

TRANSCRIPT OF ORAL EVIDENCE

MINUTES OF EVIDENCE

TAKEN BEFORE

THE FINANCIAL INCLUSION COMMISSION

THE LIGHTHOUSE, 11 MITCHELL LANE, GLASGOW, G1 3NU

FRIDAY 16 JANUARY 2015

MS KAREN ARTHUR, and MR JEREMY HEWER

Oral Evidence

Taken before the Financial Inclusion Commission

on Friday 16 January 2015

Members present

Sir Sherard Cowper-Coles, in the Chair
Mr Chris Pond
Mr Laurie Edmans
Dame Mary Marsh
Professor Sharon Collard

Witnesses: **Ms Karen Arthur**, Schemes Trading Underwriter and Manager, Aviva; and **Mr Jeremy Hewer**, Policy Advisor, Scottish Federation of Housing Associations.

Chairman: My name is Sherard Cowper-Coles, I'm Chair of the Commission, Chris Pond on my right is the Vice Chair. I'll get the other Commissioners to introduce themselves, but as I'm sure you both know, or hopefully know, the idea is to take stock of the state of financial inclusion in the UK in the run-up to the election, really building on the Financial Task Force that Brian Pomeroy chaired, that went out in 2011, and Brian has agreed to be the President of our Commission, and we're aiming in the next few weeks to produce a really quite short report that will have the objective of getting financial inclusion in all the main parties' manifestos and this is almost the last evidence gathering session of the Commission and it's really all about learning about the progress that's been made in Scotland in general,

and in Glasgow in particular, although you may not see it like that, but the rest of the United Kingdom feels, just reading briefly anyway, have got a lot to learn about Scotland.

So, I'll get the Commissioners to introduce themselves, and then we'll ask you both to make a short opening statement and then we've got about an hour for questions and discussion, all very informal, but we are taking a transcript. So, my background, I've been working for the HSBC Group fulltime for the past year leading the group's work on financial inclusion both in terms of public policy, what we say to the regulator. We're sponsoring a big conference in London which will be opened on Monday morning by the Archbishop of Canterbury and Queen Maxima of the Netherlands to look at financial inclusion, but also looking inside the bank for what we can be doing particularly in the emerging world to develop products that will actually address the problem of financial exclusion. Chris?

Chris Pond: I'm Chris Pond and I'm acting as Vice Chair of the Commission. My day job is with a company called Kreab Gavin Anderson which is an international communications agency, but outside that I chair a thing called The Money Charity which is a financial education charity, and (inaudible) in the east which is a role which Laurie Edmans here has conferred on me working with organisations like Aviva, and I suppose much of my time is spent in focusing on the issues of financial policy and inclusion.

Laurie Edmans: I'm Laurie Edmans, I'm longstanding financial services, really pensions, life assurance, and I now Chair a small mutual life company. I have the Trinity Mirror pension scheme, and I'm a non-executive Director of the Money Advice Service.

Dame Mary Marsh: I'm Dame Mary Marsh, mostly based in the charity sector at the moment in non-exec roles with HSBC in Europe, but otherwise with a background chiefly in education.

Jennifer Duncan: I'm Jennifer Duncan, I'm one of the co-ordinators of the meeting, along with Lisa Stidle.

Lisa Stidle: I'm Lisa Stidle, another co-ordinator, and I would like to apologise in advance for the lack of co-ordination in the tea, coffee, but I believe they are on their way so as soon as it gets here I will come round.

Professor Sharon Collard: I'm Sharon Collard, I am a researcher at the Open University Business School with an interest in the public understanding of finance.

Chairman: You're very modest Sharon. Sharon is actually one of the leading academics in the UK on financial inclusion, and you are Professor of Financial Capability. I always think of you as Professor Collard. Okay, who wants to go first?

Ms Arthur: Just firstly I'd really like to thank you for allowing us to come along today, particularly Sharon for putting my name forward for it. As I mentioned in my biography my team in Aviva deals specifically with tenants in social housing, but something that I did notice through reading the information on the Commission was there was a real overlap

between some of your ambitions and aspirations with our protections area as well. So, I've passed Sharon a couple of copies of our report from Aviva Protection, it's not something that's my area but it's talking about rethinking protection and you can read them at your leisure and then obviously if you've got any questions on them I'll put you on to the appropriate people within Aviva. They really seem to share your aspirations there.

Part of it was financial education. I think there will always be something going on through people's lives and it's key moments where financial resilience and education are most relevant, and that being school, purchasing a house, divorce, unfortunately the loss of a loved one and, of course, starting a family. The Aviva Protection Team offer each new parent in the UK free life insurance for the first year as a step towards protecting their family. It's £10,000 which we know is not enough for a lot of people but it's a really good start for new parents understanding the financial implications of not having a plan in place, helping them to understand the peace of mind afforded by that type of insurance. As I say I'm happy to relay any questions about that back to my colleagues.

