

Financial Inclusion Commission
Response to DCMS Consultation Paper: Consultation on the English portion of dormant assets
funding

9th October 2022

About the Financial Inclusion Commission

The Financial Inclusion Commission (FIC) is an independent body made up of experts from financial services, businesses, the charity sector, academia and parliamentarians from across the political spectrum. <https://www.financialinclusioncommission.org.uk/>

Our mission is to champion financial inclusion as a policy priority for public bodies, businesses and civil society, and challenge exclusion wherever it occurs. Our vision is for a financially inclusive UK where financial services are accessible, easy to use and meet people's needs over their lifetime, and where everyone has the skills and motivation to use them.

Financial exclusion remains a significant challenge for 21st century Britain which prides itself on being a global leader in financial services.

Just over a million people in the UK do not have a bank account, one in four households lack insurance protection and one in five adults would not be able to cover more than one month of living expenses if they lost their source of income.

Financial inclusion is the means by which people can make their money work well for them, enabling them to maximise opportunities, move into employment, become more self-reliant, and enhance physical and mental wellbeing. Financial inclusion contributes to greater social mobility and levelling up, a more effective welfare system and greater national resilience from economic shocks.

This means a United Kingdom in which:

- every adult is connected to the banking system, through having access to – and the ability to make full use of – a transactional account of his or her own;
- every adult has access to affordable credit from responsible lenders;
- every adult, young person and child is encouraged and enabled to save, even in small or irregular amounts, to share in the importance of a common savings culture, to help build up resilience against financial shocks and as an additional resource for retirement;
- every adult has access to the right insurance cover for his or her needs, at a fair price;
- every adult has access to objective, affordable and understandable advice on credit, debt, savings and pensions, delivered via the channel most suited to that individual;
- every adult and child receives the financial education he or she needs, starting in primary school and carrying on throughout life and into retirement;
- the overall level of pensions provision – state plus private – in the UK, does not lag behind other developed countries, especially for the low paid;
- every adult will have a clear picture of what their income in retirement is likely to be, so they can plan and get 'no surprises'.

For more information about this response please contact Chair Chris Pond and Commissioner Danielle Treharne via Commission@ukfininclusion.org.uk

Consultation Responses

Questions on respondents

1. Are you responding as an individual or on behalf of an organisation? (select only one)

- Individual [skip to Q10]
- **Organisation [continue to Q2]**

2. What is the name of your organisation?

The Financial Inclusion Commission

3. What type of organisation do you work for? (select only one)

- Academic think-tank
- Business or private sector
- **Civil society (charity etc.)**
- Public sector body
- Other [textbox with a 50 character limit]

4. Is your organisation a current or prospective participant of the Dormant Assets Scheme? (select only one)

- Yes [continue to Q5]
- **No [skip to Q6]**

5. In which sector(s) does your organisation operate? [Regardless of the answer, then skip to Q7]

- Banks and building societies
- Insurance and pensions
- Investment and wealth management
- Securities

6. Please select the primary sector in which your organisation operates. (select only one) [Regardless of the answer, then continue to Q7]

- Agriculture
- Business support consultancy
- Community development
- Creative industries
- Culture and leisure
- Domestic services/cleaning
- Education and skills development
- Employment and skills
- Environmental

- Financial support and services
- Healthcare
- Hospitality
- Housing
- IT
- Manufacturing
- Retail
- Social Care
- Transport
- Utilities (energy)
- Workspace/room hire
- Other [textbox with a 50 character limit]
- **Consumer protection and social inclusion**

7. Does your organisation operate in England? (select only one)

- **Yes [Continue to Q8]**
- No [Skip to Q9]

8. Where does your organisation operate? (select only one)
[Regardless of the answer, then skip to Q13]

- **Multiple English regions**
- East Midlands
- East of England
- London
- North East
- North West
- South East
- South West
- West Midlands
- Yorkshire and the Humber

9. Where does your organisation operate? (select only one)

Please note that this consultation will help inform government decisions on the Dormant Assets Scheme in **England only**. [Regardless of the answer, then skip to Q13]

