FINANCIAL INCLUSION

IMPROVING THE FINANCIAL HEALTH OF THE NATION

MARCH 2015

Financial Inclusion Commission

ABOUT THE FINANCIAL INCLUSION COMMISSION

The Financial Inclusion Commission is an independent body of experts and parliamentarians who came together to put financial inclusion back on the political agenda ahead of the 2015 General Election.

The Commission set out to:

- take stock of the extent of financial exclusion and of current interventions to promote inclusion;
- review the changing context four years after the Financial Inclusion Taskforce was wound up, including welfare reform, technology and squeezed household budgets;
- raise awareness of the issue of financial exclusion; and
- urge policymakers, regulators, the financial services industry and other key stakeholders to support the aim of making the United Kingdom a more financially inclusive society.

The Commission recognises that financial exclusion is linked to the wider issues of poverty, inequality and social exclusion. But its remit was to focus on financial inclusion. The Commission is concerned particularly with personal finance, and has not addressed the issue of business finance.

The Commission took written evidence and held oral evidence sessions around the country, in London, Liverpool, Cardiff and Glasgow. We were overwhelmed by the number of individuals and organisations prepared to devote time, resources and energy in order to offer us their views. People showed real desire to put their ideas across. The Commission heard from 84 different organisations, including banks, community finance institutions, trade associations, insurance companies, charities, local authorities, housing providers, academics, other service providers and people who are or have been financially excluded.

You can watch short evidence videos, and read the written evidence and transcripts of our oral evidence sessions on the Commission website at www.financialinclusioncommission.org.uk.

The views in this report represent the collective position of the Commission. They do not necessarily represent the views of every individual Commissioner, or of any person or organisation. In particular, to avoid any potential conflict of interest, those members of the Commission with links to the Financial Conduct Authority are explicitly dissociated from the recommendations in this report which relate to the FCA itself.

The Commission is supported by MasterCard, but is wholly independent. MasterCard is committed to driving financial inclusion here in the UK, and in the 210 markets it operates in around the world.

OUR VISION FOR 2020

The Financial Inclusion Commission wants to see a financially inclusive United Kingdom in which every adult and child can enjoy decent financial health. We want financial services that are accessible, easy to use and meet people's needs over their lifetime. We want people to have the skills and motivation to use financial services, and to benefit meaningfully from them.

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** when necessary and appropriate to **affordable credit** from responsible lenders;
- every adult is encouraged and **enabled to save**, even in small or irregular amounts, to show the importance of a common savings culture, to 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 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; and
- government, regulators, the financial services industry and civil society **all work together** to deliver this vision, before the General Election in 2020, under **the leadership of a Minister for Financial Health.**

THE REALITY IN 2015

Political parties are understandably focused on the state of the public finances. The Financial Inclusion Commission's work has highlighted the vulnerability of private finances and the lack of resilience in the system. This ought to be a major political concern given the big disruptive factors that are emerging, such as welfare and pension reform and interest rate rises. Financial inclusion should be a higher public policy priority. We need more leadership and coordination at national level.

FINANCIAL EXCLUSION IN NUMBERS

Nearly two million adults in the UK do not have a bank account

Financially excluded people pay a 'poverty premium' of £1,300 each year

An estimated two million people took out a high-cost loan in 2012 as they were unable to access any other form of credit

Up to 8.8 million people are over-indebted

13 million people do not have enough savings to support them for a month if they experienced a 25% cut in income

50% of households in the bottom half of the income distribution do not have home contents insurance

15 million people (31% of the population) report one or more signs of financial distress

KEY CHALLENGES

Leadership

The United Kingdom does not have a national financial inclusion strategy. There is not enough momentum and coordination across all sectors, notably government.

Banking and Payments

Banking services (particularly Direct Debits) are still not meeting the needs of low income consumers. Technology is changing the face of financial services.

Credit and Debt

There is a credit gap for people on low incomes who are not served by the mainstream market. This will be widened by the Financial Conduct Authority's cap on payday loans. Debt solutions have not evolved to reflect the changes in people's needs and debt advice is fragmented.

Savings and Pensions

Many people lack financial resilience. Savings products are not suitable or rewarding enough for those wanting to save small sums. Proposed pension reforms, even though desirable in principle, could have serious unintended consequences in the longer term.

Insurance

Insurance is seen as irrelevant or unaffordable for many. Some groups may be paying disproportionately high premiums.

Financial Capability

The people of the United Kingdom need better financial skills. Universal Credit will change the way many people on low incomes manage their money.

OUR RECOMMENDATIONS

LEADERSHIP

1. Designate a senior minister as the government lead on financial inclusion, and financial capability, with the title of 'Minister for Financial Health'

2. Establish a Ministerial champion for financial inclusion in each interested Department and in all devolved administrations

3. Establish an independent, expert group to report to the Minister for Financial Health on emerging issues and on progress toward financial inclusion, similar to the Financial Inclusion Taskforce

4. Place a statutory duty on the Financial Conduct Authority to promote financial inclusion as one of its core objectives

5. Establish an independent, industry-funded think tank to work with consumer groups, tackle regulatory challenges and facilitate innovation in the interests of financially excluded consumers

BANKING AND PAYMENTS

6. The Competition and Markets Authority to promote transparent pricing as part of its investigation into retail banking

7. The new Payment Systems Regulator to ensure Direct Debits and Faster Payments are accessible to small organisations and new entrants

8. Regulators to ensure payment mechanisms are responsive to the needs of all consumers

9. The Department for Work and Pensions to promote inclusive alternatives to the Post Office Card Account to support the introduction of Universal Credit, which meet the new basic bank account industry standard agreed by HM Treasury, including electronic payment facilities

10. The Financial Conduct Authority to promote greater consistency and accessibility in identity requirements for opening a bank account, and the Cabinet Office to continue to work with industry to deliver a world-leading digital identity that supports financial inclusion

CREDIT AND DEBT

11. Government to enable the use of public sector and non-traditional data in credit scoring, with safeguards, to make access to financial services easier for excluded groups

12. Government to lead a collective effort with retail banks and others to promote wider data disclosure and to fill the low income credit gap which has been widened by departing payday lenders

13. Promote measures to make community finance institutions more sustainable, such as government lifting the APR cap on credit unions, lenders and investors developing a better understanding of business models and risk, and community lenders attracting a wider customer base

14. Adapt Scotland's Debt Arrangement Scheme for the whole United Kingdom, with frozen interest, reduced arrangement fees, more breathing space, reduced time on the credit file and the offer of financial skills training

15. Promote a more coherent approach to customer-focused debt advice through better coordination and clear regulatory guidance

SAVINGS AND PENSIONS

16. Rebalance government subsidies for savers to ensure everyone is encouraged to save, introduce auto-enrolment for workplace savings schemes and conduct a feasibility study into which savings models work best for people on low incomes

17. Government to conduct a robust evaluation of 'Pension Wise' to ensure that everyone has access to an affordable, objective service that is fit for purpose

18. The Department for Work and Pensions to work with the industry to deliver a Swedish-style pensions dashboard to help people understand the prospective real value of their consolidated public, private and occupational pension income

INSURANCE

19. The Financial Conduct Authority, using its proposed new financial inclusion objective, to ensure that risk profiles, premiums and refusals of cover in the personal insurance market are based on accurate information

20. The Treasury to lead a debate on suitable and affordable protection for consumers unable to obtain personal insurance through the market

FINANCIAL CAPABILITY

21. Provide financial skills training from primary school through to retirement, including at key life stages and events, and covering cultural as well as technical aspects of money management

22. Develop a robust, outcomes-based evaluation of how to improve financial capability, with resources to enable it, developed with industry, government, consumer groups and civil society, and coordinated by a reformed Money Advice Service

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FOREWORD

Financial inclusion is about ensuring that every adult in the United Kingdom is connected to the financial 'mains', just as he or she is connected to mains electricity or mains water. In a developed and wealthy country such as Britain, it is shocking that nearly two million adult Britons don't have a bank account – more than half of them because they once had one, and don't want to repeat the experience.