So, going on to my own area, the issue is that fewer than half of households in social housing have contents insurance. It's clear that the lower down the income scale the less likely they are to have the protection. We also know that the likelihood of a loss is much greater within social housing. So, basically we have a scenario that people who are already struggling to make ends meet don't have the relevant protection and they rely on debt, high cost rental stores or help from family to escape the financial shock. ABI research showed that a third of

social housing tenants that suffered from a loss had to take out an expensive loan to replace items.

Aviva's response to the issue is we've worked with social landlords and broker partners for over 20 years now to provide tenants with easily accessible and affordable contents insurance. We've got a dedicated unit for this which is located just up the road in Glasgow and we now work with a number of landlords offering a scheme that's tailored to the requirements of social tenants. By that I mean it's a simple product, it's paid with their rent which gives them an affinity there. It has no excess on the policy so they're able to make small claims. It can offer very low sums insured because a lot of policies at the moment are 40,000 blanket cover. Ours offer 4 to 6,000 as a starting point for people, and it can also be paid alongside their rent in most cases which again makes it easy to pay.

Two of our biggest schemes are Wheatley Group, which is Glasgow Housing Association and other social landlords in Glasgow, and [Gentoo]. The price that these two products starts at 43p a week and 52p a week respectively, so you can see they're affordable policies. We feel we have a solution there, but our challenge is to raise awareness of these schemes. The two that I mentioned have 20 per cent take-up which is excellent compared to the general take up out there. To help us raise awareness over the last year, we sponsored some research from Quids In which is a social publishing company. I provided a couple of copies of the report but again I'll e-mail things through to you. We presented this to all party government groups last year, one for Poverty and the other for insurance and financial services.

It was clear from the two events that there was low awareness amongst MPs: they weren't aware that the schemes existed so couldn't advocate them. We passed on the relevant information out at those meetings, and they were really keen so it was very encouraging in that respect.

You also asked me in the meeting invitation, what I think about policy solutions. From our own point of view we will continue to ask MPs to become advocates of the importance of home contents insurance within social housing. We'll ask them to write to their local Housing Authority or their landlords and find out about their local schemes, find out exactly what the landlord offers, and then they can put it on their own websites and introduce it on any of their social networks. They can also do it face to face in surgeries which is an excellent way to get the point across as well.

At the events we also asked third party stakeholders to do the same thing. To raise awareness that these schemes are in existence right now with their own social networks in their areas. Sharon was there, so our ask is really around building awareness of a product that has been in existence for years and works incredibly well.

Q. Chairman: Thank you Karen. Jeremy, would you like to give a statement?

Mr Hewer: Well, thank you for the opportunity to submit evidence today to the Financial Inclusion Commission. The SFHA is the representative body for housing associations and housing co-operatives across Scotland with 119 members. Housing associations and co-operatives own and manage 46 per cent of Scotland's affordable rented housing stock; they

come in all shapes and sizes from small community organisations with a few hundred properties to associations with a national presence of 1000s of properties. Housing associations are more than just landlords, they have an inherent interest in the wellbeing of the communities that they serve. They have invested in a variety of wider role activities, often with help from the Big Lottery or from Government funded grant programmes, focusing on financial inclusion amongst other issues. Associations have also actively promoted the take-up of inexpensive home contents insurance which Karen has just described.

A main cause of financial exclusion has simply been the lack of money. Problems of low wages and capping benefit increases have been compounded by higher than inflation rises in key commodities – such as a 12 per cent increase in food prices and a 30 per cent increase in fuel costs in the five years from 2007 to 2012.

A significant proportion of housing association and housing co-op tenants will be on a low income or dependent on benefits. Housing associations have invested in money advice and welfare rights workers and have an insight on those facing financial inclusion. In the past two years especially, a major concern has been the impact of welfare reform on those who are the most vulnerable. There was a report that went to the Scottish Parliament's Welfare Reform Committee from Sheffield Hallam University's Centre for Regional Economic and Social Research. It calculated the loss to every working age adult on a ward by ward basis. On average, the average loss in Scotland is £460 for every working age adult: more tellingly, broken down ward by ward, it was vividly evident that there was a correlation between the level of loss per working age adult and the position of the ward on the Scottish Index of

Multiple Deprivation. An affluent ward like St Andrews in Fife had an average annual loss of £140; Calton Ward in Glasgow, which I think has got one of the lowest levels of life expectancy in the country, the average loss was £880 per working age adult.

In April of last year Glasgow Housing Association ng Homes commissioned a study to ascertain whether there was a desire among vulnerable, low income households for training sessions with an advice worker to develop their financial capability and whether a bank might support the training sessions, coupled with an account opening initiative for the unbanked.

The study found that while some tenants may have had gaps in understanding around some financial products and services, many displayed an ability to economise and manage what little money they had with prudence and thrift. Some ‘bad’ choices were made for sound reasons. A good example of this is the use of Pay as You Go for items such as gas, electricity and mobile phones. This may be a more expensive way of purchasing, but it does enable the user to spend what they have. Many advice workers will have met tenants who have come to grief by doing things the ‘sensible’ way by setting up direct debits for such services, only to be hit very hard by unauthorised payment charges if a credit they were expecting was late or didn’t materialise.

