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THE FINANCIAL INCLUSION COMMISSION

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MR ANTHONY BROWNE, MS CAROLINE ROOKES and SIR HECTOR SANTS

Oral Evidence

Taken before the Financial Inclusion Commission

on Monday 24 November 2014

Members present

Mr Chris Pond, in the Chair
Professor Sharon Collard
Mr Martin Coppack
Mr Nick Hurd MP
Lord Kirkwood
Dame Mary Marsh

Sir Brian Pomeroy, in attendance

Witnesses: **Mr Anthony Browne**, Chief Executive, British Bankers' Association; **Ms Caroline Rookes**, Chief Executive, Money Advice Service; **Sir Hector Sants**, Chair, Archbishop's Task Group on Credit Unions and Financial Services.

Q. Chairman: Can we welcome Anthony and Caroline. Thank you very much for giving up your time. Just so you know who is here in the room. We have Martin Jervois, who is dealing with the media aspects of what the Commission is doing. We have Jennifer Duncan and Lisa Stidle who are supporting us in a secretariat role; Dame Mary Marsh; Martin Coppack; I am Chris Pond; Archy Kirkwood; Professor Sharon Collard; and the President of the Commission, Brian Pomeroy, who is not actually sitting as a member of the Commission. We are delighted also to have Melanie Worthy here from the BBA and Mary who is taking down what you say, which may or may not be used in evidence against you, but just to let you know that there is a record that we are taking.

Mr Browne: Is it going to be published?

Q. Chairman: With your permission we would like to put it on the record so that people are aware of where we are going. This is the first session of the Commission's evidence so it is quite an important one to make sure we can get it onto the record. As you know, the purpose of the Commission is very much to build on Brian and the Treasury Task Force's work, which achieved a considerable amount in dealing with the problem of financial exclusion, but we felt we needed to see how we could go further and in the very short period we have got between now and the Election to try and push the issue of financial inclusion up the agenda and to do our very best to make sure we get commitments from each of the main political parties to doing something in that direction and to make a commitment to that. That is the context.

Could we start by asking perhaps, Caroline if you would get us going as the Chief Executive of the Money Advice Service. I would say first of all we have asked each of the witnesses to give us a short statement as to what they see are the barriers to working towards greater financial inclusion and what their organisations and those individuals are doing towards it, but also, Caroline, if you could in the course of that say something about whether or not this concept of financial inclusion and the concept of financial capability, frankly, are one and the same thing.

Ms Rookes: The Money Advice Service was set up to increase people's understanding of financial affairs and their ability to manage their financial affairs. We interpret that as a remit to increase financial capability. Our premise is that you are not going to get strong finance inclusion unless you have good financial capability. In other words, people know how to manage their money well and they have the right approach to doing that. I will come back to how the two things fit together.

First of all, everything the Money Advice Service does is about raising financial capability. We see financial capability as made up of people's skills and knowledge, attitudes and motivations towards money, but also the opportunities they have, the ease with which they can access appropriate financial services, financial advice and financial products. There is a clear, strong overlap between financial capability and financial inclusion.

Our research shows that there are big issues with financial capability across the UK. We do tracker research once a year now and we did it last year for the first time since 2006, and the picture has got worse. Not surprising, people's real income has reduced and obviously these things are affected by external factors as much as anything, but some of the findings were: only half the population makes a budget; 40 per cent of people would have to think how to meet a £300 bill; 16 per cent of people cannot read a balance on a bank statement; around 40 per cent of under 35 year olds do not understand how interest rates and inflation interact. You could go on. The particular statistics are probably of less importance than the fact that there are a lot of them which indicate that there are some big issues.

Our core offering is to reach out to people when they are going through major life events or making big financial decisions, so buying a house, buying a car, getting divorced, having a baby, all of those sorts of things, and what we are trying to get people to do when they face those is not just think about that particular decision, so if they are buying a house, not just can they afford the mortgage but do they understand the full costs of buying a house, do they understand the full costs of owning a house and can they budget looking forward for things like interest rate increases.

The services we provide are inclusive to the extent that they are multi-channel, so we offer face-to-face, we offer telephone, but we are primarily digital. We are working with DWP to help with what I think is one of the biggest challenges which is Universal Credit and how we can embed personal budgeting in the Universal Credit journey. We are the single largest funder of free debt advice and we have a responsibility to work across the free debt advice sector to help increase access to free debt advice but also to help people, having gone through debt advice sessions, to come out better able to withstand shocks in the future, so an element of financial capability in there.

We are working at the moment with partners right across everywhere really to build a Financial Capability Strategy, and I think this is probably where your work and ours overlap. Our view is that if we want to raise financial capability in any meaningful way we have got to get the help of all sectors, so that is financial services, it is government, it is regulators, it is probably the media as well, and we have all got to try and work together to raise financial capability. That is improving skills and knowledge, it is improving attitudes and motivations, and there we are talking about as much as anything about getting to very young people, getting to children because our research tells us that attitudes start to form before the age of seven, so the more you can get in at a young age the better. We want to look right across the piece, not just at the younger end. We want to work with the whole range of organisations that have an interest in this and our intention, having published a draft strategy in September, is to work towards putting more flesh on that, building a really clear prioritised programme of action that we can all get behind, and I stress it is not a Money Advice Service strategy; it is a Financial Capability Strategy and what is one of the biggest obstacles is we really do not have a lot of leverage in that. We have a responsibility for raising the financial capability of the UK, but we do not have a pot of money with which to do it, so we are relying on influencing people, leading, persuading, cajoling, as indeed I suspect will be the case with financial inclusion. We are optimistic that we can achieve a step change, but it is going to require a lot of effort and a long time. It is not something that we can do overnight. Those were my introductory comments and I will take any questions that you have.

Q. Chairman: I am sure that my colleagues will have a number of questions that emerge from that, but I wonder if we could ask Anthony to say a few words to begin and then take questions together in a wider discussion because obviously the BBA has done a lot over the years to promote financial inclusion and I am wonder if you could tell us how we can take that further.

Mr Browne: Thank you very much and thank you for asking me to give evidence. It is definitely a worthwhile initiative because it is a very important issue. I should just say for the record that the British Bankers' Association is the main representative body of banks in the UK. We do not just represent British banks; we represent 100 per cent of banks operating here, including half our membership are foreign banks. Our membership includes for the purpose of this pretty much all the retail banks operating in the UK and some of the very small niche banks, charity banks and obviously the big retail banks. For banks, financial inclusion is incredibly important. They want empowered, informed, capable customers. They want customers who can be in control of their finances rather than customers who end up building up unmanageable debt, for example. They want customers to have access to their services. That is why as an industry I will bring some examples. We do put a huge amount of effort into promoting financial capability and inclusion, both as an industry body, and some of the initiatives I will come on to, but also a lot of banks individually have a lot of different projects. I know you are talking to some of the banks later and they will no doubt want to talk about their particular projects. We do a lot of work with MAS. For example, I sit on the Steering Committee for the Financial Capability Strategy that Caroline Rookes was just talking about and indeed, as you mentioned at the beginning, I have Melanie Worthy here, a member of staff who leads on financial inclusion in various committee that do a lot of projects on financial inclusion.