Over the last decade, much has been done to make Britain more financially inclusive, and thus to promote the financial health of the nation. But, as the Financial Inclusion Commission has heard from witnesses around the country and from all strands of political opinion, there is much still to do.

The United Kingdom leads the world in financial services. In the Commission's view, this country should also lead the world in ensuring that every adult in these islands is connected to those services in affordable ways that meet every individual's needs.

Financial inclusion is not a party political issue. In a financially civilised society, everybody – individuals, firms, society as a whole – gains from having every adult connected, in the right way and at the right price, to the regular, and therefore regulated, financial system. Having the whole population of the United Kingdom making full use of one of the world's most advanced financial services systems makes economic as well as social policy sense.

This report, compiled by a non-partisan, cross-party commission, shows how that vision can be realised; and, what is more, how such an effort, led by the new British Government, could succeed in the five years before the next General Election, due in 2020.

Sir Sherard Cowper-Coles
Chair of the Financial Inclusion Commission

INTRODUCTION

i.1 The United Kingdom leads the world in financial services. Yet too many of our residents are excluded from, or are unable to engage with, the financial services essential for people to play a full part in modern society: to manage money, to absorb financial shocks and to plan and provide for the future. A financially inclusive society is one in which financial services are accessible to all, easy to use and meet people's needs over their lifetime. Financial inclusion also means that people have the skills and motivation to use financial services, and to benefit meaningfully from them.

i.2 Everyone with a stake in society benefits from greater financial inclusion – government, regulators, financial services firms, investors, charities and, above all, ordinary people. When individuals are financially included, they are better able to find and keep decent jobs and to manage welfare payments. They have more confidence and control and are less likely to experience debt and financial difficulty. As more people are better able to manage their money and to access products and services that meet their needs, they create a future of greater possibility for themselves, their families and their communities.

i.3 To deliver greater financial health for the United Kingdom, the government will need to focus on personal, as well as public, finances. Financial inclusion helps build a more robust economy and a more resilient society. A financial system that excludes significant numbers of citizens cannot foster growth or spread prosperity. Competition alone will not be able to deliver the outcomes that society desires. That is why the International Monetary Fund, the World Bank, the G20 and the Bill & Melinda Gates Foundation have all started major projects to promote financial inclusion around the globe.

i.4 Moreover, exclusion from the financial mainstream often means that consumers pay a 'poverty premium' for products and services and have less choice. It can impact their ability to find a job, maintain secure housing, stay physically and mentally healthy and be resilient to changes in income and expenditure.

i.5 Financial exclusion affects a wide range of people at different times in their lives. In particular, it impacts people with low or unstable incomes, or who have experienced a significant life shock. Lone parents, people new to the country, single pensioners, disabled people and the long-term unemployed are some of those most commonly excluded from financial services.

i.6 The Financial Inclusion Commission was formed to take stock of the situation as it is today and to put financial inclusion back on the policy agenda. As the nature of financial services continues to evolve, especially with new developments in technology, it is clear that promoting financial inclusion should remain a national priority.

i.7 The Commission took evidence from around the country to assess the state of financial exclusion in the United Kingdom and to collect ideas on next steps. The evidence shows a real desire for a more concerted national effort to promote financial inclusion.

i.8 Every witness agreed that the United Kingdom, as world leader in financial services, should also be a world leader in promoting financial inclusion.

i.9 This report brings together the evidence the Commission has gathered. It envisions how an incoming administration might drive financial inclusion to improve the financial health of the nation.

I. WHAT HAS BEEN DONE SO FAR?

1.1 In the past decade, good progress has been made in addressing financial exclusion. The Financial Inclusion Taskforce, chaired by the Commission's President, Sir Brian Pomeroy, led the way from 2002 to 2011. The Taskforce helped cut by half the number of people without a bank account – a significant achievement.

1.2 The previous government provided a £74 million Growth Fund for credit unions and community development finance institutions (CDFIs) to lend to deprived and excluded communities. It led a collective effort to instal free-of-charge ATMs in targeted areas of financial exclusion. The former Financial Services Authority regulator developed a National Strategy for Financial Capability and the Money Advice Service was established.

1.3 Although the Taskforce was disbanded in 2011, the Coalition Government has taken steps to tackle specific barriers to financial inclusion. Initiatives include the £38 million Credit Union Expansion Project, putting financial education on the national curriculum in England for secondary school students, regulating high-cost, short-term credit, auto-enrolment for workplace pensions, and, most recently, the Treasury's welcome agreement with high street banks to provide fee-free basic bank accounts.

1.4 Devolved administrations have been active in promoting financial inclusion. The National Assembly for Wales developed its own financial inclusion strategy. It recently debated a new Financial Education and Inclusion (Wales) Bill, which would require more effort from schools and local authorities. The Scottish Government passed the Bankruptcy and Debt Advice (Scotland) Act in 2014 which seeks to bring about a 'financial health service' for Scotland. The Northern Ireland Executive has committed to developing its own financial capability strategy.

1.5 Local authorities and housing associations, with the support of the advice sector, are trialling approaches to support financial capability and tackle indebtedness. Several major local authorities have adopted their own local financial inclusion strategies. There has also been a great deal of action from not for profit organisations. One high profile example has been the Archbishop's Task Group on Credit Unions and the Financial Sector. This has challenged high-cost lenders, and is piloting a savings club programme in Church primary schools in partnership with credit unions.

1.6 The financial services industry itself has invested in a range of financial inclusion initiatives, including establishing dedicated financial inclusion teams, the provision of £5 notes in ATMs, the development of credit-builder credit and prepaid cards, and directing customers who are denied credit towards credit unions or CDFIs.

1.7 Despite this welcome progress over the past decade, the Commission has gathered evidence from around the country which shows that serious problems of financial exclusion persist, and, in some areas, have evolved along with the changing nature of financial services and of society.

II. WHERE WE ARE NOW

2.1 The Commission has taken stock of the state of financial exclusion in the United Kingdom, drawing on evidence from around the country. The key challenges it identifies are:

- financial services are still not meeting the needs of low income consumers;
- alternative providers who might better meet their needs face significant challenges;
- most people do not understand the basics of personal finance, and are not generally engaged in money management;
- too many people are still excluded from mainstream credit;
- the supply of affordable credit struggles to keep up with demand as the supply of legal high-cost credit is curtailed; and
- there are not enough suitable savings and insurance products, meaning that many struggle to be financially resilient.

2.2 In recent years, government has not provided the leadership needed at national level to coordinate and monitor financial inclusion. Since the Financial Inclusion Taskforce was wound up in 2011, no single government department has been tasked with promoting financial inclusion. Government departments (including HM Treasury, the Department for Work and Pensions, the Department for Business, Innovation and Skills, the Department for Communities and Local Government, and the Department for International Development), devolved administrations, local authorities, voluntary organisations and industry are all working in different ways to address financial exclusion. Yet there remains a need for clear leadership and coordination.

2.3 The Financial Inclusion Taskforce also offered continual monitoring of progress towards financial inclusion up to 2011. Since then, the University of Birmingham, commissioned by Friends Provident Foundation, has tracked financial inclusion through an annual monitoring report. But, as the concept of financial exclusion evolves, the official data that are collected and monitored will also need to evolve. Closer monitoring, driven by government, would give early warning of emerging issues and measure the effectiveness of a financial inclusion strategy.

2.4 Evidence to the Commission also emphasised that two main factors that promote financial inclusion are a stable income and affordable housing. While the Commission recognises that financial exclusion is linked to these wider issues, the Commission's remit has been to focus on financial inclusion, and specifically personal finance.

FRESH CHALLENGES

2.5 As the economic and political environment in the United Kingdom changes, financial services are also evolving. These changes bring both opportunity and risk, with consequences for financial inclusion:

Universal Credit will change the way some people on low incomes have to manage their money

2.6 Universal Credit (UC) is being rolled out across the country. There is broad political support for the principles behind UC, although many, such as the National Audit Office[1] and the Committee of Public Accounts[2], have raised concerns over the delivery of the programme.

