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THE FINANCIAL INCLUSION COMMISSION

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MS SANDRA MCDERMOTT, MS ALLISON BARNES, MS SANDRA SANKEY,
and MS SHARON MACPHERSON

Oral Evidence

Taken before the Financial Inclusion Commission

On Friday 16 January 2015

Members present

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

Witnesses: **Ms Sandra McDermott**, Glasgow City Council, Head of Service Department; **Ms Allison Barnes**, Money Advice Service, Scotland Manager,; **Ms Sandra Sankey**, Improvement Service, Project Manager; **Ms Sharon MacPherson,** Chief Executive, Scotcash.

Chairman: Great. Well, thank you all very much for taking the time and trouble to come. It's a real privilege for us to come to Scotland to see how things should be done and how Government operates on behalf of the people, but I'll just say a very brief word about the Financial Inclusion Commission and get the Commissioners to introduce themselves, and then I'd like each of you to make a short introductory statement and then we can get into questions.

The Financial Inclusion Commission isn't my idea, it's in fact the idea of the man on my right Chris Pond who was a DWP Minister under Tony Blair, and the underlying principle is that real progress was made across the United Kingdom in promoting financial inclusion as a result of the Blair Government's initiative with a financial inclusion task force chaired by Brian Pomeroy. The numbers came right down and a lot was done.

The task force was wound up in 2011 and there have been various sorts of fragmentary initiatives across the UK since then, but also there's some real worries coming down the pipe: Universal Credit, possible rise in interest rates, although that's really distant, pension liberalisation, rising food and fuel costs and stagnant wage growth, and so the idea was that we would get a sort of committee of the great and the good, one from each of the main UK political parties, I'm afraid not the SNP, but we've got Nick Hurd from the Conservative Party, Wilf Stevenson from the Labour Party and Archie Kirkwood who is Scottish and I think Lord Kirkwood as well from the Liberal Democrats, and then some of the Commissioners you see here today to take stock and then make a very brief intervention, probably in early March, trying to get financial inclusion back on the UK political agenda in the way that the main parties get it in their manifestos and then after the next election we can start to see progress again in the face of these challenges.

So, my background, I was in the Foreign Office but I have been working for HSBC Group on a number of public policies over the past 18 months, including seeing what the bank should be doing about financial inclusion, not only in the UK but also Indochina, Indonesia, around the world, the markets we operate in, and I feel very privileged indeed to be asked to chair this Commission, and I'll just get the other Commissioners to introduce themselves.

Chris Pond: I did used to be a DWP Minister, I have to admit that. Since then I've been going straight, and since then as well as working for a couple of years with Gingerbread which helps support young families, and then joining Allison at the FSA on financial capability work. My day job now is with Kreab Gavin Anderson which is an international communications agency. I chair a thing called The Money Charity and a thing called The Equity Standards which I have been working with.

Laurie Edmans: I'm Laurie Edmans and I am a Financial Services person, mainly pensions and life assurance where I worked with Allison. I'm still involved. I chair a small life company and I'm a non-executive Director of Money Advice Service and the thing I'm most proud of, or one of the things I'm most proud of, is that I'm totally responsible for Allison being here. In one of the earlier evocations of the financial capability work I with Chris came up with the idea of a workplace based initiative and arranged for Allison to be seconded to it and here you are stuck with it.

Dame Mary Marsh: I'm Mary Marsh, I'm mostly currently in the Charity Social Enterprise Sector but I work across the UK and particularly with people in Scotland, and I'm also on the Board of HSBC subsidiary in Europe.

Professor Sharon Collard: I'm Sharon Collard, I'm at the Open University Business School in the Centre for the Public Understanding of Finance, and before that I was at the University of Bristol and throughout that time have been doing research on financial capability.

Q. Chairman: Great, so we'll ask you each to make a brief introductory statement and then we'll go into questions and if you've got follow-up points or evidence, you know, you feel isn't covered in today's session, I'm afraid we've only got an hour, please do write to us and we'll be in touch afterwards. So, Sandra, let's start with you.

Ms McDermott: Thank you very much everybody, it's great to be here. I'm Sandra McDermott, I'm Head of Financial Inclusion for Glasgow City Council and what I'll cover and go into actually some of the details about the nature of financial inclusion within Glasgow; what the background to that is; how we've got financial inclusion in terms of contract service delivery that's set up within the city and how that's delivered, and then how we've changed the partnership model from having a contract previously to partnership model, the reasons for that change and what we think that that would deliver from 2015 onwards; what we think some of our priorities are but also what the emerging challenges are and how we think that we can deal best with some of these emerging challenges; and really with a focus about early intervention and prevention; so trying to have that early intervention at the earliest possible point to prevent crisis further downstream and, I suppose, one of the biggest emphasis, apart from the change in how we deliver it, is about including people who are affected by financial exclusion or poverty or financial difficulties and help them develop those solutions. So, I suppose really that's in a very short, sharp, that's kind of the essence of what I hope to speak about later on.

Chairman: Okay, Sharon?

Ms MacPherson: I'm Sharon MacPherson, the Chief Executive of Scotcash. Thank you very much for the opportunity to come and speak to you today. I very much welcome the work of the Commission. I think it is absolutely necessary and has been for some time to have much more of a strategic national focus on the issues since the end of the Financial Inclusion Task Force.

I've been involved in financial inclusion, dare I say, for the last 20 years at various levels, now in running Scotcash, directly with Scotcash, a CDFI based in Glasgow, but have a footprint across a lot of different local authorities based in Scotland, and one of the things I would like to focus on at this session today is about the strategic approach and the need to have, bringing together clients across the UK and Scotland and look at how we can support other areas and promote best practice and understanding around access to financial products and services; also a bit about how each of the financial inclusion elements should be coming together more effectively to provide a person centred approach that deals with all their FI needs because we know that very often services work in isolation and don't really bring together a one person approach. So, I'd like to touch on that as well as the actual products and services themselves and how fit for purpose they are and where the gaps are in terms of the need for things like access to banking, access to affordable credit.

Chairman: Sandra?