I should just say how we see the issue at the highest levels to set out our thinking and then come to the things that we are doing about it and have done about it. We think there are basically three aspects to financial inclusion that need to be considered. The first is access to services, the second is capability or competence and the third is wealth or resources. I will take each of those in turn.

Access is fundamentally having access to financial services at the most basic level. That can be getting access to services via a branch or digitally, which raises issues, and it can be having access to a basic bank account. It can include things like some of the stuff Caroline was mentioning, people who have certain disabilities or vulnerable people in some way, people who are blind, for example, people who have mental impairment in some way and they have a certain set of requirements that will mean that banks have to operate in different ways to ensure that they do get access to their services. We have done a lot on that and individual banks are. Just as examples, last year we did a lot of work for people with long-term illness and terminal illness who have a particular set of issues about accessing bank services and the sort of services they require given their circumstances. Front-line staff at banks often were not equipped to deal with that and to respond to them in an appropriate way. We did a lot of work with charities such as Macmillan Cancer to make sure that all the banks had specialist teams in there that could deal with people who had long-term medical conditions and required specialist services. I mentioned visually impaired people. Quite a lot of the banks are developing talking ATMs, for example, which would help people who cannot see ATMs sufficiently to get access to them.

The second issue I mentioned was capability and Caroline talked a lot about that. The banks do a lot. As it happens, they largely fund the Money Advice Service through a levy that is imposed on banks. They also fund a lot of other charitable work in this area. We do a lot of work on financial education. A lot of banks have individual programmes in schools promoting financial education. They are very careful to make sure it is not marked 'children' and they often do it under generic names. We have campaigned for financial education to be included in the National Curriculum. We are very glad that the Government announced last year that it has been for all secondary schools. We would like to see financial education included in primary schools. People start learning about these concepts very early in life. I have two primary school aged children myself and it would be good if they were taught some of the basic concepts of saving and debt and managing money at school.

The third issue I mentioned was wealth or resources. This is making sure people have a sustainable excess of income over expenditure, that they have some money they can do something with. If you end up with having sustained debts, with unmanageable debts it really limits how you can access financial services if you simply have no money to do anything with. It limits you and you can get bad credit scores and it can limit your access to financial services that way. Banks are very keen to ensure that people do have resources and that they do not build up unmanageable debts. A lot of the debt charities in Britain are funded by the banks and they largely get their funding from the banks, including groups like the Citizens Advice Service.

There are two issues around wealth and resources which are not really for banks to give guidance on, as it were, it is an observed fact: It is about people having greater income than expenditure and living within their means. We have done a lot to promote 'rainy day' funds and to promote savings. We are doing some work with the Government at the moment on having a well placed* savings scheme, which some companies do at the moment, but we think there is a lot of merit in making it more generic and aimed at those who are more financially vulnerable.

The last point I wanted to make is just an example which I think will be interesting for your inquiry which is the role of regulation and regulatory arbitrage. In two years of my job at the BBA one of the things that I have obviously come up against, and no doubt it is in the forefront of your minds as well, not least because we happen to be here in Westminster Abbey and the Archbishop of Canterbury has been talking about it a lot, is payday lenders. There has obviously been a massive growth in payday lending in the UK recently. The banks are under a legal and regulatory obligation to only lend to people who they know can sustainably repay their debts. The banks are not allowed to, quite rightly in my view, lend money to people they know are highly unlikely to be able to repay their debts. Banks do do high-interest short-term lending - credit cards, overdrafts and so on - but there are controls over to whom they can lend. Payday lenders were not regulated in the same way. They were able to lend to people who could not repay their debts and that led to an explosion of access to payday lenders. In their business model they use the internet to promote access to their products, but there is a lot of concern about people building up unmanageable debt in terms of the debts being rolled over and the debts building up extremely high interest rates because people are not repaying them on time. We occasionally get criticism from people saying we created this problem in the first place, but if you start from the position that you should only lend to people who can repay the debts and you have allow groups who are allowed to lend to people who cannot repay their debts, then you clearly will get different models there. Since April this year the payday lenders have been brought under the same regulation, effectively, as the banks have been brought under under the Financial Conduct Authority and they are required in the same way to only lend to people who can repay their debts. Martin Wheatley, the Chief Executive of the FCS, said recently that 99 per cent of payday lenders will go out of business because their business model clearly did not fit in with the regulation, and only four of them would be left. In terms of financial inclusion, I do not know whether you are looking at this issue but there is an interesting debate to be had about the role of regulation in terms of the ability of different types of financial services providers to provide financial services to different groups of people, rightly or wrongly. I would suggest in thinking about financial inclusion, we need to think about what are the regulatory principles that you want, for example not lending to people who cannot repay the debt. If you start from agreeing with that, various things follow from that.

Chairman: Thank you Anthony. I am delighted that Nick Hurd MP has joined us. You have given a very good instruction to Sir Hector Sants who will be joining the session very soon. He is hoping to join us at midday and we hope we will then be able to widen it to all three of you. Thank you both for those introductory remarks. I would like to throw it open to colleagues to follow through. I have a number of questions I would like to ask myself but I am not going to hog the session. Sharon, would you like to start off?

Q. Professor Collard: I suppose it is a question for both of you really, which is around banking inclusion. The Task Force got a certain way in terms of promoting banking inclusion, but I just wonder to what extent banks are still relevant for people on low incomes and whether you have any views about that?

Mr Browne: I think banks are relevant to people on low incomes. I noticed you quoted the statistic in your terms of reference about too many people not having bank accounts. The banks do provide basic bank accounts at the moment. They are simplified bank accounts without overdrafts. There are nine million of them in operation at the moment. That was approved with the Treasury about ten years ago. We are currently in discussions about revamping the basic bank accounts in light of Universal Credit which, as you know, will be paid through a bank account and so requires people to have bank accounts. It is a big concern of ours and in fact we have been working with MAS and the Citizens Advice Bureau and other groups to make sure there are bank accounts that are suitable for all people, but particularly those that are getting Universal Credit. That is ongoing and hopefully there will be agreement on that shortly.

