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TAKEN BEFORE

THE FINANCIAL INCLUSION COMMISSION

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MONDAY 24 NOVEMBER 2014

MR PETER BROOKER, MR DAVID FRANK, MR STEVE ROUND,
MR PETER SEYMOUR and MR TRISTAN WILKINSON

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 Peter Brooker**, Head of Corporate Affairs, PayPoint UK; **Mr David Frank**, Senior Public Affairs Manager, EE; **Mr Steve Round**, Founder and CEO, The Change Account; **Mr Peter Seymour**, Head of Government Services, VocaLink; and **Mr Tristan Wilkinson,** Interim CEO, Go ON.

Q. Chairman: Can I thank you all for joining us. As you know, the Financial Inclusion Commission has been set up to get the issue of financial inclusion up the agenda and within literally the next few weeks to try and wrestle commitments out of the major political parties. As I said before, I am not sure what definition we would take of the 'major' political parties just at the moment. Whoever they happen to be, we want them all to say they are going to do something on financial inclusion. I do not want any of you to feel daunted, but when we entered this room this morning it was explained to us that this was the room in which Sir Thomas More was imprisoned before being sent to the Tower. We are not planning any of that for you, this is not the Public Accounts Committee, and we hope it is going be much more informal and relaxed. We only have an hour so we may want to be very disciplined on our side to extract from you what we can in that period of time.

May I briefly introduce who we have here. Mary is taking down every word you say, which may or may not be used in evidence against you. Brian Pomeroy, as you know, led the Treasury Task Force on Financial Inclusion and is President of the Commission. Many of you will know Professor Sharon Collard from her work. Archy Kirkwood; Martin Coppack; Mary Marsh; and Lisa Stidle, Jennifer Duncan and Matthew Jervois to support us.

Could we start going from that side and, Peter, would you tell us something in terms, I suddenly slipped into *Just a Minute* mode and nearly said "without hesitation or repetition"! This is your five-minute introduction around the barriers to financial inclusion and what you are doing to overcome them.

Mr Brooker: First of all, thank you very much indeed for inviting and me and giving me the opportunity to represent PayPoint to the Commission. My name is Peter Brooker and I am Head of Corporate Affairs at PayPoint which in the jargon is known as a multi-channel payment services provider. More simply that means we enable companies and the public sector to transact with their customers and/or stakeholders. That is in retail outlets and generally in cash but it is on-line as well and also using mobile phones. In the context of this afternoon's session, the most relevant of those channels obviously is the retail network and we have some 27,500 shops, none of which belongs to us but where we have our payment terminals in convenience stores, newsagents, supermarkets and garage forecourts. The network was established in 1996 so that the unbanked and under banked had somewhere close by and convenient where they would be able to top up their pre-payment gas and electricity meters. We were originally set up by the utility companies because they were unhappy with the availability of such top-up facilities that existed at the time. That was, dare I say it, the post office, with its limited hours, especially at night, weekends and over holidays. We targeted the convenience sector because those shops tend to be open long hours, weekends, holidays, the works.

The fundamental principle of the PayPoint service is that for consumers it is absolutely free. We make our money from the service providers whom they are paying. We think that is very important. The service is used some 12 million times every week. We handle over £14 billion worth of payments, a huge range of payments which now includes utility post-pay, so you have your bill afterwards with a bar code on it and that includes water. You can pay council tax, your social housing rent and for credit union savings products. Quite a number allow their members to do this. You can buy your TV licence, mobile phone top-ups, travel tickets and a very small number of financial services, but they tend to be prepaid credit cards and things like Pontin's Holidays when you are saving up over the year.

A change in the last few years has been a reversal of that process where people are actually able to accept money through the PayPoint network now. An example of that is the simple payment service which is used by people who are unable to operate pin codes on accounts and they can get their pensions and benefits. We have emergency payments being made by over 80 local authorities to people who are in dire financial need and need money very quickly. We have recently been doing warm home and dual fuel discounts for the energy companies and most recently the Government energy rebate of some £12 for some 3.3 million customers has been paid out through PayPoint. It is true to say however that the broader financial services sector does not embrace a cash option or a 'little and often' option for their customers.

Our demographic tends to be more the financially disadvantaged on low incomes, especially the some two million households that have no bank account. I think that is the number you quoted this morning, Chris. We believe it is probably a lot more than that actually of these people who have to manage their finances in cash but, unfortunately, many organisations, particularly in financial services and government, in all its guises local and central, appear to want to do away with the cash option, although it is by far and away the most popular option and usage for transactions. As well as the unbanked, many people who do have bank accounts , whether they are full transaction or basic bank accounts, choose to manage their finances in cash because it does offer them greater control of their expenditure, and that is very important for people who are on very limited incomes. That means they are not going to be thrown off course when a direct debit for something leaves their bank account. Many people have also opted out of the banking system because of the bad experiences that they have had. A common characteristic of all of these people is that they tend to want to spend little and often so they only spend what is necessary on a day-to-day sometimes hour-to-hour basis. As a result they are largely ignored and discriminated against by the financial services industry which generally seems to insist on payment in full in advance or by direct debit, neither of which are possible for the majority of our five or six million customers and that is why I say it is more than two million people who are in this disadvantaged sector.