2.7 Universal Credit will fundamentally change the way in which people receive their benefits by combining six different benefits (Jobseeker's Allowance, Income Support, Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit) into a single lump sum payment to the household. It will be paid monthly, in arrears, while most benefits under the present system are paid weekly or fortnightly. Housing support will be paid to the recipient, while at present Housing Benefit is often paid direct to the landlord (for 54% of those in social housing and 19% of those in the private rented sector[3]). Thus, households will have to budget their money monthly and manage their own rent payments, possibly for the first time.

> "Financial inclusion is central to the success of Universal Credit and a prerequisite to realising planned savings and efficiencies through the government's programme of welfare reform."
>
> – Local Government Association

2.8 Many should benefit from Universal Credit payments becoming more like income from work, easing the transition into the labour market. Monthly payments may help people overcome the 'poverty premium', which can cost families about £1,300 each year.[4] They could also provide the opportunity to make bulk purchases and pay bills monthly by Direct Debit. But the use of Direct Debit requires good money management skills.

1. NAO, 2014. *Universal Credit: Progress update*, London: National Audit Office.
2. Committee of Public Accounts, 2015. *Universal Credit: Progress update*, London: House of Commons.
3. DWP, 2011. *Two Year Review of the Local Housing Allowance*, London: Department for Work and Pensions.
4. Save the Children, 2011. *The UK Poverty Rip-Off: The poverty premium 2010,* London: Save the Children.

2.9 Universal Credit is 'geared to (what is seen as) a majority way of life, rather than being shaped around the priorities and coping mechanisms developed by those living on low incomes'[5]. Of the 19 million people who will receive Universal Credit:

- 2.5 million will need help managing their money in the move to Universal Credit[6], the same group of people who are likely to be financially excluded;
- 42% said monthly payments would make budgeting more difficult, according to a DWP survey of benefit and tax credit recipients[7];
- 73% of clients likely to be eligible for Universal Credit would need help managing monthly payments, according to surveys from Citizens Advice[8]; and
- 92% of tenants would prefer that direct rent payments to the landlord continue under Universal Credit, according to surveys from the National Housing Federation.[9]

2.10 A single household payment will require fair access to funds between partners and may mean that households need to discuss money more. Because Universal Credit is paid one month in arrears and requires both a seven day waiting period and processing time, it could be six weeks from the time of a claim before people receive payment – assuming there are no delays. The Commission heard serious concerns about how people might get by during this time, especially in light of cuts in local welfare provision, and for those without access to affordable credit. Universal Credit will also need to be paid directly into a bank account. This has clear implications for the nearly two million people who are unbanked, and for those who do not or who are unable to make full use of their bank accounts.

2.11 The DWP recognises these challenges and is putting support in place. This includes alternative payment arrangements for those who need it, budgeting loans to help bridge the gap to the first Universal Credit payment, and, most important, Universal Support Delivered Locally (USDL). This is a support system led by local authorities and Jobcentres, working with local partners to help people improve their digital skills and financial capability. This is where the Government expects much of the real work on financial inclusion to be done.

2.12 The Government has also made some effort to encourage financial services institutions to develop products that help people manage Universal Credit payments more easily. At present people without bank accounts are able to receive benefits using a Post Office Card Account (POCA). This contract has been renewed by the Government until at least 2021, suggesting that people without bank accounts may be able to use a POCA to receive Universal Credit. Because the POCA is so limited in its functionality, such an outcome would undermine one of the main collateral benefits of Universal Credit – promoting financial inclusion, and the proper use of mainstream financial services by the whole adult population.

2.13 There has been interest from existing payment providers and new entrants to deliver innovations such as prepaid and mobile payments for Universal Credit recipients. But this has yet to deliver a large scale, commercially viable product that supports Universal Credit and better promotes financial inclusion.

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5. Fran Bennett, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written
6. Work and Pensions Committee, 2012. *Universal Credit implementation: meeting the needs of vulnerable claimants.* Available at: http://www.publications.parliament.uk/pa/cm201213/cmselect/cmworpen/576/57606.htm
7. Tu, T., & Ginnis, S., 2012. *Work and the Welfare System: a survey of benefits and tax credits recipients (Research Report No. 800)*, London: Department for Work and Pensions.
8. Citizens Advice, 2013. *Citizens Advice Universal Credit Managing Migration Pilot: Baseline Results*, London: Citizens Advice.
9. National Housing Federation, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written

Technology is changing the face of financial services

2.14 Digital and technological developments are changing not only financial services, but modern life too. These changes offer a potentially ground-breaking opportunity to promote financial inclusion, but they also present the risk of creating new barriers for those who are excluded.

- 93% of adults have a mobile phone and 77% have access to broadband[10]
- 61% of people choose to do their banking or pay their bills online[11]
- 2.3 million people aged 70 or over are registered for internet banking[12]
- 91% of adults have a debit card[13]

2.15 The evolution of financial services can happen at pace. Digital innovation has seen many customers take up mobile banking through apps. Technological developments have delivered, for example, contactless cards, which have trebled in use over the past year.[14]

> "Technology is inevitably disruptive. If you look at society as a whole, technology in terms of its evolution, if this was a blockbuster film, we would be still be at the opening credits. We are only just starting to see what the potential of technology and its disruptive influence in society could become."
>
> – Tristan Wilkinson, Go ON UK

2.16 Technology enables innovative financial services companies to make their services more widely available, to cut the cost to serve, to increase the speed of delivery and to tailor products to different needs. For example, the increasingly sophisticated use of online data is helping loan companies to make faster approval decisions.

2.17 For consumers, technology often means cheaper deals, the ability to compare and contrast products more easily and access to information and advice not only about products, but also about consumer rights. The Commission heard one Young Scot Modern Apprentice, a keen budgeter, comment that "everything I know about money I learned online".

2.18 Technology can also make it easier for people to keep control of their finances. Online and mobile banking allows users instant access, to help people keep track of their spending. Some banks offer text alerts that warn people of low balances or impending payments. Prepaid cards, by offering 'cash-like' control, can be a useful tool to help people manage their money more effectively. Future developments, like more functional mobile banking, could offer even more benefits to customers.

10. Ofcom, 2014. *Facts and figures.* Available at: http://media.ofcom.org.uk/facts/
11. Ofcom, 2014. *Adults' Media Use and Attitudes Report*, London: Ofcom.
12. British Bankers Association, 2014. *It's in Your Hands*, London: British Bankers Association.
13. UK Cards, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written
14. The UK Cards Association, 2015. *Consumers to turn to contactless as usage surges.* Available at: http://www.theukcardsassociation.org.uk/news/contactless_surgeJan2015.asp

2.19 At the same time, many people do not have access to online services owing to a lack of affordability or of digital skills, low connectivity, illness or disability. 8.6 million adults (16% of the population) remain 'non-users' of the internet.[15] They are more likely to come from groups at greater risk of financial exclusion. The move toward digital financial services risks creating yet another barrier for those already excluded. That said, more and more people are accessing technology through different channels (e.g. smartphones, tablets), potentially increasing the likelihood that online services will support financial inclusion.

2.20 Technology can also have the effect of excluding people from mainstream services. The sophisticated use of data makes it harder for people to challenge the underlying assumptions upon which decisions (on lending, for example) are made. And the benefits of technology are less likely to reach people on low incomes because they are a less profitable market, and are less likely to be included in mainstream data collection methods.

2.21 Some people simply prefer to manage their finances through more traditional means, even those who might use technology for other purposes. Increasing digital and technological developments mean that services can be less personal. Picking up on or remembering individual customers' needs can become more difficult, especially if staff members are not adequately trained. Some consumers still feel the need for face-to-face interaction. Many also have concerns about the security of managing their money online. The Keep Me Posted campaign has found that many consumers still prefer and better understand paper bank statements.[16]

2.22 Technology clearly offers an opportunity to provide flexible, tailored financial services. But these changes will not reach everyone. For those who cannot or choose not to manage their money this way, other services must remain available.

15. Ipsos Mori, 2014. *Media Literacy: Understanding Digital Capabilities*. London: BBC.
16. London Economics, 2015. *Managing money online – working as well as we think?* London: London Economics.