Housing Associations and Co-operatives can play an active role in the promotion of Financial Inclusion. With the advent of Universal Credit and the necessity of every claimant having a transactional account, Housing Associations have made efforts to get tenants banked – with varying degrees of success. For example, Easthall Park Housing Co-operative has a

partnership with Grand Central Savings to establish a Community Bank with a teller based in the co-operative's office, it has a pass book and users can pay their money in or have their wages paid in. It's pass book based so it's quite a belt and braces solution. They also offer a super saver account, whereby someone saving £10 a month for a year will get a 50 per cent bonus, which builds up a buffer which is one of these things which I think is quite important. Other Associations have worked with Credit Unions, some of which offer jam jar or current accounts – however, there is a monthly charge which compared to so-called free banking makes the accounts less attractive. One Association developed a good working relationship with a local bank branch and they were able to refer tenants to open basic bank accounts and were effectively used almost like a trusted intermediary – but when the Head Office got wind of this they discouraged the local branch participating in this.

Housing Associations and co-operatives provide budgeting advice and many actively promote digital inclusion. They are experienced at initiating and nurturing collaborative ventures with other agencies to the benefit of their tenants. They can even offer employment and training opportunities. As community anchors they have an important role in the promotion and maintenance of financial inclusion.

We believe that the priorities to address financial inclusion are:

A move to a living wage, so that people are not dependent on benefits.

A curb to the poverty premium, by limiting the uplift on Pay as You Go rates.

Financial products that provide real choice – mobile banking may be the answer for some, but others would be more comfortable with a passbook. Most of all, I think accounts have got to provide easy feedback and alerts on demand.

And also I would advocate the promotion of a “buffer” savings product so that people actually can build that rainy day money for themselves which may avoid a lot of problems, and also it could be linked possibly with a very high rate of return, and perhaps would have access to an affordable loan at the end. Thank you.

Q. Chairman: Jeremy, could I just ask you quickly what you meant by digital inclusion?

Mr Hewer: Digital inclusion is part of the agenda for Welfare Reform in that everybody is supposed to be equal by default, so that you have to make your application online, you have to job search online and everything is sort of electronic, assuming that the DWP actually has an electronic system that can cope with that, and I think digital inclusion can be a broader thing. I mean, for example, when I was talking about having feedback, mobile phone banking seems to offer a lot of potential for example, my own bank for example, I can set up an alert when money comes in, alerts when the level of the bank account goes below a certain level, you can get regular statements. I think in my submission I said many, many years ago I had a Giro Bank account and one of the great things about it was that you got a statement every 10 transactions or every time money came in, so it's very easy to keep a track of your money, but the other great thing about the Giro Bank account at the time was that everybody else had a Giro Bank account. So, in terms of actually paying your bills it was a wonderful system where you just filled in the Giro Bank account number on the slip and posted it off, and you even got at that time pre-paid envelopes. It was so easy, and what I would contend is

that mobile phone banking can offer the same potential now, but it's sort of like the 21st century version because you've got initiatives like which any number of banks are doing, Barclays offer it even to customers who haven't got a Barclays bank account. So, for example, it's something that I'm keen to see Housing Associations promote, that if tenants, if they've got it set up to pay their rent by mobile phone I think it's probably based on the MPs own system in that respect.

Q. Chairman: Yes okay, thank you very much. Questions from other Commissioners?

Q. Mr Pond: Can I say first of all to both of you thank you for the very rich information you've given us, and some of it very stark as well, those figures by ward on the impact of welfare reforms are just astonishing, so thank you for that. I wanted to ask one question which in a sense brought both of you together because you Karen were saying, you were talking about the efficiency really of providing affordable home contents insurance on the group scheme by Housing Associations.

Ms Arthur: Yes.

Q. Mr Pond: And you, Jeremy, were talking about the importance of having some sort of cushioning in terms of everyday saving.

Mr Hewer: Yes.

Q. Mr Pond: And the thought occurred to me, therefore, would it be feasible therefore to use the approach you were using with home contents insurance with other financial products,

so other forms of insurance, for instance life insurance, but also could you build in a sort of savings element so that people generally can put a few pence or a few pounds a week aside for these sort of schemes? Obviously they can opt out if they can't afford it one week, is there some merit in that?

Mr Hewer: I think there is. I mean I think there are some credit unions which have a scheme where if you take out a loan the repayments actually, there's a savings element so that at the conclusion of the loan you've actually got a lump sum. Other schemes I have seen done based on nickel and dime stuff, I believe the Bank of Scotland were certainly advertising a similar advert a couple of years ago, if you like they rounded up every payment that's made and the extra pence went into the savings, so if it was £7.50 but £8 went in your account and 50p went into the savings so that might work.