Ms Sankey: I'm Sandra Sankey and I'm Project Manager with the Improvement Service in Scotland. The Improvement Service is set up to work with all the local authorities in Scotland to look at improving systems, efficiency, effectiveness and work in community planning and their partners. I joined the Improvement Service over two years ago to take up an Action Research Project jointly funded through the Money Advice Service to look at improving outcomes in Money Advice services across the whole of Scotland.

Prior to coming into this post my background was with a local authority for the past nine years managing and delivering local Money Advice Services and now to actually being part of a research project like this on a Scotland wide level was a really good privilege and opportunity for me having previously also served as a Board member with Money Advice Scotland national umbrella organisation for five years.

The initial research phase of the project involved interviewing all of the 32 Councils in Scotland. The people who have responsibility for funding and delivering Money Advice Services, recognising that it's not just the local authorities that provide Money Advice Services and fund Money Advice Services, we've had engagement with a whole wide range of other stakeholders that have an input into money advice and how it's delivered in Scotland. We produced a research report in August 2013, and there hasn't been any sort of research like that undertaken for over a decade, so it's been really quite valuable for a whole range of stakeholders to refer to and look at how they can take on some of those recommendations and drive them forward.

So, we've been trying to identify good practice throughout our research and look at how we share knowledge and continue to share good practice. As a result of the success of the research work the Money Advice Service has invested in the project and the resources to continue for a further three years. Two of the priority work streams for us moving forward is to look at driving consistency and a more strategic approach to bringing funders of advice services, public advice services together to have a more strategic joined up approach and we have developed a framework for funders of public advice services in Scotland which sets out a high level set of good practice principles. We've had a range of consultation events over the summer and a high level launch event is due to take place next week. So, we're hoping that we can discuss some elements of that today. The other key priority work stream is to get a consistent performance management framework in place for Money Advice services in Scotland – to give you a flavour.

Chairman: Thank you, Allison?

Ms Barnes: Hello, I'm Allison Barnes, I'm the Scotland Manager for the Money Advice Service. Thank you for inviting me today. My organisation has already given evidence, from my Chief Executive Caroline Rookes, and we have submitted written evidence. Today I thought it would be worthwhile to talk about how we have developed a strategic approach to funding of advice in Scotland and how we are working collaboratively with a range of partners... This includes bringing together funders to identify where there are gaps in funding, including for marginalised groups, and how we can reach people that aren't normally accessing mainstream advice. We are the statutory body with responsibility for Financial Capability. We consider both financial capability and financial inclusion to be very closely linked. To be able to access and understand financial products and services you need the right level of skills and knowledge along with the right attitudes and motivation. These attributes are at the heart of our financial capability model. If you don't possess these it can result in financial exclusion. Also, to reiterate what Sandra was saying, we are funding the

Improvement Service to develop a funder's framework for advice in Scotland. One of the aims is for funders/organisations to design services with the consumer in mind and to assess unmet need and target groups.

Chairman: Right, well, you've rather sort of surprised me because you've each adopted, I don't know if you conferred on this, but a rather different approach from other witnesses in that you've talked about your work rather than what you think the Commission should be doing. So, what I'd like to do is just get you, we asked all our witnesses this, and I infer it from what you've already said that you support, some of you have said it explicitly, the idea of this Commission, the idea that there should be another big push at national level and Sharon said it explicitly, to address financial inclusion at the level of the United Kingdom. I take it we can take that as a yes.

I'd now like you each in turn, I would like to go back along this, rather like a sort of X Factor, I'd like to ask you very briefly, and if you need time to think we may come back to it at the end, if you were in our position, if you were sitting where Jennifer and Lisa is and drafting the conclusions of our Commission what would you like to see in it in terms of advice to the political parties at Westminster about what they should be doing, and in terms of real outcomes for real people, not just words, not just a manifesto, I mean there's got to be a manifesto commitment, but what are the areas of outstanding business that needs to be adjusted or addressed through legislative activity or other political or public policy activity.

So, I don't know if you want to go in the same order or..... Well, perhaps in order to give you time to think I'll ask the other Commissioners for other questions, but I'd like to round this session up at the end by asking you each, you know, to imagine you were drafting not the whole report but particular things you think ought to be in our conclusions. So, I'll ask, I think it fair we'll come back to that at the end. Chris, you go first.

Q. Mr Pond: Yes, could I ask Sandra and Allison a question first. For Allison there might be a question, we need clarity because the other Commissioners haven't reported yet, but I met with some of Allison's colleagues in London earlier this week and they are close to the final stages of advising the National (inaudible) on Financial Capability, and would like the conclusions of the Commission to feed into that strategy. So, you tell us what you think we should be saying and we'll tell you what we think you should be saying. On that issue about financial capability and financial inclusion which you mentioned Allison is it sensible any longer to have a separation between the two concepts, or are they simply two sides of the same coin?

Ms Barnes: I think they are, when we first started working in this area (previously under FSA) financial inclusion was forefront and appeared to be the aim of many organisations., however, gradually it was recognised that to be financially included you needed to be financially capable.. It is certainly more prevalent now for an organisation to talk about financially capable consumers and how they can build that into their processes. I believe that both concepts are equally as important. We know that to enable consumers to navigate the financial services industry and to understand products and to be able to access bank accounts, they need be able to manage their money and budget effectively and to be able to make informed choices.

***Q.* Mr Pond**: Could you start thinking about it? Can I just ask the question, when we were in Cardiff this time last week we were discussing the proposal that every local authority should have a financial inclusion/financial capability strategy. Is that something which you would support in Scotland?

Ms McDermott: Glasgow has had one now for a number of years and obviously that evolves depending on what the challenges are, so I think absolutely, and we need to look at that commonality and share best practice across that and that's what we're trying to do with our colleagues and partners across the piece to have that co-ordinated.

Ms Barnes: There is not currently a national financial capability or inclusion strategy in Scotland. There is a commitment from Scottish Government to increase financial capability and their approach is set out in the Child Poverty Strategy. Each local authority can have a financial inclusion or capability strategy. .Certainly from speaking to many stakeholders there is a desire to have a national strategy for FI/FC. I would encourage each Local Authority to have such a strategy.