As I said, the banks provide a lot of different types of products aimed at different groups of people. One of the projects we have been working on with the Government is simple products and services, which is having simplified products that basically do what they say on the tin, with a kite mark so people can have confidence in them. There is a regular savings account, a deposit account and a life insurance policy that are part of that in the initial wave that is being rolled out as we talk. As part of giving confidence to people in the banking sector, I think it is worth making the point that we start from the presumption that everyone should have access to banking services if they want to and if they see it as being in their interests to. We do not start from the presumption that everyone should be forced to have banking services if they do not want them. There are certain groups of people - and this is often overlooked in public debate and I am sure Chris Pond in his previous life will have had some experience of this - who basically do not want bank accounts and they like dealing with cash, and we need to respect that as well. I do not know if that answers your question.

Q. Chairman: I wonder if I can follow that particular point. The evidence seems to suggest there are around 2 million people who do not have access to bank accounts, of which half do not want them, and of those who are new holders of bank accounts I think it is true that half of those have been subject to charges during the earlier period and in half of those cases the charges have exceeded the benefits of having the account. The question is two-fold, I suppose: first of all, how do we try to make sure that when people do take that step into banking services and do get an account for themselves, they do not find themselves penalised as a result? Secondly, there is a bigger question of the half who do not want a bank account, is this something the industry has to address or government regulation as well in rebuilding trust in financial services? Is it the case that many people are excluding themselves from financial services rather than being excluded as such?

Mr Browne: You are absolutely right, there are people who are stung by fees and then decide they did not want to have a bank account as one way to make sure they do not get charged fees. We are taking that on board with the revamped basic accounts which, as I said, we are in the middle of and hopefully near to completing negotiations on and hopefully that will address that concern that you had.

Q. Professor Collard: Can I jump in and ask you when we are likely to know the outcome of that because I think there is a question about the length of time it has taken to agree some standards on basic bank accounts.

Mr Browne: It has been complicated by the fact that in the middle of doing this the EU came out with the Payment Accounts Directive, which was a separate bit of legislation that the banks had to abide by which rather cut across all the negotiations on basic bank accounts. We had to then include all that. It is imminent. I do not want to give you an exact timing on the record because I do not know exactly what the timing is, but it is imminent and certainly in the very early part of next year.

There was one other point on access to bank accounts that is of concern to some groups of people that we have discussions about, including Toynbee Hall. Sian Williams, their Policy Director, is one of your Commissioners I think, and they have done a lot of work on this and we have done a lot of work with them on it, which is the point about identification. One barrier to opening a current account can be that you do not have a form of access that the banks accept, so you do not have a passport, you do not have a driving licence, and there are significant numbers of people who have neither passport nor driving licence nor any other form of photographic ID. The banks are required by legislation to know their customer and to put in sufficient bases to make sure their customer is who they say they are. They cannot just open up an account for anyone without any identification. The question then is making sure that we have appropriate forms of identification for those groups of people who do not have any form of photo ID or utility bills. One the of the things we have done, coming back to the Universal Credit, is making sure that the Universal Credit letter that they get from DWP is sufficient form of identification for opening a basic bank account. We have worked with DWP on that. DWP know who their benefit recipients are - or at least one hopes they do - and that will be a sufficient basis for opening the account and the letter will include wording, as Universal Credit is rolled out, saying that that letter can be used as the basis for opening a current account and hopefully that will help unblock that identification issue for certain groups of people.

Q. Mr Coppack: I have got a question just building on that in terms of ID and accessing and using products and services. Have you got any thoughts about the consistency of approach that people face both within a bank but also across banks? You were using the ID example, but putting that to one side, a report we often get is that it depends on who is on the front desk at the time of day whether somebody can actually access a bank and they might turn up the following day and someone will actually recognise the ID they have.

Mr Browne: In my two years in the job I have not as yet heard that particular complaint about inconsistency within a bank. I note that and will confer on it with my colleagues and perhaps they can refer to that later. The complaint I have heard is inconsistency between banks, that they will have slightly different criteria. We think it is important that there are broad guidelines that are set and agreed by the industry and we are involved with that, but I think it is important that individual banks can interpret exactly the precise way those guidelines are set down in terms of their own requirements. The reason for that is things do change quite rapidly and you have to maintain a certain amount of flexibility. A lot of this, as I mentioned earlier, is about the anti-money laundering requirements and the 'know your customer' requirements. That regulation changes and the different threats and different frauds change and so on and so forth and as that evolves, and often changes quite rapidly, the banks need some sort of flexibility in making sure there are proper controls in place. It is something we are working with with Toynbee Hall and we have done a lot of research on that and we are going to see when they have concluded that research. Caroline might have some views as well.

Ms Rookes: Only to support I think what you are saying which is everybody should have the opportunity to have a bank account which means that it has got to be an account that they can open easily. I actually have heard the point that Martin has raised. It is inevitable I think with large organisations. You are not always going to get the same consistent service on the front-line. How you crack that is a difficult issue. I think I would want to understand more about why the people who say they do not want a bank account do not want one. My worry would be that it is because of lack of trust lack of confidence, just a lack of understanding of financial services, which is not a criticism of any particular bank, but I think it is a reflection of where some people are in terms of their understanding of financial services and I think it is worth delving into that a bit more.

Mr Browne: There is a high level point that I think is worth making, picking up on Caroline's point, that certainly the big banks are very large institutions and they can agree the way to do things at one level but making sure it is delivered on the front-line is an implementation issue and we need to make sure staff have the right training and so on. What we have been focusing on over the last year or so is implementation assurance, as we call it, just making sure that whatever is agreed by the bank as whole and by the industry as a whole is implemented on the front-line, so coming back to the point I made earlier about services for people with long-term medical conditions. It is all very well us agreeing that with a lot of charities and everything else, but we then need to make sure that when customers with long-term medical conditions and specific needs do go to a bank that the front-line staff know what they are doing.

Q. Lord Kirkwood: I would like to ask a broader question which is as somebody who is less directly involved in the fine print of all this stuff, what puzzles me slightly is that we have an international reputation as a country in the United Kingdom of being expert in financial matters, but I am not sure about our reputation in financial inclusion. Why is our international reputation not better? What would be the elements that are missing at the moment to try and get the United Kingdom into a better place in terms of its reputation for the provision of the kind of services that we are considering this morning?

Ms Rookes: I think actually our reputation in the context of financial capability is very high. We are seen as a model but, having said that, for me the converse of having such a sophisticated advanced financial system is that people who do not understand it fall by the wayside. I do think there is more we need to do with younger people. It is not necessarily just standing up in front of children in a classroom and spouting about financial matters; it is really engaging with parents, it is ensuring that whoever is teaching financial issues to children is expert in doing that. Whilst, as Anthony said, we welcome financial education being on the National Curriculum, it is not enough just to be on the National Curriculum. It has got to be fully embraced in such a way that the teachers are not doing it just because they have got to; they are doing it because they need to and they have got good resources and that they are properly qualified to do it. I would echo Anthony's point that it is younger children that we need to get even before primary school but certainly at primary school. It is not just standing in front of them and teaching them stuff. A lot of us do not remember the things we were taught at school, but it is getting them to play, getting them to experience, getting them to learn in that way, I think would be one way.