Pension reforms could create confusion with serious long-term consequences

2.23 Auto-enrolment workplace pension schemes are being set up across the country and will have to be offered by all employers by 2018. Because workers are automatically enrolled onto a scheme and will have to opt out, this change should greatly increase the take up of pension savings. It will mean that millions of people who have never before saved for their retirement start to do so. This is a positive step in helping people to build financial resilience.

2.24 At the same time, other pension reforms will give people more flexibility over how to access their pension pots. This could create a 'bewildering range of choices for consumers ill-equipped to make them'.[17] The government's Guidance Guarantee (Pension Wise) gives people the right to free and impartial guidance from independent sources (e.g. Citizens Advice and the Pensions Advisory Service). But it is yet to be seen if this will be enough to help people navigate their way through the new range of choices on offer. The Commission has heard concerns, echoed in a recent report from the Treasury Select Committee[18], about the 'advice gap' and whether those responsible for providing such advice will be ready on time.

2.25 There are also concerns that access to whole pension pots could lead to people mismanaging their money or that people could be at greater risk of fraud. This has been clearly shown by the increased take up of 'pensions liberation' scams. If realised, these risks have serious long-term consequences both for individuals, who are left with too little to live on, and for government, who will have to step in to meet the shortfall.

17. Financial Services Consumer Panel, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written
18. House of Commons Treasury Select Committee, 2015. *Autumn Statement 2014.* London: House of Commons Treasury Committee. Available at: http://www.parliament.uk/documents/commons- committees/treasury/Autumn_Statement_2014_web_version.pdf

The economic downturn has put a squeeze on household budgets

2.26 Despite the economic recovery, many household budgets are still feeling the squeeze. Although real incomes are now starting to rise, it may be some time before all families feel the benefit.

2.27 In general over the past decade, the cost of essentials such as housing, fuel and food have risen faster than wages. The proportion of income spent by low to middle income households on food, housing and utilities grew from 41% in 2004/5 to 44% in 2013/14.[19] Over 350,000 households now rely on rent-to-own household items, which are expensive and have poor price transparency.[20] Although we may now be entering a period of lower, or even falling, prices, it will take some time for real incomes to return to their pre-recession levels. Some estimates point to household debt growing faster than wages for the period 2015-19.[21]

2.28 Employment has remained high despite the recent recession, with the employment rate now at an all-time high[22]. But, particularly for people at the low-skilled end of the labour market, employment has become less stable. The rise in total employment since 2008 has been mainly among the self-employed.[23] An estimated 2.7 million people are on zero hours contracts.[24] More recently, deficit driven cuts in welfare spending have reduced the support available for those on the lowest incomes. These irregular and unreliable incomes do not easily align with financial services and household bills built mainly around regular payments. All this has had an impact on families' ability to manage their finances.

> "Individuals are juggling finances to get by, which is an early warning sign of impending financial difficulty. About 15 million households are showing one or more signs of actual financial distress...making minimum payments on their cards, being hit regularly by overdraft charges, using credit to get to the end of the month and pay for essentials."
>
> -Peter Tutton, StepChange Debt Charity

2.29 The squeeze on household budgets has changed the nature of financial exclusion. Leeds City Council conducted major research in both 2004 and 2010 in order to determine the nature and extent of financial exclusion in the city. The Council reported a clear change over six years, driven in part by the financial crisis: financial exclusion worsened in more deprived communities but also expanded into economically average communities that previously would not have been regarded as financially excluded.[25]

2.30 Paradoxically, increased economic optimism may encourage people to borrow beyond their means, thus growing the number of people who are over-indebted.

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19. Resolution Foundation, 2014. *The State of Living Standards*, London: Resolution Foundation.
20. All Party Parliamentary Group on Debt and Personal Finance, 2015. *Report from the Inquiry on the Rent to Own Sector*, London: House of Commons.
21. Trades Union Congress, February 2015. *Forecast for UK wages and household debt from 2015 to 2019*, London: TUC
22. ONS, 2015. *Statistical Bulletin: UK Labour Market, February 2015*, London: Office for National Statistics.
23. ONS, 2014. *Self-employed Workers in the UK*, London: Office for National Statistics.
24. ONS, 2014. *Analysis of Employee Contracts That Do Not Guarantee a Minimum Number of Hours*, London: Office for National Statistics.
25. Leeds City Council, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written

A rise in interest rates will mean many households struggle even more

2.31 Interest rates have remained at 0.5% for the past six years. The latest pronouncement from the Bank of England suggests that a rise in interest rates is not likely to be imminent and will be small.[26] But when this happens such a rise could still have an adverse effect on many households struggling to pay off their debts. Despite historically low interest rates, mortgage repayments remain high. This is driven, in part, by the total amount of debt held by these households. About 600,000 households spend more than half their income on debt repayments.[27] 60% of borrowers say they would cut down on spending if interest rates rose by two percentage points.[28]

26. Bank of England (2014) *February 2014 Inflation Report.* London: Bank of England.
27. Resolution Foundation, 2014. *The State of Living Standards*, London: Resolution Foundation.
28. Anderson, G., Bunn, P., & Pugh, A., 2013. *The impact of higher interest rates on the household sector: evidence from the 2014 NMG Consulting survey.* London: Bank of England.

III. WHAT SHOULD BE DONE?

3.1 Only about one in two people think that their bank is 'fair and transparent' or 'trustworthy'.[29] The financial crisis has obviously had an impact on the way people feel about financial services, but there is also an issue at customer service level. The Commission heard from people who are financially excluded that financial services simply 'aren't for them' – because they don't offer the services they want, or because they have had poor customer service in the past.

> "I went to the bank to ask about saving. They told me that I could save £5,000 in an ISA. I was thinking of saving £1 or £2 a week, so I immediately thought that this wasn't for people like me."
>
> -Money Mentor Graduate, Toynbee Hall

3.2 Sadly, the picture has changed little over time. Financially excluded people who took part in research in the 1990s felt exactly the same.[30]

3.3 Financial services are not generally designed to meet the needs of 'non-standard' consumers. Much consumer protection legislation is also underpinned by the notion of a 'typical' consumer.[31] But people in vulnerable circumstances, such as illness or a low level of literacy, are less able to access and use financial services than the 'typical' consumer. The Financial Conduct Authority is now challenging the financial services firms to review their approach to consumer vulnerability.

3.4 The Financial Inclusion Commission wants to see a financial system that includes and benefits everyone. This chapter sets out the Commission's recommendations on the key issues: leadership, banking and payments, credit and debt, savings and pensions, insurance and financial capability.

29. Accenture, 2014. *Winning the race for relevance with banking customers, London:* Accenture.
30. Policy Action Team 14, 1999. *Access to Financial Services,* London: HM Treasury.
31. FCA, 2015. *Occasional Paper no. 8: Consumer Vulnerability,* London: Financial Conduct Authority.

LEADERSHIP

Recommendations

1. Designate a senior minister as the government lead on financial inclusion, and financial capability, with the title of 'Minister for Financial Health'

2. Establish a Ministerial champion for financial inclusion in each interested Department and in all devolved administrations

3. Establish an independent, expert group to report to the Minister for Financial Health on emerging issues and on progress toward financial inclusion, similar to the Financial Inclusion Taskforce

4. Place a statutory duty on the Financial Conduct Authority to promote financial inclusion as one of its core objectives

5. Establish an independent, industry-funded think tank to work with consumer groups, tackle regulatory challenges and facilitate innovation in the interests of financially excluded consumers

3.5 Voluntary organisations, the financial services industry and local and central government all have initiatives to promote financial inclusion. But, since the end of the Financial Inclusion Taskforce, there has been a lack of momentum and coordination at national level. There is no central repository of knowledge and best practice.

3.6 Several government departments have specific areas of responsibility that are important in creating a financially inclusive society, for example welfare, skills, housing, education, even international development. The devolved administrations also have different approaches to tackling financial exclusion. This presents a challenge for coordinating and delivering financially inclusive policy for the whole of the United Kingdom.

1. Designate a senior minister as the government lead on financial inclusion, and financial capability, with the title of 'Minister for Financial Health'

3.7 Achieving a financially inclusive society will undoubtedly require a collective approach, with government taking a clear lead.