To give a real example of that, if you take the case of a 25 year old driving around in his 20 year old car without insurance, he is not doing it necessarily because he is irresponsible. He is doing it because he cannot get the cash together to pay a year’s premium and he cannot pay by direct debit because he has not got a bank account. That is criminalising people through no fault of their own. Very often we have found with these customers that they would willingly and reliably pay weekly and small amounts for cash. That can apply to all sorts of insurance products and also loan products and things like that.

I will finish on one service that we provide that is to do with enhancing financial inclusion and that is something we call ‘PayCash’. That is a service which enables people who are in this unbanked sector to take full advantage of the internet and all the benefits that they can get from that and that is because you choose a payment option with an on-line merchant to pay cash and you print out a receipt and you take it to one of our shops, it is scanned, you hand over the money, they press a button, it tells the merchant that you have paid. So the individual is able to access these services and products and the merchant of course is safe because we have guaranteed the payment to him. That is one of the ways in which we feel that PayPoint does help to enhance financial inclusion.

Q. Chairman: Thank you very much, Peter. Could we go to the other end of the table now with David and Tristan because to some extent you are working a bit together. Tristan, could you start off.

Mr Wilkinson: Thank you for the opportunity. Let me just give you a small flavour of who we are and more importantly why we exist. Go ON UK is the UK’s national digital skills alliance. We are chaired by Baroness Martha Lane-Fox. We are about two years old. Our mission is simple: to make the UK the world’s most digitally capable nation. Big ambition; small statement. The reason for it, believe it or not, is there are about 10.5 million adults in the UK, about 20 per cent, who by their own admission (and that is the important part) do not have the digital skills to fully participate in today’s society. These are not people who are technically off-line. These are people who might be very narrow users and using technology to quite a small degree but do not feel confident in accessing the full range of services that many of the rest of us take for granted.

Just to add a little bit of colour into that, of the 10.5 million adults, approximately four million of those adults live in social housing and so a lot of the other issues that are being discussed in this forum are going to be particularly evident in their situation in that these are people who find accessing mainstream credit - committing to a broadband contract of 12 months, direct debits, those sorts of things - becomes a real issue. It is not that they necessarily do not want to be on-line but the barriers that most of us are able to overcome become insurmountable to them because access to credit certainly becomes an issue. One very interesting statistic is that 18 per cent of 18 to 24 year olds who use a mobile phone, these are people we see in the street who are using a mobile phone to manage their social lives and to engage in the things that they are interested in, cannot fill out an on-line form. What that means is by one token they are digitally included but increasingly they are not able to do things like access the jobs market or other things that society increasingly expects them to do. They might be able to arrange their social lives and stay in touch with people, but they are not making a jump from that to some of the mainstream things that society needs them to do.

At the other end of the spectrum the over 70s that do use technology tend to use it in a very narrow way as well. People over the age of 70 on average will visit a maximum of between seven and ten websites per day, so although they are on-line they are doing quite a small amount of activity, typically looking at news sites and very narrow transactions. A lot of these people see technology as a threat to their social existence. If you are an older person living on your own constantly being told by society and policy makers that you do not need to go to the doctors because you can now get your prescription on-line; you do not need to go to the bank because you can now do it on-line; you do need to go to the shops because you can now do it on-line, it is taking away maybe the only social interaction that they might have in a week. Technology to them compounds the issues of isolation in that if I want to walk down to the shops on a daily basis because it means that I might bump into my neighbours and have a conversation, if I am not doing that then that creates more isolation for me and that leads to secondary problems.

More generally about technology, I think technology is inevitably disruptive. If you look at society as a whole, technology in terms of its evolution, if this was a block buster film, we would be still be at the opening credits. We are only just starting to see what the potential of technology and its disruptive influence in society could become. When we get into wearables and those sorts of things and people are having technology about their person as opposed to an overt thing they take out of their pocket, that is really going to have quite profound changes on society. It is very disruptive to both the supply and demand side. I think a lot of incumbent businesses that have existed for many years are really struggling with how their business evolves with the dawn of technology. In particular when it comes to financial products we have a highly regulated financial services industry in this country. Technology give people access to a completely unregulated market alongside that mainstream one and that brings inherent risks to those people if they do not fully understand the implications of that. One of the other big global changes as well is the consumerisation of technology. What that means is technology very much used to be something that was around productivity for business-to-business and now through gamification and so on the use of technology has fundamentally changed and the power of what individuals want to do as opposed to what businesses want to do has made a lot of the design change quite radically. We are seeing a big impact in the education system through gamification for instance.

