

# Scaling Up

## for Financial Inclusion

**A National Strategy for expanding access  
to affordable credit and financial services**



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# Foreword

## Scaling up for financial inclusion

“Promoting financial inclusion is an important element in the Government’s work to tackle poverty, and to build an economy which is fair as well as strong. We welcome contributions to the task from all those with something to add – and in particular from voluntary and private sector organisations, working alongside us in the Government.

There are still far too many people entirely outside the mainstream financial services market. For example, in 2002-03, there were nearly three million adults in households with no bank account of any kind. They face serious difficulties as a result – including having to pay more for products and services that everyone needs. Our aim is to reduce sharply the number of people who are disadvantaged in this way.

In his 2004 Pre-Budget Report, the Chancellor of the Exchequer set out the next steps we have identified to promote financial inclusion, which were further expanded upon in the report: Promoting Financial Inclusion, HM Treasury December 2004. These are in three priority areas: advice, banking and affordable credit.

We want to increase the accessibility of free, face-to-face money advice; to work with the banks to halve the number of adults in households without bank accounts; and to improve the availability of affordable credit. We have set up a framework to deliver these aims, including a new Financial Inclusion Fund of £120 million over three years and a Financial Inclusion Taskforce, chaired by Brian Pomeroy, to oversee progress.

This is an ambitious task, and our aims will not be achieved overnight. We are determined to work in partnership with the financial services industry and the voluntary and community sectors to maximise what we can achieve. I hope everyone reading this report will want to work with us, contributing to a very important aim.”

Stephen Timms MP  
Financial Secretary to the Treasury

# Introduction

This report examines the social and economic consequences of over-indebtedness and extortionate lending and proposes a possible framework for delivering affordable credit and other financial services to low income households.

This report is an attempt to bring together material and research that is already in the public domain. In proposing solutions to scaling-up it relies on the experience of existing organisations and the views of people who are forced into unaffordable debt as a result of no affordable alternatives.

## Methodology

To gather relevant material for this report Debt on our Doorstep (DooD), a network of agencies concerned with debt and financial exclusion, organised a series of three seminars. These seminars brought together people working within the community finance sector, government departments, the banks and community organisations to discuss aspects of financial exclusion and scaling-up to provide universal delivery of affordable financial services, especially credit.

The first seminar took place in January 2004 and examined what scaling-up really meant in terms of possible models for delivery. The

second seminar was held in June 2004 and discussed who would be involved in the process of scaling-up. The final seminar, which took place in January 2005 focussed on how financial inclusion would be delivered and monitored at a local and national level.

A series of interviews, meetings and visits were also carried out during 2004 to gather information for the report. These are listed in appendix I. The report and its recommendations relate to England although some examples of good practice have been used from other countries of the UK.

We would like to thank everyone who participated in the seminars and interviews for their time and their useful contributions that have helped shape this report.

# Executive Summary

## Key findings and recommendations

### Key findings

Lack of access to affordable credit leads to unaffordable debt for low-income households. This debt has social and economic consequences, including higher incidence of depression, poor health, relationship break-ups, crime and unavailability for paid work.

Financial exclusion is concentrated in areas of deprivation where government programmes such as neighbourhood renewal initiatives are investing much money and resources. However, nearly equal amounts of money is draining out of these areas due to households being reliant on extortionate lending practices of door-to-door money lenders.

There are many organisations in the community banking sector, namely credit unions, community development finance institutions, banks, housing associations and advice agencies, working to tackle financial exclusion. But with a few exceptions these services are very local and do not provide the range of services required.

There needs to be “width” (serving a local authority area) and “depth” (range of financial services) plus a commitment to scale-up in any strategy to tackle financial exclusion. Basic financial services should include: access to affordable credit, advice and budgeting services, basic bank accounts, savings facilities, financial literacy courses and also access to the ATM network, insurance products and card accounts.

Agencies need to co-operate or create partnerships to provide the “width” and “depth” of financial services needed to tackle financial exclusion. There are some new models of agencies working together in a few areas of the country - for example, the Community Banking Partnership in Birmingham and the Financial Inclusion Forum in Sheffield. In addition, city-wide credit unions, in cooperation with other agencies, are providing a range of services, including instant/emergency loans. But these

models need to be scaled-up and replicated so that all households living in the most deprived neighbourhoods have access to a range of affordable financial services.

New models of co-operation will vary from area to area, depending on the capacity and existence of local community finance organisations. No one model will fit all situations, but collaborative or partnership working needs to be a feature of delivery mechanisms.

Credit unions already exist in over 80 percent of the 88 most deprived local authority areas. The Community Development Finance Institutions (CDFIs) providing personal loans are also concentrated in these areas. These organisations need to extend and expand their operations and be used as springboards to provide financial inclusion. In many cases this collaborative partnership will come into being under the umbrella of a Financial Inclusions Partnership.

Local authorities need to act as overall “drivers”, through Local Strategic Partnerships, to ensure that financial inclusion is being tackled in their areas. In rural and non metropolitan areas Regional Development Agencies could play an important “driving” role.

Within the community finance sector there is a debate between subsidy versus sustainability in the provision of affordable credit.

A certain amount of tension exists within the sector over a community-based and “small is beautiful” ethos, as opposed to becoming larger, more efficient and financially sustainable. It is possible to scale-up but still have a local presence and local involvement.

Current government policies and resources provide a real opportunity to tackle financial exclusion. But to put these policies into practice government needs to nominate one of its departments to coordinate delivery and monitor progress in the creation of financial inclusion services.

## Recommendations

1. The Neighbourhood Renewal Unit should promote activities that tackle financial exclusion in all the Neighbourhood Renewal Areas.
2. All local authority areas within the 88 most deprived areas should draw up a Financial Inclusion Strategy (FIS). This should be done through the Local Strategic Partnership. The FIS would outline the financial inclusion products needed. These are:
  - Affordable credit
  - Savings facilities
  - Money advice and budgeting services
  - Basic bank accounts.
3. The FIS would identify all the local agencies able to delivery services concerned with financial exclusion. The Financial Inclusion Fund (FIF) should be channelled via the FIS, but only on the basis of a robust business plan dealing with issues of long term sustainability, coordinated service delivery and clear targets for growth and delivery of service.
4. Local Strategic Partnerships should be able to draw down on the Financial Inclusion Fund to plan and develop the FIS.
5. A lead agency should be appointed from local organisations to coordinate the delivery of the FIS. This would be done through partnership working. Working in partnership could include formal community banking partnerships, group structures or looser partnerships based on city-wide credit unions working with other agencies to deliver the full range of products. The lead agency's main task would be to guarantee delivery of all products in all areas where they were needed.
6. Delivery should be through "one-stop shops", located in local shopping centres, or near to where customers live. People should be able to access the full range of products and advice in one location
7. Local Authorities and housing associations should be encouraged to provide support and resources. Such support could be in the form of premises for one-stop-shops and grants from the FIF should be available for the renovation of such property.
8. Services provided through any financial inclusion partnership should be widely promoted. This could be done through information sent out with rent and community charge bills and through voluntary sector organisations and housing associations. Other agencies such as Primary Health Trusts, Sure Start and Home Start could also disseminate information.
9. Financial inclusion partnerships should always provide bridges to the formal banking sector. Local banks should be able to refer, when necessary, customers they cannot help to local credit unions and other community banking institutions.
10. To build capacity of the community finance sector to tackle financial exclusion credit unions should be able to administer the following products:
  - Basic bank accounts
  - The Child Trust Fund
  - The Savings Gateway
  - Benefits
  - Grants from the Financial Inclusion Fund.
11. Consideration needs to be given to the establishment of a national Financial Inclusion co-ordinating agency to work alongside the Neighbourhood Renewal Unit and the Financial Inclusion Task Force in promoting the roll-out of a national programme. Such an agency would share good practice and promote research and development of new products and initiatives by working with existing public, private and voluntary stakeholders. The agency would also pay special attention to areas where there are no "drivers" for financial inclusion by working closely with the local authority and housing associations.

# Chapter One

## Debt and Extortionate Lending

Debt and indebtedness is a fact of modern life in the UK. But it only becomes a problem when people cannot repay what they owe or when doing so creates real hardship to them. The Financial Services Authority (FSA) has reported that 6.1 million families reported some difficulties meeting their debt repayments (FSA 2004). Low-income households are hit harder than other groups as they often do not have access to the cheaper forms of credit. These households are often forced into debt to buy essentials like food, clothing and household utilities rather than more affluent groups that may go into debt to purchase non-essentials and long term benefits like holidays, school fees and property.

### Debt: The Facts

- Over six million UK households are now finding it difficult to meet their financial commitments.
- More than half of all households in serious debt have incomes of less than £7,500 a year and are unlikely to have savings to cushion them through loss of income or unexpected expenses.
- A third of people (with debt) regard their debt as a burden and 10 percent as a “heavy” burden, with many of those among lower income families.
- The Prudential estimates that 700,000 people aged 65 or over have personal debts, apart from mortgages, totalling more than £1bn.
- Citizens Advice Bureau (CAB) advisers across the UK have been dealing with an alarming 47% increase in the number of new consumer credit debt problems over the last five years which now total over one million per year.
- A quarter of those in debt are receiving treatment for stress, depression and anxiety from their GP.
- Low-income households are three times more likely than the rest of the population to be in arrears with rent, council tax, utility bills or mortgage arrears.
- More than 3 million people are struggling with energy bills, 4.7 million are in debt to their water company and more than a million have had their phone cut off.
- Millions of Britons (55 percent of the population) are failing to save money, raising concerns that mounting debt may be destroying the nation’s will to save.
- The biggest cause of rows within a relationship is not infidelity but money, according to a Relate report in 2003.

### Financial exclusion and extortionate lending

Debt can become a serious social and financial problem for low income households when they have no access to affordable credit and other financial products. Recent research indicates that over “1.5 million households in the UK lack even the most basic financial products, a further 4.4 million households are on the margins of financial services with little more than a bank or building society account that is not much used” (JRF 2001).