***Q.* Mr Edmans**: Yes, because there's a bit more to it, the Money Advice Service are having to deal with this all the time, how do you assess the benefit to them because it can be based, and I think every person's tied these days, and Glasgow were taking the initiative whereas I gather others haven't. Do you get asked the question from time to time 'Justify your existence' or words to that effect, and how does the effectiveness of what you're doing which seems so completely obvious to me, is do you measure, have you got any helpful measurers?

Ms McDermott: Well, reasonably, but for Glasgow there's a real commitment, both politically and at Chief Executive levels, at the most senior level on the Council, to try and address financial inclusion or financial exclusion. So, that's a real positive, but what we've also done is some of the work I've been involved in, we've done some social and economic evaluation of the impacts they're having co-ordinated, holistic, that holistic view that Sharon was talking about, of how we treat people. We've got some really real examples of the difference that makes of having that early intervention, and what that prevents further downstream, either cost to the individual or cost to the public sector. So, I think we could provide real examples to you and I could share that with you.

Mr Edmans: It was the impact really I should be asking you about, not the outlook. Thank you

Ms Sankey: If I could just answer what we've had fed back to us through our engagement with local authorities in the event of financial inclusion. This research was certainly very much welcomed and for those people who had previously been involved in the network created by the financial inclusion champions. People felt that there was a strategic network to support the financial inclusion agenda, but now it's seen very much as a large gap in the outcome of the research work that we carried out, and we tried to look at what financial inclusion networks exist at a local level and how they work in partnership together and the outcomes from that, and part of the work we will do is look to again share some of that learning with others because some areas in Scotland have, you know, perhaps highlighted to us that they could do with support and learning from each other, and the different models. Some organisations even stated that they may struggle to implement their financial inclusion strategies for one reason and another. We have had the privilege as well to actually go along and participate with Glasgow when they've been having their financial inclusion stakeholder events and being able to be part of the discussion groups and see how Glasgow as a local authority engages through the network and we've done that with other areas in Scotland too. So, we hope to be able to use that....

Ms Barnes: we are encouraging outcomes based evidence as opposed to traditional reporting of outputs. An example of this is work underway with Scottish Government the Scottish Legal Aid Board and the Improvement Service to develop a funder's framework for advice. It's a guide for funders on a number of areas including encouraging quality of advice and linking outcomes locally to national outcomes. Local authorities are welcoming this shift towards more outcome based evidence. We're hoping that not just local authorities but major funders and other organisations across Scotland will start to adopt this approach. This will enable us to build a really robust evidence base about the impact of this type of work which hasn't been done previously.

Q. **Dame Mary Marsh**: And indeed the financial capability, where is your evidence showing what is key, what is successful because an awful lot of this is done in various places but it's not necessarily always having the outcomes that you want? So, what's your evidence showing about whether the investment in financial capability development is really worth doing it?

Ms Barnes**:** It's a good question. I think a lot of projects, including those we fund for money/debt advice include an element of financial capability, and we will evaluate the effectiveness of this going forward. Life stages are also an important factor, reaching people at a point in their life where they are more inclined to seek advice. The other thing that we're doing is reaching people as they come out of a debt process, so historically people that have gone through a money advice/debt advice process, can be left to their own devices for the future unsure how to deal with things going forward.

Scottish Government's new legislation under the Bankruptcy and Debt Advice Scotland Bill encourages debtors coming out of formal insolvency solutions to access financial capability help. This will be evaluated and will be good to see the impact of this intervention. We are also interested in earlier intervention approaches, for example using local authorities' data that they hold to determine if somebody starts to look as if they're getting into some sort of financial difficulty. They can then be directed to help, a financial capability intervention, which may prevent them getting into any sort of major debt.

We are developing a framework for financial capability as part of the UK strategy and will pilot across the UK and in Scotland with specific projects that are delivering these interventions. This will give us an idea of the term impact of these financial capability interventions and we will want to do more longitudinal research where possible.

Q. **Dame Mary Marsh**: What about financial education?

Ms Barnes in Scotland financial education is embedded in Curriculum for Excellence, across numeracy and learning. Education Scotland supports the financial capability of young people. This is maybe a little bit different from the rest of the UK, I don't think it's the same in England for example. Financial education has been a big part of school life in Scotland for a number of years and money weeks are run in local authorities. This includes across primary and secondary schools as well as colleges. We've done some work previously, under Chris at FSA, in colleges and universities, and we still encourage this through programmes other organisations are running.

***Q.* Dame Mary Marsh**: That's interesting because it's been embedded for so long there must have been long term outcomes to encourage others to do the same. You might have some very good evidence there, but the difference between generations coming out of schools now as opposed to a decade back.

Ms Barnes: I'm not sure what Education Scotland or Scottish Government are, or have done in terms of evaluation

***Q.* Dame Mary Marsh**: ..... it's really, really important evidence that.

Ms Barnes: I mean it's quite early, financial education in schools has always been very prevalent but it's only been embedded in the Curriculum for the last, just over three years.

Q. Dame Mary Marsh: But previously it was there but not formally embedded?

Ms Barnes: It wasn't formally embedded but it was certainly high on the agenda in Scotland.

Q. Mr Pond: Allison said that very much more is happening if schools and teachers don't feel equipped to teach it and it is something that's only an hour a term.....(inaudible).

Ms Barnes I don't know whether you are aware, some of our research has shown that money habits are formed really early, up to the age of seven. That is why we are concentrating some of our efforts in this space by working with the parents and young children because parents are a key influencer of child development. We are going to pilot some work in this area across the UK over the next year.

Ms MacPherson: I think that's a good point about, you know, schools being equipped to be able to deliver financial capability and financial education and just in terms of taking a step back it's absolutely crucial that all areas have FI strategies in place, but not only that but they link them to their other strategies – child poverty, employability, all things that have an impact on financial exclusion. We started in Glasgow in 2002 developing a financial inclusion strategy, so we have a huge amount of background knowledge and we've done a lot of work in the city which I was involved with Sandra's team in doing that to develop our services in line with the strategy, bringing together all the stakeholders and we know that that doesn't happen across Scotland or the UK and we're often asked to give advice and information about what we're doing in Glasgow to other local authorities, and it's very fragmented in what's happening across the country, so there is that need for that approach.

