion Taskforce (2006, p. 11) for a detailed definition.

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Appendix 1: List of initiatives contacted

Aberdeen University Student Welfare Money Advice Service

Action for Blind People

Action Housing and Support

Addaction

Advice for Life

African Families Foundation

Age Concern Cymru

Age Concern Gateshead

Age Concern Scotland

Age Concern Slough

AIRE Centre

Alabare Christian Care Centres

Al-Hasaniya Moroccan Women's Centre

Anglia Care Trust

Antioch Money Advice

Arbourthome Community Debt Advice

ARCH Initiatives

Askcab

babybarrow

Ballymena Citizens Advice Bureau

Bangladesh Youth Movement Advice Service

Bangor Student Services Centre

Basildon, Billericay and Wickford CAB

Berwick CAB

Birmingham Money Advice and Grants

Blackpool CAB

Blue Triangle (GAIN [Glasgow Advice and Information Network]) Housing Association Ltd

Blyth Valley CAB

Bolton Unemployed Advice Centre

BRAC UK

Bristol Money Advice Service

Broadmead Money Advice Centre

Bromley CAB

Bromsgrove and District CAB

Buckingham University Student Money Advice

Bute Advice Centre

Cambridge Money Advice Centre

Canolfan Cynghori Bro Ddyfi Advice Centre

Canterbury Debt Advice Centre

Carlisle City Council

Carol Hopkinson, Cambridge Housing Society

Castlemilk Budgeting Services

Caversham Debt Advice Centre

CEiS (Community Enterprise in Strathclyde)

CHAI Advice Services (Community Help and Advice Initiative)

Change, London and Quadrant

Charnwood Young Persons Project

Cheetham Hill Advice Centre

Chesterfield CAB

Chinese Mental Health Association

Christians Against Poverty

Citizens Advice in the Borough of Wigan

Citizens Advice Shropshire – Oswestry Bureau

Citizens Advice – South West Region

City Centre Project (Manchester)

Clean Break

Clydebank Unemployed Community Resource Centre

Coast and Country Housing

Coast and Moors Voluntary Action

Colchester CAB

Communities First Briton Ferry West

Community Debt Advice Centre – Brighton and Hove

Community Links Newham – in London

Community One Stop Shop

Connect Housing

Copeland CAB

Cornwall Blind Association

Credit Action

Credits 4 You

Cumbria Youth Alliance

Debt Advice Service Honiton (DASH)

Debt Redemption and Money Advice Scheme

Debtscape Chertsey

Derbyshire Housing Aid

Disability Law Service

Doncaster CAB

Doncaster CVS – advice to Gypsies and Travellers

Dragonsavers Credit Union

DRC Project- Devonport Money Advice Project

Drumchapel Law and Money Advice Centre

Dudley District CAB

Dumfries Welfare Rights

Dundas Resource Centre

E Surrey Domestic Violence Forum

East Finchley Advice Service Home Visiting for the Elderly

East Lancashire Money Line

East London Financial Inclusion Unit

East Midlands Money Advice

East Staffordshire CAB

Ellesmere Port and Neston CAB

Ely and District CAB

Empowering People Inspiring Communities

Erimus Housing

Fermanagh Trust, Enniskillen, Northern Ireland

Flintshire Citizens Advice Bureaux

Foundation Housing

Freebridge Community Housing

Frontiers Debt Advice Centre

Gateway to Success

George House Trust (HIV/AIDS)

Glasgow North Ltd

Glasgow West Money Advice Project

Gordon Rural Action

Govan Money Advice, Glasgow

Govanhill Self Help Initiative Money Advice

Grampian Housing Association

Granton Information Centre

Great Yarmouth and District CAB

Greater Easterhouse Money Advice Project

Haddon Hall Baptist Church

Hampshire Deaf Association

Havant and East Hants Mind

Havering CAB

Health in mind

Herefordshire CAB

Highlands of Scotland Money Advice

Hillcrest Housing Association

Homemaker South West

Hope Gate Trust

Horsham Community Debt Advice Service

Huyton MABS (Money Advice and Budgeting Service)