The one thing that technology does do is fundamentally lower the barriers to entry for new entrants. If I think about the incumbents of the financial services industry, these are predominantly large, well-financed companies often born out of having a high street presence. Technology now allows new businesses to come into the market-place and bypass all of that infrastructure and investment. If you think of crowd sourcing and those sorts of things people can now access funding in a completely innovative and new way that bypasses a lot of the structures that have built up over many years.

One of the big challenges is that people who are digitally excluded also tend to have multiple other issues so the same people who are financially excluded often have very low literacy rates as well. One of the opportunities for technology, particularly if you think about touch technology through tablets and smart phones, if you are illiterate in life, if you cannot read and write, sitting in front of a keyboard does not magically make you literate whereas redesigning services around a touch interface means that people with very low literacy levels can access much more intuitively technology whereas before the keyboard might have been the big barrier to them. I think there is a way to go for the financial services industry to catch up by thinking about that kind of interface as a start point, but I think the potential there is in terms of using technology to help people with very low literacy levels to access mainstream markets.

One of the big advantages of technology is that it is always with people. Something that is in your pocket gives people much more personal empowerment, so the ability if money is very tight to literally check your finances on a minute-by-minute basis if you need to or certainly on a daily basis as opposed to the old system of having a monthly statement sent to you or having to go to a cash point to get your current bank balance, the ability to check your finances on the go wherever you are is really really helpful.

One of the last things to draw attention to which I think is a little bit of a concern as well is that a lot of people find the whole issue of managing data and security and using technology a real challenge and I think that remains a barrier for a lot of people to engage in financial products through digital. I think that the media is particularly unhelpful in this instance where there is a very popular narrative about how technology is making people vulnerable to having their bank accounts cleaned out and all these sorts of things, and I think that creates a mainstream fear that is largely unfounded, but for those people who lack confidence and lack some of those basic literacy skills that fear becomes a really big barrier in their minds, so I think that one of the issues that needs to be addressed is those mainstream security issues and teaching people that alongside their digital skills they also need to be thinking about their personal security and those other aspects. I will leave it at that for now.

Q. Chairman: Thank you, Tristan. David, thank you for stepping in I think at the last minute to help us out. That is helping people to use the technology or making the technology accessible.

Mr Frank: Thank you, members of the Commission, for inviting EE and accepting my stepping in for my colleague Dan Perlet to give evidence today.

As some of you know but by way of background EE is the UK's number one mobile network and we were the first to launch high speed mobile broadband access which has an interesting read across to the wider digital inclusion space that Tristan has been talking about. We run the EE, Orange and T-Mobile brands and have 30 million customers using our network. We take the issue of digital inclusion and digital skills very seriously. It is a central part of our corporate responsibility work. As you may well know, we are one of the founding partners of Go ON and have been involved with them since Go ON started work. Our Chief Executive sits on the Go ON board, and that is representative of the level of commitment from the top right through our company.

The focus of our corporate responsibility work with Go ON which we call Better Britain has been about showing people the benefits of being on-line and providing the support to them to get the most from their mobile devices. Whilst we offer fixed-line services we are known as a mobile business and as access to the internet becomes more and more mobile, and we in this room are probably all comfortable using mobile devices through a range of engagements with a range of service providers, that just reflects the growth in mobile as the entry point to the wonders of the on-line world. To bring to life what we do, to give a couple of examples as part of our work we host throughout the year events we call Techie Tea Parties. We host these in our contact centres and offices and our staff volunteer to help out in them. We work in this case with Age UK who bring users of their services into our buildings. We help them work through their technology questions. It is not about selling EE products. It is about helping give people the confidence to go on-line and do what they want to do. So the point was already made today and probably in earlier sessions from witnesses you have had before you, it is about helping people do things they already do but maybe do them in a different way at appropriate times. The big culmination of that was earlier this year we hosted a National Techie Tea Party on 9 September where we closed the tills in our 500 plus retail stores for a couple of hours and anybody could drop in and ask us questions about how they would go on-line and how they would set up an on-line bank account or at a more basic level set up an email account. We helped thousands of people with that and as part of that, Tristan's point, did talk about the importance of security, so if it is something that requires a password, setting a password that only the individual would know and it was not their phone number or something widely known to others. I think from our point of view this is a really interesting topic. Go ON have previously talked about ten and a bit million people who say they have limited digital skills or six to seven million people who would still be classed as digitally excluded. Most of them will be using some form of mobile phone and as more of those become smart phones that becomes a very interesting part of the debate around how you open inclusion both in the financial world but more widely the inclusion of government services or health care provision.