In 2002 we didn't have financial capability on the agenda at that point, so we were able to develop our strategy and include that as time went on when those needs became apparent. What we did see was even though we were developing toolkits for schools through Education Scotland, yet many teachers when you spoke to them were actually looking for advice themselves on debt and other financial matters and certainly didn't feel equipped to be able to deliver that to pupils. So, at the moment what you have is you have on some occasions advice agencies providing that support to schools which isn't done within a recognised framework because we don't actually have any national standards round about financial education and financial capability, and that is absolutely crucial to ensure that what we are doing across the UK is consistent and to specific standards. We do now have standards in investing information provision and I feel that's an absolute priority that you have those minimum standards so we have consistency.

Q. Chairman: Sandra, do you want to say something about the Starter for 10 programme in Glasgow, the savings clubs?

Ms McDermott: Yes, what we've done is for every S1 pupil, for every pupil starting secondary school we've helped them open a Credit Union account to try and encourage that saving, and Glasgow City Council have given £10 to start that saving process so they've got that starter, if you want to say Starter for 10, to start saving up and start those good habits that you were talking about as well in saving up, and that links to the work that we've done about getting financial inclusion, financial education within the Curriculum for Excellence, and we do have a dedicated Resource Officer who tries to support that work within Glasgow, but I think that encouraging young people to start saving at an early age might be longitudinal, it would stop that cycle of them going to non-standard lending, pay day lending, because that education goes right up to leaving school where they go into apprenticeships and go to college or start working or whatever.

So, we're hoping that that, mixed with the education and capability education within schools as part of the Curriculum for Excellence, and then starting encouraging saving up, starting bank accounts and giving them that information and knowledge that Sharon spoke about that young people then would start breaking that cycle of dependency and working on standard lending. You could then give good financial advice and information at that stage when they're young, there should be a national standard for that to make sure that we're doing is a recognised standard across the board that we can start encouraging to break that cycle so that they end up with good habits later on in life, saving and good financial decisions later on in life.

Q. Chairman: On Mary's point, has there been any research on how that cohort of being part of the Starter for 10 programme?

Ms McDermott: Not yet, that was last year that was only started last year so.....

Q. Chairman: It would be interesting to follow them through.

Ms McDermott: Yes, and of course we're doing it again this year so it's an exciting piece of work and it's involved schools, it's involved teachers within schools, it's involved financial capability within the advice sector, and also involved parents which obviously Allison alluded to as well, that a lot of that, even good behaviour or kind of bad habits from parents so, you know, they've been involved in that as well coming along to the information sessions about what we're trying to encourage young people to start saving up, so we're hoping that eventually we'll be able to kind of assess and research and do some evaluation on that and what the longer impacts of that if they keep saving.

Q. Chairman: Has anything come from that first year?

Ms McDermott: Most of the young people, I think it's just over 70 young people have increased from their £10 so, you know, you can see that you are starting to save up, so it's quite a high percentage of young people that have added to those savings. I don't know what happened around about Christmastime, I haven't checked what the stats were, it looked to be really promising, obviously it was new so it's whether those good habits continue is what we really have to do and what those longer term impacts are on decisions that they make once they leave school, that they don't go to pay day lending, that they don't go getting into debt, they don't use non-standard lending, they actually save for life so that they've actually got a cushion in life.

Q. Chairman: Do you think the cultural attitudes that work here, we've taken evidence down south that the English anyway have a funny sort of taboo about money, they don't talk about it, they don't think about it, they block it out, and Scotland has its tradition of thrift which is sometimes put in a more negative way. There isn't, I mean this is a serious point, we have taken evidence about cultural attitudes in England, people just not wanting, it's not snobbery, it's just they can't cope, they're not numerate, and Scotland with a tradition of enlightenment, of education, of thrift, a good sense of rationality, it may be, I just ask you do you think there are cultural attitudes, a willingness to address these things head-on, or is that just generalisation that's of no use to anybody?

Ms McDermott: I suppose the honest answer is I'm not sure. I'm not sure if there is a cultural difference between how we approach it in Scotland and England. Obviously there's a huge appetite within Glasgow to do something to try and, I think there's been a partnership between colleagues to come together and other partner organisations strategically who recognise the impact of financial exclusion on health inequalities and I think we've got real examples of outcomes where it's making a real difference, where people recognise that not just within the statutory sector and the public sector, the charitable sector as well coming together and realising that if you can have that co-ordinated joined up approach to everybody coming together to give a little bit to try and support people who are most in need then we can make a huge difference to that, and I think there's a real willingness and I think people now are.....

When I go and speak to people now it's a lot easier to get people on board with new projects because you can demonstrate the evidence of what's happened in the past and I'll give you just one example: working with McMillan Cancer Support a number of years ago, Sharon and I were both involved in this, the evidence base was that people getting cancer, one in 17 people with cancer go on to lose their house, and we worked in partnership with McMillan Cancer Support, the NHS, housing providers in the city and advice providers and set up a service in 2009 in Glasgow, and then since 2009 no-one in Glasgow has lost their house as a result of cancer or long term health conditions through that service and it brought in, we've seen just over 15,000 people and brought in £36 million in additional financial gains. So, nobody has lost their house, and so it's the social impact of that, economic impact, the impact on your other partners, the health inequalities and everything that that's prevented, and that's just one example. So, once you've got those examples it's a lot easier to go back out and say to somebody 'Well, why don't we do something together?' because you've already demonstrated that works.

Q. Mr Edmans: The thing is we need to get something organised collectively. The evidence has come through very strongly from all of you, I mean in a way that I'm just kind of remarking because it's come out more clearly I think, although we've heard it before, the lottery seems, there's a certain amount of lottery....

Mr Pond: We have Allison, and the rest of you have a very important function in helping out the whole nation.