Ipswich Housing Action Group

Johnstone Advice Works

Jubilee Debt Advice Centre

Junction 5 Money Advice

Kirkby Advice Centre

Kirklees Debt Advice to Tenants – social housing tenants in Huddersfield

Kurdish Community Centre

Landsker Community Credit Union

Latin American Disabled People's Project

Lesbian and Gay Foundation

LHA-ASRA

Lichfield and District CAB

Lifestile

Lifestyle

Lincolnshire Action Trust

Lincolnshire Rural Housing Association Ltd

Links

Luton Accommodation and Move-on Project (LAMP)

Luton Salvation Army

Made of Money (Quaker Social Action)

Manchester Advice

Manchester Deaf Centre (Linkworker)

Manchester University Students' Union Welfare

Mancroft Advice Project

Staffordshire University Students' Union

Mercian Housing Association

Migrant Community Housing and Care

Miles Platting Advice Centre

Money Advice and Community Support Service Brighton

Money Advice Centre Cambridge

Money Advice Support Team (Dundee)

Money Matters Money Advice Centre (Glasgow)

Mothers Union Money Advice Service

National Care Homes (NCH)

New Life Community Debt Advice Service – Milton Keynes

NomadE5 Housing Association Ltd

North East Student Money advisers

North Kirklees CAB

North Liverpool CAB

North Warwickshire CAB

North West Leicestershire CAB

Northampton and District CAB

Nuneaton and Bedworth CAB

Older People (Age Concern Gateshead)

Oldington and Foley Park Community Network

Omagh Independent Advice Services (OIAS)

Open Door North East Middlesbrough

Pakistani Resource Centre (Manchester)

Partners of Prisoners and Families Support Group

Peterborough Citizens Advice Bureau

Phoenix Enterprises

Pontypridd and District Housing Association

Portsmouth Area Regeneration Trust

Powys CAB

Princess Royal Trust for Carers Tower Hamlets

Prospect Community Housing

Redcar and Cleveland CAB

Reducing Re-offending Partnership South West

Renfrew AdviceWorks

Renfrewshire Visual Impairment Team

Rochford and Ryleigh CAB

Rotherham Borough Council Money Advice Service

Royal National Institute for the Blind

Rugeley and District CAB

Selby District CAB

Sheffield Students' Union Money Advice Service

Shelter Cymru

Sherwood Forest Money Advice Centre (Newark)

Signpost – Young People's Advice and Information Centre

Single Homeless People

Society of St James

Solihull Community Housing Money Advice Team

Somali Youth Association (SoYA)

South Derbyshire CAB

South Manchester Women's Aid

South Tyneside CAB

Speak Easy Advice Centre (Porth)

Springfield Charitable Association

St Andrews Family Support

St Christopher's Hospice

Stoke on Trent CAB

Student Advice Centre MMU

Student Money Advice Centre Buckinghamshire New University

Sunderland Housing Group

The Action Group

The Advocacy Service in Perth and Kinross

The Bridge Money Advice Centre

The ExtraCare Charitable Trust

The Help Shop Norwich

The Lifetrain Trust

The Village CAB (LGBT)

Trading Standards Redcar and Cleveland Borough Council

Tranmere Community Project

Uniaid (website)

UNLOCK

Valley Debt Advice Centre Congleton

Vision Housing Consultancy Services

Vita Nova

Washington CAB

Watford Women's Centre

West Glasgow Against Poverty (WestGAP)

Willow House Social Services Centre

Willow Park Housing Trust

Wolverhampton CAB

Wychavon CAB

Wythenshawe Law Centre

YMCA Wales

YMCA Warrington

York and District CAB

YouthNet UK (website)

Y’s Up Advice and Guidance Centre, Halton

Appendix 2: Email survey questionnaire

Why are we contacting you?

We are approaching your organisation because of your experience and expertise in this field.

Who are we and what are we doing?

We are from the School of Social Policy, Sociology and Social Research at the University of Kent. We are doing a study looking at policies and initiatives to reduce financial exclusion, funded by the Joseph Rowntree Foundation.

What is the study for?

We are interested in what features make a financial inclusion initiative successful. We are also interested in who is likely to remain financially excluded in the future.