We of course are a networked company so our contribution, if you like, to this debate is around how we give people the confidence to use our network. Yes, that is partly the security point already made about helping people understand appropriate passwords or reassuring them that the data travelling over our network is secure and we obviously encrypt it but whoever they are engaged with equally is encrypting it to appropriate standards for whatever the transaction might be. That is where we see our role in this, helping people gain access, and that might be through helping them with their skills and showing them how to get on-line, but I think it is also important to note that we have designed products that help with being able to purchase the access point because in many ways we provide an access point to the on-line world. And so Tristan's point already about a lot of the digitally excluded live in social housing with 12-month rental agreements. A lot of the more traditional broadband access contracts would be for 18 months. If you are in a 12-month rental agreement that is a bit of a mismatch. We offer pay-as-you-go mobile broadband accounts which again we think make it more attractive to a larger number of people who might be, the point previously raised, in a world where they budget little and often. The pay-as-you-go product that we offer fits with an approach to pay as you need to use the service.

Q. Chairman: Great. Back to Peter, from VocaLink, because you are obviously facilitating some of these electronic payments.

Mr Seymour: We are indeed. I have worked for VocaLink for about 14 years and have been involved with the DWP for much of that time. I suppose some of the thinking we have been looking at over the last two years with regard to financial inclusion comes from some of those earlier DWP conversations when the Department last re-procured the Post Office card account, when we put forward ideas for ‘additional functionality innovation’ into DWP because the card account is a very limited use type of account. I would not even class it as a bank account because it has been designed simply to give the DWP the ability to pay electronically via the Bacs system. I suppose it was then when Universal Credit was starting to be talked about that then led us to try and really get down to the bottom of the statement that people always keep making that Direct Debit is not very supportive, as a payment instrument, for people who are not like ourselves running a surplus in our accounts or have access to an overdraft or have access to what is known as free in-credit banking.

This again then starts to get to the whole fundamentals of why after many years are we still talking about people being financially excluded? Why we still talk about people who cannot get access to mainstream banking? Questions that led us to try and work out how the payments systems, the plumbing VocaLink runs on behalf of the payment schemes and banking industry, might potentially be able to be used in a more supportive way.

I suppose if we look at the UK payment system today, it is the life blood of the economy. It is the thing that allows the money, the messages, the information to flow from bank-to-bank or from person-to-bank. Rather than looking at things then on an account provision basis or the type of functionality that could be provided, we have as the plumbers looking after the payment system tryied to understand what might be more supportive, how can we try and attribute value to an individual; value to an individual who currently the banking system does not attribute any value to at all. People like ourselves sitting around this table qualify for free in-credit banking because, potentially, we can be sold insurance products and things of that nature. We tried to work out how the plumbing, the payments messages could attribute value to an individual to such a degree that banks might then make products available for those people to use. The thinking is linked into Universal Credit, it is linked to individuals being able to directly pay for their housing and other bills. If an individual is to pay their bills or be able to pay their bills in a regular way from a bank account, assuming that the ambition for Universal Credit is fulfilled and it is rolled out, people receiving a single benefit payment will a supportive mechanism to help pay from a single monthly benefit payment their housing payment or utility payments and so on. The thinking really is then about what needs to happen across the payments plumbing. How do you attribute value to the individual? How do you support an individual to save across the month and pay their rent, how can we then attribute value to someone working this way and ensure that it allows the financial system to work for them as it works for us? It really comes back to giving much better certainty.

That is where a payment mechanism like Direct Debit is a blunt payment mechanism. It basically will go and look in your account and if the funds are there it will take the funds. If the funds are not there it fails. That has got to be something that we can make better and make more sensitive and in making it more sensitive to how much money is in an account it therefore has the opportunity to allow an individual to receive a subsidy from a housing provider. The subsidy would be because they would be saving money across the month in a way that was informed by a richer set of information flowing between the housing provider and the individual's account. The paper I have submitted to the Commission will hopefully give a much better description than my verbal overlay here. It is this type of innovation, this type of thinking that really is missing from this debate. I think we can all put across what might be ‘good’ ways of helping people - more training, making people more financially aware, better education and so on, and all those things are needed as well. There is not one solution that will fix it, financial exclusion, but I do believe that there are some fundamental things wrong with the way the payments system works today if it is supposed to be able to support individuals become more financially included. The thinking that we have tried to take forward would need the whole industry to want to get behind it. It would need to have the industry get behind it in order to allow the right governance structures and the right rules that sit around it in order therefore that people could use an account - and it might be something like Steve’s Change Account, it might be a Secure Trust Bank or thinkmoney account that does allow them to have a product, that currently they have to pay for, in a way equivalent of free in-credit banking because you create a model that allows housing providers and utility companies to support people in using an account in a way that would give the housing association greater certainty that they would get paid and for that certainty they would be willing to subsidise the individual in using the account. But it needs a greater national conversation and an understanding about some of the technical ways that our banking and our payments systems work in order to facilitate that. It has got to have the right support and governance around it, which is about the education. It has to understand where technology will come in because, yes, smart phones will be an instrument, but only by creating a market does that bring in innovation of product that will bring in the on-line banks and the on-line providers by allowing value to be attributed to the individual. That is how you create it. You have got to have a market. We are a free market economy and therefore in some respects we have got to allow the plumbing to work in a way that does not create areas of friction that prevent people from being considered as having value.