- UK-wide and/or internationally
- Northern Ireland
- Scotland
- Wales

10. Do you live in England? (select only one)

- Yes [Continue to Q11]
- No [Skip to Q12]

11. Where do you live? (select only one)

[Regardless of the answer, then skip to Q13]

- East Midlands
- East of England
- London
- North East
- North West
- South East
- South West
- West Midlands
- Yorkshire and the Humber

12. Where do you live? (select only one)

Please note that this consultation will help inform government decisions on the Dormant Assets Scheme in **England only**. [Regardless of the answer, then continue to Q13]

- Northern Ireland
- Scotland
- Wales

13. Do you want your response to be treated as confidential or do you agree for your answers to be quoted on an anonymised basis? (select only one)

- I want my response to be confidential
- **I agree for my answers to be quoted on an anonymised basis**

Section 1 – Youth

14. To what extent do you agree or disagree with the following statement?

“Youth should continue to remain a cause of the Dormant Assets Scheme in England”. (select only one)

- Strongly agree
- **Agree**
- Neither agree nor disagree
- Disagree
- Strongly disagree

15. Please explain the reasons for the answer you have given.

Section 2 – Financial inclusion

16. To what extent do you agree or disagree with the following statement?

“Financial inclusion should remain a cause of the Dormant Assets Scheme in England”. (select only one)

- **Strongly agree**
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

17. Please explain the reasons for the answer you have given.

The Financial Inclusion Commission welcomes the consultation on the Dormant Assets Scheme in England, which provides an opportunity to emphasise the criticality of retaining financial inclusion as a key focus area of the scheme. The Financial Inclusion Commission believes this for three reasons.

Firstly, the 2022 legislation was informed by data on financial exclusion in England that have since worsened significantly, in light of the Cost of Living Crisis. Moreover, it is clear that financial exclusion from mainstream financial services forces vulnerable households to take alternative costly products, for example high-interest credit, single-item insurance, higher insurance premiums in less 'desirable' areas, and prepayment gas and electricity meters. The resulting poverty premium affects one in eight British households, and costs the economy £2.8bn¹ with large disparities across the UK. The North East of England (14.7%) has the highest proportion of households incurring the poverty premium, followed by the North West (13.4%), Yorkshire and the Humber (13.4%), and London (13.1%)¹. In retaining financial inclusion as a key beneficiary of the dormant assets scheme, the Department for Digital, Culture, Music and Sport will have the opportunity to take meaningful, high-impact steps to contribute to the UK Government's 'Levelling Up' agenda.

Secondly, in light of the pressing social need to help citizens in England to access appropriate and affordable financial products, and the limitations of the commercial business case for providing such services, the Financial Inclusion Commission recommends that a greater portion of the Dormant Assets Fund is directed toward financial inclusion initiatives. Currently only 14% of the fund is directed toward financial inclusion, despite 21% of the UK population (14.2 million people²) having low financial resilience. Moreover, since the dissolution of the Financial Inclusion Taskforce in 2011, and other than the MaPS strategy for financial wellbeing 2020-2030, there is no defined government financial inclusion strategy in place for England, nor government funds allocated for driving higher rates of financial inclusion. Therefore, initiatives that are driven by the Dormant Assets Fund clearly fill a widening gap that is not addressed by government policy ('the additionality principle').

Finally, the Financial Inclusion Commission is supportive of the work of F4AF as one of several vehicles for delivering on the financial inclusion agenda in England. F4AF focuses on 3 core areas: expanding the provision of affordable credit, partnering with banks and financial services providers to increase provision of services, and developing new products and services to address market gaps. The Financial Inclusion Commission is a staunch supporter of these goals, and recognises that F4AF has committed £30m to 35 community finance providers, launched a no interest loan scheme, in partnership with Toynbee Hall and Fair By Design, and made policy recommendations that were reflected in the Woolard Review. Whilst FIC certainly commends F4AF for tackling the affordable credit gap in the UK, a problem affecting an estimated 20.2 million adults³, we believe that resources must also be allocated to building the longer-term resilience of the financially vulnerable in England, through organisations such as Fair By Design who are focused on solving the poverty premium in insurance products.