Your input counts

The information you give will inform policy and practice in a direct way by enabling initiatives to be put in place and by helping stakeholders to secure support for a future financial inclusion strategy.

We would value your opinion on as many or as few questions as you can answer.

Data protection

All data collected in this survey will be held securely and used solely for research by the University of Kent according to the consent given.

Please return the survey by 2nd November 2007.

For more information or to request a copy of the final report please contact:

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SECTION 1 – About your organisation

1. **What is the name of your organisation?**

2. **What is your organisation's website?**

3. **Region you work in** *(select all that apply)*

National	West Midlands
East of England	Yorkshire & the Humber
London	East Midlands
North East	Northern Ireland
North West	Scotland
South East	Wales
South West	Non-UK

4. **What is your organisation type?**

5. **What services do you offer?** *(select all that apply)*

Generic financial advice	Translation/language support
Financial advice	Social enterprise
Debt advice	Mainstream financial products
Life skills training/financial capability training	Alternative personal financial products (saving/lending/credit unions)

Basic skills

Mainstream education and schools

Adult FE

Social work/advocacy

Welfare rights/income maximisation

Micro-finance

Funding body

Policy/research

Other *(please specify)*:

6. What are your main sources of funding for money and debt advice or financial literacy work? *(select all that apply)*

Local government grants

FSA

DTI/BERR

DWP

Legal Services Commission

Learning & Skills Council

Basic Skills Agency

Scottish Executive

Welsh Assembly

European grant

Charitable grant

Government contract

Fundraising

Own commercial activities

Housing association/rents

Lottery grant

Other *(please specify)*:

7. Do you mainly deliver services to clients or refer clients on?

Deliver

Refer

Both

8. How many clients do you deal with per month?

9. How do you mostly deliver services to clients? *(select all that apply)*

Phone	Schools/colleges
Web	Client's own home
Own offices	Mobile vehicle
Public/community premises	Not applicable
Partner organisation premises	Other *(please specify)*:

SECTION 2 – Your experience of money & debt advice and financial literacy work

10. Are you willing for a description of your organisation's work and its experience as outlined in Section 2 (this page) being published in a report?

If you choose 'No', the information will be held confidentially by the University of Kent.

If you choose 'Yes, but anonymously', we will simply present the information so the organisation cannot be identified and list your organisation in an Appendix as being among those which we consulted in the course of the study.

Yes	Yes, but anonymously	No

11. Thinking about a successful money & debt advice or financial literacy project your organisation has been involved in ... What was the target group? *(select all that apply)*

People with low incomes	Care leavers
Isolated or rural areas	Young adults
Disadvantaged areas	Students
Homelessness/resettlement	Older workers
Supported housing tenants	Older people (60+)

Local Housing Allowance (LHA) recipients	Women
Housing association tenants	Prisoners/ex-offenders/families of prisoners
Lone parents/divorce	Physical disabilities/health/carers
Jobseekers	Learning disabilities
Ethnic minorities/migrants	Mental health
Refugees/asylum seekers	People with a Post Office Card Account/ basic bank account
Children	Other *(please specify)*:
NEET – young people not in employment, education or training	

12. Please briefly describe this initiative.

13. How long did/does the project last for?

14. What factors made it successful?

15. What makes money & debt advice or financial literacy work less effective?

16. Which groups of people are likely to remain/become financially excluded in the next 5 years?

17. **Are there are any other comments you would like to make about the features of successful money & debt advice or financial literacy work?**

SECTION 3 – Your contact details

The information provided in Section 3 (this page) will remain confidential to the University of Kent

18. **What is your name?**

19. **What is your job title?**

20. **What is your contact address?**

21. **What is your contact phone number?**

22. **What is your contact email?**

23. **Finally – are you willing to be contacted by telephone for a short interview about your organisation and what makes a financial inclusion initiative successful?**