My very final comment is around when we look ahead from a payments perspective, we see - and there is another paper I have put in to Lisa to circulate - other issues coming up around pre-payment meters in the energy sector. The paper is trying to ensure that in that particular area when smart meters are rolled out we do not have more inequality and that the smart meter roll-out programme will not mean that anyone who is using a pre-paid smart meter suddenly would be disadvantaged compared to someone who uses an in-credit smart meter. This might occur because although smart meters are supposed to create competition, to allow people to be able to switch more easily from supplier to supplier, the way the smart meter programme is currently being designed it will probably mean people will have to use different pre-payment top-up mechanisms across different energy suppliers. Therefore, if I was using a pre-paid meter, that top-up mechanism would mean if what Scottish Power had was different to what SSE had I would not be able to move to a cheaper SSE tariff because there would be friction to prevent them from switching in the same time-frame as someone who used a direct debit or on a credit smart meter. There are things here which are detailed and technical, but it would be worth the Commission being aware of them as well, because the thinking is the sort of thinging you might be able to offer the various political parties to make sure that those issues and those problems with regard to pre-payment smart meters are not taken forward.

Q. Chairman: Thank you, Peter. Finally, Steve, because you have used much of this in terms of the technology and innovation to think about how one might come forward with an account that will challenge financial exclusion and assist financial capability.

Mr Round: First of all, thank you for inviting a recovering banker; it is always nice! My background very quickly is I used to be a Director of the Unity Trust Bank which is a trade union bank. I chair the Big Issue Foundation and have done for some eight years. Also I am a Director of Street UK which is a micro lender and Deputy Chairman of a building society.

Suffice it to say, I have spent most of my time dealing with financial inclusion. I am old enough to remember PAT 14 and all the issues around exclusion.

To be honest, the gestation of the issue of the Change Account is that I was fed up with the offering of a second-rate product to people on low incomes. That came about generally because pre-2008-09 everyone wanted to be part of a major bank and post-2008-09 and the banking crash there were a lot of opportunities. There is also massive innovation going on and I wanted to create an account that was available to all. What do I mean by that? I mean every function that you would ever want in a bank account and some of the ones that Sir Brian came out with in the Task Force on wallets and the whole thing of being able to control your finances. That was some three years ago. I brought together a consortium of like-minded organisations - Advice UK, which has 800 advice centres, Payplan, and it would have been one of your esteemed Commissioners but unfortunately StepChange did not want to come in at that time, the London Rebuilding Society, Street UK and Homeless Link - because I wanted to ensure that we could actually be engaging them. I took the concept to every major bank and was thrown out (quite nicely I have to say) because I wanted to create an organisation that actually owned the distribution and owned the issue because many of the organisations - Advice UK for example - were constantly sorting out problems that they had no solution for. People in debt have issues that are way beyond just the debt. It is about self-esteem, it is about building confidence, the digital experience, a whole range, absolutely right. This was about trying to create something different. In my opinion there were three elements that we wanted to create. One was trust back in the financial services system. I think there is a lack of trust and a lot of people are dropping out for varying good and bad reasons. Secondly, was a product fit for purpose. Thirdly was the advice and support. It is something that is talked about here.

We created the Change Account with that in mind. We had to do it on an e-banking platform because, as I say, no bank really wanted to get involved but the five founder partners own the majority of the business. Why is that important? It is because they understand a lot of the issues their members see. They see over three million people a year, mainly in financial difficulty or in some form of difficulty. It may also include illiteracy or mental illness or homelessness. They wanted to be part of a financial services solution that was not just about let's make do but let's create a really good financial services product that could create real value and real self-esteem but also could make profits so that would go back to those member organisations. I spent too many times setting up credit unions and other solutions and dealing with people in financial inclusion areas where they say, "You have that account. I wouldn't have it but you have it and it will be okay for you." That is not acceptable, in my opinion. It really is not. A lot of people believe that credit unions are the answer and in some areas they are. There is a whole different set of criteria. There is no one solution because there is no one problem. What we are trying to do is together build a first-class financial product. It does everything a real account would do as my mother would say. It does faster payments and direct debits. One of the things it does not do is charge for a returned direct debit. One of the issues that people on lower income have is not their inability to budget and manage; it is the fear that if they do miss a direct debit there is a £8, £12, £24 charge. There is no reason for that technically.