Over three million people, overwhelmingly people on low incomes, rely on the Home Credit industry for credit - and are routinely charged interest rates ranging from 160 percent to 800 percent APR (ibid). Borrowing at these rates of interest increases levels of overindebtedness and poverty; and drains money out of local economies, undermining the

Government's commitments to tackling child poverty and promoting neighbourhood renewal.

***“Provident Financial don't have any competition. If there was competition people would offer lower charges, but it seems there is none. People have little option.”*** National Policy Forum, July 2001.

There is a need to widen access to affordable credit and other financial services.

***“Without action across government, tighter regulation alone could make matters worse. To be effective, tougher legislation needs to be combined with support for initiatives that widen access to affordable credit and money advice.”*** (Profiting from Poverty, 2002).

There is widespread evidence that the people on low incomes affected by financial exclusion need access to a range of financial services including:

- Affordable and appropriate credit/loans
- Savings schemes
- Money and debt advice services
- Budgeting and bill payment services
- Improved levels of financial literacy (but not as a substitute for the above!).

Whilst there are a number of Government and other initiatives in this area, they are currently piecemeal and not coordinated:

- The Savings Gateway currently being piloted excludes the involvement of the prime existing vehicle for savings by low income households (Credit Unions).
- Money advice services are offered on only a patchy basis, and frequently in isolation from any other services (in contrast to the Irish Money Advice and Budgeting Service).
- The Department For Education and Skills and Financial Services Authority have both launched schemes to promote financial literacy, which may promote increased 'literacy' but do not address the lack of choices available to people on low

incomes (especially in relation to sources of credit).

- No Government department or statutory agency has any direct responsibility for promoting access to affordable credit, in spite of this being a central element of financial exclusion.

The Consumer Credit White Paper, published in December 2003, recognised the scale of the problem of over-indebtedness, particularly in relation to its impact on low income households, poverty and social exclusion, and required new thinking and new initiatives to be developed.

At a local level, a significant number of schemes to promote access to savings and credit have emerged in recent years:

- Credit Unions, though tiny in comparison with Ireland, currently provide over 300,000 members with access to affordable savings and credit.
- Whilst some Credit Unions are struggling with the new regulatory regime, others are now growing rapidly and developing as robust social businesses.
- Over 70 Housing Associations are involved in promoting financial inclusion, and some have established specific (mostly arms length) savings and loan initiatives.
- A number of Community Development Finance Institutions have established schemes to provide access to affordable credit to those on low incomes.

However, to date most of these schemes are small-scale, and have been developed by local social entrepreneurs, with only mixed levels of support from the statutory sector. Only a few provide financial services to more than 1,000 individuals.

What is needed is a policy framework, delivery mechanisms and financial products that provide real choice for those currently reliant on extortionate lending for access to credit. In other words a major 'scaling up' process is needed to provide access to affordable credit.

# Chapter Two

## Social Consequences of Lacking Access to Affordable Credit

The true cost of personal debt cannot be calculated in financial terms alone. A link exists between unaffordable debt and health problems, some types of crime and relationship break ups. This has a knock-on effect on public expenditure in the areas of the courts and the criminal justice system, social service departments and primary health care trusts. Rent arrears and non-payment of council tax are often the first item of debt that low-income households accumulate (Bridges and Disney 2004). This has an added administrative cost for local authorities and housing associations.

It can also be demonstrated that unaffordable debt and lack of access to affordable credit disproportionately affects low-income families, especially single parent households and women. Research indicates that the lack of access to affordable credit is one of the factors leading to over indebtedness amongst low-income households which are then often forced to use extortionate forms of credit. Many of these households are unable to take advantage of low interest rates as they have no solid employment history, no collateral security and no credit rating.

The following report examines the social and economic consequences of debt by using recent research carried out by academic institutions and government departments. It is also informed by the first-hand experience of individuals and organisations that are members of the campaigning network Debt on our Doorstep.

### Debt and Health

The growing problem of debt both mainstream and sub prime has an impact on health as an increasing proportion of household income goes on servicing loan repayments. Debt is both a cause and effect of stress and mental health problems. Debt causes stress, and mental health service users are particularly at risk of debt and its consequences (Sharpe and

Bostock 2002).

### Debt leading to health problems

In an action research project initiated by the Northumberland Health Action Zone and the Community Psychology Team in 2002, the problem of debt and mental health in Northumberland was examined. This research concluded that there was a clear link between debt and mental health. Debts had a detrimental affect on people's mental and physical well-being due to stress, stigma and fewer associated life opportunities.

Recommendations of this research included: promoting socially responsible investing and lending, and ensuring adequate access to household grants and loans.

The National Association of Citizen's Advice Bureaux's figures (NACAB 2003) showed that around one in eight clients seeking debt advice had started treatment for stress, depression or anxiety since their debt problem had started. Credit Action, a money advice agency based in Lincoln, states that a quarter of those in debt are receiving treatment from their GPs for stress, anxiety and depression (Credit Action 2004). According to the Financial Services Authority (2004), 6.1 million families reported some difficulties meeting their debt repayments. Simple extrapolation of the data would mean that anything between 750,000 and 1.5 million in any year would be suffering from stress or depression related to debt. This is a very rough estimate as no specific data is available, but it does provide an indication of a wide-spread problem related to debt.

Clearly doctors, health visitors and other front line staff do not have the time or the specialist skills to deal with patients' debt problems. But some GP surgeries are providing access to debt advice services so as to ease the pressure on them. One example of such an initiative is being funded by Bradford South and West

Primary Health Care Trust, which supports three debt advice services to which around 300 patients were referred in 2003. Another such example is run by the Wolverhampton Health Action Zone.

Drentea (2000) using a sample of more than 1,000 adults found that anxiety increased with the ratio of credit card debt to income. Additionally, anxiety correlated with the number of months of being in debt. Anxiety attacks around court and other debt related proceedings are not uncommon (Kempson 96). An increase in consultations with general practitioners on the part of debtors has also been reported. (Drentea, 2000; William 2000).

The stress of owing money combined with the knowledge that one is forced into paying high interest rates are identified as negative psychological factors associated with debt (Drentea 2000) as well as harassment by creditors, uncertainty and lack of control (William 2003).

Perhaps the most worrying issue is the large proportion of suicides and attempted suicides committed by people with debt problems (Hatcher, 1994). In March 2004 the Daily Mail carried the story with the headline "Credit 'Kills' a Family Man".

## Illness and disability leading to debt

However, the linkage between debt and poor health may be inverted. Poor health, especially mental health problems and disability often lead to debt problems. In 1998 research funded by the Joseph Rowntree Foundation established a link between disabled people with debt problems and the onset of mental health problems. A number of interviewees spoke of feeling suicidal due to the aggressive responses of their creditors to their inability to pay their debts (Grant 1998).

The difference between income before and after the onset of illness or disability is an important factor leading to debt (Grant 1995). Researchers at Ohio State University found that people who reported higher levels of stress about their debt showed higher levels of physical impairment and also reported worse health than those with lower levels of debt (Lavrakas 2000). The association between debt and health remains strong and significant even after factors such as age and income were taken into account. The findings showed that the ratio between debt owed and the total family income was the main factor that related to health.

## Wolverhampton Health Action Zone

Advice sessions, funded by the Health Action Zone, are provided in 18 GP surgeries across the city of Wolverhampton. Over 700 people have attended the sessions with queries about benefits and housing and problems of personal debt which totalled £320,000.

Patients consult their GPs for many reasons including stress and feeling unwell. Often the causes of these problems are non-medical and better addressed by advice services. The sessions aim to deliver free and impartial advice to patients at their GP surgeries. This is based on the known improvement in health where patients are able to address their social problems at a local, easily accessible site.

Sessions in GP surgeries are also more anonymous. If you say you are going to the doctors, you could be going for any number of reasons, but if you say you are going to an advice centre people will assume you are going because you have a problem. The project was evaluated by the University of Wolverhampton and their conclusions were - "the impact on service users has been immense. The amount of benefits obtained and the alleviation of debt has been enormous and must have had an impact on the lives of many."

This project demonstrates how much time GPs can spend with patients with debt problems and provides a model for freeing up medical personnel.

## Tower Hamlets Community Credit Union

Tower Hamlets is the most deprived borough in the UK, with high levels of financial, social and health problems. The credit union was established to meet the needs both of residents and those who work there, including affluent workers at Canary Wharf.

A study on the health impacts of Tower Hamlets Community Credit Union found that it was responsible for a range of improvements to members' health. Many members achieved an improvement to their personal lifestyles - going on holiday, better housing conditions, buying higher quality food - which could be expected to directly lead to better health. Access to money could also lead to being able to afford lifestyle enhancements - cars and better clothes - which might indirectly lead to improved health by enabling membership of social networks.

Members spoke of the credit union changing their perspectives. They were better able to think of the future, through the opportunities presented by the savings scheme. They were less focused on day-to-day needs. In some cases this gave them the mental strength to spend less on non-essentials to help them save for what they really wanted. Tower Hamlets credit union has operated in a way that has encouraged people to join and participate with the minimum of intimidation. It has a strong customer care focus, operates shop front premises, is easy to access from across the borough and uses professional staff. The use of professional staff reinforces the customer care emphasis and reduces the burden on volunteers, which can be a problem with traditional credit unions.

It is hoped that in the longer term the Community Credit Union will play a central role in building the economic strength of Tower Hamlets, by improving residents' and employees' confidence. This could translate into the creation and sustainability of more locally owned businesses and the employment of more local people. In turn, these trends could underpin other health benefits for the local population.

Tower Hamlets is an example of what is called a 'new model credit union'. It is linked to the London Credit Union Support Programme, a partnership between Social Enterprise London and the Association of British Credit Unions Ltd (ABCUL). Funding came from the Single Regeneration Budget and research on its health impacts was provided by the Department of Health.