Ms MacPherson: Absolutely, the work that we've done over the last few years has really helped raise awareness across the UK of financial exclusion in both policy makers and also for the general public, and just going back to that earlier question about thrift and people being more aware of, you know, to access services and we in Glasgow have around 44 per cent have no savings and that has been exacerbated by economic climate, zero hours contracts, instability and employment. It's all having an impact on individuals' ability to have some kind of financial safety net, and maybe it's not so much that people are more forthcoming in terms of their financial difficulties but that because of the co-ordination in Glasgow and elsewhere that people are more aware of the services that might be available to them and that they are presented in a co-ordinated fashion so, for example, in Glasgow we have the Glasgow advice information network, we have a key website helpline, all of those key things and the work that MAS is doing is helping to develop that nationally. So, I think that that is crucial to continue to raise awareness for individuals that we really can offer help and support rather than just expect them to find that way themselves.

Ms Barnes: I don't think talking about money is as big a taboo as it used to be. I don't recall that our previous research on this issue identifying much difference between Scotland and the rest of the UK. As my colleagues have pointed out there is more collaborative working across the board. This ensures the client feels safer in an environment they trust and therefore accessing advice is not such a big stigma.

We are funding projects with Woman's Aid and CABx , this is an example of about reaching people through their trusted intermediaries, and not necessarily sending them to traditional mainstream advice. They feel safe in an environment, where their support worker is and the debt/money adviser is introduced into that environment. This approach appears to work well. We are really interested in this approach and other funders in Scotland are interested in looking at funding marginalised groups

Q. Dame Mary Marsh: Is the better collaboration, you've mentioned cancer and the Health Service, in particular mental health, is that a factor that you've managed to bring in that people are more aware of?

Ms Barnes: Our research shows that nearly half of all people accessing debt advice have mental health issues. We're funding specific mental health projects in Scotland where you've got the similar situation I've just talked about. For example, mental health workers working in collaboration with a couple of other advice agencies in the area, and that's been working really, well. We're about to evaluate these projects so we should hopefully have an indication of the impact of these partnerships and the outcomes for the client over the next six months

Ms MacPherson: A really good example of the use of intermediaries, trusted intermediaries, I do agree that's an absolutely crucial point. In Scotcash part of their objectives is around banking, the unbanked and again in Glasgow the unbanked, we have 16 per cent of the population who are unbanked which is higher.....

Q. Chairman: What percentage?

Ms MacPherson: 16 which is much higher than the average and we know that that's concentrated in the areas of deprivation and we know that these individuals are going to be significantly impacted in the implementation of Universal credit. So, when we developed Scotcash in the city we developed it with the objective of bringing on a banking partner to make sure that it's part of the process of affordable credit, that we would look at individuals' banking needs because we know that low income groups are excluded, they don't approach banks themselves, they don't see them as relevant to their circumstances.

So, if you have an organisation that's already providing some services that can do some hand holding look at issues around ID which is a big issue with our customer base, provide them with the support to open that account without the need to initially go through what can be a daunting process with the view of building their capacity so that they do feel confident about engaging with banks. So, we do that through the Royal Bank of Scotland so they can open up basic bank accounts. We've got a partnership with Barclays and we're looking to engage with other banks at opening level, but again it's well recognised that it's the issue of supply and demand, and in terms of demand it's about building the capacity through that trusted intermediary to help people because most of our customers tell us they don't want a bank account. They're quite happy with the Post Office card account because there are no charges and so on, but we're able to explain to them the benefits of being banked, the benefit of wider benefits in terms of access to a whole range of banking products and services, as well as the insuring property premium, and you need that support for that individual to encourage them to move along that pathway.

Q. Mr Edmans: Sharon, where do you get your money from?

Ms MacPherson: Well, Scotcash was originally set up in partnership with the Glasgow City Council, the Glasgow Housing Association, (inaudible) Scotland at the time, Scottish Government, and it was front loaded in terms of a 10 year investment package to provide the loan capital and some of the running costs. So, that initial funding was put in place and now it's....

Q. And it's working at the moment?

Ms MacPherson: It's working very well, and what's quite interesting about it is that when we did our original research back in 2005 to look at community finance in Glasgow we have 34 Credit Unions in Glasgow and in terms of Credit Union growth a lot of that growth comes from Glasgow if you look at Scotland wide figures, and despite that there are around 45,000 individuals still accessing expensive forms of credit through buy to let, doorstep credit and so on, and we weren't sure why that was but I think our perception of Credit Unions as a homogenous group were completely wrong. We know that Credit Unions aren't a homogenous group, they don't all offer the same services, and they're also hampered by the fact that they can't offer credit to everybody.

Mr Pond: And direct debits and so on.

Q. Professor Collard: Do you want to speak up on the issue of, I'm conscious of time and it's something I don't want to lose, is this issue of affordable credit because as you've rightly said Sharon you have got in Glasgow, in Scotland and the UK generally I think affordable credit is one of the probably trickiest things in relation to financial inclusion, (a) because not everybody wants to use credit and (b) because they read the market, you know, that operates, that doesn't work very well because it's very high cost and there are terms and conditions that are perhaps punitive to people, it does work for some and it doesn't work for others, but at the same time we've got Credit Unions and CDFIs like Scotcash servicing a relatively small number of people. So, as a Commission what do you think we should be saying about affordable credit, because there is clearly a big demand out there as shown by a kind of profit sector and we've got a non-profit sector that seems to be struggling to meet that demand. So, what would you suggest?

Ms MacPherson: Certainly there is a big demand. Back when we did our research in 2005 we estimated approximately 5,000 people in Glasgow alone. As a result of payday lending the cross-party group that we established in 2013 and the Council, that figure has risen to more than 100,000.

Q. Chairman: Of a population of 600,000?

Ms MacPherson: Exactly, so it is a growing issue and we know that, the Credit Union and the CDFI sector are not able to cope with that, but we also know that there are lots of good work being done in the DWP expansion project and also in some of the sustainability processes that are being put in place to support CDFIs move towards sustainability which has happened probably at a faster rate than it is for Credit Unions because they're low deposit takers and because we have to pay investment to these organisations to replenish our capital.

So, I think there needs to be much more Government support and recognition of the different roles that different professionals can play. So, for example, in Credit Unions where somebody approaches a Credit Union for small sum lending and they're not able to help the CDFI should be their next point of contact in that process, and when we have that type of customer in front of us we can open up a Credit Union savings account for them, which is then encouraging them to have a financial resilience and then subsequently approach the Credit Union for further future borrowing which is cheaper than the CDFIs.