Q. Lord Kirkwood: So your priority is seven year olds?

Ms Rookes: It would be one of the priorities, yes, getting to younger people.

Q. Lord Kirkwood: The problem with that is we are looking politically at another five years in the upcoming Parliament where there will be austerity all over the place and people will be suffering in the short-term. Give me some practical examples of how the United Kingdom at a national and international level could really up its game in terms of practical provision for support because a lot of people are going to get hurt in households, I can tell you that right now, over the next five years, no matter who is in government. What are the things that we should be putting in our shopping of recommendations? And Anthony, did you say that you have been supporting the work in Toynbee Hall?

Mr Browne: We have been working with them, yes. We want people to have access too.

Q. Lord Kirkwood: I have to tell you I was really cheered up, we did this evidence session last week and I learned how to bulk buy soap on-line. This is serious stuff. The lady that I was talking to particularly had decided to try and set up a business as a result of the work that was done there, so the scales had fallen from their eyes. They were all articulate women, I do not know how typical they were of Tower Hamlets because I do not know the area that well, but I have to say to you it was the simplest things that they were saying that they had learned, not buying branded products, shopping in charity shops and looking as if they were dressed in high fashion, because they were.

Ms Rookes: Can I pick up on that?

Q. Lord Kirkwood: If it is this easy why are we not doing more of it?

Ms Rookes: It is not that we are not doing more. It is how you engage people. We did an ethnographic survey last year where we followed 73 families over a year that were struggling and we gave them simple things to do, like keeping a log of what they spent, like giving them alternatives, and it made a huge difference. We filmed these people and seeing them on film saying things like "My life has been turned around" just by a simple thing like that, but how do you engage those people? That is the thing we struggle with. One of the reasons we are focusing on life events and big decisions is because when somebody is buying a house, and they Google 'Stamp Duty' or something, we can get them and get them to start thinking about the full costs of buying a house and the future costs and all the rest, but people do not go around thinking it would be really interesting to learn about budgeting. We do all we can to get in front of people. We partner with the supermarkets, we partner with Mumsnet, we do RightMove, you name it, but that is the problem and part of that is people are either not interested, which is a big part of it, or it still is not considered the thing to talk about money and to seek money advice. If you can parcel it up in a way that you have just described, there is a simple way of helping, people will be attracted to it, but you have got to get them in the first place.

Q. Lord Kirkwood: The opportunity for Universal Credit where you have got the Social Service Framework coming around about it and serious sums of money are being put in to ensure, because it is digital by default and people are not on-line, that there is local support and money to capture people's attention, is that practical? I am looking for practical suggestions that improve our performance as a nation. Is that something that is an opportunity that we should really be thinking about grasping?

Ms Rookes: I would say yes but it depends on the quality and consistency of what is being offered. One of the things we are working with the DWP and local authorities on is personal budgeting materials, very simple ones that we build into the Universal Credit process and, yes, I think it is entirely doable and entirely useful.

Mr Browne: You asked a series of questions there and the first one was why do we not have as good a reputation for financial inclusion as we do for financial services in general and what can be done about it. One observation and then a particular comment. My observation is we sit on the Board of the European Banking Federation, which is the European-wide group for banks, and the International Banking Federation, which is the global, or at least G20 groups of banks they all have committees dealing with financial capability which we are on where we share best practice. My observation from that is I think we can absolutely claim to be world leading and European leading in many ways. We do an awful lot of things that other countries do not do, both as individual banks and as an industry with groups like the Money Advice Service. We are in many ways leading from the front on an international level.

My comment is that you have to bear in mind in all your work the social, economic and cultural context, which is very different in the UK than it is in other countries around the world. We are a fairly economically unequal country. There is a far greater distance between the rich and the poor in the UK than there are in other countries. We have an issue with the numeracy and literacy of people coming out the education which is why we do not perform quite as well as we should do in the international league tables. If people are not numerate or literate then it is clearly far more difficult to teach them financial capability or they are less likely to pick up financial capability than if they are numerate and literate. As it happens, I am half Norwegian, my mother is Norwegian, and I have spent quite a lot of time in Norway (as you can tell by my blond hair and blue eyes!) and they have always been an incredibly equal country with a very good education system. Virtually no-one is left falling out of education there and it is a completely different context of having financial capability in a country like Norway than it is in the United Kingdom.

There are two other cultural aspects that are important to bear in mind. One is the one that Caroline mentioned that we do not like talking about money in the UK. Parents do not talk about money with their children. We say they should do and we think it is good. Children learn things first of all from their parents and secondly from schools. They need to learn the concepts of saving and debt and managing household budgets and all that stuff from their parents. A lot of parents do not do it and we do not talk about money with friends and strangers very much, compared to some other countries such as the US for example. The US also has problems with literacy and numeracy within the education system and cultural inequality, but there is a far more vibrant culture of talking about money and how you deal with things. That leads to people, firstly, not being educated by their peers, as it were, and finding out what is going on but also getting into unmanageable debt without seeking advice because they just do not talk about it. Thus people do not talk about money enough.

The second one is - and this is beyond the remit of the BBA but I can say this - there are a lot of commentators out there who think we have a culture of ‘spend spend spend’ and there is not much stigma around debt and as soon as people get money they spend it, et cetera. In Germany, there is quite a strong culture of having a rainy day fund and of making sure you live within your means, et cetera. Certainly the comment has been made to me that we have payday lenders in this country and, whatever the regulatory issues, they could never have existed in Germany because nobody would take them out. They all build up rainy day funds or there is far more of it and they do not take out unmanageable debt. This is not to absolve the banks of any responsibility but we do a lot on financial capability and you do have to look at it, certainly when you are coming at things internationally, in the social, economic and cultural context.

Chairman: Mary and Nick want to come in but before they do could we welcome Hector Sants. Thank you, Hector, for your time. Before we ask you to say a few words about the Archbishop’s Task Group, which we very much welcome, can I ask Mary to follow up some of the things that Anthony and Caroline were saying?

Q. Dame Mary Marsh: I want to pick up on the digital issue of access because it is very evident that the pace of digital use in banking is leaping far ahead of everybody’s expectations, so the banks are having to respond to that demand and of course the wider economy is digital by default in all sorts of places. How do we make sure that could become a positive for these excluded groups rather than an even bigger barrier?

