

Financial Inclusion Commission – Call For Evidence

Response from Knowsley Financial Inclusion Forum

Digitisation, squeezed budgets and welfare reform

4. What impact, positive or negative, does the increasingly digital delivery of financial services (e.g. prepaid cards, online banking) have on financial inclusion?

- Knowsley is an area with relatively low levels of digital skills and PC ownership. It is those who are already on low incomes / financially excluded who can least afford to pay for broadband / IT equipment. Therefore, the increased digitisation is compounding and extending existing financial exclusion.

5. What opportunities are there to use technology to facilitate financial inclusion?

- Using technology to encourage and support people to develop their own financial capability skills, particularly young people.
- More 'price comparison' sites that are easier to use / understand and available on Smart phones (as opposed to PCs)

6. How has the financial downturn changed the nature of financial exclusion?

- The typology of people who are financially excluded has changed. There are now more working families affected who are on low incomes.
- People are losing their jobs who have not previously been out of work / have not been out of work for a long time. Consequently, they are not aware of where they might be able to go to access advice and support.
- The 'credit crunch' withdrew lines of credit from people who had been used to accessing credit on a regular basis to support daily living. People were then either forced to look for alternative credit (generally, high cost credit such as Payday loans) or fell into debt.

Transactional banking services

8. What transactional services do households on low or unpredictable incomes, or who have experienced a life shock, need and want?

- Low value instant loans (generally under £500) at affordable rates repayable weekly/fortnightly.

9. What improvements are needed to make basic banking fit for purpose?

- Some Banks still make it 'difficult' for people to access banking services by not being flexible about ID requirements.

10. Can technology help deliver better transactional banking services for people on low or unpredictable incomes?

- Possibly, but need to make sure that financially excluded individuals can access technology first.

Affordable and fair credit

12. For people who are unlikely to qualify for mainstream credit, what might affordable alternatives be? Should banks, building societies and others play a role in provision?

- Credit Unions offer a range of financial services including savings accounts and affordable loans. These services are not just for those who cannot access mainstream credit, but offer a real alternative to mainstream banking services for anyone. However, many need support to become financially sustainable. Banks and Building Societies should provide financial support to Credit Unions.

13. How does credit scoring contribute to financial exclusion, and are there viable alternatives to traditional credit scoring?

- People with CCJs find it difficult, sometimes impossible, to access mainstream credit, even if their CCJ has 'expired'. Therefore, they are forced to use high cost or even illegal lenders.
- Some people are unable to build up a credit rating simply because they do not use the sort of credit / service the type of loans that currently contribute to their credit score.
- Consideration could be given to including other types of payments, such as rent, to build up a credit rating.

Insurance

16. Is the insurance market functioning appropriately and competitively?

- Many people do not have home contents insurance. The products on offer are too expensive and do not provide the right level of cover, i.e. they encourage people to be 'over-insured'
- Cheaper products that offer a lower level of protection would be more accessible for many people and while they may not cover the full-cost of every possible insured position, they could make insuring against the most likely events / types of losses more affordable.

Savings products

20. To what extent can savings act as a preventative measure, helping people to avoid debt?

- Many people only need access to relatively small sums to help them to manage an 'income shock'. Having a small amount of savings to fall back on would help to make the difference for some people where such an income shock may move them from a position of just being able to cope, to where they find they are struggling financially and start to get into debt.