Source: Investing in Health: a health impact assessment of a new model credit union, Social Enterprise London 2002.

## Social Relations

Feelings of shame, seeing oneself as a failure and other negative internalised identities on the part of debtors are common (Ford, 1992; Kempson et al; 1994). These feelings of shame are often related to credit type. The social view of people with severe credit card, hire purchase or sub-prime type debts is often that they are spending more than they earn, and that this is shameful. Alternatively, secured debt, such as purchasing a home, is associated with stability,

responsibility and being a tax paying member of a community. For these reasons, non-secured debts, primarily those of the less wealthy can be particularly stressful (Drentea & Lavrakas, 1999). This can lead to social isolation.

Debt has a significant impact within families suffering under its burden. Debtors frequently speak of deterioration in their relationships with their parents and children (Ford 1992). Outside the family, debt impacts on people's social relationships (Kempson et al 1994), which often leads to further isolation and social exclusion.

People have also reported that they do not go out often, not just because they can't afford to but also because they feel stigmatised by the shame associated with being in debt. According to Relate (the marriage and relationship guidance organisation), the biggest cause of rows within relationships were not fidelity, but money and debt problems (Relate 2003).

Families with debt often endure poor diet, cold and damp housing, insufficient clothing and footwear and tend to forgo dentistry and medical treatment (William, 2003; Kempson, 1994). This puts additional emotional strains on family relationships. A link has also been found in one study (Reading, 2001) between debt and maternal depression. This has important implications for the well-being of children where the mother has suffered from maternal depression.

## Debt and Entry to Employment

Recent research carried out in Brighton and Hastings found that for some debt was an impediment to entering employment (Ambrose and Cunningham 2004). The survey conducted for this research found debt to be the fifth most frequently quoted impediment to entering employment. This reason was given by nearly 38% of survey respondents. Those interviewed identified the three main barriers to employment as debt, childcare and the 'poverty trap'. Debt was a barrier identified by those at all stages of dealing with their debt. It was a barrier in terms of the amount of emotional energy the issue took and a fear of earnings being 'attached' by creditors. One interviewee said:

***"I think this does stop me looking for work...it's always on my mind, even with all these court things, if I got a job, then they're gonna take it out of my wages and things like that, and I can't really afford for that to happen if I've got to pay housing and council tax, and look after my son, it's quite scary".***

Debt and the fear of attachment of earnings can restrain people from seeking work.

## Impact on Women

Research has now established a link between gender and debt. The cause of women's poverty and vulnerability to debt lies in a gender division of labour "which disadvantages women economically, socially and politically within the household, the labour market and the social security system" (Ford, 1991, p.71). Men generally control and allocate financial resources and women undertake the financial management of them. In this respect, Bailey (1999) has focused attention on the all-too-common situation of women accepting liability for their (male) partner's debts. According to Bailey, this occurs because of the relationship with the principal debtor and "the emotional pressure and/or economic dependence involved in that relationship" (p.1002). She refers to this as the "sexual transmission of debt".

As women frequently contract and service credit commitments, repayment problems tend to fall into their domain (Ford, 1991). Women are often regarded as free to undertake this area of responsibility "either because their own employment is part time, is regarded as less significant than the man's, or because they are at home all day involved with tasks that are accorded little priority or prestige" (Ford, 1991, p.81).

Simply making ends meet becomes a full-time job which preoccupies the minds of many people most of the time - this seems to be especially so for women (William 2003). According to a social service agency in New Zealand, it is not uncommon for women in that country to resort to prostitution as a means of combating debt (Kelly, 2001, William and O'Brien 2003).

Generally the responsibility for the debt is transmitted to women in one of three ways: through the provision of security (such as a mortgage), as a guarantee of the partner's business debts, or through joint entry into a loan contract or as a silent partner in a family business (Bailey, 1999).

Turning to door-step lenders, most of the local agents are self employed women usually living in the area in which they work. This type of

work provides neither security nor employment benefits for the women involved. For example, Provident Financial, the largest financial company of this type, have 12,000 agents in the UK and 81 percent are women. According to Provident Financial's reports many of their agents are former customers. They are paid on the basis of what they collect rather than on the products they sell to their customers, the majority of whom are women.

## Impacts of Debt on Low Income Families:

Nearly everyone has some kind of debt. In fact our economy depends on the functioning of our financial services which represents a high percentage of the UK's GDP. The big divide is between affordable and unaffordable debt - affordability depends both on the cost of credit and the percentage of income that goes towards servicing that debt.

Concerning the issue of unsecured personal debt, the data indicates that the burden of debt on low income families has risen more than for more affluent households. Extrapolating from the figures published by the Bank of England, the average debt as a percentage of income for those households with income of less than £12,000 was 36 percent (Bank of England 2002). In comparison, for households with an income over £50,000 it was just over 12 percent. An important and well-documented issue is the cost of debt. Low-income households usually pay higher charges and rates of interest as they often lack access to mainstream financial services (Palmer & Conaty 2002).

What table 1 shows is that the burden of debt on low-income families has increased (on average) in five years from 16 percent to 36 percent of income. This means low-income households have to spend an increasing amount of their weekly income on servicing their debts. The concern for organisations like Debt on our Doorstep is not the general rise in debt as most debt is sustainable and affordable for many income groups, but the central place of debt in the association between socio-economic exclusion and poverty.

Within the broad category of low-income families, Bridges and Disney (2004) identify

quantitatively the credit arrangements and patterns of default on debt. Most low-income families utilise several credit arrangements. However, there are sharp differences in types of credit between homeowners and tenants. Low-income tenants rely disproportionately on loans from family friends and from finance companies.

A worrying statistic is that roughly 1 in 20 of tenants face problems in repaying debt incurred through catalogue and mail-order schemes (Bridges and Disney 2004). Loans from local money lenders are utilised almost wholly by tenants and repayment difficulties on these loans are experienced by almost one in five families. Overdue payments to money lenders and informal sources of credit are substantial compared with those for credit cards. There is much coverage in the press of credit card debt, yet the incidence of arrears on minimum repayments on credit card and store cards is small, just 3 percent overall.

Using the Families and Children Survey 2001 Disney (2004) made the following observations concerning debt and low-income families. There is a striking difference in credit use between homeowners and tenants. For example 74 percent of home owning couples have credit cards compared to 30 percent of tenant couples. Disney makes the observation that homeownership and use of bank accounts are the gateway to many types of credit arrangements. Tenants are approximately twice

**Table 1: Unsecured debt as a percentage of income**

	2000	1995
Income over £50,000	12%	9%
£35,000 – 49,999	16%	9%
£25,000 - 34,999	17%	11%
£17,500 – 24,999	19%	13%
£11,500 – 17,499	18%	15%
Less than £11,499	36%	16%

(Source Bank of England 2002)

**Table 2: Percentage of households with loans unable to keep up with repayments**

	Home owning couples	Tenant couples	Home owning singles	Tenant singles	Total
Currently unable to keep up with payments on at least one of the following loans	2.0	12.2	5.7	18.3	6.8
Unable to keep up with payments on					
Bank loan, excluding mortgage	0.8	1.6	0	6.2	1.2
Loan from finance company	0.9	12.9	1.9	25.9	8.4
Loan from moneylender	0	26.5	0	29.5	27.7
Loan from friend or relative	12.5	21.6	19.4	16.7	16.2

(Source Families and Children Survey 2001)

as likely as homeowners to make use of loans from money lenders. The highest percentage of households unable to keep up loan repayments occurs amongst tenant (both single and couple) households and these repayments are overwhelmingly with moneylenders.

## Debt and Fuel Poverty

Debt results in less disposable income to spend on fuel and food and can lead to illness through cold and poor nutrition. According to the Government's Social Exclusion Unit, 1 in 20 mothers sometimes go without food to meet their children's needs, with lone parents most at risk. In 2002 an estimated 1.9 million vulnerable households in England did not have enough to pay for their fuel requirements.

In to-day's cash free society there are often high premiums on cash or meter payments. In the South West of England, a therm of gas in the competitive domestic market can cost as little as 38p for people who pay by direct debit, while the cheapest cost for people who pay by a pre-payment meter is 84p. This means that families on lower incomes pay more than twice as much for their gas supply. The MoneyCentre estimates that low-income families pay on average £129 per year more on utilities than households who are able to set up direct debit arrangements with their banks.

## Debt, Crime and the Justice System

Between 1990 and 2000 there were over 10 million county court judgements against individuals unable to pay their taxes or repay their loans (Debt on our Doorstep 2000). Low-income households frequently fall into debt regarding basic bills such as rent, utilities and council tax. Disconnections, repossessions or fines are often the consequences of these debts (Kempson 1996).

Debt proceedings take up county and magistrates court time without necessarily recovering money. In 2002/03 the Legal Services Commission spent £20 million on advice and representation on debt matters for eligible clients. Debt cases put pressure on the courts and resulting orders such as eviction impact on other public bodies such as registered social landlords and social services.

Crime and re-offending can sometimes be the consequences of debt. Almost a fifth of prisoners experience problems with rent arrears, unpaid bills and fines, problems that many find worsen while they are in prison (Legal Services data and Home Office 2002). Those serving community sentences are likely to experience similar difficulties.

Debt can also act as a barrier to rehabilitation. Enabling offenders to access advice and

financial products can overcome this barrier. For example, a service in Kent, funded by the Probation Service and Citizen's Advice, provides money and debt advice to ex-offenders in the area and this has helped to cut re-offending rates. In 2003, 675 people on probation were supported by this debt consultancy and casework service, mostly by telephone and correspondence but with face-to-face meetings where appropriate. Probation staff have found that it has had an impact on an individual's financial stability, enabling staff to concentrate on changing offending behaviour. They believe it has helped cut re-offending rates.

Low-income households with debt problems often do not have home insurance. In fact, half of all low-income households lack home contents insurance. This compares with a fifth of households on average incomes. Households with no household insurance are three times as likely to be burgled than those with home insurance and their situation means they are less able to replace the stolen goods.