Mr Browne: Several different things. The take-up of digital banking such as mobile phone banking and internet banking is customer driven. It is another channel that the banks offer. There is huge demand for it largely because of its convenience I think and that is why mobile phone banking has doubled in the last year. We do need to make sure that some vulnerable groups do not get left out by it. One of the things we do quite a lot of work on with our members is working out what groups of customers there are that could fall between the stools as it were, and certainly in terms of branch closures for example, there is a live debate there about how there are certain groups of customers that depend on branches more than other groups of customers. How do you deal with them, both individuals but also SMEs for example that want services to deposit their cash at the end of the day.

There are also possibilities for using digital services to enhance services for different groups of customers. One example of that is text alerts where the banks, I think I am right in saying, send more texts than any other industry. That is warning people if they are about to go overdrawn or if they have gone overdrawn and again this is an opt-in/opt-out service. You do not have to have it if you do not want it but a lot of people find it an extremely useful way of managing their financial services in terms of getting those text alerts. There are also budget management tools that are increasingly coming in and there are various projects on that to try and enhance that industry-wide. There is an initiative called MyData for example where banks are working with the Government and with websites to make sure data about people's bank accounts can be exported in a standardised format so you can then use digital services to try and work out how to avoid overdraft charges and make sure you get the best interest on your accounts, which is part of financial inclusion. There is also an onus on the industry to make sure that as many people as possible can access their digital services. Quite a lot of banks are doing had and there are lots of individual initiatives to try and help people who are not that digitally to be able to go into a branch and there will be somebody in the branch who will help them first hand and say this is how you use these different services this is how you access it. Those have proved incredibly popular to certain groups of customers.

Ms Rookes: The other thing is using things like YouTube and other web services to interrupt people and draw attention to budgeting and money issues. Those are very successful as well. All the information we have on people that are what you might call financially excluded or having the most problems from a financial capability point of view suggest it is young families, it is people in the middle years who are probably the sort of people who have all got iPhones and all go on-line. I think there is a lot of opportunity to use that to get to people in a way that is engaging for them.

Mr Browne: It cuts across other parts of policy. It is all very well us saying you can get access to internet banking, is it not wonderful, but then people, quite rightly, point how there are various parts of the country that do not have access to broadband. There are two answers. One is to make sure people still have access to other forms of banking services rather than the internet but second there is a Government programme - they are spending a lot of money on it -making sure that all parts of the country get access to superfast broadband.

Q. Mr Hurd: I am new to this unlike any other Commissioner so this might be a little naïve as a question, but in terms of the proportion of the population that is outside the system but who could be in theory encouraged into the system if some of the barriers that Caroline was talking about were broken down, do your members actually want those customers? My question to Caroline comes from Archy's point, this opportunity of engagement and how do you engage, assuming it is sensible only to work through channels that these people trust otherwise you are wasting your time, is there an opportunity to scale up the capacity of the networks that are engaged and are trusted or are there some practical difficulties there that make that just a theoretical possibility?

Ms Rookes: I think there is opportunity to do that. The idea behind the Financial Capability Strategy that we are developing is if we can get everybody using consistent messaging over and over again then you do stand a chance. At the moment, as Anthony has said - and it is going back to financial education but that is just an example - all the banks do things but they all do it separately.

Q. Mr Hurd: But they are not trusted. I am talking about the channels.

Ms Rookes: That is just an example. There are other examples where organisations are doing things and they are all doing their own thing in a slightly different way, and if we can bring that together a bit more and get consistent messages out there, consistent messages around rainy day savings, around building a savings buffer, around seeking free debt advice when they need it. We have nine million people in debt and only 17 per cent seeking help with it. There is a lot of opportunity to get some consistent messaging out there, but at the end of the day I think we are all searching for this magic bullet which will get people to engage and I do not think any of us yet has identified what it is.

Mr Browne: I suppose your question is do all banks want all customers. It is probably difficult to say ‘yes’ to that but definitely banks do like customers and there are lots of banks who want all customers, if you see what I mean. They are in a competitive market. They work on different priorities in terms of customer profiling and so on but as an industry, coming back to the Payment Accounts Directive, the European legislation, which produces a legal requirement on banks to offer a bank account to anyone who asks for one, we have absolutely no problem with that at all and none of my members has any problem with that. When that comes in anyone will have the right to a bank account at any retail bank they go to and on top of that the banks agree, as I mentioned earlier, the basic bank accounts. They already have it but it has been revamped for the modern era.

Q. Chairman: Nick mentioned trusted providers, Hector. Nine million people apparently do not have access to mainstream credit. The work that you are doing with the Task Group in terms of credit unions, is this going to be a major part of the contribution to financial inclusion?

Sir Hector Sants: I definitely think that the Church can play a significant role in this challenge. You will no doubt be aware of the reasons for that, not least of it being the 16,000 churches that exist in the community. It is the best physical community network the country has, so it obviously makes sense to mobilise that, both in terms of people and the infrastructure. Just to say on the Archbishop's Task Group, I think you asked me to describe how that fits in the picture, I should start by making the point that it is not focused specifically on financial inclusion. It has a wider remit in that it is focused on promoting responsible credit and savings, the word being 'promoting'. We are not suggesting the Church can solve this problem but we are suggesting and indeed we have established it definitely is the case, that the Church can make a significant contribution to addressing this issue. Then, more generally we are saying that we want to engage the Church and Church community with promoting a fairer financial system for all. I think then within that that brings out a strong focus on promoting community finance. Also, as I have just mentioned earlier, specifically strengthening the Church's place in the community. So the Task Group has a wider remit, but I think that makes sense because, as I think everybody would agree, part of what is needed here is stronger and more effective community finance organisations who offer greater choice and opportunity for consumers. In order for them to grow they need solvent borrowers and lenders to use them, so promoting the wider agenda is in effect also assisting the financial inclusion challenge.

In term of the specifics to the financial inclusion agenda, I would pick out the following from the work of the Archbishop's Task Group. First and foremost, we are seeking to encourage churches through our credit champions' network to seek out their local community finance organisation and help it be more effective, help it increase its capacity, help it increase its reach. I use the word 'community finance' because although the main focus is on credit unions, I am perfectly aware that there are other community finance models and indeed we should probably be encouraging other community finance models. Thus, although the Archbishop's comments have been more about credit unions, it is a general community finance initiative. What can the Church do to help increase capacity? I think it can do it in a number of areas. It can certainly provide volunteers and personnel at the front-line, but also at board level where expertise is required. It can produce more solvent savers and borrowers, in particular solvent borrowers. As we well know, one of the big issues of the credit unions is getting their size of loan up from a few hundred pound to a few thousand pounds. I am sure the credit union attendees here will go into that in more detail but that is clearly one of the biggest challenges. The Church can also produce infrastructure which is its buildings which can be used as branches.