Q. Mr Pond: I was wondering if Housing Associations could be involved in that, not just Credit Unions

Mr Hewer: It is possible but I mean obviously anything that has got, if you like, a source of information in terms of administration and actually managing the scheme. For example, a lot of Housing Associations use Allpay to assist people with their payments and that comes at a cost to them, and one of the worrying things that we have at the moment concerns is that many Allpay outlets only have certain limits to the amount that somebody can make in a single payment like £100, £200. Now, a month's rent is probably round about £400, anything from £360 to £500, something like that. So, if somebody goes in to pay before paying it they have to do more, perhaps two, perhaps maybe three or four single transactions, and every time the Housing Association gets charged for those transactions, so it's a very painful way

which is why Housing Associations are, if you like, very keen to see people use direct debit because that's the cheapest form but....

Q. Mr Pond: But as you say the downside of that is that they lose control.

Mr Hewer: Absolutely, that's the thing that Housing Associations have found is that people may have bank accounts but they're reluctant to use them because they've had their fingers burned, they've had unauthorised charges, and if I was having trouble rubbing two pennies together I wouldn't commit myself to direct debits, I would want to pay when I knew I was confident that I had the money, which is why I wonder whether mobile phone banking and mobile phone payments may be a way in because I don't know what the transaction costs are, but I would imagine they would not be that high.

Q. Mr Pond: Would Housing Associations find this acceptable? I mean they might consider it slightly safer paying by direct debit.

Mr Hewer: I think it would be a case of the proof of the pudding. They would need to see by experience, but what we have urged or advised Associations is to make ways of paying as wide as possible and not to restrict them. For example, I think some Associations only allow monthly direct debits, some actually allow weekly direct debits and obviously if you like trying to be as flexible to the needs of the tenant, and whilst I'm a great fan of the idea of mobile phone banking being a great solution I fully recognise that it isn't going to be a solution for some people which is why I talked about choice, I think choice of method rather than the sort of thing bank account A or bank account B as being actually the same, a digital based account or a passbook based account I think still has to be on offer.

Q. Chairman: Okay, did you have a question Sharon?

Q. Professor Collard: Yes, just to pick up on Jeremy's point there, while I am concerned that there seem to be some great opportunities around mobile technologies I am quite concerned that actually it's not cost free for the person using it because you have to pay to use your mobile. Often people on low incomes are going to be on Pay as You Go, they might run out of credit....

Mr Hewer: Yes.

Q. Professor Collard: There's also security issues, so I agree with you on the fact that there needs to be, we have to make sure there's diversity.

Mr Hewer: Very much so, but I think the other thing is that, if you like, I think the gurus of the industry would say the growth in people having smart phones, it's becoming a bit like colour television was in a sense that they used to be rare and they now realise that they're becoming everyday things, and with mobile phones you've also usually got Wi-Fi and in a sense now a lot of Housing Associations will offer Wi-Fi in premises, and again it's actually being a bit canny and a bit savvy about knowing, you know. I am told that there are people that sort of throng outside Tesco and Waitrose because there's free Wi-Fi in there. I think it's just if you like extending the options.

Q. Professor Collard: And how Housing Associations can help with that, yes.

Mr Hewer: Yes, Housing Associations, Credit Unions. My concern about Credit Unions is that there are some quite dynamic Credit Unions who have a lot of products and, you know, things like the (inaudible) credEcard, although it's expensive, I mean if you happen to be near an Asda for example and you have a Credit Union credit card perhaps the discount you get doing your Asda shop will pay for the monthly charge, I think it's £2 a month.

Q. Professor Collard: The other question I did have was around Karen's point, and I think both of you will have a view on this, Karen's point about the take-up and how do you encourage take-up by tenants, and we heard from Legal & general earlier in the week who had been doing something with Shelter, and when we asked them this question John House from Legal & General basically said the tenants don't have a choice, it's offered by the landlord and that's it, and it's not offered, it's actually mandatory and it's rolled up with the rent, and I just wondered what your views are on that and whether that's actually, instead of trying

to promote it whether that would be a better alternative.

Ms Arthur: We've looked in the past at opt out type schemes and it fell down through legislation from memory. It was an idea to get people on very basic cover if we could maybe just taking cover to the fire, flood, burglary level so it was the lowest cost we could provide. It is something that is certainly still on our radar to look at again because obviously ensure the best take-up was possible.

Q. Chairman: It included the primary legislation did it?

Ms Arthur: I'm not sure, I would need to go back and check on it because it's a few years ago now, but I'm sure it was European legislation and the legal side of selling it as well which made us slightly nervous.

Chairman: We might just look into that as well.

Professor Collard: Yes, (inaudible) Shelter and Legal & General were offering.

Q. CHAIRMAN: And are there also any relevant schemes?

Professor Collard: We could make better use, when we asked John House he was very clear on it, it wasn't an opt out scheme, the price of it was rolled up with the rent.

Mr Pond: I thought it was part of the rent, the rent is this but we happen to offer free contents insurance.