So, I think there has to be an understanding at Government level of the different roles that people can play and a support for those capital funds which can be self-sustaining. It can work if you have the right processes and technologies in place to help that work as a business model with that social objective in mind, because rightly or wrongly people need credit and they should be able to access credit at an affordable rate, and our worry is that now with the new regulations in terms of the cap that we will see a huge number of people who don't have access to credit any longer and will go to other unions, whether that's illegal money lenders or even worse.

Q. Professor Collard: I think there's an interesting question there which is what is the overlap then between the people who use high cost credit, be that payday or other types of credit, and the people who use Credit Unions and CDFIs, is there an overlap or are they different populations or are they people who are using both types of credit because they need that amount of credit or they want that amount of credit?

Ms MacPherson: I think generally we have different types of groups. We saw from the payday lending work that they're more likely to be young, male, living at home if you're seeking payday lending, whereas the whole collective credit work is much more based on lone parents, social rented sector just struggling to meet day to day bills, but there was some slight crossover when we looked at those who were not in employment, were seeking payday loans to meet their short term needs if they had, let's say had an appliance had broken down or something like that and they were able to access that. So, there's a slight crossover, but not a huge amount of crossover.

Q. Professor Collard: I just can't remember, what's the crossover between the people who are using high cost credit and those who use, who do Credit Union, do Scotcash pick up people who are using payday loans or home credit, either a loan site, Scotcash or instead of Scotcash? So, what I'm interested in is, is there a hypothesis that there is a substitution effect, so if you have more affordable credit from an organisation like Scotcash do you see a reduction in use of high cost credit is that a plausible hypothesis?

Ms MacPherson: Absolutely yes, we were able to demonstrate as an organisation and we have distributed £11 million worth of loans since 2007, and many of those customers were already using high cost credit and we were able to demonstrate that as a result of seeking advice from Scotcash they then moved away from those high cost options towards Scotcash and then subsequently on to Credit Unions.

So, you tend to find that our customers will use Scotcash and Credit Unions and will have moved away from those other high cost options as a result of the intervention and that integrated approach in terms of a loan might not be the best option. You're able to then offer money advice and advice provision there and then as opposed to a loan which then develops a trust between the customer and the organisation which gives them more confidence to move away from the high cost options.

Q. Mr Pond: So, can I underline one point that the two charities have shared here, because you say Sharon that one of your concerns is that there would be restrictions on the interest rate cap, people might have to go elsewhere and it's not the CDFIs or the Credit Unions, and as our Sharon there's concern who are suggesting that as a result of the cap the amount of credit available from the payday sector has fallen by about 2.5 billion. Now, that's a fall in a very short period of time. The total credit lending throughout the UK is somewhat less than half of that, so there is a big gap there, and some of the research from the States suggests that what has happened is that the regulations affect the supply but they don't affect the demand and so where regulations have been applied in the States it's simply been balanced by an increase in illegal lending, not necessarily guys with baseball bats and Alsatians, but online, unlicensed payday lending which all sounds very sophisticated. So, that's not an argument against legislation of high cost lending but it is an argument to say we have to have equal emphasis on the supply side of payday lending because people need it and we've got to get away from this notion that somehow credit is bad if you happen to be poor, but it's fine if you're well off.

Ms Barnes: I think there's an element there of habit as well because credit had become fairly easy to access and for some they got into a cycle of borrowing. There is growing concern in the sector about young single men, accessing payday lending on their mobile phone and then using this to gamble. It is an increasing worry. My question is If it's not available does that then mean that they just don't borrow or do they go elsewhere?, It may bring about a change in this culture.

Q. Professor Collard: Well, I think you'll notice that the FCI might be able to answer, one would hope that they would evaluate the input that happens in some considerable detail but I don't think we know. I mean the evidence from the work that they did in bringing in the cap suggested that people who are using payday at the moment would either turn to friends or family or they would go without, and I believe that is consistent with other research that we've done, but actually when faced with that situation it's almost impossible to say what people would actually do, and so I think there is a risk that the FCI underestimated how much payday lending would occur because the people who they were asking didn't need a source of money at the, you know, they already had a source of credit. So, really what they would do in the absence of that credit, I think there may well be a hiatus when they do without or, you know, their friends and family provide some level of assistance but that will run out at some point. Sorry to keep going on but can I ask another question?

Chairman: Yes, but then we must wrap up.

Q. Professor Collard: Okay, it's just the point that people who use payday tend to be young, and they tend to be men and they tend to be slightly higher income but they are all to some extent credit excluded. So, are they the sorts of people who are likely to go to a Credit

Union or go to Scotcash, and if not how do we, as Chris said, how do we fill that gap, because that's what's really exercising me?

Ms MacPherson: Not at the moment, and really the reason for that is because the CDF and Credit Union sector cannot emulate the payday lending market in terms of access, speed and decision and anonymity in terms of doing it via our website, so the challenge for the sector is to provide that in a way that customers want to see it.

Q. Professor Collard: In a way that's responsible because lending is not necessarily responsible and it comes back to Allison's point I think about habit. So, you've got used to doing it in this way and the idea that you might have to do it in some other way which might not be so attractive.

Ms McDermott: But it's an opportunity for us to take a much more preventative approach until we can get all the sectors together: you know having an advice sector here, a Credit Union sector there, a CDFI sector there, it really needs to be a co-ordinated approach that brings all that together.

Mr Edmans: What I was wondering was, you were describing that, we took some evidence the other day from (inaudible), so generally what they describe needs financing everything else, but it also needs the infrastructure doesn't it because, you know, if you can get a longer loan by doing something like that then anything that involves paper or online or whatever isn't going to work is it? I was obviously wondering whether there's all sorts of stuff coming out of this group had not struck me before, whether their role with the Payments Council or the Payments Services Regulator in terms of facilitating some of the co-ordinations coming through might make access to this affordable credit where it's got physical barriers to it as well as difficulties which could lead to something.