Finally, and probably most important of all, it can increase awareness. It struck me having been involved in this work now for nine months or so, first and foremost what we need to do is get awareness of the existence of community finance significantly raised in this country. There are many statistics around that that it is at the 10 to 15 per cent level and quite a lot of people think community finance is not for them. We have to make it very clear that community finance is for everybody in the community. By making it real, community finance, which is what you find in other countries of the world where this model works well, will transform the landscape. I think that is the first area where our Task Force is making a contribution in the raising of capacity. The second is education. There has obviously been some discussion on that already before I joined the group. At the end of the day, to me it is as much about education as it is about capacity. Education has to be a multi-generational project. This country has clearly underinvested in its financial education for decades relative to the investment it has made in other aspects of finance. What we have done from the Church's point of view is to look at that educational landscape and say where can the Church make a specific contribution? The answer is in primary schools. Clearly in secondary schools we already have it in the National Curriculum. I am not an educational expert -there are others who know more than me -but my sense is at least that is a start although it has had some detrimental effect which is to cause some of the banks to withdraw and make them think the problem is solved when it is not. However, the Church of England only represents about seven per cent of secondary school pupils so that is clearly another reason why that would not be the right space for the Church to launch an initiative. The right space for the Church to launch an initiative is undoubtedly primary schools. Firstly, because there is not that much financial education in primary schools. The statistics we could find suggest that under one-third of primary schools have any financial education at all, maybe around the 30 per cent mark, and some of that is fairly limited.

The second reason of course is one in four pupils in England go to a Church of England primary school and if you add in the Catholics that takes it up to one in three so we certainly would hope to make this initiative available to all faith schools in due course but starting with the Church of England. We think that can make a big difference.

There is a raft of data that you can look at. There is the Children's Society Report published of late that shows that by about the age of seven a lot of attitudes to money are formed. By the age of 11 and 12 children are well down the track. They are probably using their parent's debit or credit card to do some shopping on-line and so forth. This has to be tackled at the earliest possible age. You can do it with four year olds. If you are doing it at that age everybody will tell you that experiential learning is the way forward. Clearly the best model is a savings club combined with an element of classroom education. That can be quite light. What really matters is a savings club which involves the children in running it and involves the children in experiencing the administration process. We are not inventing anything new here. We are not claiming any great intellectual or innovative insight. There are a number of very good examples of this already working in the country. What we are saying is we need to make it a nationwide initiative, not one that is to be found in a small number of schools. What we want to do is take the material that is there and roll it out. We are working with Young Enterprise. We were originally working with pfeg but, as you are aware, pfeg are now Young Enterprise, so we are working with people who are very skilled in the educational component and delivery of the educational component. We are confident that by taking the best from the current models this can be a really successful initiative. We are looking for finance. We are currently talking to Government. We will have to see what happens. I would like to think that the Government will be supportive but time will tell. We are talking to the private debt providers as well. That is the biggest single area where we can make a difference. A nationwide initiative in that space is absolutely necessary.

The third area where we think we could help touches on the question of how to help those already in financial trouble. As we all know, there already is a large number of organisations delivering quality debt advice, but to some degree the problem is there is a large number of organisations delivering quality debt advice and therefore for quite a few people that is quite a confusing landscape. We also know that people are quite nervous about getting involved at all because it involves them talking about their financial affairs and, as others have observed, in this country there is quite a hesitancy to do that. We think there is a role for churches to provide that safe place to have that initial conversation, where you are then helped to work out what the best expert organisation is to engage with, depending on your particular circumstances. I think you could see it as a triage service, where you go to get an understanding of where to go next. I think the Church has the capability and has the right positioning in society to be that safe place. Of course this will be a service available to everybody. You will be going into a church to get the service but there is no obligation to be an existing member of the congregation in order to get that service. So we are looking to train our volunteer credit champions in the ability to do that and I think that could make quite a significant difference. I think in order to do that well, and I know that this is a question that has already been looked at, we need to encourage the various volunteer organisations to have a collective view as to what the differences are and what the merits of their respective offerings are. It did strike me as somebody coming into this field fresh some nine months ago when you ask that question, what is the difference between the various different providers, it is not obvious what the answer to that is. Clearly if you are looking at a Christian-based organisation some aspects of it are very obvious, but we need a coherent, collectively agreed proposition which can then be communicated to people such as the credit champions so that they can then assist in signposting people in the right direction, this is a key issue I think.

So those are the three areas where our initiative can make a real difference. There is also the fact the Church has a voice and is a listened-to organisation, so we are obviously seeking to support some of the other initiatives around which we think would help community finance. Particularly we are very enthusiastic about the Community Fund idea which others (Citizens

UK and so on) are promoting, so there is that sense of our ability to get behind good ideas. That is what the Task Group is up to. My final comment was I jotted down what item of learning from that Task Group experience might be of some benefit to your task. I think I would just highlight the point I have already made which is the importance of a long-term educational agenda, and that has not been adequately co-ordinated and supported by Government, in my view, to date. Also, we do have to raise the capacity for community finance organisations. I take the point that large banks are not on principle refusing to open bank accounts, indeed they are not allowed to take that approach in the future, but I think for a lot of people it is just the case that large organisations are quite intimidatory and they feel uncomfortable accessing them. Certainly you can go and talk to people to understand that that is the case, particularly amongst many of the unbanked. There is something about the concept of community finance which just makes it feel more accessible to those people. There is something about the way it is delivered. It is delivered on the ground, often by volunteers who will be faces they know. It is delivered by organisations that are essentially not for profit. It is delivered by organisations using local buildings and a local reassuring presence. I think that does make a difference. We need more community finance. We also need it for competitive reasons as well. That has to be encouraged. It will not succeed on its own. There are sufficient economic problems in relation to community finance organisations that they need policy interventions on the ground. So you have to have things like the credit union expansion plan, and you probably have to have a Community Finance Fund. You have to make some policy interventions. You will not get spontaneous growth in the community finance sector to the level that will generate the provision of services that I think most of us would like. You have to support those central interventions.

Then one final point to which I am not sure if I can quite tell you the answer, but it has got something to do with the challenge of working out the inherent tension between the growth of digital access, which seems in a way to look a promising way of reaching out to quite a few people who feel excluded, particularly the mobile phone component, because that is a commonly used item, particularly among younger people, which is a key area of concern here, but conversely, there is this sense when you generate remoteness that people become suspicious and they are anxious about accessing services. Thus I think there is something about encouraging all the organisations, which includes the larger banks, to seek clever and smart ways of retaining an element of face-to-face interaction in their processes. That does not mean having it in branches but it does mean thinking about clever and smart ways to put a friendly face in front of a small business or someone in distress. We will not get that dialogue going solely over a mobile phone and by using a credit score. It just does not work. I am worried that banks are so focused on whizzy new stuff that they are forgetting it is a people business.