Q. Mr Edmans: I can see health for example, if you take your line through PPI there was, I suspect the legislation that was problematic is akin to that which the regulatory world for very good reasons is not all that friendly to bundled insurances which are opaque. It would be interesting to hear how Legal & General felt. I suspect that's the question to ask, but that's where it's coming from.

Ms Arthur: It was certainly around the time of the PPI legislation, so there would be more nervousness around what could be deemed as a compulsory type insurance. We've certainly

kept it on our wish list to investigate. Because if you can provide a catastrophe type insurance then at least we know should the very worst happen people have protection.

Q. CHAIRMAN: Now, I think you know I don't want to prejudge what the Commission will say but I think we will make recommendations in this area, and we just need to check our facts.

Mr Hewer: I think the problem we do have is if the tenant is in arrears and can't find insurance, because I'm talking in the dark ages I used to work in the London borough of Newham and at the time they offered home contents insurance for an extra few pence on the rent and quite often if somebody was in arrears and made a claim the claim wasn't honoured.

Q. Chairman: I've got some more questions but Laurie and Mary may have first.

Q. Dame Mary Marsh: You both made points about the importance of face to face support because the more you have that the more you are increasing the costs of take-up. You made points about some of the smart ways in which the social housing is trying to bundle all this together with other types of support. Can you just say a bit more about how that works and you were talking about access to employment, the passport and helping with digital.....

Mr Hewer: What Housing Associations can do is there have been funds in the past, obviously with the Lottery, there have been funds with, the Scottish Government had an initiative called the people and Communities Fund which every Housing Association and other organisations could apply for and it varied. I mean, for example, a good example was Port of Leith Housing Association which realised that it was using a series of contractors for

its repairs and it persuaded them to take on young kids who were not in employment or training, and I think it cost them £1 an hour because of various grants and things like that, and I think it had some remarkable successes. People who may just have sort of fallen over the edge at the time, particularly I think about a lad who worked for a scaffolding firm and it was the making of him, it gave him the work experience.

There was a lovely story that..... again he uses small contractors who, you know, two/three person firms and things and after his first week he was getting so much work on his hands and the contractor said “You’re not getting that, that’s going to your mum”. Projects can offer two things in terms of employability, it’s giving one the experience of employment and, if you like more to the point, the ethos of working you know, getting up, being there on time, stuff like that. Sometimes they can offer specific skills trade. Hillcrest Housing Association in Dundee used to have a general building operative scheme. Again, you know, one of the negotiations that you could have contractors to take on apprentices and give them proper apprenticeships in the building trade. That I’m afraid has sort of lapsed with the, if you like, the collapse of house building, housing investment, but it’s something that obviously other organisations, sort of care academies providing training of people and getting them to, you know, provide the care and support for vulnerable people. So, there’s all these initiatives.

A prime thing again has been money advice, welfare benefits, income maximisation and engaging with tenants but as you say one of the problems is engagement and even, as you may be aware that the Scottish Government decided to try and fully mitigate the bedroom tax with discretionary housing payments, and Associations have reported back that some people

have not engaged even if you say to them “Free money guys” they just.....(ignore any approach).).

Q. Mr Pond: Do people condone the bedroom tax by accepting it?

Mr Hewer: Some of them may have but some may just have mental health problems and, you know, just a fear of, if you like, authority in many of its manifest forms because they're so used to people doing things to them.

Q. Mr Pond: Are there organised campaigns actually against.....?

Q. Mr Edmans: Jeremy, were you saying this was something intrinsic in the way people behave?

Mr Hewer: Yes.

Q. Mr Edmans: Engagement is a pet theme of mine, and I wonder if I can pick up Sherard and come back to Karen and the same thing that Sharon was about of only about 20 per cent take-up for what seems like such a good deal, so well thought through, weekly small payments, no excess, no sum insured because we've heard people say to us that the reason that people in social housing and other people who are on low funds don't take up contents insurance is basically because there's no point because they've got the excess and premiums and so forth so they might as well just bear the risk. So, if it's that good two questions really: one, why is it that the take-up is that low? Is it the landlord, is it the tenants, and I'm not sure

that this is a question that I can legitimately ask for the record, but does this scheme wash its face or is it good social enterprise?

Ms Arthur: We started these schemes over 20 years ago as we recognised the social benefit. However, we try to run them as a business. We don't want it to sit solely in a corporate responsibility basis, we want it to stand on its own two feet so it is here for years to come.

Q. Mr Edmans: So, if there's 80 per cent take-up the smile on the face of your shareholders would go broader rather than shrink?

Ms Arthur: I think I would accept that, but I definitely think that in terms of the first part of your question about why people do not take up insurance, we've done many reports over the years on this to try and get the sort of silver bullet on it. One of the chaps that is coming later on today – Niall Alexander – did a report for us along with Glasgow Housing Association and North Glasgow and asked a series of people about why they don't take out an insurance. We showed them the one with Glasgow and they agreed it was a good scheme. Then asked them a question about "How much do you think it will cost you to take out insurance?" and every one of them was massively over what the price was.