## Debt and Housing

Problems with debt can result in repossessions, evictions, homelessness and re-housing costs for social landlords. In 2002/03 mortgage and rent arrears were the major cause of homelessness for over 5,000 households in England and Wales (ODPM 2003).

Over-indebtedness amongst some tenants is a major problem for social landlords as it results in a loss of income stream. The most common form of debt amongst tenants is being behind with rent, council tax and water rates. Families in debt prioritise payments on arrears. Where interest is typically not charged on overdue amounts, for example rent and council tax, these arrears are given a low priority (Bridges and Disney 2004).

## Debt and Neighbourhood Renewal

Doorstep lending and extortionate credit terms are having a detrimental effect on regeneration programmes and neighbourhood renewal. Predatory lending is stripping out financial resources from deprived neighbourhoods. The Government is pumping millions of pounds into neighbourhood renewal fund areas but at the same time money is seeping out as residents are paying off interest rather than spending money in local shops and businesses. Research by ACE (a credit union association) found that in three streets with a total of 40 households on the Meadow Well Estate in Newcastle, £240,000 was being paid out each year to door step lenders. Out of this at least £120,000 was being paid in interest charges alone. The average weekly income of the households surveyed was £230.

Also money is leached out of deprived neighbourhoods when residents buy white goods (cookers and washing machines) on credit from stores like BrightHouse. This company's advertising is very seductive, "We aim to provide anyone, regardless of income with a wide choice of high quality products at affordable prices". The advertised rate of 29.9 percent APR seems competitive but customers are encouraged to take out "optional cover". This can push the APR up to over 80 percent. BrightHouse also charges inflated prices for their goods in the first place so overall a customer can end up paying four times as much for a cooker or fridge compared to buying from a conventional shop.

## Radio 4 Moneybox special, April 2004

REPORTER: I've come here to Halifax to see Mandy, a single mum, she works the hours she can in a low-income job. With two dependent children, there's nothing to spare. A year ago things went wrong, all at the same time, when Mandy needed a new cooker, washer and fridge. Like most of us, Mandy couldn't buy three big household items without credit and like most of us, she came to the High Street. BrightHouse is an electrical and household goods chain store which targets the customers which banks and credit card companies don't want to know. It lends you the money you need to buy the goods without a deposit or even a credit check and it charges interest, at nearly 30% and that wasn't the only cost Mandy faced when she bought from BrightHouse.

MANDY: Well I actually thought I was paying (with the interest on top) altogether a total back of £2,226 because that's what the total charge payable said on the form.

REPORTER: But for a cooker, a washing machine and a fridge you eventually paid £3,871.92?

MANDY: Yes

REPORTER: Mandy's confusion was understandable. On the agreement she signed, it clearly says total charge payable and under it £2,226. More than enough you might think for three items and they turned out to be second-hand or quality refurbished as BrightHouse calls them. But other numbers on the sheet are not in the total charge payable. Mandy also paid optional service cover, insurance to pay for repairs returning the goods or altering the agreement and DLC which turned out to be yet more insurance in case the items were damaged or stolen. Altogether Mandy was paying £1,645 just to insure this used equipment, more than the cash price of the goods themselves. So why did she sign up for this expensive deal?

MANDY: I didn't know I was paying them. No, it wasn't actually explained that I did have that cover on top. I mean they just said, you've got to sign here, here and here, you know, they didn't actually say this is optional cover, do you actually need it or, have you got other insurance. They never asked me that, which I do have house insurance.

REPORTER: So the damage liability cover which is only there if you don't have house insurance, they didn't ask if you had house insurance?

MANDY: No, no they never asked me if I had house insurance. I'd have still been paying that now if I hadn't have come and got some advice, I'd have been no wiser. I'd have been just getting myself more and more into the arrears and things you know.

REPORTER: Paying all this extra money for essential goods was hard for Mandy, trying to keep her children on a low wage and when she fell into arrears she went for help to Frances Minshull at Calderdale Credit Union and showed her the credit agreement. Although it does say there are 156 instalments of £24.82, nowhere is that totalled to show the final cost of nearly £4,000.

MINSHULL: I think the schedule is very very misleading. It's certainly the way that it's laid out. The eye is encouraged to look at the total charge payable only and that is no true reflection of what the true charge of these items were.

REPORTER: Frances advised Mandy to return the goods and pay no more as she was entitled to do. Calderdale Credit Union then lent her the money to replace them with three new items from a local discount store. Buying them this way cost her just £815 and borrowing that amount from the credit union over three years, she'll pay interest of £157. Altogether, barely a quarter what BrightHouse charged. BrightHouse is the trading name of a company in Reading, Caversham Finance Limited.

# Chapter Three

## What savings would affordable credit produce?

If affordable credit were available to all low-income households what would be the savings to households, neighbourhoods and the Public Exchequer? The following part of the report addresses this question.

### Savings to Individuals and Households

Unsustainable or unaffordable debt has a significant negative impact on individuals and households. Effective intervention is needed both to help people out of unsustainable debt and to prevent them going into unsustainable debt in the first place.

The economic cost of over indebtedness at a household level is difficult to ascertain but some indicative figures can be obtained using recent research into related issues. In 2003 Richard Murphy, a chartered accountant, carried out a study based on Provident Financial to examine the case for an interest rate cap in the UK. Using different (lower) interest rates he calculated the impact this would have on Provident Financial's profits. These same figures can be used to ascertain the impact on household finances and savings that could have been made were alternative credit sources available. Table 3 indicates that Provident Financial makes an excellent rate of return on the loans it advances. On a typical loan of £486 in 2002 at the calculated rate of 185 percent APR the company imposes charges of £255 on its average borrower.

**Table 3: Extracts from Provident Financial Annual Report 2002/2003**

Average length of loan	45 weeks
Average amount of loan	£486
Average profit per loan	£255
Earnings per £	50.1 pence
Average weekly repayment	£16.56
Average APR	185%
Number of contracts (loans)	2,162,000

(Figures for 2002)

Comparing charges on the same size loan, £486, using different interest rates, Murphy (2003) came up with savings for the customer (see table 4).

Provident Financial is the largest company in the UK that provides doorstep lending, but there are many other similar companies providing loans on similar terms and conditions. Each year Provident provides on average 2 million loans. If all these 2 million customers could obtain credit at 13 percent from other sources, like credit unions for example, there would be a saving of £456 million (2million x £228). This figure does not take into account the customers using other similar companies and credit retailers like BrightHouse, which has been documented earlier in this report.

**Table 4: Comparison with typical Provident Financial loan of £486 over 45 weeks**

Using APR at:	Total costs	Total savings to customer	Weekly savings to customer	Comments
48%	£89	£166	£3.60	
29%	£57	£198	£4.40	Typical credit card cost
13%	£27	£228	£5.06	Credit union cost

In addition the Government's Social Exclusion Unit estimates that being without a bank account can put an extra £5 a week on a household's expenditure as it increases the cost of paying utility bills and functioning in today's cash free society. It is estimated that there are 1.5 million households without bank accounts, so this means there could be an overall saving of £390 million (1.5 x £5 x 52) if these people had some form of bank account or bill paying facility.

If all financially excluded households had access to affordable credit and bank accounts the minimum saving would be £846 million (456 + 390). This figure is probably on the conservative side as it does not take into account other finance companies (apart from Provident Financial) and the inflated credit and retail prices people are forced to pay for white goods, when they cannot purchase them through main-stream high street shops. Also, in addition this figure does not include money that seeps out of communities through illegal loan sharks. Taking this into account the annual cost to households is probably in excess of £900 million.

## The cost of debt to the community

The households that lack even the most basic of financial products are heavily concentrated in communities with high levels of overall deprivation (JRF 2001). It would be safe to assume that most of these communities live in the Government's "88" Neighbourhood Renewal Areas, notwithstanding that there are financially excluded households outside these areas. The Government has set aside £900 million over three years (£300 million per year) from 2001-2004 to regenerate these areas. This money is called the Neighbourhood Renewal Fund and is distributed through Local Strategic Partnerships.

Using a rough calculation, and relating this to the estimated annual cost of extortionate credit of £900 million (as discussed above) it could be concluded that, while the Government allocates £300 million per year in NRF areas, three times as much money seeps away through extortionate home credit, illegal lenders and

lack of banking facilities.

In addition there are now 39 New Deal for Community (NDC), partnerships in England that focus on neighbourhoods where deprivation is at its highest. They build on the high levels of investment already being targeted at these communities. Each partnership has been allocated funding of between £35 million and £60 million, a total of £4 billion over ten years. These funds should help attract other sources of funding rather than replacing them. Each NDC area contains approximately 4,000 households which means there are a total of 156,000 households living in NDC areas throughout England.

Highly focused regeneration schemes are an effective way of addressing multiple deprivation. But unless over-indebtedness and extortionate lending are tackled, much of the Government's £4 billion investment will haemorrhage out in extortionate interest payments. Many of the 156,000 households living in NDC areas will not have access to affordable credit or other financial services but they only represent a small percentage of the low income households nationally affected by these problems.

## The cost of debt for government

The overall cost of debt for government is difficult to ascertain and there is a clear need for further research. However, a number of issues have been identified in the existing literature. While it would be virtually impossible to put a precise financial value on the potential savings in these areas, improvements in the supply of affordable credit would help the government to meet its targets in the following policy areas:

### Health Service

Treating stress, depression and anxiety costs the NHS billions of pounds a year, and, as has been demonstrated above, a proportion of this is related to unaffordable indebtedness. In 1999, the total cost of prescriptions for anti-depressants was £395 million, an increase of 2,200 percent since 1991, when the total cost was £15 million. Not all of this would be for

people with debt problems but even if say ten percent was, then there would be a saving to the Exchequer of £38 million in prescription drugs alone. The total cost to the NHS of treating depression was estimated in 1999 by Mind, the mental health charity, to be between £4 and £8 billion.