Opening up additional funding for financial inclusion initiatives will provide the opportunity for the Dormant Assets fund to invite one or more additional high-impact vehicles to drive forward financial inclusion at scale, and contributing substantially to the Levelling Up agenda.

Sources

1. Fair By Design 'The Cost of Living and Levelling Up' https://fairbydesign.com/wp-content/uploads/2022/06/Local-poverty-premium-summary-report_v07-1.pdf
2. FCA Financial Lives Survey 2021 <https://www.fca.org.uk/news/press-releases/fca-finds-covid-19-pandemic-leaves-over-quarter-uk-adults-low-financial-resilience>
3. TotallyMoney and PWC 2022 <https://moneyfacts.co.uk/news/credit-cards/one-in-three-adults-may-battle-to-access-credit-from-mainstream-lenders/>

Section 3 – Social investment

18. To what extent do you agree or disagree with the following statement?

“Social investment wholesalers should remain a cause of the Dormant Assets Scheme in England”.
(select only one)

- Strongly agree
- **Agree**
- Neither agree nor disagree
- Disagree
- Strongly disagree

19. Please explain the reasons for the answer you have given.

Section 4 – Community wealth funds

20. To what extent do you agree or disagree with the following statement?

“Community wealth funds should become a cause of the Dormant Assets Scheme in England”.
(select only one)

- Strongly agree
- **Agree**
- Neither agree nor disagree
- Disagree
- Strongly disagree

21. Please explain the reasons for the answer you have given.

22. Community wealth funds are defined in the Dormant Assets Act 2022 as funds which give long-term financial support (whether directly or indirectly) for the provision of local amenities or other social infrastructure.

Do you agree with the definition of community wealth funds as being suitable for the Dormant Assets Scheme?

- Yes [Skip to the next section]
- No [Continue to Q23]
- **Don't know or don't want to comment [Skip to the next section]**

23. Please explain the reasons for the answer you have given.

Section 5 – Alternative causes

24. Would you like to suggest other cause(s) you think should receive funds from the Dormant Assets Scheme?

(We welcome suggestions of broad causes not currently considered by the Scheme. Please note that any suggestions will be assessed according to the essential and desirable criteria.)

- Yes [Continue to Q25]
- No [Skip to Q29]

25. Please specify the alternative cause that you consider to be most important.

26. Please rank the causes below by order of importance – 1 being the most important to you. (options showing in randomised rows to avoid response bias)

- Youth
- **Financial inclusion (1)**
- Social investment wholesalers
- Community wealth funds
- The alternative cause that you consider to be most important (specified in your previous answer)

27. Please explain why the alternative cause that you consider to be most important should receive funds from the Dormant Assets Scheme.

28. Please suggest any other cause you think should receive funds from the Dormant Assets Scheme.

29. Please rank the causes below by order of importance – 1 being the most important to you (options showing in randomised rows to avoid response bias)

- Youth
- **Financial inclusion (1)**
- Social investment wholesalers
- Community wealth funds

30. Do you have any comments on whether secondary legislation should prescribe specific purposes?

Secondary legislation should prescribe specific categories in order to drive the intended social outcomes, however should not be prescriptive of the exact means of achieving these.

Section 6 - Public Sector Equality Duty

31. Do you have any comments about the potential positive and/or negative impacts that the options on the broad purposes of the Dormant Assets Scheme in England outlined in this consultation may have on individuals with a protected characteristic under the Equality Act 2010?

- Yes [continue to question 32]
- **No [skip to question 33]**

32. Please explain what you think these impacts (both positive and/or negative) would be.

33. In your view, is there anything that could be done to mitigate any negative impacts?

- Yes [continue to question 34]
- **No [end of the consultation]**

34. Please specify what you think could be done to mitigate the negative impacts.

END