> "There is a really clear role for government in providing leadership. Since we had the change of government and the end of the Financial Inclusion Taskforce, there has been no leadership. Nobody has been setting expectations and monitoring where we are."
>
> -Claire Whyley, Financial Services Consumer Panel

3.8 The Commission recognises the concerns it heard about the lack of accountability and leadership within government. The Commission recommends that government designate a senior minister as the lead on financial inclusion, with the title 'Minister for Financial Health'. The minister would be tasked with leading efforts across government to make the United Kingdom a more financially inclusive society, with a focus on personal finance and including financial capability. This would provide not only a clear focal point for a financial inclusion strategy, but also a place to evaluate the effectiveness of financial inclusion initiatives.

2. Establish a Ministerial champion for financial inclusion in each interested Department and in all devolved administrations

3.9 Moreover, to ensure that all interested Departments recognise the role they play in this policy space and drive it forward, the Commission recommends that each relevant Department and devolved administration designate a Ministerial champion for financial inclusion. At UK level, apart from the Treasury and the Department for Work and Pensions, the interested departments should include (but are not limited to) the Cabinet Office; the Department for Business, Innovation and Skills; the Department for Communities and Local Government; the Department for Education; and the Department for International Development. Departments will have a greater impact when working together, so the Minister for Financial Health should coordinate efforts across government.

3. Establish an independent, expert group to report to the Minister for Financial Health on emerging issues and on progress toward financial inclusion, similar to the Financial Inclusion Taskforce

3.10 To ensure that momentum is maintained by the new government beyond May 2015, the Commission recommends that an independent group be established, comprised of experts in the field. This group would be similar to the Financial Inclusion Taskforce led by Sir Brian Pomeroy, which was successful in keeping financial inclusion high on the political agenda. It would further the understanding of financial exclusion, identify emerging issues and track progress against clear goals and objectives. The group would report direct to the Minister for Financial Health.

4. Place a statutory duty on the Financial Conduct Authority to promote financial inclusion as one of its core objectives

3.11 Legislation sets out that the financial services regulator, the Financial Conduct Authority (FCA), may have regard for 'the ease with which consumers who may wish to use those services, including consumers in areas affected by social or economic deprivation, can access them'.[32] But this regard for financial inclusion sits within the FCA's competition objective rather than its consumer protection objective. And competition alone will not deliver the social outcomes required.

32. HM Government, 2012. *Financial Services Act 2012, Chapter 21*, London: HM Government.

3.12 The Commission has heard a view from witnesses that the FCA is putting little pressure on firms to widen access, since, understandably enough, this is seen as 'social policy' rather than a 'regulatory' issue. Others argue that the existing legislation does not give the regulator a clear enough mandate to take decisive action and encourage the sector to develop services that meet the needs of consumers in vulnerable circumstances and on low incomes.

3.13 The Commission therefore recommends that the FCA should be required, through legislation, to have more than just the ability to have 'regard' for financial inclusion. The regulator should have a statutory duty actively to promote financial inclusion as one of its core objectives. This should be a broad approach to financial inclusion that ensures that every adult in the United Kingdom is connected to mainstream banking, has access to affordable credit, is enabled and encouraged to save and has the right insurance cover.

5. Establish an independent, industry-funded think tank to work with consumer groups, tackle regulatory challenges and facilitate innovation in the interests of financially excluded consumers

3.14 The United Kingdom is a global hub for financial technology (or 'fintech') innovation. The market is already estimated to be worth £20 billion in annual revenue[33], and the United Kingdom and Ireland is the fastest-growing region for fintech investment around the globe. The Commission supports the Blackett Review's recommendations for the Government to play an even bigger role in facilitating and stimulating innovation. But the Commission warns that fintech innovation is nearly always targeted to those who are already financially included.

3.15 The Commission therefore recommends that an independent think tank be established to facilitate innovation in the interests of financially excluded consumers. This may be similar to the Centre for Financial Services Innovation (CFSI) in the United States. The CFSI has a mission to improve financial health, especially of the underserved, by shaping a robust and innovative financial services marketplace with increased access to higher quality products and practices. It has successfully built a network across the industry; it was the first in the United States to size the underserved market; and it popularised the concept of financial health.

3.16 The think tank should have a particular focus on the use of new digital and mobile innovations. Technology is changing the way we all use financial services. While such technology may not reach everyone today, it offers a huge opportunity to provide more tailored, flexible banking services that give people more control over their money.

3.17 For example, new entrants such as the Change Account and Ffrees are using existing technology to offer 'jam-jar' functionality to allow customers to allocate income to different accounts (e.g. rent, bills, spending). Prepaid cards, which can be used just like any other card but also provide 'cash-like' control, could be helpful in the roll out of Universal Credit. The new PayM technology, which allows people to make payments using a mobile phone, could be used to make payments work better for people. In its first month, a new user signed up to use this service every 7.5 seconds.[34]

33. Blackett Review, 2015. *FinTech Futures: The UK as a world leader in financial technologies*, London: Government Office for Science.
34. British Bankers Association, 2014. *It's in Your Hands*, London: British Bankers Association.

3.18 Non-financial services can also use technology to promote financial inclusion. Smart meters are an example of how technology has the potential to help utility firms better meet people's needs. They facilitate better information exchange between the consumer and the supplier and equalise cost to serve for pre-payment and credit customers. This should eliminate the 'poverty premium' that people using pre-payment meters pay today. It makes little sense to charge more to a household paying in advance than one paying in arrears if they cost the same to service.

3.19 The think tank could be entirely funded by banks and other financial services firms on a voluntary basis, following the United States model. They understand that serving the needs of all consumers is ultimately good business.

3.20 Improving on the United States model, the Commission recommends that the think tank works closely with consumer groups so that any innovations are rooted in the needs and desires of consumers, particularly those who are financially excluded. It should explore regulatory and structural challenges, including capital requirements and the cost of compliance, which can limit innovation.

BANKING AND PAYMENTS

Recommendations

6. The Competition and Markets Authority to promote transparent pricing as part of its investigation into retail banking

7. The new Payment Systems Regulator to ensure Direct Debits and Faster Payments are accessible to small organisations and new entrants

8. Regulators to ensure payment mechanisms are responsive to the needs of all consumers

9. The Department for Work and Pensions to promote inclusive alternatives to the Post Office Card Account to support the introduction of Universal Credit, which meet the new basic bank account industry standard agreed by HM Treasury, including electronic payment facilities

10. The Financial Conduct Authority to promote greater consistency and accessibility in identity requirements for opening a bank account, and the Cabinet Office to continue to work with industry to deliver a world-leading digital identity that supports financial inclusion

3.21 The needs of consumers on low incomes or in vulnerable situations too often go unmet. The FCA requires financial services firms to 'treat customers fairly' and outlines six outcomes that it expects firms to achieve. One of these outcomes is that 'products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly'.[35] But this guidance from the regulator specifies only that individual firms must treat their existing customers fairly. It is not intended to require firms – or sectors – to meet the needs of wider society.

3.22 Personal current accounts provide an example of how financial services are failing to meet consumer needs. Of the nearly two million adults who do not have a bank account[36], the Financial Inclusion Taskforce found that six in ten had previously had an account and stopped using it and that only about half of people without a bank account actually wanted one[37]. When the 'unbanked' do make the move into banking, this is generally out of necessity (e.g. getting a job, relationship breakdown) rather than desire for an account.[38] In addition, people with bank accounts often do not make full use of them. Around half of people with basic bank accounts choose to manage their money in cash.[39] All this suggests that banking services still do not work for everyone.

35. Financial Conduct Authority, 2014. *Treating customers fairly.* Available at: http://www.fca.org.uk/firms/being-regulated/meeting-your-obligations/fair-treatment-of- customers
36. Rowlingson, K. & McKay, S., 2014. *Financial Inclusion: Annual monitoring report 2014*, Birmingham: University of Birmingham.
37. Financial Inclusion Taskforce, 2010. *Banking Services and Poorer Households*, London: Financial Inclusion Taskforce.
38. Sood, A. & Hollings, P., 2010. *Research on Motivations and Barriers to Becoming Unbanked*, London: Financial Inclusion Taskforce.
39. Social Finance, 2011.London: Social Finance.