Stress-related absence from work accounts for half of all sickness leave and costs industry more than £4 billion a year. This would also have a knock on effect on National Insurance sickness benefits. The Confederation of British Industry and Department of Health estimate that 80 million working days are lost yearly due to anxiety and depression. Some of this will probably be the result of debt problems.

Stress and depression arising from debt problems is causing pressure on some Primary Health Care Trusts (SEU 2003). This has not been quantified in monetary terms but projects have been set up to free up GPs' time in dealing with patients who are diagnosed with "debt". Reducing the stress of debt and helping people manage their money would reduce a burden on the Health Service.

### **Housing and Homelessness**

Housing Associations and local councils have rent collection targets to meet that have been set by government. Providing sources of affordable credit would help them reach these targets. Also, housing associations have a social responsibility to their tenants and if they worked in partnership with financial institutions

they could signpost their tenants to crisis loans, back to work loans and money advice.

Debt problems cause rent arrears and this can lead to evictions and homelessness. Government spent £528 million in 2003 on homelessness and nearly fifteen percent (£79 million) was related to rent arrears.

### **Police**

Violence and crime go hand in hand. Loan sharks often use coercion to extract their money from families who are forced to use them. Shoplifting and drug dealing may be the desperate measures people go to pay their debts (Impact 2004).

### **Active Communities**

The Home Office's promotion of Active Communities could in part be addressed through community banking services and access to affordable credit. Relationships can be built between schools, credit unions and CDFIs by providing paying in points at schools. Credit unions also provide a level of community bonding and cohesion. Local community banking services can provide a way into local schools through offering an opportunity to save at school, leading to a greater understanding of money issues.

Investing in credit unions or CDFIs avoids money leaving the area in the form of extortionate loan repayments. This assists regeneration and strengthens local community organisations.

## **National Strategy for Neighbourhood Renewal**

Access to affordable credit and other financial products would help meet some of the Government's Neighbourhood Renewal Programme Policy Action Team (PAT) recommendations.

**PAT 1: Education and Employment:** The move from benefits to employment often causes debt as people take loans to finance additional expenditure like new clothes and transport costs. Access to affordable loans would help this transition into work.

**PAT 9: Community Self-help:** As already mentioned the formation of credit unions especially with collection points in local schools would help develop a sense of community self-help.

**PAT 14: Financial Inclusion:** Pat 14 set out over 40 recommendations for tackling financial exclusion. Access to affordable credit is an essential element of financial inclusion and, as indicated in this report, one that is currently denied to many people. Without action and policy to provide affordable credit the financial inclusion recommendations of PAT 14 will not be met.

# Chapter Four

## Delivering Financial Inclusion

There is a spatial or geographical dimension to financial exclusion. Using computerised mapping technology to show where profits were highest, banks and building societies started to pull out of many deprived neighbourhoods in the late 1980s. The effect of such withdrawals was intensified by the disappearance of gas and electricity showrooms from high streets. This made cash payments much harder and access to banking services more important. It is in these financial deserts that the doorstep lending companies flourish.

These are also the areas where community finance institutions such as credit unions are attempting to tackle financial exclusion. However, these institutions are faced with two major challenges. Firstly, can they reach most of the people who are in need of an alternative financial provision? and secondly, can they provide a range of affordable financial products?

To deliver financial inclusion institutions need to have the following general features:

- **Geographic coverage:** No matter where you live in the UK you should be able to access financial products such as affordable loans, savings accounts, money and debt advice and insurance.
- **Local contact:** Financial services should be accessible locally through institutions, such as credit unions, post offices, local banks and community organisations.
- **Social Acceptability:** Institutions should be socially acceptable to the client group with approachable and well-trained staff.
- **User Friendly:** Products need to be user friendly. People want products that are transparent and easy to understand and calculate.

Features for loans would include:

- Minimal and straightforward paperwork with easily understood forms.
- The overall cost of credit should be clearly stated.

- Loans should be for small amounts (between £50 to £500) over relatively short periods (less than a year).

**The credit supplier needs to be assured of the following:**

- An indication that the institution (credit union, bank, community finance institution) can operate without loss.
- That the institution can reach and recruit customers.
- That it can expand its business without undue regulatory constraints.
- That it has minimal delinquency.
- That it can train and recruit staff.
- That the necessary legal and policy framework is in place to provide the service.

The above features indicate that any delivery mechanism at a local level must adopt a joined up approach. At present, when financial services are available to financially excluded households, their delivery is often fragmented, with the customer having to go to different agencies in different locations. The challenge is to provide comprehensive financial services at a local level in one location. This will mean local agencies working in partnership with each other. Such financial services would include:

- Affordable credit
- Savings facilities
- Money advice
- Budgeting and bill payment
- Financial literacy
- Insurance products

There are many actors in the community finance sector providing savings, loans and advice services in different ways. But these services are not uniform or universal. They depend on locality and the dedication and

## PEARLS

The pilot **PEARLS** projects, promoted by ABCUL, demonstrated how a new form of financial management could enable credit unions to scale up, become more efficient and deliver a greater range of financial products. PEARLS is a financial monitoring and business planning system that has been developed by the World Council of Credit Unions. The pilot projects were launched by ABCUL in 2002 and a total of 20 credit unions throughout the UK took part. PEARLS provides a systematic approach to delivering strong modern credit unions that balance the needs of savers, borrowers' stakeholders and staff. It uses a standardised set of financial ratios across six key areas to monitor the financial stability and performance of a credit union. It enables the tracking and analysis of key financial performance indicators by credit union staff.

PEARLS ratio are concerned with:

- Protection
- Effective financial structure
- Asset quality
- Liquidity
- Rates of return and costs
- Signs of growth.

The pilots PEARLS projects have resulted in an increase in marketing and the development of new financial products which detach shares (savings) from loans.

motivation of social entrepreneurs to develop and maintain the organisations. There is a lot of good practice going on. However, as yet, it is too small scale and disjointed to tackle a nationwide problem.

## Credit Unions delivering financial inclusion

Although credit union membership is growing, it still only represents just over 1 percent of the population compared with 80 percent in Ireland. ABCUL (Association of British Credit Unions Limited) is the largest of the credit union trade bodies and represents 71 percent of credit union members and 85 percent of credit union assets in Britain. There are also smaller trade bodies, but 11 percent of credit unions are not represented by any trade body. According to ABCUL there was an 11.4 percent increase in their membership in 2003 to 365,107 members.

There is a growing trend within the credit union movement for larger common bonds, bringing credit union services to more people. This has been achieved through expansion and mergers leading to a slight decrease in the overall number of credit unions since 1999. Many credit unions now cover cities, boroughs and counties, as in for example: Durham, Sunderland, Middlesborough, Newham, Leeds, Cardiff, Kirklees, Doncaster, Nottingham,

Leicester, Hull, Cornwall and Essex.

As well as providing a savings and loan facility, credit unions are a good way of building up social capital within a neighbourhood, something a local building society or bank branch could never do. Becoming a member of a credit union to access savings and loans is less daunting for many than opening a bank account. The structure and function of credit unions prevent people getting into debt and many provide members with training on how money works.

In most cases account holders have to save before obtaining a loan. Within the credit union movement there is a debate about the interest rate ceiling of 12 percent, which prevents them from offering more extensive financial services, especially high risk loans. Many involved in the credit union movement would say a flexible interest ceiling would help tackle financial inclusion, as they compete with door-to-door credit companies.

Over the last ten years the credit union movement has developed into two slightly different branches. Some broadly regard themselves as New Model Credit Unions and others Community Development Credit Unions. There is a lot of commonality between the two and many credit unions would regard themselves in neither camp. The difference is

in emphasis rather than direction. New Model Credit Unions focus on financial sustainability, while Community Development Credit Unions (CDCUs) believe the drive for financial goals should not be at the expense of community development and the building of social capital within deprived neighbourhoods.

Many volunteers came into the British credit union movement inspired by its co-operative ethos and its commitment to social values. Whether in towns, on housing estates, or within workplaces, people came together to create mutual financial organisations and are dedicated to serving their members, particularly those on low incomes. Credit unions were seen as a form of social and collective action through which residents or employees responded to the financial needs of their own communities. In fact, social values have been so predominant within the traditional British credit union development that their promotion has often obscured the economic necessity of developing the organisation as a viable financial business. The result has been a large number of socially committed but financially weak credit unions, as revealed in “Towards Sustainable Credit Union Development”, a research paper published in 1999 (Jones 1999).

Recently the terms New Model Credit Union and Community Development Credit Union have fallen from regular use, as the movement, in general, has focused on scaling up and tackling financial exclusion.

In order to strengthen themselves as financial institutions, many British credit unions have begun a process of change and transformation.

They have been attracted by a new business and market-oriented model of development, which prioritises growth and insists on financial discipline, economic strength, professionalism and quality in financial services.

Many of these credit unions have opened new premises, employed professional managers and begun to target diverse income groups with a range of financial products. Some have merged with other neighbouring credit unions to achieve economies of scale, and many have encouraged the active involvement of local companies in new “live and work” common bonds.

The process of change has not been welcomed by everyone within the credit union movement. Some activists believe that a primary focus on growth and business development will inevitably entail the loss of the social values on which the movement was originally built. But on the other hand many in the credit union movement believe that scaling-up and becoming more effective and efficient does not mean forfeiting core social values.

## Community Development Finance Institutions (CDFI)

The creation of CDFIs was one of the recommendations made by the Social Investment Task Force in its report, “Enterprising Communities: wealth beyond welfare”, which was presented to the Chancellor of the Exchequer in October 2000.