Q. Chairman: Do any of the CDFIs or Credit Unions have a strong online presence?

Ms MacPherson: Not yet, but it is a significant focus for many, including Scotcash. We have an online presence at the moment but in terms of emulating that end to end process we will have that by the summer because we recognise that's how people, not just traditional payday lending customers but our core customers actually want to access our services in that way and will want to do it via their phones. They won't want to do it via a laptop or anything.

Q. Chairman: Right, now is your moment. To go back to where we started, what would each of you say about that, what would you like to see in the Commission's conclusions in the areas of interest to you?

Ms McDermott: Well, for me I suppose Glasgow unfortunately is still the most deprived city in Scotland which is unfortunate but that's the reality. We've got a total population of 600,000 people, 283,000 of those live in 20 per cent of the most deprived areas in the whole of Scotland. You've got 30 per cent living in a household that no adult works.

Q. Chairman*: 13 per cent?*

Ms McDermott: 30 per cent. 24 per cent experience fuel poverty, 111,000 some literacy/numeracy issues so the scale of the problem in Glasgow is obviously huge and Glasgow try and match that with investment of £12 million over a three year period. So, we invest along with our partners in housing within Glasgow and we talked about the NHS, Glasgow is the biggest contributor to that investment to try and deal with the issues, but just a bit about payday lending, the scale of that last year in 2013, not last year now, two years ago, in 2013 there was 100,000 people in Glasgow that accessed non-standard lending and borrowed £57 million, but you've also got £201 million spent in Glasgow on gambling.

Q. Chairman: £200 million?

Ms McDermott: £201 million spent on gambling, £31 million of that in these fixed odds betting terminals, but if you look at welfare reform and the impact of welfare reform that brought £114.8 million out of the Glasgow economy. So, obviously people are going somewhere to make up that deficit.

Q. Chairman: What was the figure?

Ms McDermott: £114.8 million was taken out of the Glasgow economy with the impacts today on welfare reform. So, if you are looking at these people who are affected by welfare reform they're going to have to go somewhere to try and make up that difference. So, there's also been a more than 100 per cent increase in the use of sanctions within Glasgow. If you look back to 2010 the previous Government was 2.46 per cent of people that were sanctioned off benefits, that were taken off benefits because of non-compliance or for whatever reason. In 2013 that increased to 5.3 per cent. So, again if you're sanctioned then you have to either go to a food bank, you have to go to some kind of formal lending to try and make up that deficit. How do you feed your family, how do you still manage to survive if you're sanctioned off benefits?

So, there’s quite a lot of contextual reasons about what kind of happens there, and also we do have this financial inclusion strategy approach which is cohesive between Council and its partners in Health and Housing sector, along with other colleagues that are here today and other colleagues who are not here today in the advice sector to try and address that in a cohesive joined up way, and that was previously contractual, it’s now moved into a partnership approach and they’re based on the principles of PSP, a public sector partnership where we actually sit down together and look at the issues and say “What do we need to do that’s different to resolve the issues that we’re facing here?”, we can’t do it in the way that we did it previously because what happened in the contractual where it worked really well was you had really rich data.

So, in the last two years since the contract our advice providers in the city saw over 70,000 people and that generated £125 million of financial gains and with the impact of welfare reform we could co-ordinate the training and advice for that sector really well because you had two contractors who were delivering the services to kind of consortium leads who were delivering these services across the city, but what happened was because they were competitors they wouldn’t share best practice with each other. They wouldn’t sit down and say “I’ve got a fantastic idea, wait ‘til I tell you how I think we can change to make things better in the city”, because what we thought was “When this contract runs out I’m going to be a competitor so I’m not going to share that with you”. So, we changed to this new partnership approach, and as Sandra said she’s been along to quite a lot of our sessions, and Sharon’s been involved in that and Allison as well.

So, it's a new kind of approach where we actually sit down, look at the issues and some of the issues are covered, some of the emerging issues as well about Universal Credit coming to Glasgow, and some of the other issues and said "Well, how do we resolve this together? How do we actually look at the issues and come up with solutions that we can deliver in partnership?" and I think one of the good things about that is the new partnership model is starting to develop some trust and break down those barriers where the advice sector no longer see each other as competitors but partners and that where they can actually come together to make a real difference, not just to deal with the current issues but the emerging issues and some of those emerging issues is one of the questions that you were asked earlier about online, you know I think we realise in Glasgow that to deal with the numbers and the capacity then you're going to have to move to a different model. Nearly everybody in the city with financial issues just now is seen face to face, and if you look at Scottish Welfare Fund that was brought in to replace the old crisis grants then in Glasgow we saw 88,000 applications in Glasgow last year to the Scottish Welfare Fund, and they were dealt with online and by telephone of 98 per cent of those issues.

If we had to try and deal with them face to face they would still be queued round the block at George Square at the City Chambers, so what we did is, what we need to look at that sector and say 'How do we support modernising that sector'. So, although we have already invested £12 million for the next three years from 2015 to 18 the Council has now made that commitment up to 2020 but we'll sustain the funding with no reduction in funding even though the Council has received no reduction in funding, we'll not pass that on to the advice sector, and we've also said that we'll also have other additional funds to help them modernise because what we're thinking is if we can modernise it we can see some people, deal with some people online or on the telephone, but it releases some capacity to deal with more people at the other end that are more in crisis, that need that wrap-around holistic support to help them move on.

So that we're not just looking at their finances, you're looking at housing, their health indicators so we try and look at them in the round linking with affordable credit and banking facilities as well. So, we're looking at everything that they need to try and move on and make the best of their lives instead of just looking at that financial impact, you know, the financial issues that they've got there and then. So, we're hoping that that new approach will work really well, the new partnership approach.

So, there's some emerging challenges that we've got about in-work poverty. We've got about 52 per cent of people in work poverty as opposed to out of work poverty. So, that's a real challenge for us in Glasgow, not just in Glasgow, but how we support people who are actually trying to work and make a living for their family, but actually more people now are in poverty, relative poverty that are in work than out of work.

