

## **Macmillan Cancer Support response to the Financial Inclusion Commission call for evidence**

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### **Summary**

- **Cancer patients can experience financial exclusion from both mainstream banking services and a range of life and general insurance products as a result of the financial and other effects of their diagnosis**
- **We are pleased with the FCA's recent focus on consumer vulnerability and recent commitments made by industry to review and improve the effectiveness of the generic financial support provision currently available to people living with cancer**
- **Macmillan would welcome the development of an industry standard for transactional banking options that reflect the specific needs of people experiencing the financial impact of cancer and other serious illness that could support them to remain financially included. This might necessitate reviewing the unintended consequences of regulation including affordability rules**
- **Evidence from our services indicate that certain areas of the insurance market are not functioning effectively or appropriately for cancer patients at all stages of illness. We believe that addressing the barriers to cancer patients accessing insurance at a fair price and on reasonable and consistent terms will support the effective functioning of the market**

### **Introduction**

- 1.1 Macmillan improves the lives of people affected by cancer, providing practical, medical, emotional and financial support. We work to raise awareness of cancer issues and have been campaigning for the banking industry to improve the service it provides to its customers with cancer so that they receive the support that they need to manage its financial impact and avoid becoming financially excluded as a result.
- 1.2 We welcome the opportunity to respond to this consultation and evidence for the submission draws on Macmillan's programmes of work aimed at ensuring

that people affected by cancer receive the support they need to manage its financial impact. This includes unpublished case studies of the experiences of cancer patients who interact with Macmillan's direct services, unpublished qualitative research into cancer patients' recent experiences of interacting with the banking industry<sup>1</sup>, and anecdotal evidence gathered from participants in a workshop at our annual Cancer Voices conference.

### **Q.3 Do you have any practical examples of financial inclusion initiatives that have been successful?**

1.3 We operate a successful financial inclusion initiative in the form of a financial guidance service launched in 2011. This was established in response to the identification of an unmet need for provision of generic financial advice to people affected by cancer. This not only reflected the wider issues of low levels of financial capability and financial exclusion in the whole population but also the lack of cancer-specific provision. Since launch the service has helped 11,000 customers directly, with a further 28,000 users of the online tools, and has secured almost £14m in additional funds for people affected by cancer

- The service offer ranges from jargon busting, information and guidance, to casework and advocacy in more complex cases
- The most common issues dealt with are: guidance on mortgage options; assistance to claim on health related insurance policies; guidance on securing additional pension income (through impaired annuities, ill-health retirement or serious ill-health options); and estate planning

1.4 We also operate a benefits advice service for people affected by cancer. The Welfare Rights team took more than 200 calls a day in 2013 and Macmillan's financial support services secured an extra £243.8 million for people affected by cancer in the form of benefits advice schemes, welfare rights, financial guidance and grants in addition to the £18.5 million we directly spent on financial support.

## **The Financial Impact of Cancer and Financial Exclusion**

2.1 Macmillan's 2013 *Cancer's Hidden Price Tag* policy report<sup>2</sup> revealed the findings of research<sup>3</sup> commissioned by Macmillan examining the financial

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<sup>1</sup> Experiences of Interacting with Banks when Diagnosed with Cancer, YouGov, 2013. Online focus groups and telephone interviews with 36 people from the UK with a cancer diagnosis in the last 18 months who had a banking experience in the last 12 months. Participants were recruited from YouGov's online panel and a database of Macmillan Support Line callers.

<sup>2</sup> Macmillan's *Cancer's Hidden Price Tag* research can be found via the following link:

<http://www.macmillan.org.uk/GetInvolved/Campaigns/Cancers-Hidden-Price-Tag/CancersHiddenPriceTag.aspx>

<sup>3</sup> Report based on research commissioned by Macmillan Cancer Support and carried out by researchers from the University of Bristol Personal Finance Research Centre in partnership with TNS BMRB.

impact of cancer and calculating its 'cost'. This showed that four in five cancer patients experience an average financial impact of £570 a month as a result of their illness. This is comprised of increased costs and decreased income. In view of the size and scale of this financial impact, without the right support and appropriate measures in place to address the financial needs of cancer patients, a cancer diagnosis can put people at significant risk of experiencing both financial difficulty and financial exclusion.

- 2.2 At present, financial support, including appropriate options for managing existing financial commitments is not always easy to access or of the quality required to provide people affected by cancer with effective solutions to securing their financial wellbeing and consequently avoiding financial exclusion. This is further exacerbated by the ways in which cancer patients' financial situations can fluctuate as they progress through treatment, recovery and beyond.
- 2.3 Macmillan's evidence base suggests that people affected by cancer can experience financial exclusion in the following ways:

#### *Banking*

1. Exclusion from mainstream credit, typically as a result of changes to income levels and consequently eligibility for products, particularly preferential rates and services under affordability rules
2. Damaged credit records resulting from temporary financial difficulty, typically missed payments during periods of treatment and recovery on secured or unsecured lending.
3. Less frequently, exclusion from banking products and services specifically on the grounds of their cancer diagnosis
4. Self-exclusion from the financial services industry as a result of negative experiences when trying to gain support to manage the financial impact of their diagnosis proactively or reactively.