**Table 5: CDFI loan portfolio – 2002 /2003**

	Value	Number	Value %	Number %
Micro enterprise	£3,386,691	690	37.0	31.0
Small enterprise	£419,122	25	5.0	1.0
Medium enterprise	£1,553,500	8	17.0	0.4
Social enterprise	£2,741,900	91	30.0	4.0
Home improvement	£36,000	29	0.4	1.0
Personal loan	£985,415	1,400	11.0	63.0
Total	£9,095,628	2243	100.0	100.0

(Source CDFA State of CDFI Finance 2003)

Five key recommendations were made in the Report:

- Community Investment Tax Credit
- Community Development Venture Fund
- Bank disclosure on lending in under-invested areas
- Greater latitude for investment by charitable trusts and foundations in Community Development initiatives
- Support for Community Development Finance Institutions including the development of a trade association.

Community Development Finance Institutions are a new generation of social entrepreneurs. There are over 30 CDFIs. The bulk of their business is supporting small-scale enterprises where people find it difficult to secure start-up and development funding. Only six CDFIs currently provide personal loans: Derby Loans, East Lancs Money Line, Salford Money Line, Portsmouth Area Reinvestment Trust, Money Line Yorkshire and Burnley Money Line. CDFI individual loans are provided for the following purposes: emergencies, debt consolidation, meeting the cost of returning to work, the purchase of domestic equipment and home improvements.

In a survey recently conducted by the Community Development Finance Association (CDFA), the trade body for CDFIs, it was stated that the total capital sum advanced in personal (consumption) loans for 2003/2004 by the sector was £958,415. This sum represents 1,400 individual loans. In addition £36,000 was advanced to 29 individuals for home improvement loans. This is a relatively small number of personal loans given the huge demand for access to affordable credit. By comparison Portsmouth Savers credit union in 18 months provided 1053 loans valued at over £1 million to members regardless of savings status. But CDFIs do demonstrate that they can reach and deliver loans to people previously reliant on doorstep lenders. However, they are not restricted to the 12 percent ceiling which prevails among credit union lenders.

Financial sustainability versus subsidy support is a continuing debate within the community finance sector. But one of these principles does not necessarily have to preclude the other. Institutional and financial sustainability is needed over the long term to deliver financial inclusion. To reach this state, however, public support in the form of subsidy is essential to develop products, processes and partnerships.

# Chapter Five

## A national strategy for scaling-up financial inclusion

The components needed for scaling-up are:

- A National Framework/ Agency
- Local Partnerships
- Links with other anti-poverty and regeneration initiatives.

### A National Framework or Agency

New types of organisations are not necessarily needed to enable local scaling-up. But there should be a national framework or coordinating agency that would guarantee that all basic financial products, such as affordable loans, are available in all areas of the country. This coordinating agency would oversee delivery through the community finance sector. It would also encourage and maintain the involvement of mainstream financial institutions - banks and building societies - in tackling financial inclusion.

A national financial inclusion coordinating body would share good practice. It would also promote research and the development of new products and initiatives by working with existing government departments and key private and voluntary sector organisations. It would perhaps be best located to work within or alongside the Neighbourhood Renewal Unit or the Treasury.

### Local Partnerships

Local partnerships of community banking and advice agencies are needed to provide a comprehensive range of financial services. These would also form a bridge to the mainstream banking sector. The partnerships would involve organisations working together across a geographical area to deliver these services at one-stop locations. These might be called Financial Inclusion Partnerships, (FIP), or Community Banking Partnerships.

At the moment, the most vulnerable customers, who tend to present the highest risk to lenders, are likely to be pushed towards the least responsible end of the consumer credit market, i.e. doorstep lending companies. But there is also a pull factor that draws people to the sub-prime market. The service is convenient. There is one-to-one contact, usually with someone who is known locally, and the simple product design is positively valued. The challenge for the community finance sector is to develop product delivery mechanisms that are as effective as those of the doorstep lenders. Issues that any delivery mechanism such as a local FIP would have to overcome include the following:

- Geographic coverage of an appropriate size to reach concentrations of financially excluded households
- Geographic coverage that includes appropriate community and voluntary sector organisations
- Sufficient training to enable organisations to deliver services to financially excluded households
- The appropriate capacity within the partnership organisations.
- The need for a visible and physical presence that is accessible to local customers
- Effective promotion of services and products.

### Who would be the Actors in local Financial Inclusion Partnerships?

As mentioned above, there are two broad groups of actors in the community finance sector:

#### Community Development Finance Institutions and Credit Unions

Both groups consist of organisations of differing sizes, functions, structures and modus

## Change

Change, launched in January 2003, is the first London-wide community finance company and is the result of a partnership between London and Quadrant Housing Trust, (London's largest Housing Association), Family Housing Association and Metropolitan Housing Trust. A 12 month pilot programme is being conducted in three areas of London funded by L&Q Group, with additional funding from Barclays, Lloyds TSB, the Housing Corporation and the London Development Agency. A total of £250,000 is being invested in the pilot and L&Q committed an additional £1 million when the initiative was rolled out across London in 2004.

The three pilot schemes are based in:

- Southwark, where Change is working with the Southwark Credit Union
- Enfield, where Change will work with Metropolitan Housing Trust to provide free financial advice and training
- Waltham Forest, where Change will focus on community regeneration and small business loans.

Change will have two distinct strands: personal banking and social enterprise. It will become a self-sustaining company through a mixed portfolio of large social investment in London regeneration schemes and small personal lending. Profits will be ploughed back into future community finance projects.

operandi. In addition, housing associations, charitable trusts, regional development agencies, local authorities, banks and community organisations also provide support, funding and banking facilities of various types and levels of effectiveness. All of these institutions have things to offer in the creation of a stronger and more comprehensive service for financially excluded households.

**CDFIs** (including Community Reinvestment Trusts) offer advice and support, a wide range of loan products for higher risk consumers and business/enterprises and housing improvement loans. There is the potential for money advice and bill payments through CDFIs. However, they have no saving products, no insurance options available and provide limited opportunities to develop social networks.

**Credit Unions** offer a varying mix of products, including low risk consumer loans, savings accounts, household insurance and bill payments. However, most do not provide business and higher risk loans, and only offer limited advice and support.

### Registered Social Landlords

**Housing associations** are important actors because, as mentioned earlier 80 percent of financially excluded households live in social housing. A few housing associations have acted as catalysts in initiating projects to tackle financial exclusion, while some are members of partnerships. For example, both the South Coast Moneyline (formerly Portsmouth Area Reinvestment Trust) and Change (see box on next page) were community finance initiatives started by housing associations. Some have also played an important role in promoting credit unions and CDFIs amongst their tenants as well as providing seed funding for such organisations. Others have indirectly provided money advice and courses in financial literacy in co-operation with local agencies. However, housing associations cannot provide banking services such as credit and loans.

### Local Authorities

Local councils have played a limited enabling and coordinating role in some cities and districts. To date this has often been through New Deal for Community frameworks. However, local authorities have the potential to

give much greater support to the community finance sector. For example, they could be extremely useful in the provision of premises, technical support and development funding.

### **Regional Development Agencies**

RDAs have so far made only tentative efforts to tackle financial exclusion. However, they are in a unique position to ensure that the issue is addressed in regions and counties where deprivation is not concentrated but dispersed throughout a larger geographical area.

### **Banks, Building Societies and the Post Office**

In many areas bank and building society branches have closed, so they are unable to provide a direct, on the ground service. On the other hand, all the community finance organisations use the services of banks, building societies and the post office, and it is important that these organisations work closely with the community sector.

In addition, the banks contain a large pool of knowledge and skill that can be used and borrowed to build the capacity of the community finance institutions. It is also important that there is a bridge between the two sectors.

Although the Post Office is not strictly a bank, it has been involved in the government's initiative to set up Basic Bank Accounts, and since claimants use the PO to receive their benefits it is an institution that could play a larger role in delivering affordable loans. The post office is an institution that most people are familiar with and are confident about using.

However, the Post office's current products do not reach the the financially excluded. Its recently launched personal loan, which can be applied for through its website or over the phone, offers loans from £1,000 up to £25,000 at APRs of between 7.9 percent and 14.9 percent. This is not a product for high risk borrowers.

## **Possible Stages in Setting up Partnerships**

Establishing Financial Inclusion Partnerships (FIP) will be challenging and time consuming. One approach would involve four key stages – the creation of partnerships by local organisations, the drawing up of a strategic business plan, the delivery of services and the monitoring and evaluation of those services.

### **1. Creating a Partnership**

Firstly the FIP area has to be identified. This would be an area that coincides with local authority boundaries and would probably be within one of the 88 Neighbourhood Renewal Fund Areas. Identification could be carried out by the ODPM Neighbourhood Renewal Unit. Alternatively, it could be set up in response to local demand from organisations working in the area.

During this phase the FIP “drivers” would be identified. The “drivers” or promoters of a FIP at a local area could be the local authority, the LSP, the Regional Development Agency, the Community Legal Services Partnership or local voluntary organisations. The FIP “drivers” would be responsible for pushing forward the process of developing the partnership. Their first task would be to invite local organisations to tender to be the lead agency in setting up the Financial Inclusion Partnership to deliver a financial inclusion strategy.

Local community financial organisations and regeneration organisations would be invited to tender. Depending on local circumstances, the tendering process could be circumvented if there was common agreement on which organisation should take the lead. The lead agency would then call together interested organisations and parties to form a steering group for the FIP.

### **2. Producing a Plan**

The lead agency, in cooperation with other members of the partnership, would firstly have to identify and understand the financial exclusion issues of the area. In parallel, resources would need to be identified, including revenue and capital funding sources, along with additional organisations willing to participate in

developing the FIP. Such organisations would probably include: Credit Unions; CDFIs; Money and Debt Advice agencies; Regeneration Organisations; Banks; Housing Associations; Building Societies.

The lead agency would identify financial services gaps in the area and develop a Financial Inclusion Strategy (FIS), to provide coverage. This might mean expanding the capacity of existing organisations or setting up new agencies. A comprehensive service including money and debt advice, savings accounts, basic bank accounts and access to credit would be provided through the range of members of the FIP. For example, a CDFI could provide crisis loans and refer the client on to a credit union for money advice and savings facilities. Wherever possible these services should be available in the same building. This is already being planned by IMPACT in Sheffield. The Financial Inclusion Strategy would then be agreed by the steering group and implementation would start.