The other side of that is about communication. One of the things that banks are terrible at generally is communicating effectively with their customers. They are good at telling bad news but not good news so we spent an awful lot of time on a communication mechanism through the platform, through emails, through mobile and through SMS. That is lovely and that is great and that works but the reality is if you want to help people change you need face-to-face. You need to help people change through a process. People are not just going to say, “this a great product; let’s sign up for it”, hence why part of the uniqueness of the Change Account is we will be using all 800 Advice UK centres, or at least 500 of them, I hope, who will help us support people through problems. When it comes to issues about advice and support, I think there is a fear now of individuals going to banks for advice and support, I remember the days when you used to do it. Where do they go? Do they go to an advice centre, do they go on a website, do they go to MoneySavingExpert. There is a whole raft of things and I think it is important that if you mix technology, which I think you need to do, technology opens up a whole new door, but you do need support and advice, particularly in financial exclusion and inclusion because there are different reasons that people have problems. They may choose to be. They may be forced to be. Different solutions provide different problems in their own sense but also if you look at homeless people and people who are not just homeless but are near to homeless their ability to get a bank account is floored, it really is, and therefore we have set up a unique manual ‘know your customer’ system so that people can get back into the banking system and can create self-esteem because if you take debt, when people get on the debt programme, it is a massive decision to take to sort themselves out. The first thing they are asked to do generally is to go and get a basic bank account. That is a real kick in the teeth. A lot of financial inclusion is about self-esteem, it is about the ability to actually help people, support people yes, technologically, have a great website and have great products but also have the advice and support and try and mix a whole raft of different issues. That is what we are trying to do. Where we are at is we go through our final piece of penetration testing today. We are going to be launching very quickly. Our aspiration is to hit 500,000 accounts. The last point I would leave on is that this is not aimed at people on low incomes. This is aimed at everyone, so I hope you get the Change Account next year. I hope you enjoy using it. More importantly, it is about not ghettoising a product specifically for people on low income. It is making a product that is available to all and that people at all levels would like to use. That is the challenge that I have set ourselves.

Chairman: You have all given us a huge amount to work on. I should say Nick Hurd MP has joined us since the first few minutes of the session. We have time for a few questions. Who is going to open up?

Professor Collard: What really strikes me about everything that you have all said today is that it is based around what people on low incomes actually need, and that is really refreshing to hear. One of the things I suppose I am interested in is we have five people sitting here all working to offer people better products and services; how you see your products and services coming together? Do you work together?

Q. Chairman: Could I throw in a supplementary to that, which is that what has struck me, and I think it is the same sort of feeling, is that here we have got a very different approach from the approach we saw from the good people who were here just before the break from the conventional banking sector. They really want to do something on financial inclusion, that is absolutely clear, but their model is completely different to this. The question for me is: is this end of conventional banking as we know it, because all of you are coming up with very different solutions?

Mr Wilkinson: This is not an area of expertise and I am going to use a word that you may not be allowed to use in here but Wonga, it is really interesting as a consumer what has happened to the market as a whole. There are two things technology has done. When you are limited by the screen size, whether it be a hand-held or something else, you are forced to design your interaction with your customer in a really simple way. I think that has really helped in terms of what are the key bits of information my customer needs to be able to transact with me. Unfortunately, I think businesses that have done that best at the moment potentially are some of those who are probably less desirable. For instance Wonga, if you go to their website there is a very simple bar: how much money do you want, over what period of time and it will cost you this. They have boiled it down to the really key bits of information you can access on something the size of the palm of your hand. I think the more mainstream incumbents can learn from that simplicity of what the key bits of information are. I think the other thing about technology is it moves empowerment to the individual. It is very disruptive at the supply side and it is very liberating for the individual, particularly those on the margins of society, so I think there is certainly more that can be done there.

The last thing that cuts right across this is motivation. One of the things we find with a lot of people who are reluctant to engage in technology is it is because maybe they do not see a reason and certainly do see a compelling reason to manage their finances or to access mainstream markets. I think there is a genuine and significant prize here to bring these two agendas much closer together because, quite frankly, financial inclusion is one strand and digital inclusion is another, and from my perspective one of the most compelling reasons for those who are not engaged in the technology is to get themselves back on their feet financially and I think there is a lot of work that can be done if we were up for it.

Mr Round: From the banking point of view, the reason I was thrown out was not that I was unpleasant, I like to think, but they were looking at it from the pure cost of running a current account. £161 is the figure you hear and it is roughly around that to run a current account. That is pretty standard and I think Peter said it. It is used as a cross-sell mechanism and it really is. The reality is, as we all know as relatively intelligent people, and I am classing myself in there, that there is a cross subsidy. There really is. I am reminded of a presentation I did in Ipswich many years ago to a number of credit unions. It was about prepayment cards which were quite expensive at the time I thought (even though I thought it was the right approach). I was stopped in mid-sentence by a young man who said, "Steve, do you mind if I stop you?" He said, "You're a middle class twit" (only he did not use the word 'twit' to be fair, and I did say my mother would have been really upset by him using the word 'middle class'!) He said, "You are worried about cost and you are talking to me about value. Give me the costs. Let me work out the value because you don't know that my son lives in London, you don't know that I haven't got a bank account, you don't know my ticket costs me another £23 because I have to go to the bus station to buy it. I don't get the £7 discount. You don't understand that." He said, "All you middle classes get really uptight about cost, the cost of banking, the cost of this." I know the Children's Society came out with a poverty premium of £980, and you probably know better than I do but there is a premium and the reality is - and I think this is where we are in banking - put in a really good, first-class product with all the technology around it, give it the support, whether that be digital or whatever, and people will make rational decisions. It is quite radical! I have been on many estates all over the country. The reason that people are poor is they have not got enough money. It is not because they cannot manage money. They can. They understand the values of cost. You said about changing banking; banking needs to change.

