

# Southampton City Council

## Response to the Financial Inclusion Commission

### Evidence questions

- 1.1. What policy change would most support increased financial inclusion for the client group you represent?
  - Access to banking services/ jam jar accounts.
  - Payday loans - need to look at why people are using them and address the underlying cause.
  - Living Wage - ensure those working earn adequate incomes.
  - Up-rating of Benefits – need to ensure households have enough income for daily living. Income shocks with no safety net push people into very 'restrictive' and costly options.
  - Crisis Support - need to maintain Local Welfare Provision and through it, access to small grants (cash) and other in-kind support such as food, electric top-ups etc - so 'managing a crisis' doesn't mean being pushed in to chronic poverty.
  - 20% deduction under UC - this will push people into hardship.
2. What do you see as the role of the regulator, government, and financial services in promoting inclusion?
  - Independent, trusted advice and information.
  - Details of the pros and cons of financial products.
  - Subsidising the more expensive to deliver products, such as small loans, jam jar accounts etc, so they are free for those who can least afford to pay for banking services.
  - Supporting and promoting credit unions.
  - Supporting and promoting home contents insurance.
3. Do you have any practical examples of financial inclusion initiatives that have been successful?
  - Solent Credit Union have just launched and Household Budgeting Loan for people on low income - (Max £500) although interest is paid, once the loan is repaid in full the amount paid in interest will be put into a savings account.
  - Jamjar accounts - but they are expensive to provide.
  - Debt Toolkit – Southampton City Council
  - Moneytree Magazine – Southampton City Council.

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

- Positive in terms of being 'in control' but for some there is a lack of confidence/ and or a lack of access in using online – plus concerns about security.

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

- Promotion of products and advice and information.
- Reduce the costs of products such as Jamjars.

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

- Difficult to give money advice when people do not have enough money to live on.
- Housing affordability and cost of living have pushed people into hardship.

7. What is the impact of welfare reform on financial inclusion and what support should be available to people as a result?

- For those affected by the Benefit Cap the impact has been severe – intensive, tailored support has been provided to people but success has been limited.
- For many affected by the reforms they have very limited 'wriggle room' in terms of finding work, increasing hours of work, increase hourly pay for work or reducing other costs such as housing through moving, taking in a lodger etc.
- The cumulative impacts on some households have been significant - but difficult to capture.
- Local services are seeing 'new customers' for housing, debt and welfare advice as well as appeals and tribunal support.
- See comments on 1% up-rating and 20% deductions UC.
- Local Welfare Provision provides a valuable mechanism to support those affected by the reforms.

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

- Small cash grants are useful in these circumstances.
- Interest-free loans (or reward on repayment).
- Budgeting loans.
- Access to good quality, affordable products such as household items.

- Payday style loans ( there is a big demand for this type of product but maybe they could be provided by not-for profits/ community finance/ community banking models.
- A 'back to work' bond would be useful.

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

- Improve the access, cost and functionality of the products.
- Banks need to promote them and value those using them.
- Develop products with 'customers' to understand better what they want and how they will use products.
- Promote and develop products using effective back-office systems.
- Build in more flexibility around overdrafts on these products.
- Give more support to people who need to develop skills and confidence in managing money.

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

- Yes

11. Is there scope to bring people into mainstream credit who are currently excluded, while also ensuring that this does not risk financial difficulty?

- Yes

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?

- Yes

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

14. What reforms could be considered to ensure consumers getting into financial difficulty are protected including those who become insolvent?

15. What role should the state and the insurance sector play in providing a financial safety net in the event of an unexpected life event? e.g. bereavement, family breakdown, unemployment and illness

- Households should be able to access support in a crisis and to prevent crisis. Although Crisis Loans have been abolished it may be worth the government supporting the develop of a national product that fills the gaps between a DWP Budgeting Loan and the old style Crisis Loan – but using this product to lever people into access more mainstream services in the future.

16. Is the insurance market functioning appropriately and competitively?
17. How can we ensure that people on low incomes, especially private tenants, have access to appropriate and attractive insurance products for their possessions and property?
  - Make them affordable – many people can't afford to pay for it.
  - Give free cover to those on benefits.
18. Will pension reforms enable inclusion, and what further improvements could be made?
19. Should policymakers enable and encourage people on low incomes to save, particularly in the economic downturn?
  - Saving should be encouraged but not at the expense of health and wellbeing.
20. To what extent can savings act as a preventative measure, helping people to avoid debt?
  - Depends on the savings verses the costs, but having some savings does bring more options.
21. What incentives to save work best for people on low incomes, and how might the costs of these incentives be met?
  - Saving together (a while back a scheme was developed that would match the amount people on low incomes saved £ for £ up to a set level) but was scrapped before it was launched.
22. What practical steps could be taken to foster a savings culture in the UK?
  - Promotion of savings products throughout life - so from school though to old age.
  - Interests rates could act as a serious incentive and on some saving products need to be increased to show the real benefit of saving over borrowing (the economic climate and depression of interest rates have left many without experiencing the incentive of a decent interest payment).