### 3. Delivery

Arrangements would then be made for creating a formal FIP management board. Once personnel and funding are in place, the FIP board will be in a position to publicise and start implementing the FIS through the member organisations of the partnership.

It is important that people are able to access financial products locally or at work. The delivery agents of the FIP should have a local presence. This could be a shop front or shared accommodation with another organisation such as a housing association or community centre. Any member agency of the FIP would be able to offer directly or indirectly (through a referral system, preferably to sister organisations on the same site) a full range of financial services, including money, budgeting and debt advice, courses in financial literacy and credit and savings facilities.

### 4. Monitoring and Evaluation

Indicators would need to be established for monitoring and evaluation purposes. Such indicators could include:

- The number of individuals opening accounts with credit unions
- The number of individuals opening basic bank accounts
- The number of individuals gaining credit from credit unions and CDFIs
- The number of individuals using money advice services
- The number of county court judgements before and after the launch of the FIP.

Qualitative indicators could also be used. For example, suppliers could survey users to check

## Community Banking Partnerships

The national Community Banking Partnership (CBP) programme was launched in December 2004 with its first pilot scheme in Birmingham. The aim of CBP is to bring together credit unions, CDFIs and advice agencies, local authorities, housing associations and banks in a local area to combat financial exclusion and to deliver affordable financial services.

**Birmingham Community Banking Partnership First Pathfinder Project** With 28 credit unions, over 22,000 members and £20 million in assets, Birmingham represents the largest concentration of credit unions in England and Wales. Birmingham credit unions have developed a fully integrated package of services to tackle financial exclusion. This approach provides low-income households with the Factor Four services:

- Money and debt advice
- Bill payment and debt repayment services
- Energy advice and assistance to claim “warm front” and energy efficiency grants
- Access to affordable credit from credit union and a CDFI.

## Financial Inclusion Forum Sheffield

The Financial Inclusion Forum Sheffield, launched in September 2004, is a city-wide partnership offering a full range of financial products. It is a partnership of Sheffield Credit Union and Moneyline Yorkshire and other agencies to produce a holistic solution to financial exclusion.

Historically Credit Unions in Sheffield were small, community-based organisations, reaching just 0.3% of the population. Thus a major part of the groundwork was to negotiate the merger of three of these to form the Sheffield Credit Union Ltd. This new merged credit union has adopted a city-wide common bond and has opened a payroll deduction scheme for employees of the city council. Further payroll schemes and many school collection points, using parent volunteers, are now being developed.

Moneyline Yorkshire (IPS) Ltd, was also launched in September 2004. This CDFI will work in close partnership with the new Credit Union, sharing premises, staff, IT and publicity. Moneyline Yorkshire should become self-sustaining in 3 years. Clients who approach the organisation for a loan will be helped to assess their options and will be directed to the best service for their needs. All borrowers will be required to begin to save as much as possible with the Credit Union in order to build up their assets against future needs. Customers will receive some level of advice ranging from the best form of credit for them to intensive budgeting and bill payment assistance.

The Financial Inclusion Forum will not duplicate any existing services but will maintain links with all appropriate bodies and will be a 'one stop shop' giving access to a comprehensive range of saving, credit and advice products.

their feelings over financial security, financial insecurity, or anxiety over debt.

All these indicators would be compared to the figures of a base line survey carried out before or at the launch of the FIP. After a year of becoming operational, an evaluation of the FIP and FIS would be carried out.

### Newly Developed Financial Inclusion Partnerships

In some areas local partnerships are already being developed by a group of national agencies under the umbrella of the Community Banking Partnership (CBP) which is supported by a number of organisations – the New Economics Foundation; the National Association of Credit Union Workers (NACUW); Community Finance Solutions at Salford University; and Lloyds TSB.

Other partnerships such as the Financial Inclusion Forum in Sheffield have also developed through the merger of local agencies and cooperation in the formation of an integrated approach to delivering financial inclusion.

### Links with anti-poverty and regeneration programmes

Although the aim of the FIPs framework would be to provide national coverage to meet the demand wherever it occurs, some targeting will be needed. Like the Government's Sure Start programme, FIPs should be targeted at areas in most need. This could be done by using the Government's index of multiple deprivation, (IMD) which is used to identify Neighbourhood Renewal Fund areas.

According to the Government's IMD study (DETR 2000) the poorest 10 percent of wards face very serious deprivation. This 10 percent is made up of 841 wards. This measurement of deprivation has recently been refined and the new Index of Deprivation 2004 is based on a Super Output Area level measurement.

However, both indices provide similar results, as they each identify similar spatial concentrations of poverty. Since the new index will not be introduced until 2006, for the purposes of this report we will base our proposals on the IMD 2000, which identifies deprivation at a ward level.

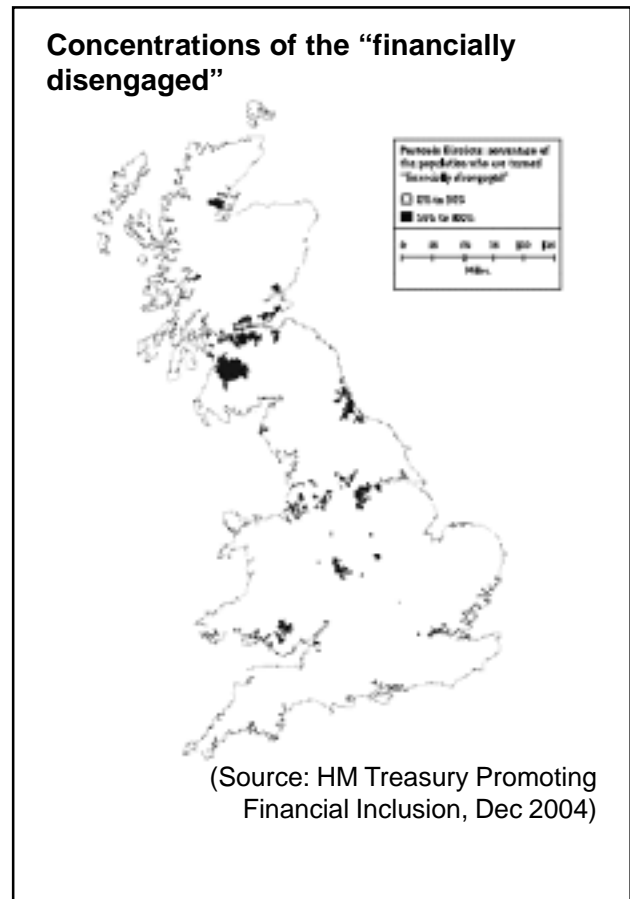
The 10 percent most deprived wards are concentrated in four regions: North East 19 percent, North West 25.7 percent, London 18 percent and Yorkshire and Humberside 21.6 percent. The North East has the highest proportion (32 percent) of its wards in the most deprived 10 percent wards in England. In terms of local authority districts, the picture again is of a concentration of deprivation - 82 percent of the most deprived wards are concentrated in 88 local authority districts (DETR 2000, see annex). Most of these wards are in urban areas, but at least 16 percent of the most deprived districts contain substantial rural areas.

In these 88 local authority areas, additional funds have been made available from the Exchequer for regeneration, with a £900 million Neighbourhood Renewal Fund (NRF), and £45 million for neighbourhood management pathfinder programmes. The main focus of expenditure in these areas is on work and enterprise, crime, education and skills, health, housing and the physical environment.

In "A New Commitment to Neighbourhood Renewal" (the Government's action plan SEU 2001) reference is made to social investment in small businesses. But apart from briefly mentioning "promoting the development of the credit union movement" there is no explicit mention of access to affordable credit or tackling financial exclusion. Without investing in this facility, money will drain out of these regeneration areas through extortionate debt repayments. The Social Exclusion Unit set up a Policy Action Team (PAT) in 1999 to look into all aspects of financial exclusion. This led to PAT 14 advocating a series of reforms to develop credit unions and to expand access to banking services.

Some of the 10 percent most deprived wards in the country make up the 39 New Deal for Community areas. After holding a bidding process in 2000 the DETR identified 39 NDC areas across the country. Each will receive £59 million direct funding over ten years. Each NDC area has on average a population of 10,000. It appears that only a few NDC areas have focussed on financial exclusion as a regeneration theme. In these areas, work has included supporting and expanding local credit unions and developing city-wide institutions.

Research also shows that most financially excluded households are concentrated within the 88 most deprived local authority districts in England. In addition, of all financially excluded households, 80 percent live in social housing. A logical place to target Financial Inclusion Partnerships would therefore be in a number of these local authority districts.



The map (above), from the 2004 Treasury report Promoting Financial Inclusion demonstrates the concentration of "financially disengaged" households. This correlates closely with areas affected by more general social and economic decline - South Wales, the West Midlands, post-industrial areas of the North West, Yorkshire and the North East and the central belt of Scotland.

Looking in particular at families with low levels of financial activity further suggests the geographical concentration of financially excluded groups:

- 68 percent live in the ten percent most financially excluded postcode districts

- 25 percent live in the three percent of postcodes with the highest concentrations of financial exclusion. These postcodes are concentrated in areas including parts of East and South-East London, Middlesbrough, Manchester, Bradford, Birmingham, Glasgow and Liverpool.

The 39 New Deal for Community areas mentioned earlier as a focus of the Government's regeneration programme, are probably not large enough in themselves to create the critical mass necessary for a community banking initiative. However, most of them would be embraced within the larger local authorities.

### **Financial Exclusion outside the 88 Neighbourhood Renewal areas**

Although, poverty and deprivation is seen in greater concentration in urban areas (especially within the 88 local authority areas), poverty, social and financial exclusion still exist in a more dispersed form in rural districts and in parts of more affluent towns and cities. To ensure people in these areas also have access to affordable credit and financial services, FIPs could be set up on a county wide basis.