Lord Kirkwood: Can I ask you to contemplate the role that statutory provision might play? My first question in that regard is can you bring digital and financial inclusion together in a statutory way that would make sense without being unreasonable about what you were expecting people to do? Because I do not think we have been thinking long and hard enough about that. The other point is a much narrower point, which is again about statutory provision. Chris and I had this epiphany last week on how to buy bulk soap on the internet much cheaper and my life is a lot cleaner.

Chairman: His family and friends are delighted!

Q. Lord Kirkwood: It was really quite humbling to sit with some money mentors and it was so simple and straightforward. They wanted to be in control of everything they did because they had X amount of money, they knew what they were facing and they did not want anyone to take anything off their accounts without their active participation. Why do we not make it a statutory provision so instead of the inflexible direct debit people can with a clever smart phone which was designed for the purpose maybe not ask for the amount of money they want, but the amount of money they need, which is another lesson from Toynbee Hall they had learned, why do we not just make it a requirement that you will be able to say, "My electricity bill has come in at X but I am going to pay Y this week." Do we have the ability to do that?

Mr Seymour: You could do that, but I would argue that that mechanism does exist today: it is called a standing order. That is what the person pushes out. That is about the individual pushing a payment out rather than a direct debit being set up to have effect. The problem we have there is the direct debit is something that is beneficial to suppliers and therefore they are the people who really have done the marketing around it and taken it out there and put out customer propositions. All I am really talking about here is how do you give an energy company or a social housing provider a similar level of certainty around what is the equivalent of a standing order? So there are existing plumbing messages and whatever. The real bit you need is to make sure that things like Steve's account would be able to understand if there is a greater frequency of that information being exchanged across the month which would inform the user of the account of either the times, the dates or to almost let them say, "Actually, I have not got the £100 for this month; I have got £50." The point is that the supplier energy company would rather have the £50 than nothing. So the tools are all there for us to either allow an individual to push the money. It could even happen in a more automatic way, but that is just putting the right governance structure in place. Unfortunately, we can look at the policies we would like to have but sometimes we have to have knowledge of the detail underneath. The main innovation we have seen to date has been around the pre-pay card-type products which are sitting under an emoney licence and are not regulated. That is because if I am a bank, I have a very large fixed cost and it is not as easy to bring innovations forward. They have made some provision around basic bank accounts but back to the point their cost base is so much higher so all the innovation you have seen to date has come from Steve and others because of the financials around it meaning when you are starting with a clean sheet of paper you have a lot lower cost banking platform.

Q. Lord Kirkwood: I am asking a simple question. Is it taking a sledge hammer to crush a nut by putting just what you have said enshrined in a statutory instrument under a piece of primary legislation? That is what governments can do. This is all voluntary, the things you are suggesting. The problem for me is it is not happening fast enough. In the next five years households are going to suffer really quite seriously so we maybe will not have a lot of time available. You can all talk amongst yourselves about the fine print but what I am saying is would it be a stupid thing to suggest that you could attack this more directly and more urgently using primary and secondary legislation to require it?

Mr Seymour: The industry is in a very good place, I would say, to be receptive. It has a new regulator coming on board. That is something it has not had before. The question then I suppose is for the regulator, if it has a consumer brief, does that consumer brief ensure there should be equality for all in the type of provision that is available?

Q. Lord Kirkwood: How long, oh Lord, how long?

Mr Seymour: I suspect we could kick a programme off tomorrow and we could have something in 12 months if there was to be a stronger set of messages. It is knowing what has to go around the accounts. We did some work with the Secure Trust Bank around the plumbing working with their platform, they are using a pre-pay platform as well, and they are able to put up, let's call it, a shadow account with a very simple algorithm, a bit of mathematics that is allowing the user to control what money to put in, it was like a little monthly savings pot to pay the housing. You could have multiples of those pots. The whole point of having that is the innovation that comes in.

Mr Round: That is there. We have a number of wallets already. We can do that technology-wise. I am a practitioner; I am not a policy guy. Yes, it can be done from our point of view. The technology is the easy bit.

