

Rt Hon Jeremy Hunt MP
1 Horse Guards Road
Westminster
London
SW1A 2HQ

09 March 2023

Dear Mr Hunt,

I am writing to you on behalf of the Financial Inclusion Commission. As Chancellor, the Prime Minister oversaw – through the work of the Rt Hon John Glen MP and Guy Opperman MP – the development of a financial inclusion policy, which we hope you will continue to support in your upcoming Spring Budget.

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. Our mission is to champion financial inclusion as a policy priority for public bodies, businesses and civil society, and challenge exclusion wherever it occurs. We regularly engage with politicians from all parties through appearances at the Work and Pensions and Treasury Committees, as well as contributions to the Financial Inclusion Policy Forum.

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.

Despite the efforts of recent years, the state of financial inclusion in the UK is deeply worrying. Recent estimates suggest that 1.3 million people in the UK do not have a bank account and 1 in 5 adults would not be able to cover a month of living expenses if they lost their source of income. Furthermore, 12.5 million UK adults have little or no confidence in their ability to manage money. As you are aware, the situation has only been exacerbated by the Covid-19 pandemic, as 14 million people have experienced a direct negative effect on their income due to the crisis. And this was before the current cost of living crisis.

The continuing cost of living crisis shines a light on the importance of financial inclusion, as times grow exceptionally hard for those who cannot access financial services and products. There continues to be a significant financial shock for all, let alone those with low income who, in addition to the general rise in the cost of living, face a 'poverty premium', that is the extra costs people on low income pay for essential financial products and services, such as insurance or the additional cost of credit. The Commission believes the Spring Budget can and should put in place fiscal policies to tackle these extra costs for those on low incomes.

As you are aware, we have recently campaigned for the implementation of a “must have regard” to financial inclusion for the Financial Conduct Authority. This would require the regulator to consider the impact of its own measures, and the actions of regulated firms, on financial inclusion and to report to parliament annually on. Progress towards inclusive growth. We were particularly pleased to see that the Treasury Select Committee support this proposal in its recent report on the Future of Financial Services Regulation, and that it has featured prominently in debates on the Financial Services Bill. The impact of a “must have regard” poses a significant opportunity to ensure financial services and products meet the needs of those on low income and otherwise currently excluded.

We are encouraged by your ambition to bring about a growth economy for the UK; financial services, markets and products will be essential to driving Britain’s growth in 2023. However, there is a substantial risk that those who are financially excluded, and not able to confidently access appropriate financial services and products, will be left behind in this growth. We need Britain to grow in a manner that is inclusive of all members of our society.

With the urgency of the cost-of-living crisis and the scale of the UK’s financial inclusion challenge growing, the momentum of the financial inclusion agenda in politics cannot be overlooked or delayed. Therefore, we would like to take this opportunity to encourage you to include pledges towards the eradication of financial exclusion in your Spring Budget on 15 March. These may include pledges to:

- Introduce a national financial inclusion strategy led by Government
- Require relevant Government departments to include impact statements on financial inclusion into all policy papers
- Introduce an FCA and PRA ‘must have regard’ for financial inclusion
- Pledge to eradicate the Poverty Premium across the UK
- Set up a national network of share banking hubs paid for by the banks to protect cash and other key financial services and use this network to provide support directly to communities to prepare all citizens to use digital
- Ensure that people who still need to use cash can do so by supporting and encouraging businesses to accept cash
- Establish a new Pensions Commission focused on the state of UK retirement savings
- Legislate to include financial education in the primary school curriculum

Yours Sincerely,

Chris Pond,

Chair of the Financial Inclusion Commission