### **Promoting Financial Inclusion Services**

Once set up, it will be important to promote and advertise the services of the FIPs in local areas. This could be done through existing government programmes such as Home Start and Sure Start and through the many outreach services of Primary Health Trusts and the Local Authority. Credit Unions and CDFIs will also need to promote their services through local public information campaigns. In the case of credit unions, they will need to generate more members, while CDFIs could encourage clients to open savings accounts with credit unions. Housing Associations can play an important role by promoting these services through tenants' news letters. But recent research establishes that word of mouth and social networks are the best way to promote knowledge of financial services to low income households (Jones 2005).

# Chapter Six

## Drivers and resources for scaling-up

In some cases a local driving force will be needed to start the process of forming financial inclusion partnerships. Credit unions already exist in over 80 percent of the most deprived local authorities areas. Some are city-wide, but most are located in smaller neighbourhoods. In fact, there appears to be a correlation between deprivation and the concentration of credit unions. Their presence could provide a springboard for partnership working to provide a range of financial services.

Table 6 indicates that the credit unions are roughly concentrated in areas of deprivation - namely, the North East, the North West, London and Yorkshire and Humberside. This underlines the fact that credit unions are well placed to play a pivotal roll in creating partnerships to deliver financial inclusion.

Recently formed Financial Inclusion Partnerships have developed through a mixture of foundation organisations, such as social entrepreneurs, credit unions and housing associations, being present. The spontaneous response from local actors and organisations to tackle the problem has to be welcomed and

supported. But there will be many instances where the lack of services will not be addressed without some external stimulation. In this situation a “driver” needs to act as a catalyst to bring local organisations together to form a FIP. Possible drivers of financial inclusion could be any of the following:

### Community Strategies

Local Authorities in England and Wales are required to produce community strategies that set out integrated approaches for promoting the economic and social wellbeing of the area. In preparing these plans, local authorities have to consult widely. The issue of financial inclusion, and the availability of affordable credit in that area, should be one of the economic considerations.

### Local Strategic Partnerships

The best way forward in providing affordable credit and other financial services is to build on existing structures and organisations. Local Strategic Partnerships (LSPs) have been set up in all the 88 Renewal Fund Areas and these

**Table 6: Distribution of credit unions throughout England**

Region	Number of Credit Unions	Percentage/ distribution	Percentage of most deprived wards
East Midlands	30	6%	18%
East	36	8%	19%
Greater London	44	9%	26%
North East	74	14%	
North West	128	25%	
South East	26	5%	
South West	36	8%	22%
West Midlands	68	13%	
Yorkshire and Humberside	61	12%	

(Source FSA stats for 2002)

## East London Financial Inclusion Unit (ELFI)

In East London a unit has been set up using the Local Community Service Partnership to develop financial inclusion services across eight London Boroughs. The East London Financial Inclusion Unit (ELFI) regards itself as a driver of change rather than a direct provider of services (although it does provide some training for local organisations). It has an overview of local services needed to tackle financial exclusion.

ELFI was set up in March 2003 with the aim of improving debt advice and increasing levels of financial inclusion in East London. It brings together local agencies such as CABs, credit unions, local authorities and housing associations to provide a joined-up approach to tackling financial exclusion. It provides a central training service in financial literacy, financial education and welfare rights to service providers such as advice centres and community based organisations in the area. Although located in Newham, ELFI covers work in the London Boroughs of Tower Hamlets, Hackney and Waltham Forest. In the future there are plans to extend its operations to Barking, Dagenham, Havering and Redbridge.

The ELFI unit started as a project of the East London Debt Advice Strategic Partnership which is a partnership of :

- The legal Services Commission/Community Legal Services Partnership
- The regeneration departments of four local authorities
- SAFE project at Toynbee Hall in East London (see below)
- Five East London Advice Providers
- NewCred, the Newham-wide credit union.

**SAFE**, at Toynbee Hall, Tower Hamlets, East London is a project that provides services to increase financial capability and promote financial inclusion. Local and national organisations, including government bodies, often approach SAFE for information and examples of good practice. SAFE has four areas of work: financial education, debt support, access to financial services (basic bank accounts), and an incentivised savings programme.

NewCred, the local credit union, has close links with ELFI and conveniently they are located in the same building. NewCred's ground floor premises have a smart new shop front located on a busy road near the main Newham shopping area. Since starting in 2003 NewCred now have over a thousand members. ELFI aims to have a close working relationship with the credit unions in adjoining boroughs. Funding has been provided by the Community Fund, Association of London Government, the Legal Services Commission and Neighbourhood Renewal Funds.

ELFI is looking into how affordable credit can be made available. This service might be provided by Newcred administering a special fund, with donated or borrowed capital. There is also the possibility that a CDFI based in Tower Hamlets may develop personal loans. ELFI enjoys a close working relationship with ABCUL and the two main Registered Social Landlords in the area – East Thames Housing and Springboard Housing Association.

would be obvious vehicles to use. An LSP is a single body in a local authority district that brings together different local organisations (public, private, community and voluntary sectors) to identify priorities and needs. It then works in partnership to address them. It is the local LSP that decides on how the Neighbourhood Renewal Fund should be spent. Additional money would have to be

allocated to LSPs if they were charged with setting up Financial Inclusion Partnerships.

### Community Legal Services Partnerships

Community Legal Service Partnerships work in nearly all areas of England. They aim to provide the public with access to good quality legal services and other advice services by supporting local networks of solicitors,

independent advice agencies, law centres, local authority advice centres and other agencies. The Community Legal Service Development Fund was established in 2004 and enables the Regional Offices of the Legal Services Commission to develop services and fund activities that help meet local and regional needs in legal advice and information in priority areas. This could include setting up new services such as debt advice to form part of a range of financial inclusion products.

In Salford, a Financial Inclusion Working Group has been set up as a sub-group of the Local Community Legal Services Partnership. It has links with the LSP and its aim is to develop a Community Banking Partnership/Financial Inclusion Partnership across the city of Salford.

## Resources to scale-up

It is difficult to put an exact cost on scaling up because there is no “one solution fits all”. Every area is starting from a different base level. Some areas will have active and thriving credit unions, advice centres and voluntary sector organisations with supportive housing associations and local authorities. Others will not. But resources will be needed to support the formation of partnerships in the most deprived areas. In districts where there is no organisation driving the financial inclusion agenda, resources may be needed to support the work of Local Strategic Partnerships or Community Legal Service Partnerships.

In December 2004 the Chancellor announced £120 million for a Financial Inclusion Fund to promote financial inclusion. This fund should be used to support the development of partnership arrangements that will deliver the range of financial services to the most deprived neighbourhoods.

The Community Banking Partnership project estimates that setting up partnerships in six pathfinder areas will cost a total of £2million over 3 years. But the Community Banking Partnerships usually build on the capacity of existing local organisations and have also managed successfully to mobilise funding from the private sector.

In Sheffield the cost of developing the four strands of the Financial Inclusion Forum -

savings, loans, money advice and financial literacy will cost a maximum of £3.3 million over 5 years.

The main expenditure for setting up FIPs will occur in the first year, when capital expenditure will be needed for premises, equipment and salaries for development workers. The need for external inputs will gradually decrease as agencies within the partnerships become more financially sustainable. But there has to be recognition that certain services, such as advice and financial education, will never be able to achieve financial sustainability.

Using a ball-park figure extrapolated from the experiences of the CBP and Sheffield, the cost of developing FIPs in the 88 most deprived local authority areas, would cost £30 –50 million in the first year. Before receiving any funding from the Financial Inclusion Fund, costed business plans should be provided. These should include outputs for the first five years of investment and plans for sustainability.

Money from other sources - Neighbourhood Renewal Funds, Community Legal Services Partnerships, trust funds, banks and charities - could also be used alongside the Financial Inclusion Fund to develop FIPs.

## Conclusion

In conclusion, for many families debt means that substantial parts of their weekly income are spent on servicing loans, and usually for goods already consumed, such as food, petrol or clothing. The consequences of servicing high levels of debt are financially crippling, and have disastrous effects on these families' health and wellbeing. Access to affordable and available credit would go some way to ameliorating this situation.

With relatively small amounts of public investment to enable local community finance organisations to scale-up their operations and work with other agencies, vulnerable households could be provided with affordable credit and other financial services as an alternative to predatory lending. This scaling-up process and the development of partnership working would ensure the delivery of financial products for those households currently excluded from the banking system.

# Appendix

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ABCUL  
Ace Credit Union Services  
Barclays  
Barnardos  
Barnsley Credit Union  
Bristol Debt Advice Centre  
Broomleigh Housing Association  
Campaign for Community Banking  
CHANGE  
Citizens Advice  
Community Development Finance Association  
Community Finance Solutions  
Cooperative Bank  
Leicester City Council  
Department for Work and Pensions  
Department of Trade and Industry  
East End Reinvestment Trust, London  
Esme Fairbairn Foundation  
Financial Inclusion Newcastle Ltd  
HM Treasury  
Hull New Deal for Communities  
Impact/South Yorks Moneyline  
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Islington Credit Union  
Leeds City Credit Union Ltd  
Liverpool John Moores University  
Local Government Association  
London Borough of Newham  
Money Advice and Budgeting Service, Ireland  
National Association of Credit Union Workers  
National Consumer Council  
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Wales Cooperative Centre

These people either attended one of the three seminars held in January and June 2004 and January 2005, or were consulted in person during the course of the research.

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## Debt on our Doorstep

Debt on Our Doorstep is a coalition of over 150 organisations committed to campaigning for change, to reducing the burden of unsustainable debt amongst the poorest sectors in society, and to bringing an end to financial exclusion in the UK.

## Scaling up for financial inclusion

This report is the result of a 12 month consultation and research programme, examining the social and economic consequences of over-indebtedness and extortionate lending and proposes a possible framework for delivering affordable credit and other financial services to low income households.

In proposing solutions to scaling-up it relies on the experience of existing organisations and the views of people who are forced into unaffordable debt as a result of no affordable alternatives.

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