"Is it a good idea to have a bank account? It might actually be the worst thing you are doing."

-Austin Staunton, North Lancashire Citizens Advice Bureau

3.23 Banking and payments are often people's first experience of financial services and can offer a gateway to further financial inclusion. It is therefore crucial that these services meet people's needs and that people benefit from them. Only then will inclusion in the financial system be truly meaningful.

6. The Competition and Markets Authority to promote transparent pricing as part of its investigation into retail banking

3.24 Transparency is important to people. In a survey of current account customers, being 'clear and transparent' was voted as the most important factor in choosing a current account, even more important than 'value for money'.[40] Yet the free-in-credit banking model makes the true cost of banking services complex and difficult to understand. At present, banks recover the costs of offering free-in-credit accounts by charging in other areas, including stiff penalty charges for unauthorised overdrafts or withdrawals.

3.25 The Commission welcomes the Competition and Markets Authority's (CMA) investigation into retail banking, which will include an examination of pricing models. In a preliminary study, it found that as a whole, Personal Current Accounts (PCAs) are loss-making, suggesting a cross-subsidy not only through other revenue streams from PCAs, but from other retail banking products.[41] The study also found that an increasing diversity of charging structures is making it harder for customers to compare products across different providers to ensure they are getting a good deal.

3.26 The free-in-credit model can therefore distort competition and limit innovation. In response to the CMA's investigation, challenger banks such as Tesco Bank[42] and Virgin Money[43] have argued that the opaque nature of current account charging is a barrier for attracting customers. Barclays argued in its submission to the CMA that free banking was contributing to inertia: 'consumers may have less of an incentive to spend time evaluating their choice of provider compared to energy, mobile phone contracts and mortgages'.[44]

3.27 Some new providers cover their costs and grow their business by charging an up-front fee instead of charging for failed transactions or offering credit products. This innovation is relatively recent, so it is unclear whether these providers will be able to challenge the free-in-credit banking model. There is noticeable consumer aversion to paying a monthly fee for banking services, with the result that there are some forms of cross-subsidy which many accept without complaint.

40. Accenture, 2014. *Winning the race for relevance with banking customers*, London: Accenture.
41. CMA, 2014. *Personal current accounts: Market study update*, London: Competition & Markets Authority.
42. Tesco Bank, 2014. *Response to CMA consultation on PCAs and banking services to SMEs.* Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370921/Tes co_Bank_response.pdf
43. Virgin Money, 2014. *Response to CMA consultation on PCAs and banking services to SMEs.* Available at: https://assets.digital.cabinet- office.gov.uk/media/5492f67a40f0b602410002f0/Virgin_Money_response.pdf
44. Barclays Bank, 2014. *Response to CMA consultation on PCAs and banking services to SMEs.* Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370850/Bar clays_response.pdf

3.28 The Commission calls for the CMA's investigation into retail banking to promote transparent pricing for banking services. Clear, transparent pricing for banking services will not only help people to understand the true cost of their bank account and to compare the offerings of different providers, but will also help to increase competition and foster innovation better to meet people's needs.

7. The new Payment Systems Regulator to ensure Direct Debits and Faster Payments are accessible to small organisations and new entrants

3.29 Payment systems underpin everyday financial activity and are critical to managing household finances. It is therefore important to consumers that their transactional accounts offer payment services that meet their needs.

3.30 But new entrants, alternative providers and credit unions have all struggled to offer mainstream Direct Debits and Faster Payments to their customers. The Commission heard that banks are often unwilling to provide access to payment systems and that it can be prohibitively expensive owing to their size and relatively small number of transactions.

3.31 The Commission calls on the new Payment Systems Regulator (PSR), which will become fully operational in April 2015, to ensure that Direct Debits and Faster Payments are accessible to all financial services firms, including small organisations and new entrants. This could, for example, be achieved through aggregation. The Credit Union Expansion Project is exploring the possibility of credit unions joining together to access payment systems through a shared infrastructure.

8. Regulators to ensure payment mechanisms are responsive to the needs of all consumers

3.32 Direct Debits have been – and remain – problematic for people on low or unstable incomes. Given the increasingly unstable nature of employment, they do not reflect the reality of many people's lives. Around half of the newly banked have incurred penalty fees for failed Direct Debit transactions, with 26% incurring more in charges than they gained in savings.[45] As a result, many people have opted out of banking and choose to pay their bills through alternative methods, such as pre-payment meters, which cost more but give them more control.

3.33 The Commission welcomes HM Treasury's agreement[46] with nine high street banks to offer fee-free basic bank accounts to those ineligible for a current account. This will help families to avoid the costs of failed Direct Debits. It does not, however, change the nature of the payment mechanism to make it more flexible and better meet people's needs.

45. Ellison, A., Whyley, C., & Forster, R., 2010. *Realising Banking Inclusion: The achievements and challenges*, London: HM Treasury.
46. HM Treasury, 2014. *Revised bank account agreement.* London: HM Treasury.
Available at: https://www.gov.uk/government/publications/revised-basic-bank-account-agreement

3.34 The Commission recommends that regulators work with the financial services industry to ensure that payment mechanisms are responsive to the needs of all consumers. The Commission would like to see a more flexible alternative to Direct Debits that gives people more control. This could be achieved through new developments in technology, such as PayM, which allows people to make peer-to-peer payments with a mobile phone. It could be taken further to bank and billing authorities giving customers more warning and choice over forthcoming payments, and to enable people to make bill payments using a mobile phone.

3.35 The Commission recognises that all organisations taking and issuing payments, not just financial services, have a role to play in meeting people's needs. Utility companies, mobile phone providers, TV licensing and local authorities all rely on the use of Direct Debits to receive regular payments from their customers and will need to adopt a flexible alternative if it is to succeed. They would benefit from being able to collect partial payments from their customers.

3.36 In addition, a safe and secure way to send remittances is important to many migrants in the United Kingdom. But regulatory pressures have forced banks and alternative providers to withdraw from the provision of remittances to 'high risk' countries, owing largely to Know Your Customer, anti-terrorism and other rules. The Commission recommends that government and regulators work with the industry to address this issue.

9. The Department for Work and Pensions to promote inclusive alternatives to the Post Office Card Account to support the introduction of Universal Credit, which meet the new basic bank account industry standard agreed by HM Treasury, including electronic payment facilities

3.37 The Post Office Card Account (POCA) has been successful in providing the government with an efficient, low-cost way to send payments (such as benefits and state pensions) to people without bank accounts. About 2.5 million people have a POCA[47], and 71% of the unbanked are dependent on one[48]. But users have not felt that they are managing their money independently and want more functionality from the account, such as the ability to withdraw cash from ATMs.[49]

3.38 In December 2014, it was announced that the government would commission the POCA for a further seven years, until November 2021.[50] But it is unclear whether the renewal of the contract will mean that people will be able to use a POCA to receive Universal Credit. As it stands, Universal Credit will need to be paid direct to a bank account.

3.39 The Commission recommends that the Department for Work and Pensions (DWP) promote inclusive alternatives to the POCA to help people manage their money and support the introduction of Universal Credit. The DWP had openly considered subsidising, and issued a tender for, such a product in the past.

47. DWP, 2014. *Press release: Post Office service for pensioners and benefit claimants to be safeguarded with new government contract,* London: Department for Work and Pensions.
48. Sood, A. & Hollings, P., 2010. *Research on Motivations and Barriers to Becoming Unbanked,* London: Financial Inclusion Taskforce.
49. Ibid.
50. DWP, 2014. *Press release: Post Office service for pensioners and benefit claimants to be safeguarded with new government contract,* London: Department for Work and Pensions.

3.40 Inclusive alternatives, and any accounts enabled to receive Universal Credit payments, should be required to meet the basic bank account industry standard agreed by HM Treasury. This includes ATM access within the LINK network, Direct Debits, Standing Orders and payment card transactions. They could also include additional features such as 'jam-jar' functionality to help people manage their money. Robust piloting and evaluation should be conducted to ensure that the solutions most effective in helping people to manage Universal Credit payments are taken forward.