So, I think that's what we need to do, it's all about getting the message out there that it is a unique product and it is affordable, you don't need to take out £40,000 worth of cover, if you only have a one bedroomed sheltered house and you only need to have perhaps £6,000 you're not paying for more. more

Our best schemes work when there's real engagement by everyone involved, so we need a Housing Association that's passionate about the scheme. They will then introduce it to all aspects of the Housing Association. When somebody phones in to their Help Desk they will have a pre-recording message on it, so they have to listen to the fact that we offer a contents scheme. We ask them to make sure that the repairs people are aware of it so if they're actually carrying out a repair to somebody's property, example a burst pipe, they can have knowledge. If the person isn't, and insured, and burst pipes can perhaps damage a carpet or worse, they can let them know about the scheme. If everybody within the Housing Association has a firm knowledge of the existence of it and we continue our work and make sure that other organisations are aware of it the take up will grow

The Improving Financial Confidence lottery project has done great work on this I think some of the projects were getting from zero take-up to 20 per cent in a very short period of time. It really is about getting that message out to as many people as possible. I think there's an awful lot of organisations from credit unions to Lottery to Money Advice Service, there's all these organisations that touch people's lives. If they can put out a consistent message that financial resilience does provide such peace of mind. Not having to go into debt or to go to High Street stores to replace your items. Just the general feeling of wellbeing that it creates for people. The bottom line is that the more people who get this message the better.

Q. Chairman: Are some tenants ineligible?

Ms Arthur: There would be some, there is an application process so if they have had a number of incidents or claims in the past we may decline. It needs to be quite significant not to come on, and we do accept minor convictions but there are criteria as well.

Q. Mr Pond: So, if an ex-offender, a member of the family moved into the property, everyone living in that property may not be eligible for a new contents insurance?

Ms Arthur: It would be a case to case, it would really depend on what the offence was, we would expect to be advised of that.

Q. Mr Pond: A prison sentence probably would.

Ms Arthur: It could cause difficulties, yes.

Q. Mr Pond: The sort of example we have been given before is, you've got somebody who is covered by insurance, maybe a parent, the son comes out of prison, he's got nowhere else to go, moves in with the family, the whole family then becomes ineligible for the insurance and that would be the case wouldn't it?

Ms Arthur: At present it could affect the majority of schemes, depending on full details, yes. purchases

Q. Mr Pond: Certainly I would ask you to look at that matter.

Ms Arthur: I can certainly take that up, yes.

Q. Chairman: Well, I've got a couple of questions. Laurie?

Mr Edmans: No, I'm fine thanks. A couple of things did occur to me, the engagement thing, we could get a few people I suppose from outside who use those Wi-Fi spots.

Q. Professor Collard: Can I just ask one specific question which is if 20 per cent is the average take-up what's the best take-up that you've experienced with the scheme?

Ms Arthur: The average is about 12 per cent take-up.

Q. Professor Collard: The best is 20? – The best is round about 20 per cent. Because I'm just wondering actually whether it's realistic, you know people sometimes have funny reasons why they don't want to take insurance because they think somebody in London, for example, saying "Well, I live on the third floor, it's really difficult to access my block of flats, I don't think I'm going to get burgled", I know that. You know, there's other things that could happen to them but they can't make a reasoned choice about it, so I'm just wondering if we're never going to get 100 per cent coverage of tenants what's a reasonable benchmark based on your experience, and so maybe if you push it up to 50 or 60 per cent then we could say 'We're doing pretty well'.

Ms Arthur: Yes, from our side I would love all my schemes to go up to 30 per cent. That's a realistic target for us. So, if I could get up to 30 per cent, with the assumption that people have home contents policies elsewhere, we assume that 40 per cent have coverage elsewhere through other companies or directly with Aviva then if we could get to 30 per cent I think we would be doing extremely well.

Q. Mr Edmans: And can I just come back to Chris's point because going back to insurance the more you drive that up the more you would be able to accommodate the relatively, in global terms, rare case that Chris was describing because the bigger the book the more you can absorb the more difficult risk, so there would be a virtual settlement.

Mr Hewer: I have to say when an individual household's money is tight it can be so tight that it's down to the last 50p, and I think some people really weigh up the options and saying "Look, you know the likelihood of me claiming and the likelihood of me having a successful claim outweighs the 50p which I might need to feed the meter" or whatever.

Q. Chairman: I've got a question building on that which is when you go to your risk committee or whoever you have to get to approve these schemes is the profile of claims very different from other schemes, is there a problem getting this through the underwriters?

Ms Arthur: Not really. Because we've done this for so long the policies have actually moved with us. They started off incredibly low level cover, the basic, and they've evolved throughout the years to meet tenants' needs so where we had no accidental damage cover before we now have it. So, the claims frequencies are very similar to other schemes. We like to do face to face claim settlement, we actually offer loss adjusters to go out because a lot of our customers prefer chatting through their claim, and it can be difficult to input a claim if you don't know how to do these things. So, it's nice to have a loss assessor going out and basically chat through their claim and be able to help them through it.

