

Family Mosaic

Submission for financial inclusion Commission in response to call for evidence

In response to each numbered questions asked

Question 1) the policy change that would help access to mainstream banking for the customers I work with would be a relaxation or extension of the evidence requirements proving identity. A lot of homeless or insecurely housed people do not have proof of Id or address and are bared from banking or financial products because of this unless they go to the expense of getting replacement birth certificates, passports etc. Some banks locally will set up basic bank accounts by sending a letter to the address they give if they then take the received letter back to the bank but not all banks will do this, it takes a long time and of course does not help a person who is actually homeless with no address at all.

Question 2) Change needs to start young – better financial education in schools will eventually lead to more financial inclusion and government can lead on that. Making the process easier (and friendlier) would encourage more participation. I hear a lot from people who are put off even contacting financial institutions because of a perception (not always unfounded) that it would be a negative experience, the bank would not help, that's not for people like me etc. The locality of access is also important as most of the people I work with do not have cars or access to transport to get to places and cannot afford public transport costs and the banks need to consider how people can access their services.

Question 3) the best example of increasing financial inclusion I have found is the increased use of credit unions. I have forged good links with my local ones and when I've persuaded customers to use that as a first foray into any sort of banking it has worked well. The main issue is that they are not available everywhere so cannot be used by everyone and have only a limited range of services which do not always cover what is needed. Most customers who start with them will go on to more mainstream banking so I feel they are a useful stepping stone for people who have never used any sort of bank before and they are not generally viewed as being as harsh as mainstream banks.

Question 4) the increasing digital delivery polarises people into two extremes, those with internet access and computer skills and those without. A lot of the people I work with are on benefits or homeless or both and any one of these things makes it difficult to access and/or pay for a phone line and internet access so making digital financial inclusion impossible. The use of cards rather than money has issues for people with learning disabilities who cannot always make the link between a piece of plastic and 'proper' money which can lead them into vulnerable situations or incur charges because they do not consider using the card as spending money.

Question 5) Online banking is great when budgeting as it can be almost instantaneous so easy to keep track it is also considered less scary than visiting a bank by a lot of people I work with but also see above. Wider use of fingerprint identification instead of chip and pin would help vulnerable people or those with a learning disability or memory problems who cannot remember a pin unless they write it down (with the obvious risks associated) so avoid using cards and stick to cash.

Question 6) the downturn has again polarised people into two extremes. Those with digital access can mitigate a lot of the effects of the downturn by shopping around, getting discounts for DD payments etc. those without may not be able to pay for line rental/internet access and their options for banking then becomes limited to the branches they can get to easily. I have also found people revert to using cash in times of crisis so they don't incur charges at the bank. I have had several people tell me they take all their benefits out in cash so they don't incur charges and can see exactly what money they have and know that once it's gone it's gone.

Question 7) Welfare reform has had a similar impact – great for people who have access to and confidence or skills in using the internet and online claiming is generally a lot simpler however problems with the lack of access remains and will only increase as universal credit is rolled out nationwide next year. I cover the whole of Hampshire and there are areas that don't get mobile coverage so the only way to access the internet is with a landline and a lot of people on benefits simply cannot afford a computer/smartphone or to pay line rental on a phone line to get internet access. People who are homeless don't even have this option; nor do a lot of people in privately rented accommodation where they may only have a short tenancy so won't want to fund the installation of a phone line only to move a few months later. The local libraries cannot cope with the current demand of unemployed people now needing to evidence job searching online let alone the extra capacity needed once other benefits need to be claimed and maintained online as well. There are still large parts of the population that don't have computer skills so there needs to be a lot more freely available training on how to access the internet and online claiming and this access to the internet needs to be viewed as a necessity not just to financial inclusion but to inclusion in society generally.

Question 8,9 and 10) A lot of basic bank accounts do no more than the old post office card accounts – benefits go in, cash is taken out. I feel all accounts should be able to support direct debits/standing orders which the people I work with tell me makes budgeting better and most utilities offer discounts for DD payments which would also save money. Similarly, changing people from using all cash to using a debit card is only possible if the account they have allows them to have a card, preferably one that does not allow them to spend more than they have in the account which should be possible for some of the newer prepaid cards as again there is a general fear of overspending once it is a card being used rather than cash. This would also prevent overdrafts and the associated charges which are also given by people as a reason not to use a bank account.