10. The Financial Conduct Authority to promote greater consistency and accessibility in identity requirements for opening a bank account, and the Cabinet Office to continue to work with industry to deliver a world-leading digital identity that supports financial inclusion

3.41 Identity requirements can be a barrier to opening a bank account for many. Though at a policy level banks accept a wide range of documents, in practice bank staff are wary of accepting non-standard forms of ID, particularly in light of Know Your Customer regulations. The FCA provide guidance on what alternative documents could be used to prove identity, such as a letter from the DWP or a local authority. But banks are not required to accept them.

> "I have been to many groups around here and they will say that, 'We cannot save and we cannot get a bank account'. They tell me things like, 'You need a letter from God to get a bank account round here.'"
>
> – Dr Paul A. Jones, Liverpool John Moores University

3.42 The Commission calls on the FCA to promote greater consistency and accessibility in identity requirements for opening a bank account. It should develop a standard directory of documents that it expects banks to accept. This list should be as long as possible and include what it describes as 'alternative' forms of ID. After all, if the regulator is satisfied with a particular form of identification, there should be no regulatory barrier to a bank accepting it. The Commission also recommends that banks carry out comprehensive training to ensure that staff members are knowledgeable and confident about identity requirements, and that there is consistency across the entire bank.

3.43 A standard digital identity could also help people to prove their identity to open a bank account. The Commission is encouraged by the work of the Cabinet Office to develop 'Gov.uk Verify'. It aims to enable people who do not have specific official documents, such as a passport or driving licence, to prove their identity through other means. Through Gov.uk Verify, people will be able to access government services online, such as registering to vote or managing student loans.

3.44 But the Commission calls on the Cabinet Office to deliver a digital identity that is world-leading and will support financial inclusion. The United Kingdom could learn from Estonia, which has already developed a secure, authenticated electronic ID which can be used not only for engaging with 600 public 'e-services' like voting, but also financial services. People are able to open and manage bank accounts and sign contracts all using their digital identity.

CREDIT AND DEBT

Recommendations

11. Government to enable the use of public sector and non-traditional data in credit scoring, with safeguards, to make access to financial services easier for excluded groups

12. Government to lead a collective effort with retail banks and others to promote wider data disclosure and to fill the low income credit gap which has been widened by departing payday lenders

13. Promote measures to make community finance institutions more sustainable, such as government lifting the APR cap on credit unions, lenders and investors developing a better understanding of business models and risk, and community lenders attracting a wider customer base

14. Adapt Scotland's Debt Arrangement Scheme for the whole United Kingdom, with frozen interest, reduced arrangement fees, more breathing space, reduced time on the credit file and the offer of financial skills training

15. Promote a more coherent approach to customer-focused debt advice through better coordination and clear regulatory guidance

3.45 Credit can help people deal with financial shocks, but many people have difficulty accessing it at affordable rates. The use of unaffordable or poorly managed credit can lead to problems with debt. An estimated nine million people in the United Kingdom do not have access to mainstream credit, either because they are unbanked or because they are not able to access credit facilities through their bank.[51] On the other hand, estimates of the number of individuals who are over-indebted range from 2.9 million[52] to 8.8 million[53].

11. Government to enable the use of public sector and non-traditional data in credit scoring, with safeguards, to make access to financial services easier for excluded groups

3.46 Credit scoring is a key barrier to accessing credit and other financial services. People with a 'thin' credit file, or no credit history at all, often find it difficult to access credit, or are restricted to the most expensive products. The Commission has been encouraged by the recent use in credit scoring of utility and mobile phone payments and rental payments for some social housing tenants. But there is an opportunity to take this further.

51. New Economics Foundation, 2009. *Doorstep Robbery: Why the UK needs a fair lending law*, London: New Economics Foundation.
52. Based on 11% of UK households, in BIS, 2013. *Credit, Debt and Financial Difficulty in Britain, 2012*, London: Department for Business Innovation & Skills.
53. Money Advice Service, 2013. *Indebted Lives: the complexities of life in debt*. London: Money Advice Service.

3.47 The government holds a variety of financial information which could help identify individuals and build a profile of an individual's income, financial situation, outgoings and ability to borrow. This includes data on benefits and tax credits (including Universal Credit), pension payment data and HMRC tax receipt data. These large data sets can be used to provide information to credit referencing agencies. The Commission calls on the government to enable the use of this and other non-traditional data to help people to build their credit scores and promote access to financial services for excluded groups.

3.48 The Commission recognises that there are important privacy considerations, and the value of public sector data should be taken into account in any transfer to the private sector. Safeguards would need to be put in place, to ensure for example that information was not used to restrict access to credit or financial services, or that delayed government payments did not adversely affect credit scores.

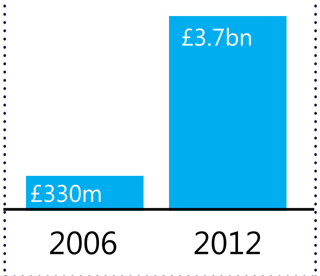
3.49 In the longer term, the Commission would like to see a broader use of data in credit scoring. This would include financial information like regular payments for non-credit products, such as pay-as-you-go services. It would also include information on financial capability, for example evidence of completing a financial skills training. The United States is already working to include an element of financial capability in credit scoring. Knowing that a potential borrower has completed a module on money management is likely to be useful knowledge for a lender when deciding whether he or she is able to manage a loan, increasing the likelihood that it will be repaid.

12. Government to lead a collective effort with retail banks and others to promote wider data disclosure and to fill the low income credit gap which has been widened by departing payday lenders

3.50 The financial crisis has changed the way that financial services operate. Anti-money Laundering (AML) regulation and the impact of the banking crisis has caused banks and other lenders to withdraw from higher risk lending. This has raised the threshold for access to mainstream credit, and restricted the amount of credit available to those with low credit scores.

3.51 High-cost lending has bridged the gap for many excluded from mainstream credit and without access to lower cost alternatives. An estimated two million people took out a high-cost loan in 2012 as they were unable to access any other form of credit.[54] The payday lending market grew from £330 million in 2006 to £3.7 billion in 2012.[55]

Growth of the payday lending market



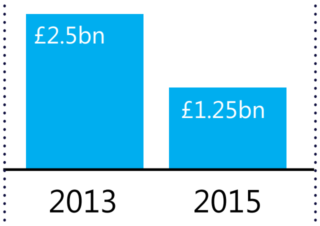
Estimates of the payday lending market based on lenders' financial statements in Beddows, S. & McAteer, M., 2014. *Payday Lending: Fixing a broken market,* London: Association of Chartered Certified Accountants.

54. Centre for Social Justice, 2014. *Restoring the Balance: Tackling problem debt*, London: Centre for Social Justice.
55. Beddows, S. & McAteer, M., 2014. *Payday Lending: Fixing a broken market*, London: Association of Chartered Certified Accountants.

3.52 The recent cap on high-cost, short-term credit (mandated by Parliament and implemented by the FCA) will limit the price of credit for consumers to twice the value of the loan, and will benefit many. It is aimed largely at payday lenders, but excludes products such as doorstep lending, credit cards and overdrafts, which can often cost more to low income users than short-term payday loans. But while it has restricted supply, it has not restricted demand.

3.53 It is estimated that high cost lending will fall by £1.25 billion in 2015, compared with its 2013 level[56] – thus widening the low income credit gap. The Commission has heard concern from witnesses that if people are not able to access any legal form of credit, they may turn to illegal moneylenders. This may happen over time, as people exhaust any alternatives they have, such as borrowing from friends and family, and illegal lenders begin to cultivate new markets. In the United States, there has been a rise in illegal lending in states where the legal supply of high-cost, short-term credit has been restricted or banned, particularly online where illegal lending can be indistinguishable from regulated lending.[57]

The impact of the FCA's cap on payday lending



Estimates of the high-cost, short-term credit market. The 2013 figure is based on data from 33 firms covering 99% of the market in FCA, 2014. *Proposals for Price Cap on High-cost Short-term Credit*, London: Financial Conduct Authority. 2015 projection is based on declining lending volumes in Policis, 2015. *Illegal Lending Presentation*, London: Policis. Available at: https://www.policis.com/pdf/Illegal_Lending_presentation_150115_FINAL.pdf

3.54 The Commission calls on government to lead a collective effort with retail banks and other financial services, both to understand and to fill the low income credit gap.