#### *Insurance*

1. Inability to access appropriate insurance products - notably travel insurance, life insurance and other protection products
2. Excessive premiums

3. Potentially unfair or adverse terms and conditions including exclusions, the consequences of which can be unclear

### Transactional banking services and financial exclusion

- 3.1 Macmillan commissioned qualitative research in 2013 looking into the experiences of people interacting with banks after a cancer diagnosis. This research formed the basis of the report *Counting on Your Support: How the banking industry can improve the service it provides to customers living with cancer*<sup>4</sup>. The report covers some of the issues described above in more detail and sets out a series of nine recommendations to banking providers for areas where change is needed as well as suggestions for developments that could help to deliver better financial outcomes for customers with cancer.
- 3.2 Cancer patients tend to start thinking about the implications for their financial situation within three months after diagnosis. For example questions about managing mortgage payments during treatment and recovery, particularly guidance on obtaining repayment holidays are one of the most frequent enquiries received by Macmillan's Financial Guidance Service. However, they face significant barriers to taking proactive steps to manage existing commitments before the financial impact of their condition leads to financial difficulty.

#### **Q8. What transactional services do households on low or unpredictable incomes, or who have experienced a life shock, need and want?**

- 3.3 As many as twenty per cent of people with cancer use unsecured borrowing to deal with the financial impact of their diagnosis. Some try to identify their own financial coping strategies, restructuring financial commitments without directly interacting with their banking provider by, for example making online changes to products and services on standard terms (for example a three month repayment holiday) while they are still eligible for these. However, when their bank is aware of changes to their financial situation cancer patients are often told they are ineligible for the basic facilities that would help them to manage periods of most severe financial stress. This is typically during treatment when costs are at their highest and they may be unable to work.

The facilities that cancer patients view as potentially most helpful are:

- temporary extensions of overdraft facilities and mortgage repayment holidays appropriate to the length of time they will be undergoing treatment and in recovery

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<sup>4</sup> <http://www.macmillan.org.uk/Documents/GetInvolved/Campaigns/Costofcancer/Countingonyoursupport-MacmillanBankingReport.pdf>

- greater flexibility in accepting reasonable offers for temporarily reduced payments
- options for consolidating existing borrowing, e.g. through small short-term loans that would make monthly repayments more affordable
- free financial reviews to help them determine how best to manage their money in the short and longer term.

3.4 Many people approach their bank for advice and help because they want to take proactive steps to managing their finances. However banking systems and processes are not set up to support them. In a number of cases, customers have been told to come back once they are in arrears because additional options are only available to those already in financial difficulty. This will almost automatically lead to some form of financial exclusion at a later date due to the impact of missed payments on a customer's credit rating. Despite specialist 'pre-arrears' support being available within some banks, it is difficult to access and not widely publicised internally or externally.

***Q:1 - What policy change would most support increased financial inclusion for the client group you represent?***

3.5 The overarching objective of Macmillan's work in this area is to ensure that appropriate financial support is available at key intervention points, preferably as soon after diagnosis as possible and while a range of 'mainstream' options is still available. The 9 recommendations call on banking providers to use up to date information about cancer to inform responsible risk-based lending policies and consider the development of specialised products and services to meet the financial needs of people with cancer. In light of this we welcome the FCA's current focus on consumer vulnerability and the impetus this is giving to recent industry commitments to improving their support offer for customers with cancer. Embedding this commitment into the regulatory framework would ensure that improvements are sustainable, regularly monitored and updated and subject to external assurance, as well as enabling the focus to be on consistent outcomes rather than a competition issue.

3.6 Both research and anecdotal evidence suggest that some people living with cancer who experience financial difficulties continue to self-exclude from the banking industry once they have regained a relatively stable financial position. This is usually the result of poor experiences of seeking support from their banking providers, including a lack of flexibility and empathy.

3.7 However, people also express concern that automated processes such as direct debit payments can exacerbate financial issues because they reduce

control over their finances and can cause problems to spiral out of control if a payment is missed. In addition to avoiding mainstream borrowing, operating in a virtual cash economy with very limited interaction with the banking industry other than a basic bank account for essential payments gives people reassurance that they 'know exactly where they are'. Naturally this can lead to wider financial exclusion and increased costs. The industry should consider how to rebuild the trust of people in this situation, and whether there is an offering beyond a basic bank account that could help.