    Yes No

Appendix 3: Organisations interviewed

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
North East	Local authority	Social enterprise; legal advice/welfare rights; credit union/loans/savings accounts; seminars/workshops; basic skills/numeracy; one-to-one financial/debt advice	Disadvantaged areas; people with low incomes	
Yorkshire & the Humber	Local authority	Legal advice/welfare rights; social work/advocacy; one-to-one financial/debt advice	Mental health; physical disabilities/health/carers; disadvantaged areas	
North West	Local authority	Welfare rights/income maximisation; debt advice	Council housing tenants; Local Housing Allowance (LHA) recipients	
Scotland	Local authority	Child financial education from age 14 upwards; alternative personal financial products (saving/lending/credit unions); adult FE; life skills training/financial capability training	People with a post office card account/basic bank account; mental health/addiction; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; students; young adults; care leavers; NEET – young people not in employment, education or training; children; jobseekers; lone parents/divorce; Local Housing Allowance (LHA) recipients; supported housing tenants; homelessness/resettlement; disadvantaged areas; people with low incomes	200
Scotland	Local authority social services	Welfare rights/income maximisation	Physical disabilities/health/carers	
Wales	Citizens Advice Bureau	Debt advice; life skills training/financial capability training; basic skills; welfare rights/income maximisation	People with low incomes; isolated or rural areas; disadvantaged areas; homelessness; supported housing tenants; housing association tenants; lone parents/divorce; jobseekers; people from minority ethnic communities/migrants; young adults; students; older workers; older people (60+); women; ex-offenders/families of prisoners; physical disabilities/health/carers; learning difficulties; mental health; people with a post office card account/basic bank account	

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
North East	Citizens Advice Bureau	Welfare rights/income maximisation; life skills training/financial capability training; debt advice; financial advice; generic financial advice	Students; children	
East of England	Citizens Advice Bureau	Welfare rights/income maximisation; debt advice; generic financial advice	Young adults; isolated or rural areas	20–50
West Midlands	Citizens Advice Bureau	Welfare rights/income maximisation; debt advice; financial advice	Will see anyone	2,500
East of England	Citizens Advice Bureau	Welfare rights/income maximisation; life skills training/financial capability training; debt advice	Lone parents/divorce	40
Yorkshire & the Humber	Citizens Advice Bureau	Welfare rights/income maximisation; life skills training/financial capability training; debt advice; generic financial advice	Will see anyone	over 1,000
Yorkshire & the Humber	Citizens Advice Bureau	Welfare rights/income maximisation; life skills training/financial capability training; debt advice	Parents; lone parents/divorce; disadvantaged areas; people with low incomes	700
West Midlands	Citizens Advice Bureau	Welfare rights/income maximisation; debt advice	People with a post office card account/basic bank account; mental health/addiction; learning difficulties; physical disabilities/health/carers; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; people with low incomes	Approx. 300
West Midlands	Citizens Advice Bureau	Financial advice; debt advice; life skills training/financial capability training; welfare rights/income maximisation; alternative personal financial products (saving/lending/credit unions); policy/research	People with a post office card account/basic bank account; prisoners/ex-offenders/families of prisoners; young adults; children; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	250

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
East Midlands	Citizens Advice Bureau	Life skills training/financial capability training; alternative financial products (saving/lending/credit unions)	People with low incomes; disadvantaged areas; lone parents/divorce; Jobseekers; physical disabilities/health/carers	
East of England	Advice service	One-to-one financial/debt advice; legal advice/welfare rights; EU project work	People with low incomes; NEET – young people not in employment, education or training; young adults; prisoners/ex-offenders/families of prisoners	
Scotland, National	Advice service	Welfare rights/income maximisation; generic financial advice	Older people (60+)	Approx. 1,500
Scotland	Advice service	Legal advice/welfare rights; social work/advocacy; one-to-one financial/debt advice	People with a post office card account/basic bank account; mental health; learning difficulties; physical disabilities/health/carers; women; older people (60+); older workers; students; young adults; care leavers; NEET – young people not in employment, education or training; children; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants, Local Housing Allowance (LHA) recipients, disadvantaged areas; people with low incomes	
Scotland	Advice service	Debt advice; life skills training/financial capability training; basic skills; welfare rights/income maximisation	Will see anyone	30
London	Advice service	Welfare rights/income maximisation; debt advice	People with a post office card account/basic bank account; mental health/addiction; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; students; young adults; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; people with low incomes	20