Q. Chairman: Thank you. That is very helpful. To use a phrase that Archy told me when he chaired a Select Committee, we are now in 'injury time'. Could you give us another five minutes or do you have dash off?

Ms Rookes: I have got to dash off but can I throw something else in? We should not forget the hook that the pension reforms give us to talk to people, particularly automatic enrolment. It has taken pensions back into the workplace, and whilst I am quite sure that employers are not going to welcome a huge burden on them, there must be ways of opening up a dialogue again at the time when people automatically enroll or at other times to talk through employee benefits and in particular budgeting and the sort of savings schemes that Anthony mentioned.

Q. Chairman: Thank you for that, Caroline. Before you go, can I ask one question of all three of you and then once you have to dash off, Caroline, if Hector and Anthony can give us a couple more minutes. As you know, the Commission has been set up in order to try to raise financial inclusion on the agenda, as I explained at the beginning, and to try to get some commitment from each of the major political parties (although I am not quite sure how you define that after the past of couple days!) to promote financial inclusion. Is that a noble cause as far as you are concerned?

Ms Rookes: Absolutely. It is something we definitely support and giving certainty to the Money Advice Service would be a great step forward.

Chairman: Thank you, Caroline. Can I hand over to fellow Commissioners and indeed, Brian, you have been sitting there very patiently and I am sure there are plenty of things that you would like to ask.

Q. Sir Brian Pomeroy: The only question I have, because I am slightly to one side of all this, Nick's question was a really good question because what has actually happened in the perception of many people is that up until about 2011 the banks did work very hard to open basic bank accounts as a standard product.

Mr Browne: They did.

Q. Sir Brian Pomeroy: And there was a great political focus on that because the previous Government did have a financial inclusion strategy. When the Election came there was less political umph behind it. Certainly the features of these basic bank accounts started diverging. Two of the banks, the two that are state-owned, started withdrawing services, notably access to the ATMs of other banks, so the impression given strongly (this was before the Payment Accounts Directive came in) was that the banks were starting to compete not to have these accounts. The Payment Accounts Directive of course means something has to happen, although we do not know exactly what the level will be. I do not know whether you would agree that when the political focus was relaxed actually things started to diverge and banks started not to want accounts from people on low incomes in the way they had before. Is that unfair?

Mr Browne: Banks do respond to political pressure but we are very proactively trying. We are near the end stage of negotiations about new basic accounts which will address an awful lot of those issues and they will be available to all.

Sir Brian Pomeroy: I think that is right and that is really welcome and of course there is now the European Directive. The reason I think the Commission is a good idea is political focus is really important. When the Treasury et al are behind something, it happens and then if the focus moves to something else and, frankly, the pressure comes off then things stop happening. That is the experience, I think.

Q. Professor Collard: I am not sure this a question or just an observation really and it is based on what Hector was saying about needing to promote through community finance organisations a fairer financial services system. That makes me ask the question would it not be better to work towards having a better mainstream financial services system that was fairer to everybody rather than creating the risk that we have a two-tier system in which people are excluded from the mainstream and have no chance to use the mainstream?

Sir Hector Sants: I would agree that it would not be good if that were the system we ended up with, but I do not think what I was suggesting should end up there.

Q. **Professor Collard**: So how do we end up with a fairer financial system?

Sir Hector Sants: First of all, I think it is very important that the positioning of a community finance sector is not one that solely is focused on the unbanked or solely is focused on those in some form of distress. The community finance sector will only flourish if it serves the whole community, which includes the solvent borrowers and lenders who are in employment and can borrow reasonable sums of money for a significant term. This is needed to provide the necessary economic model for the revenue to grow. We need to move away from a view which I think does exist to some degree that community finance is there to service the disadvantaged in the community. It is not; it is there to service everybody and indeed in my view small businesses as well. I believe that community finance should be a mainstream competitor for that segment of the larger banks' business. Obviously larger banks do other sorts of business altogether, with large corporations and so forth, but the community finance sector should be a genuine choice for all in that segment. That is what it is in other countries where it is very successful and where it has a 20/25 per cent market share. Unless it is, it is not going to flourish. That of course takes you into a space where community finance is probably more employee-based than geographically based. In the way this country started off the process it has been a bit more geographically based and we probably need to try and get more of a blend, and that is where payroll deduction and so forth (which I am sure you will talk about) comes into play and is a very important point of view.

Mr Browne: May I introduce another concept there. The banks are very supportive of credit unions. A lot of them support them financially and other community finance organisations as well as with practical help. I think there is a real advantage in having diversity in financial services and not relying just on one type or set of providers, but having credit unions, having other forms of financial mutuals, having building societies, some of whom are my members as well as it happens.

I give you one example outside the personal finance sphere but a very live issue, that of SME finance. In the UK in particular we are very dependent on bank lending to SMEs. 70-80 per cent of SME finance comes from bank loans. If you compare it with the US or Germany, they have far more varied forms of finance for SMEs. They can go directly to capital markets through mid-cap bonds or they can go for venture capital and other forms of finance. That is definitely better for SMEs. They have a variety of different providers they can go to and it is definitely of interest from a macro-economic stability perspective that there are lots of different providers there so if one type of provider gets hit in one way or another, there are lots of other places that customers can go. I think the same is true of personal financial services as well. You want a variety of different providers there rather than a monolithic-type industry responding to one set of regulatory issues in one way.

Q. Lord Kirkwood: I am the token Jock on the Commission and I am a Presbyterian from the frozen north. The Church of England's work is interesting and I found the evidence session from Sir Hector really valuable, but presumably some of this is going to be shared throughout the United Kingdom. The lessons you are learning are generic presumably, if I can just put that on the record.

Sir Hector Sants: Absolutely and just to respond, I completely agree with you. We started the Task Group with representatives from the Church of Scotland on it.

Q. Lord Kirkwood: I did not know that.

Sir Hector Sants: The Church of Scotland was involved from the outset and the general principle is that the work we are doing should be made available to all churches. It is not meant to be.

Q. Lord Kirkwood: So the Presbyterian perspective is protected?

Sir Hector Sants: The supporting material and educational material that we are putting together to support both the education initiative and what we call the credit champions' initiative will be suitable for use by all denominations. The educational material is being structured in a way that it could also be useable in non-faith schools, ie it comes in modules so you can choose the modules you want. Clearly we are seeking to put together a proposition which is useable across the country.

Q. Lord Kirkwood: My question really is, the answer to which is a number, how much money do you believe we need. You were talking about the importance of investing in community financial institutions, and I am sure that that is correct, we do not any longer have access to social funds or any of these things from local authorities. Over the next five years what do you think would be realistic to expect to look to government to pump prime some of the work that you have talked about? The answer is a number.