You've also got the proliferation of food banks in the city, food insecurity and food poverty and child poverty. We've got 31,000 children in the city living in child poverty and 26½ thousand families who are lone parents, and that's the highest of any city in Scotland. So, there are some of our emerging kind of challenges but also an opportunity for doing things a bit different. So, I'm working on those kind of four key issues as well as financial inclusion to try and say, to take that to the Council to say "We need a new way of approach to actually deal with the current emerging issues that we've got of Universal Credit, dealing with financial exclusion in the city, but also the emerging issues as well that we've got here as well", to deal with it and to have this kind of Financial Inclusion Commission that might be able to bring some clarity back to that strategic objective, names that would be across society.

So, if you actually had a statement to come out from Government to say "We want financial inclusion to be a strategic objective of the next Government, whatever the colour of that Government is" to say that that would be a strategic objective to have financial inclusion as a priority, and to be aware of the impacts of the decisions that are made and how that affects people who are financially excluded; to have some co-ordination fund because obviously the funding to date has been from Glasgow City Council, so we're not getting any external funding from Government or anything, we're doing that out of the Council's budget. If there was some way to co-ordinate the funding mixed with what the outcomes or what's expected from that funding and that co-ordination, and what we're talking about here is collaborative working, you know if that was something that was strongly encouraged through this new Commission, and this new statement that was to come out would be really welcome, and looking at the impact of financial inclusion and health inequalities and the growing health budget some people are being dealt with under the NHS, under Health, when actually the root of the problem could be poverty and financial exclusion because people either through mental health or through their actual health because they're not eating properly or because they're not heating their home properly, so there's a direct link between poverty and ill health, and I think that's something we need to be aware of; and the other thing is maybe having, the way that we've got in Glasgow and other local authorities as well, is for a clause in any contract that's awarded to say that there's got to be some corporate social responsibility.

If there was something like that where you're awarded either a banking contract or you're doing something where there's a financial impact on financial inclusion to say that actually there has to be a corporate social responsibility which takes cognisance not just of your decision but actually says maybe there's something about financial inclusion that has to be included in awarding that contract. So, you have to be aware of that and you would get more credit or more points if you could actually say that by awarding that contract, take into account how that's going to include financial inclusion and be financially inclusive that decision and that contract and that piece of work then that would kind of link to your strategic objectives as a Financial Commission. So, I suppose I think it's really positive that you're here today and I really look forward to seeing what comes out of it, I'm really encouraged by it, so thank you very much for your time.

Chairman: Thank you Sandra.

Mr Edmans: Could I just say something else?

Chairman: Yes.

Mr Edmans: It would be terribly helpful if we could just have some of those statistics you've given us....

Ms McDermott: Yes, I'll give them to Jenny, I'll send it electronically so that (everybody talking at once).......

Mr Edmans: The gambling ones. That's the first time, I've been wanting to get a sense of where, in terms of where people are spending their money, where gambling sits. Rather formally, of course, the Gambling Commission produced great data on how many people are gambling and the numbers are, you know, quite impressive, but they haven't got pound note signs attached to them and that's the first time I've actually seen them with numbers on, and some really interesting.

Q. Chairman: We are really out of time but I must give the three of you a chance to respond as well to my question. I mean, just very briefly what are the things that you would like to see the Commission target the political parties with?

Ms MacPherson: I certainly could take up the whole of your afternoon what we would like to see the recommendations cover. For completeness and recognising time constraints there's a few things that I think the Commission should be focusing on, mirroring what we have already said in terms of a national approach, a national guide, a national framework that will provide those areas of less developed strategies in place with some kind of, you know, guide on where to look and what to do and what to cover. I think that's absolutely crucial.

Banks: pushing banks to become much more engaged in this agenda, particularly now we've got the EU directive on access to payment accounts; how we might do that and how we may target them at the most vulnerable and those who are excluded. I think that's an absolutely key priority because bank accounts are requisite to financial inclusion; and the third thing is around access to community finance and a community finance fund that recognises the difference community finance can play in helping those who are financially excluded. There's a lack of those types of services available. So, they're the main things I would ask.

Q. Chairman: Yes Sandra?

Ms Sankey: The research that we carried out did flag up that payday lending is obviously a big problem, debt protocol at the time, and access to affordable credit. There is an appetite for developing financial inclusion strategies at a local level who definitely would want to see a national financial inclusion strategy that could work with all the local authorities to implement a financial inclusion strategy for Scotland and create a strategic network to support that as well, and look at and engage with the work that's happening in Scotland around the strategic approaches to join up and drive forward more consistency.

Last year there was a Ministerial summit called in Scotland which provided a good opportunity to bring people together to discuss and tackle some of the problems and solutions around payday lending and gambling. We also know from our work that that a lot of the local authorities in Scotland are looking at Glasgow, looking at the approaches they have in place around financial inclusion, around financial education, partnership working, Credit Union working group and so on, and I can see that they're looking and taking note of change in Glasgow but there needs to be that national and co-ordinated approach across the whole sector.

Q. Chairman: Great, thank you very much Sandra. Allison?

Ms Barnes: A lot of my colleagues have covered some of it so just very briefly, that we adopt a more (collaborative approach to funding putting your client at the centre of the service and ensure that, services are designed around their needs. Looking at marginalised groups and making sure we're reaching out to them. Also, what Sharon talked about earlier regarding bank accounts and the ability for trusted intermediaries to be able to support their clients to access financial products so they don't have to necessarily go into a mainstream bank. There's a point about trying to encourage in all of these processes a longitudinal evaluation so that we can demonstrate impacts and outcomes about how all of these services are changing people's lives.

Sharon also mentioned this, which I agree with, is ensuring a kind of quality mark or standard for financial capability / education, not just in Scotland, but across the UK here are a lot of organisations working in this area, how do we ensure what they do is good quality?

Q. Chairman: The quality mark for financial capability, who would that be given to?

Ms Barnes: in Scotland there is a quality framework called Scottish national Standards for Information and Advice. It covers generalist money advice, debt advice, housing advice but not financial capability. Many organisations are delivering financial capability and certainly the Glasgow contracts specify financial capability work as a requirement. There's an opportunity for this to be developed and work is underway on this in Scotland which could possibly be used as best practice across the UK.

Chairman: Good. Well, thank you all very much for an exceptionally interesting session.