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
East Midlands	Money advice service	Debt advice	Lone parents/divorce; housing association tenants; disadvantaged areas; people with low incomes	3
East of England	Housing support	Seventy per cent is housing-related support to families and vulnerable adults; also child mentoring; legal advice/welfare rights; one-to-one financial/debt advice	Families who have been referred for money advice by ACT/LA or other agencies; prisoners/ex-offenders/families of prisoners; supported housing tenants	
Scotland	Housing association	Alternative personal financial products (saving/lending); mainstream financial products; social enterprise; welfare right/income maximisation; social work/advocacy; life skills training/financial capability training; debt advice; financial advice; generic financial advice	People with a post office card account/basic bank account; mental health/addiction; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; students; young adults; care leavers; NEET – young people not in employment, education or training; children; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	
Scotland	Housing association	Alternative personal financial products (saving/lending/credit unions); welfare rights/income maximisation; basic skills; debt advice	People with a post office card account/basic bank account; mental health/addiction; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; students; young adults; care leavers; NEET – young people not in employment, education or training; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; homelessness/resettlement; disadvantaged areas; people with low incomes	Approx. 20

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
Scotland	Housing association	Supported accommodation; welfare rights/income maximisation; social work/advocacy; life skills training/ financial capability training; debt advice; financial advice; generic financial advice	Mental health/addiction; prisoners/ex-offenders/families of prisoners; young adults; care leavers; supported housing tenants; homelessness/resettlement; people with low incomes	Approx. 10
North West, South East, West Midlands, Yorkshire & the Humber	Housing support	Accommodation for older people	Older people (60+)	3,000
Wales	Credit union, social enterprise	Money management; credit union/loans/ savings accounts	People with a post office card account/basic bank account; learning difficulties; women; older people (60+); older workers; students; young adults; children; jobseekers; lone parents/divorce; disadvantaged areas; isolated or rural areas; people with low income	
East Midlands	Social enterprise	One-to-one financial/debt advice	Mental health; disadvantaged areas; people with low incomes	
North West	Social enterprise	Alternative personal financial products (saving/lending/credit unions); social enterprise; welfare rights/income maximisation; debt advice	Mental health/addiction; young adults; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; disadvantaged areas; people with low incomes	35
Yorkshire & the Humber, South West, East Midlands	Not for profit	Welfare right/income maximisation; basic skills; life skills training/financial capability training; debt advice; generic financial advice	People with a post office card account/basic bank account; mental health/addiction; physical disabilities/ health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); care leavers; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; Local Housing Allowance (LHA) recipients; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
West Midlands	Not for profit	Welfare right/income maximisation; debt advice	Lone parents/divorce; housing association tenants; Local Housing Allowance (LHA) recipients; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	
National, London	Not for profit	Welfare right/income maximisation; social work/advocacy; basic skills; life skills training/financial capability training; financial advice	People living with and affected by HIV; physical disabilities/health/carers; refugees/asylum seekers; people from minority ethnic communities/migrants	
North West	Not for profit	Financial advice; debt advice; life skills training; welfare rights; financial products	Young people; parents of the young people; people with low incomes; disadvantaged areas; lone parents; jobseekers; children; women; mental health and others	
South West	Not for profit	Social enterprise; legal advice/welfare rights; social work/advocacy; credit union/loans/savings accounts; life skills training; one-to-one financial/debt advice	People with a post office card account/basic bank account; mental health/addiction; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; students; young adults; care leavers; NEET – young people not in employment, education or training; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	
East Midlands	Charity	Employment guidance; accommodation advice; basic skills/numeracy; one-to-one financial/debt advice	Prisoners/ex-offenders/families of prisoners; jobseekers; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
West Midlands	Community charity	Welfare right/income maximisation; social work/advocacy; basic skills; life skills training/financial capability training; debt advice; financial advice	Careers advice/IAG (information, advice and guidance); people with a post office card account/basic bank account; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; students; young adults; NEET – young people not in employment, education or training; children; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; disadvantaged areas; isolated or rural areas; people with low incomes	
South West	Church debt advice project	One-to-one financial/debt advice	Mental health; women; young adults; lone parents/divorce; housing association tenants; people with low incomes	
Wales	Church debt advice project	Budgeting course in preparation for vulnerable groups/individuals and possibly schools; one-to-one financial/debt advice	Service available to all; people with a post office card account/basic bank account; mental health; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; students; young adults; care leavers; NEET – young people not in employment, education or training; children; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; Local Housing Allowance (LHA) recipients; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	
London	Financial capability project	‘Family learning’ project focusing on money	Families (parents and children); children; lone parents/divorce; disadvantaged areas; people with low incomes	
Scotland	Life skills training	Life skills training/financial capability training	Young adults; NEET – young people not in employment, education or training; jobseekers; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	Approx. 40