**Q:13 - How does credit scoring contribute to financial exclusion, and are there viable alternatives to traditional credit scoring?**

- 4.1 A key way in which cancer patients can become financially excluded is as a result of damage to their credit rating during periods of financial difficulty, typically when undergoing treatment and unable to work. However they can also become 'prisoners' trapped into products that are no longer suitable for their circumstances. This can mean that not only are they not eligible for the preferential lower rates reserved for their existing lenders' new or 'prime' customers but are excluded from accessing the wider market as new customers. An example is cited in the *Counting on Your Support* report.<sup>5</sup>

*The customer had fallen into arrears on his mortgage due to being unable to work during treatment. Despite having made up the arrears and returned to his previous income levels, the bank refused to move him from its SVR onto a fixed rate due to his credit history.*

- 4.2 Although it is possible to place a note of correction on an individual credit report, we would like to see consideration of the development of standardised wordings or definitions that accurately reflect the known financial impact of cancer and other serious illnesses, rather than what could be viewed as a potentially subjective account. This is particularly important in view of the potential vicious circle of ongoing financial detriment and exclusion that can further impede people's ability to recover their finances after a cancer diagnosis.

**Q: 16 - Is the insurance market functioning appropriately and competitively?**

- 5.1 Difficulty in accessing insurance is a significant issue for people affected by cancer. In addition to leaving them potentially financially exposed to a variety of risks, the process of trying, and often failing to secure cover can have a wider negative impact on the emotional and psychological wellbeing of cancer patients and their families. This is particularly so when an insurer disputes the

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<sup>5</sup> Op cit.

opinion of medical professionals involved in their care, for example regarding their 'fitness to travel'.

- 5.2 The main ways in which people living with cancer experience financial exclusion from the insurance market as a direct result of their illness are;
- refusal of cover owing to the stage of their illness, particularly when they are undergoing treatment, where there is lack of clarity or inconsistency about whether they are considered to be 'clear' of cancer or are terminally ill
  - inability to access appropriate insurance products at a price or on terms that seem fair or reasonable based on the stage of their illness

### *Travel insurance*

- 5.3 Many cancer patients want to travel during or shortly after treatment and the challenges in accessing insurance cover in these circumstances is potentially understandable. However, in response to the number of cases of people being refused cover or quoted premiums that were frequently in excess of the cost of the holiday itself, Macmillan launched the *Recovered but not Covered* campaign in 2007, which called on the insurance industry to provide a better deal on travel insurance to people affected by cancer. The campaign yielded some progress with positive collaborative working with the industry to examine the issue and an increase in the number of cancers covered by some policies.
- 5.4 While we have not repeated the research that informed this campaign, but the frequency of requests for digital and print information about accessing travel insurance, annual volume of calls to the Macmillan Support Line regarding the issue and more detailed case studies from Macmillan's Financial Guidance Service, clearly indicate that little has changed and access to travel insurance remains a key problem and concern for people living with cancer. A recent example from the guidance service is typical:
- *A customer tried to get travel insurance for a five day trip in the UK. They were told by the insurance company that because they take strong painkillers, the premium is £900 instead of £300.*

### *Life and protection insurance*

- 5.5 Cancer patients, perhaps understandably can struggle to obtain life and protection insurance, although it is entirely reasonable for them to want to seek cover, not least to safeguard against the risk of being affected by other serious illness. However, refusal of cover and excessively high premiums are once again the main barriers. There can be a lack of clarity and consistency about the length of time that needs to have passed before someone is considered to be 'clear' of cancer and the point at which this starts, although industry standard

tends to be in the region of ten years. The following two cases provide examples of where the response to the risk posed both before and after a cancer diagnosis seems disproportionate and unreasonable.

- *One customer looking for life insurance had been in remission from cancer diagnosed at age 25 for nine years. She was quoted a monthly premium of £329 for £265,000 of life cover on a decreasing term assurance. The insurer will not consider her for reduced premiums unless she is deemed to be at least 10 years cancer free from the date her treatment ended. (NB Life insurance on similar terms for someone who has experienced cancer or another serious illness can be obtained for under £11 a month).*
- *We have seen a case in which a customer has a condition which has a very small chance (1:100) of developing into a specific type of cancer. As a result he has been refused life insurance with three insurers and a broker acting on his behalf has tried 30 different insurers with no success.*

### Conclusion - insurance

6.1 At present when cover is offered to people after a cancer diagnosis, the premiums quoted frequently act as a deterrent to people taking out insurance at all. This means that there is effectively an extremely limited offering beyond the small number of specialist companies providing insurance for people with pre-existing conditions. There are over two million people in the UK currently living with a cancer diagnosis. Despite being a significant consumer group, their needs are frequently unmet and they are being denied the benefits and protections of a fully functioning insurance market in terms of choice, price, quality of cover and access to information to support effective decision-making.