Question 11 and 12) this is a difficult one as generally people on low incomes applying for credit just make their ongoing situation worse. I try to encourage saving, even a small amount each week which then demonstrates an ability to set aside that amount for loans etc. should that prove necessary . The other issue is that generally the smallest amount available from mainstream lenders is too much and too expensive for people on benefits and this is why, in my view, the payday loans, doorstep loans etc. are used as often as they are – you can borrow small amounts (anything from £50 upwards) which although at huge rates of interest in money terms do not seem like much (unless you default) you don't need an account with them (or anyone at all in the case of doorstep lenders) so they are very accessible and they are advertised as always saying yes which is not the same as the general perception of mainstream banks

Question 13) People who are homeless will not generally be on the electoral register or be able to prove a financial history and will fail a credit check on that basis. People who have not used banks will have no financial history and this is often enough for them to also fail a credit check and I think it would be a very good idea for wider indications of financial responsibility to be taken into account when deciding about credit. For example, using the fact that they have successfully maintained a tenancy, have no outstanding debts (rather than just no history) have paid their utilities/TV licence/water, regularly and up to date with payment cards (which is actually a lot more difficult and takes more presence of mind than direct debit payments) all give an indication of financial responsibility and therefore raise the likelihood that any loan will be repaid.

Question 14) The most important thing here is speed – knowing about a difficulty earlier makes it easier to remedy but most people I work with won't say when they are getting into difficulties until the situation is very bad and thus harder to resolve. The relationship with the bank/creditor is all important as the more approachable the organisation the quicker someone will go to them when there is a problem and the historic perception of mainstream banks as harsh and unsympathetic does not help. I have also been told by some people that the only help offered when they contact the bank to advise them there was a problem was to re finance and take out more credit which I considered very counterproductive – the last thing people need in that situation is more debt!

Question 15 16 and 17) insurance is generally considered a good thing by people I work with but most don't have any – generally because they have other financial pressures they consider more important. Mostly things work on an order of priority, rent, council tax, gas, electric, water, TV licence, food etc. Insurance comes way down this list and is usually one of the first things to go. Contents insurance is usually the only insurance people get, if they get any at all, and I have never known anyone to have ill health, unemployment or life insurance, generally relying on state help in those circumstances because funding it privately is considered expensive and paying for it twice (as they pay national insurance if they are working). Again most people would agree they are useful things to have but pragmatically they chose buying food or electric they need rather than pay for an insurance they may not (at least for some time) some of the social landlords offer low cost subsidised contents insurance for their tenants and this sort of scheme for private tenants would be very useful. As most private tenants live in furnished accommodation the level of cover needed would be very small, lower than most insurance companies currently offer so again something specific for people's personal possessions only (not including white goods etc.) would be ideal.

Question 18 – not sure which of the pension reforms you mean – opting in is good for people in stable work who are not very old, less useful for those not working or who are over 55 who could pay into a scheme and get very little out. The changes to the basic state pension I think will be counter productive as those who have no pension will get pension credit as they do now, those who have a good occupational pension will still be ok but those in the middle will get the new basic pension, barely higher than pension credit (at current rates) but will lose the benefits of being on income based benefits like full housing benefit/council tax support etc. which once these costs are taken into account will make them worse off than now. It is also impossible to work out exactly what you will get (I have tried!) as the only information is that for a while the pension can be calculated using which ever gives the most income but the reassurance that no one will get less pension overall than now is meaningless unless other costs like CTS/HB are included

Question 19 I think everyone should be encouraged to save regardless of the economic situation although this presupposes there is 'spare' money with which to do this – obviously it is easier with a higher income but I have found that income level is not a good indicator of saving – attitude is generally a better measure and someone who saves in good times will generally also save albeit smaller amounts, in harder times so I think the key is working on behaviour before things become difficult.

Question 20) I think there are only limited debt preventative measures to be gained from saving per se as most of the people I work with would not have the amount in savings needed to get them out of trouble. I think more importantly the person who saves, even to a small extent, has or develops a cautious mind set when it comes to financial decisions and does not generally make the unwise decision that leads to debt. I have found in my work with vulnerable people that as well as saving, people who are savers know to avoid the risky course of action that leads to debt as well so I think the key is the change in behaviour to avoid risky financial decisions rather than saving although the two do seem linked.

Question 21) something I have seen used with tenants quite successfully is matching savings. These are saving schemes where the tenant has whatever they save, up to £5 per month, matched by the organisation, subject to them saving regularly and leaving the money in an account for a specified amount of time. There are some banks already who reward account holders with £5 per month or money off their bills etc. so I think that could be used to encourage people, particularly those on low incomes or benefits, to save for the known events like birthday's or Christmas that are difficult to manage on a low income. It was much more successful when the person was saving for something specific rather than saving for its own sake and it did lead to some people continuing to save once the scheme stopped as they knew they could put the money away each week and still manage and then had extra for what they wanted. Some of them also said it made them feel good to save and pay for things in an organised way.

Question 22)

The biggest block on saving is the 'you can have it now' culture that makes people buy now and pay later. Changing that is as much about expectation as it is about behaviour. You only need to watch TV for a few minutes to see the adverts promising easy payments, no need to deprive yourself and your family of the latest whatever or buy now pay next year promises which legitimises the credit (and debt) culture and makes saving for what you want unnecessary – why wait for things when you don't have to? Changing this will be very difficult unless saving becomes as rewarding as spending.