Q. Lord Kirkwood: Where is the urgency coming from?

Mr Round: From me. I am trying to launch this account. I find it easy all the time so I agree. The issue for me - and I take your point exactly - to talk about Wonga, the reality about Wonga is I want to help people further up the chain in many ways because when they hit Wonga it is almost too late. I want to try and save them money all the way up by paying their utility bills regularly on time with a direct payment because it is cheaper. All I can do is keep fighting and pushing out because the technology is there.

Mr Seymour: It is there, yes, and I think the ideas are there as well. What is missing, and I think we are back to the first question, is no we are not in any co-ordinated way working with each other, talking to each other, because we are all having to approach this as slightly disparate entities because there is no one currently sitting there taking this agenda forward.

And because there is no one taking it forward, it is not able to tap into the differences between what might be face-to-face compared to mobile compared to digital channels and so on. I am saying we need to have all of these. Not tapping into the technical detail underneath which would be around how the plumbing works: what is there, what could you use today, what is not there and what might we need to build new. That is the sort of thing where we would say is about getting the right people in the room and we could very easily stand up a straw man. We have tried to do a bit of this as well, asking what is it we actually want? Are we looking to create a new market? Are we going to bring in providers of social housing, utility companies or mobile providers? How do you get that group of the willing and allow it to agree an agenda that is taken forward in a positive, proactive way as opposed to what might be moving with the pace of the slowest?

Q. Lord Kirkwood: To do what you have suggested would it cost money and, if so, how much?

Mr Seymour: We did a rough estimate. To stand the basics up, for testing the pilot, to test some of this thinking and fitting it into an account, you are talking about £50,000 to get a pilot going but what you want to have is a real study over the top of it as well. This must not be in a cavalier way just doing something. It is about doing proper behavourial economics and making sure therefore that we understand what is the best way to take it forward. That is not trying to slow it down. That is about having a practical, real life trial around this type of thinking with people using a real account, exchanging real information but making sure you have got it right.

Lord Kirkwood: That is chicken feed to the financial sector.

Mr Seymour: It needs a lead though, does it not? It needs someone to be standing there. The sector is a very complex place. There are many different aspects to it. From my world we have payments councils, we have schemes, we have banks, there are members, there are sponsoring banks, there are agency banks.

Q. Chairman: Tristan, you wanted to come in?

Mr Wilkinson: Very quickly, I think we are missing an opportunity. A lot of these conversations inevitably descend into the abstract and, ultimately, a lot of the people we are talking about are in receipt of various benefits from government. There is a real missed opportunity. The figure is that somebody who has never been on-line, if a family goes on-line, on average they will save £1,200 a year through comparative shopping and so on. How can that get invested in getting more people to do it? If I think about Universal Credit and some of the other changes that are being pushed through, those are really significant numbers. We are talking hundreds of millions of pounds. What is the opportunity to use initiatives like that to engage with people in a way that we have not done before, so instead of somebody having to use their neighbour to access the Universal Credit why do we not use that as an opportunity to train that individual and bring in other benefits alongside that one transaction, so we need to be thinking about this in the round and not just about point interventions. If my neighbour comes to me to get them to access their welfare benefits, if we have not thought about that in the context of what else that person might need, I think we have really missed an opportunity.

Q. Chairman: We should think very seriously about that. Peter, you wanted to come back?

Mr Brooker: I have been to a number of meetings, events, party conferences and so on where we have been talking about financial inclusion and the whole conversation has gone on to digital and different sort of accounts and has always moved away from the very large number of people you have talked about this morning and I have talked about this afternoon, who whether because they want to or because they are forced to do not have access to those means. I come away from these meetings always feeling that their rights and their choices are being ignored. Any solutions or any policies that anybody comes up with, whether it be government or industry, have to include those people who choose to pay in cash. I am not doing it from the point of view of PayPoint loves cash, we do digital and we do mobile payments as well, we are agnostic in that, but I always come away feeling that those people's rights and choices are in danger of being ignored. If I could just give one example. I took a constituency purely at random this morning to see what people did over Christmas, for example, who did not have access to all this digital stuff. During Christmas last year in Ruislip, 2,500 people over those two days used cash to ensure that they were heating and powering their homes. If we take cash out of the equation, out of the opportunities, if the payments regulator pushes everything away from that, they are going to have difficulties. Smart metering will help, there is no doubt about that, but we must always make sure that their rights and choices are maintained.

Chairman: Has anybody got any burning question to ask?

Professor Collard: It is one question and it touches upon what Steve was saying. The fact is we know there is a huge body of research that says people on low incomes, as Steve says, are prepared to pay an amount of money and that needs a reasonable amount of money and not an exploitative amount to enable them to have control. That is something those people are comfortable with. I think that is something that politicians and policy makers and practitioners are not comfortable with and we need to get comfortable with it because to the people paying that money, if it is a reasonable amount of money, it is worth it.

Chairman: We must stop being patronising. That has been a really useful session. Thank you all. As we progress over the next few weeks, we may have to come back to you and ask some other specific questions and if any of you would like to put in some written evidence, please do. Thank you all very much.