Q. Chairman: And that also helps to prevent fraud.

Ms Arthur: Absolutely

Q. Chairman: It must be very expensive having loss assessors.

Ms Arthur: It's not bad, we have over 100 schemes so it's close to 130,000 policy holders so we can manage cost due to scale.

Q. Chairman: My next question is for you Jeremy. What I would like to know is what you with all your experience in housing, but also what your members are saying is going to happen if and when Universal Credit is rolled out. I mean one of the things we've been looking at is the way that Northern Ireland has an Executive and Northern Ireland has got a special arrangement for exemption of housing benefit from the application of Universal Credit in Northern Ireland. So, my question is really how is Universal Credit going to work in Scotland in your view for your tenants and (b) you may want to speak on a personal basis and not on the record or not wearing your official hat.

Mr Hewer: It's the 18 certificate version?

Q. Chairman: Yes.

Mr Hewer: We are very, very concerned about the rollout of Universal Credit in general.

Q. Chairman: Yes, I've seen shocking, shocking evidence really in Warrington of the inability of the DWP systems to manage 20 single men. How are they going to cope?

Mr Hewer: Yes, and it is compounded by the fact that it is now being rolled out on an accelerated basis throughout the country, and it's going to be rolled out to over 20 local authorities in Scotland.

Q. Chairman: I mean this is all subject to the Labour Party if they form the next government or lead the next government.... (both talking at once)....

Mr Hewer: Yes, one might contend that there's a bit of scorched earth policy going on (both talking at once) in the hope that the damage would have been done and people will just lump it. As we say, because there's actually a meeting that I'm going to be listening in on with my colleagues in Inverness and the DWP talking about that subject, I've been doing some raking around including colleagues down south, and I think this service with the few people it has is that it's deteriorated again as the DWP has to recruit a whole cohort of new staff to cope with the increased volume and they've opened up.....

There used to be two service centres for Universal Credit in Bolton and in Glasgow, I think two more have just recently opened in Bangor and in Middlesbrough and there's a plan to have about 10 more during the course of the year. The IT system is non-existent in the sense that if any adjustment has to be made it has to be done manually, so although you might have digital by default a claimant gets penalised if they don't use IT equipment for their claim. There doesn't seem to be much, in fact we were told at the beginning that if somebody makes a claim they go to their local Job Centre Plus for verification, they may have to produce various bits of identification like their tenancy agreement. Job Centre Plus has to photocopy that information and post it to the mail processing centre for the DWP in Wolverhampton which then gets sent to the Universal Credit Centre and, of course, nothing ever goes missing or astray. It's almost funny, if it was not for the fact you talk about people being in genuine distress because, for example, a Housing Association actually has to arrange alternative payment arrangements for particular claims, they sent it up by Registered Post and it got lost.

Q. Chairman: That's the mechanics Jeremy, obviously there's a lot of work to be done, but the principle of how is that in your view, do you subscribe to the view that most people are going to snap back to the direct payment to the Housing Association?

Mr Hewer: I think it's very likely, that's one of the things that, one of the concessions of the Smith Commission, which was appreciated was direct payments to landlords, the other was the variation in the frequency of payments I think and to whom the payment would be made because it's a real concern that with the shift to Universal Credit to a household payment rather than linking it in to individuals, the scope for financial abuse, there's a very real danger and it's something that the DWP seems to be reluctant to address. For example, the expert working group that was commissioned by the Scottish Government to look at, should there be independence, what a social security system might look like in Scotland; one of its recommendations was that the default payment should go to the person who cares for the children. That would be, if you like, the person most likely to have to pay the lion's share of the household bills.

We've also got the situation because of the accelerated rollout, we may be in this rather odd situation that we have Universal Credit rolled out and then, in fact, a little way down the line it then has to be rolled back. So, not only are you creating a tangle you're creating a tangle that has got to be untangled in a few weeks' time which is why, I don't know, you may be aware, there was a letter which was signed by I think 56 other civic organisations asking for a halt to rollout of Universal Credit in Scotland pending the decision.

Q. Chairman: I wasn't aware of that, no. So, are you seeing a chilling effect on the provision of social housing?

Mr Hewer: Yes.

Q. Chairman: Are people putting building projects on hold?

Mr Hewer: They're not putting building projects on hold because the scope for building is quite restricted at the moment. So, any chance that they get to build they will build, but I think what they're worried about certainly is the realisation that, if you like, their cash flow is going to be seriously affected. The experience of the direct payment demonstration projects that we had, we had one in Scotland, one in Edinburgh, what they found was that when it was introduced there was a spike in arrears but then it sort of levelled off but it was never back to what it was, it was always back to a hit that every Housing Association had to take.