Sir Hector Sants: I think the likes of ABCUL and so on would probably give you a more authoritative number than I and Anthony might be able to offer a number. I can offer a suggestion and maybe a framework for thinking about it, is probably the best way of putting it, but I suggest you talk to others before reaching your conclusion. I would say you need to think about three different components of your number. The first component is the necessary pump-priming initiative to enable the community finance organisations to have a cost proposition which is competitive. So the first problem with the community finance organisations is their costs are too high, as I am sure you have already identified, partly because they are too small. We may worry about scale but it definitely has some advantages and the community organisations are too small and therefore they are stuck because they cannot get out of that space. That is why you need policy intervention. The Credit Union

Development Fund was targeted at that. That is designed to get central costs down.

Q. Lord Kirkwood: That is about £30 million.

Sir Hector Sants: That is £38 million. My guess is, like everything in this world, it will probably end up needing a little bit more than that but you can no doubt talk to DWP who will answer your question. It is not for me to second guess that, but at the end of the day we might end up spending £40 to £50 million rather than £38 million. There are two bits to what they are doing which I absolutely welcome. There is the actual cost to help build the infrastructure but there is also, effectively, a subsidy, to use a plain English word, to encourage people into the scheme because clearly the lowest costs only come when everybody is in the scheme and if it is a voluntary scheme people when they come in initially are not getting the benefit of that lowest cost. Sensibly, in the circumstances we are in where we cannot force everybody into the scheme and indeed there might be logistical reasons why you would not want to do that, it is a good idea to give people the benefit of the lowest cost at the beginning.

Q. Lord Kirkwood: That is £50 million.

Sir Hector Sants: Approximately. Please do talk to the DWP and ABCUL as they are the source of the right numbers, not me.

The second question is the educational proposition. I think there are two components. One is, which I think we mentioned, the role of the MAS, now she has left the room, and it seems to me they ought to be required to take a proper lead role in co-ordinating the delivery in secondary schools in a coherent fashion. That will probably require a bit of money or they will have to stop spending some money on something else, but it is probably tens of millions rather than more then that. There is a lot of education out there. It is a question of getting it all in one space in the secondary area and giving them a clear mandate. You might want to look at their governance at a certain point.

The second area, dealing with the problem in primary schools, is a bigger issue because it does not already exist. Our pilot is putting it in 100 schools and all we are asking for at the moment is £1 million. Ultimately, once you have rolled it out nationally and you have to sustain it, it is going to be obviously more like tens of millions of pounds.

Q. Lord Kirkwood: Or hundreds of millions of pounds?

Sir Hector Sants: Not necessarily.

Q. Lord Kirkwood: How many primary schools are there in the United Kingdom?

Mr Browne: 20,000.

Q. Lord Kirkwood: And you have put £1 million into how many?

Sir Hector Sants: To run a pilot in 100.

Q. Lord Kirkwood: That is an easy arithmetical calculation.

Sir Hector Sants: Once you design the project it has a rolling effect and the incremental add-on is not the same per school.

Mr Browne: As it becomes mainstream, as teachers learn during their training to do financial education and then when they do the schools, in theory it should not actually be any more expensive than teaching mathematics.

Q. Lord Kirkwood: So would it be true to say the answer is £100 million?

Sir Hector Sants: Yes, but there is one other bucket. I have given you the costs to deal with the education. There is the capacity question. Obviously, the community finance organisations can grow to be building their capital from retained earnings through small savers and borrowers and so forth through their business model, but it will be quite a slow process to grow it at the rate that would be ideal. That is where the Community Finance Fund potentially comes into play. Again, others know more about that than me. I think the Citizens UK idea is that might be a £500 million fund or that sort of size to make a start. That Community Fund is meant to do other things and I am sure again you will be discussing that with the experts, but there is a capacity question, there is a cost question and there is an education question. The education probably includes some awareness spend as well. Does that make sense to you, Anthony?

Professor Collard: The educational question we need to watch because it is a four nations devolved matter and when we reference the National Curriculum we are only talking about England. People often trip on that because it is completely different in each of the other devolved administrations.

Q. Chairman: We have just spent £650 million.

Sir Hector Sants: If I may make one last one point. I do not think revenue subsidy to the credit unions is a good use of the money. ABCUL told me, so it was an ABCUL number so you might want to double check with them, various governments have spent over £350 million on revenue subsidy. If that £350 million had been employed in the way I have described, we would have a much better result.

Q. Lord Kirkwood: Over what period of time £350 million?

Sir Hector Sants: You might want to check it but over the last ten years. You will have to check with ABCUL. It is an ABCUL number; it is not my number.

Mr Browne: If I could just make one observation, and this is not a formal BBA position, it is just an observation that I am sure Hector agrees with, and ABCUL would as well. You need to make sure that the community finance organisations are financially self sustainable in the long run otherwise you will not be able to expand them. If they are dependent on subsidy for their existence then they will be dependent on government whim and constrained by government budgets and so on. To have a successful future they need to be financially self-sustaining on an ongoing basis without revenue subsidy.

Sir Hector Sants: We are all in agreement.

Mr Browne: I do not think anyone would disagree with that but it is worth saying.

Chairman: We have to wind up very quickly. I know that Martin wanted a very quick question but I am being told that it is ten minutes before our next witnesses arrive, so very quickly.

Q. Mr Coppack: I am thinking about where financial capability and products and services meet. You mentioned earlier about the role of simple products. Have you any thoughts about the importance of a baseline suite of products that people can readily understand and also they can understand where firms innovate above and below, the effectiveness of that, and how do we get there?

Mr Browne: That is the aim of the simple products initiative on which the banks have been working with the Government. Starting off, the whole concept is to have simple products so that people know what it says on the tin and they can trust it with a simple set of clearly explainable terms and conditions, et cetera. The whole process of setting up the requirements for that, and the BBA were on the Steering Committee for that as well as it happens, and there are three initial products, as I mentioned earlier, that are in the process of being launched. There is the deposit account, the regular savings account and the life insurance product, and the insurers are involved with that as well. The initial concept was that it would widen out to other forms of financial services. You have then got a brand name, a simple product, that hopefully will generate consumer confidence and there should be consumer awareness of it and hopefully it will encourage people to take up those types of products.

Q. Mr Coppack: So you are supportive of it?

Mr Browne: We are definitely supportive of a simple product.

Chairman: It is always a mark of a good Chair that the session ends on time. Draw your own conclusions! This first session has been very rich for us in terms of getting us off to a very good start. Thank you very much to both of you, and to Caroline in her absence, for your time. We hope that we can stay in touch with you over the next few weeks and months as our own work evolves and come back to you with any other issues that arise. Thank you very much.