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
South East	Student money adviser	Welfare rights/income maximisation; life skills training/financial capability training; debt advice; financial advice; generic financial advice	Mental health/addiction; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; students; young adults; care leavers; refugees/asylum seekers; people from minority ethnic communities/migrants; lone parents/divorce; housing association tenants; Local Housing Allowance (LHA) recipients; supported housing tenants; homelessness/resettlement; disadvantaged areas; people with low incomes	392
Scotland	Student money adviser	Seminars/workshops; mainstream education/schools; one-to-one financial/debt advice	Students	
East of England	Organisation	Helping young homeless into accommodation and maintaining that accommodation with good life skills; welfare rights/income maximisation; social work/advocacy; basic skills; life skills training/financial capability training	Students young adults; people with low incomes	Approx. 70
Scotland	Anti-poverty group	Community development; welfare rights/income maximisation; basic skills; life skills training/financial capability training; debt advice	Mental health/addiction; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); older workers; care leavers; NEET – young people not in employment, education or training; children; refugees/asylum seekers; people from minority ethnic communities/migrants; jobseekers; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; people with low incomes	100
North East	Organisation for older people	Mainstream financial products; welfare rights/income maximisation; social work/advocacy; debt advice; generic financial advice	Older people (60+); supported housing tenants	Approx. 200

(Continued)

Region of work	Type of organisation	Services offered	Target client group	No. of clients per month
South East	Organisation for vulnerable women	Social work/advocacy; debt advice	Anyone experiencing domestic abuse	2–3
Wales	Organisation for young people	Training in debt counselling; policy/research; welfare rights/income maximisation; life skills training/financial capability training; debt advice	Mental health/addiction; learning difficulties; physical disabilities/health/carers; prisoners/ex-offenders/families of prisoners; women; older people (60+); young adults; care leavers; NEET – young people not in employment, education or training; children; lone parents/divorce; housing association tenants; supported housing tenants; homelessness/resettlement; disadvantaged areas; isolated or rural areas; people with low incomes	20–40
National	Organisation for children and young people	Children and young people charity; social work/advocacy; life skills training	Young adults; care leavers; NEET – young people not in employment, education or training	
Scotland	Organisation for children with disabilities	Welfare rights but not legal advice; one-to-one financial/debt advice	Learning difficulties; children; lone parents/divorce	
National	Organisation for disabled people	Welfare rights/income maximisation	Physical disabilities/health/carers	
National	Organisation for disabled people	Welfare rights/income maximisation; social work/advocacy; debt advice; financial advice	Physical disabilities/health/carers	
South West	Organisation for disabled people	Welfare rights/income maximisation	Physical disabilities/health/carers	

Appendix 4: Interview schedule

Topics probed in telephone interview were as follows.

- Clients – key points for how to tailor services to that client group (including how to overcome any stigma or shame issues).
- Awareness/marketing.
- Point of intervention (preventative or crisis).
- Delivery (where, how).
- Funding (source and length).
- Staffing and administration (problems with).
- Accessibility (physical and psychological).
- Partnership working (practical examples).
- Independence and trust (importance, how achieved).
- Clients' wider needs.
- Extent of unmet need for advice.
- Method of evaluation.
- Problems specific to credit unions.
- Are there barriers to accessing mainstream services?
- Do you know of any other project I could contact?