Also, I mean Dunedin Canmore were blessed with having a lot of resources thrown at them in terms of support and things which even with the best of intentions cannot be scaled up on a national level. So, that worry about the poor quality in training of DWP staff, I mean I think people are very, very worried about what would happen. It's not that, you know, Universal Credit, we understand the principle and appreciate in fact the rationality and, in fact, there's some fuss about having a single take-up which could help, and I think people in work, people who may require Universal Credit, it may work very well for them, particularly if the real time information system with HMRC, so you are able to see.....

I could go on for ages about things I don't like. I mean they've all said that the monthly repayment, or this obsession with the monthly repayment, and on the claim that it mimics if you like the real world, it doesn't mimic the real world. Whatever day of the month a claim is made will be the day payment is made on subsequent months. So, Housing Associations have a headache, they have to know the day of the month their tenant's Universal Credit payment will be made, so they've got to be able to recognise or identify this and understand "It's pay day for Universal Credit, can we have some rent please?", and they haven't got that sophisticated level of system. Changes in circumstances are problematic because of the way the assessment is done. The tenants either lose out or possibly gain in a big way, or in terms of if they've had a change in housing during that assessment.

Q. Dame Mary Marsh: Could I ask you in this connection back to that where you start to search (inaudible) of the greatest deprivation where there is huge losses of income. What's the profile of the deprivation in that ward, is it going to be even worse under this situation?

Mr Hewer: I'm not that much of an expert on, when you say profile.

Q. Dame Mary Marsh: Is it because there's lots of people who have been on disability or are they unemployed, on disability allowance, circumstances have changed, why is it so significantly big in that particular ward?

Mr Hewer: I think it's mainly to do with tax credits and disability benefits. If you look at the research which is on the Scottish Government website and the SFHA website you'll see that the loss as I said is £406 per working age adult, but not everybody is under this, but if

you look at who's been hit the hardest it's the people on disability, tax credits, it's somebody on disability benefits may be losing over £3,500 a year.

Q. Dame Mary Marsh: Perhaps their resilience now has been pretty shattered and if there's another layer of challenge one wonders what's going to happen.

Mr Hewer: Yes, divergence, I appreciate the old cliché, the rich are getting richer and the poor are getting poorer and this gulf between the two extremes is just widening. One wonders how a society could, you know, you may be as rich as Croesus but you've still got to live in the society in which we live, is that sustainable unless you sort of, you know, hole yourself up in some sort of gated community and that's very worrying, but also I think it's more to do with the absence of credit, and I think things like zero hours contract, the way that they have been exploited and manipulated is worrying, particularly in care workers, you know, they're effectively not getting the minimum wage because travel is not taken into account in that. There's various meetings, you know, it's pushing those margins, there's always that pressure which is concerning.

Chairman: Well, thank you very much indeed, there is some really compelling evidence and as you say Jeremy we could go on for days, but we'll try and make some focussed recommendations which I think you will find....

Mr Pond: Overarching questions about an issue....

Q. Chairman: Yes, sorry, I mean I assume, we've just asked every witness do you both subscribe to the view, the principle underlying the Commission that Britain should, there's more to be done in terms of financial inclusion in the UK and Britain should be pressing on you know, whereas once we had a leading position and we've fallen behind and we should continue in this direction?

Mr Hewer: Sorry, position in....?

Q. Chairman: Financial inclusion.

Mr Hewer: I think if you like, I think yes you need to press on in terms of, certainly if you like just the cohesion of society you need to press on, and I think like we've mentioned that 'we're all in this together', perhaps the difficulty you could actually live that rather than just mouth it. I would like to sort of see that, and I mean, you know, we can talk about being a global financial in.....

Q. Chairman: We've got a way to go.

Mr Hewer: Well, you know, speaking as a very ignorant layman when everyone is concerned about bankers' bonuses and we all said "Oh, if we don't pay the bonuses we're not going to get the best people", but I think often what we've experienced over the last few years I think (inaudible due to laughter).

Q. Chairman: Karen?

Ms Arthur: Yes, absolutely. I think what I would love to see is one government office being responsible for financial inclusion. I feel it's a little bit fragmented at the moment.

And I think the likes of our chat today is a similar thing to the financial inclusion taskforce. People from different areas in a room, from private sector to public sector to the charity side. SoS that everybody understands what things are out there and are already working and understands the problems from other areas, what they're faced with, I think that kind of thing is fantastic as well.

Q. Professor Collard: Can I just ask a last question because do you continue to feel that we in the Scottish Government that you have a voice there in terms of financial inclusion? Does the Scottish Government show an interest in it in a way that for instance the Westminster hasn't been, and if it does what is your comment?

Ms Arthur: I think it's quite similar in that we don't have one area to speak to. Any time we've had an event with government they have been very enthusiastic about it. It's just we haven't one centre that's responsible. When. When it's different areas with different responsibilities and it's hard to give it the attention it's due really.

Q. Professor Collard: So, it's a similar sort of issue really that we're facing?

Ms Arthur: Yes

Chairman: Thank you both very much. I think you will find our conclusions will address many of the issues you've raised today.

Dame Mary Marsh: We'll challenge some of the issues, unfortunately we can't always change them.

Chairman: Okay, thank you.