3.55 To develop a greater understanding of the problem, the Commission recommends wider data disclosure. If lenders were required to disclose data by postcode on credit applications and rejections, policymakers would be better able to understand the scale and shape of the low income credit gap. The SME Finance Monitor[58] has been collecting and analysing such data for small and medium sized enterprises since 2011, so this would build on existing data disclosure practices for personal finance. A similar piece of work was previously commissioned by the Financial Inclusion Taskforce to identify 'black spots' of financial exclusion.

3.56 To help address the low income credit gap, the Commission calls on the government to build on the success of the Treasury's agreement with high street banks to provide fee-free basic bank accounts and lead a collaborative industry effort to fill the low income credit gap. The project would work to identify the real cost to serve high-risk consumers and lead the debate on what rates of interest are considered 'fair' in light of this cost. This would encourage retail banks and other lenders to offer basic and small-value credit facilities that are popular with consumers, but have been politically unpopular because of their high interest rates. The continued disclosure of lending data will allow government to monitor the effectiveness of this initiative.

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56. Policis, 2015. *Illegal Lending Presentation.* London: Policis.
Available at: https://www.policis.com/pdf/Illegal_Lending_presentation_150115_FINAL.pdf
57. Ibid.
58. http://bdrc-continental.com/products/sme-finance-monitor/

13. Promote measures to make community finance institutions more sustainable, such as government lifting the APR cap on credit unions, lenders and investors developing a better understanding of business models and risk, and community lenders attracting a wider customer base

3.57 The community finance sector, e.g. credit unions and community development finance institutions (CDFIs), could help address the low income credit gap. But the sector has struggled to meet demand. It is estimated that the potential demand for community finance is about £6 billion per year.[59] In contrast, credit unions lent just £676 million in 2013 and in 2014[60], and CDFIs lent just £174 million[61]. This leaves a substantial credit gap of about £5 billion.

3.58 In order to meet this challenge, the community finance sector needs to become more sustainable. Though efforts to increase the size of the community finance sector are underway, they have so far been inconclusive. The Credit Union Expansion Project aims to modernise and grow the credit union sector, and the British Business Bank is commissioning new independent research into the sustainability of CDFIs.

3.59 The Commission recommends that growth of the community finance sector is facilitated by greater access to commercial capital and social investment, rather than further subsidy. The challenge is that credit unions and CDFIs have struggled to access capital through banks because they are deemed 'too risky' and through investment because they do not offer large returns.

> "Continued subsidy and revenue support has not only stunted the credit union sector's development but it has also left the sector vulnerable to the withdrawal of support."
>
> - Association of British Credit Unions Limited (ABCUL)

3.60 Greater sustainability will undoubtedly require a number of measures, which both make the community finance sector more investible, and help lenders and investors understand the relationship between risks and returns.

59. Henry, N. and Craig, P., 2013. *Mind the Finance Gap: Evidencing demand for community finance,* London: CDFA/RBS.
60. Figures from unaudited quarterly returns provided to the Prudential Regulation Authority. Given in written evidence to the Commission from the Association of British Credit Unions. Available at: http://financialinclusioncommission.org.uk/evidence/written
61. CDFA, 2014. *Inside Community Finance: the CDFI industry in the UK 2014.* London: CDFA.

3.61 Credit unions are bound by a maximum interest rate which has restricted their ability to provide loans to financially excluded communities. This rose to 3% interest per month (about 42.6% APR) in April 2014. The DWP's Credit Union Expansion Project expects this to help credit unions become sustainable in five to seven years.[62] But the Commission heard evidence from witnesses that suggests that the cap may still be too low to be sustainable even in the longer term. Raising the interest rate cap on credit unions could increase returns, helping them to grow lending and attract additional investment.

3.62 On the other hand, CDFIs still struggle to access commercial capital, even though they are not bound by the same interest rate as credit unions. The Commission heard from Moneyline, a CDFI operating in North West England and South Wales, that they were forced to stop lending in December 2014 owing to lack of working capital.[63] This meant turning away 750 to 1,000 applicants just weeks before Christmas.

3.63 The Commission did, however, hear from Fair Finance, which has been successful in obtaining investment, and commercial capital through Santander. It has successfully lent to financially excluded groups with a default rate below 8%.[64] Fair Finance told the Commission that the key to the CDFI becoming investible has been a robust business plan, efficient processes and actively turning down subsidies. Santander said that the decision to lend to Fair Finance on a commercial basis was a 'relationship-led' model, where the bank invested time to develop a deep understanding of Fair Finance's business model, needs and risks. The Commission commends this approach and recommends that banks and other lenders work more closely with community finance firms.

3.64 The United Kingdom may also be able to learn from the Community Reinvestment Act (CRA) in the United States, which was implemented in response to evidence that financial institutions were designating 'no go' areas on the basis of racial composition, age, or income levels. Under the CRA, banks are rated on their lending, investment and service practices to ensure that they are meeting the needs of the community. Federal banking regulators study a bank's CRA rating when considering applications for expansions, mergers, or additional deposit facilities. The results have been positive: community loans increased by 319% from 1996 to 2006[65] and CRA-backed loans have been profitable for banks[66].

3.65 Community lenders could also become more sustainable by reaching a wider market, therefore making themselves more attractive to commercial lenders and social investors. This might be achieved through learning from good technology and marketing practices developed by others in the market. The Cabinet Office is facilitating the development of an online portal to make community lenders more readily accessible to consumers, in partnership with the private sector.

62. Purtill, C., Cray, J., Mitchell, C., 2011. *DWP Credit Union Expansion Project: Feasibility study report*, London: Department for Work and Pensions.
63. Oral evidence to the Commission from Niall Alexander of Moneyline. Available at: http://financialinclusioncommission.org.uk/evidence/transcripts
64. Informal evidence to the Commission from Faisel Rahman OBE of Fair Finance.
65. Littresll, J. & Brooks, F., 2010. In Defense of the Community Reinvestment Act. *Journal of Community Practice*, 18(4), pp. 417-439.
66. Barr, M., 2005. Credit Where It Counts: The Community Reinvestment Act and its critics. NYU Law Review, 80(2), pp. 513-652.

14. Adapt Scotland's Debt Arrangement Scheme for the whole United Kingdom, with frozen interest, reduced arrangement fees, more breathing space, reduced time on the credit file and the offer of financial skills training

3.66 Existing debt solutions are not fit for purpose. The Commission heard evidence from both StepChange Debt Charity and the Money Advice Trust that existing debt solutions in England, Wales and Northern Ireland had not kept pace with changes in people's problems and needs. For example, the bankruptcy fee in England and Wales is £700. While there is some help available for people on low incomes or on benefits, many people simply cannot afford to pay the fee. Debt Relief Orders (DROs) are targeted at people on low incomes, but have a debt limit of £15,000 which some have said is now too low. Recovering from problem debt can have a detrimental impact on the ability to access credit long after debts have been paid off.

3.67 In contrast, the Debt Arrangement Scheme (DAS) in Scotland freezes interest charges and fees and stalls enforcement action for the duration of the scheme, providing much needed breathing space. It finds a balance between the debtor, who repays 100% of the outstanding debt, and the creditor, who recovers at least 90% of what is due to him or her. The Commission recommends that the rest of the United Kingdom adopts a debt solution along the lines of the DAS, and that this approach be improved even further in the whole country.

3.68 DAS provides an initial breathing space period of six weeks before people need to show they can repay debts in a reasonable period. But some such as StepChange Debt Charity have argued that an extended breathing space is needed to help people get back on their feet.[67] It may well take a bit longer to get another job, recover from serious temporary illness, adjust to relationship breakdown, etc. The Commission proposes that the six week 'intimation' period be extended, both in Scotland and the rest of the United Kingdom.

3.69 The Commission also recommends that people who have been through a DAS should be able to re-enter the wider financial system sooner. A DAS remains on a person's credit file for six years after completion – the same as an Individual Voluntary Agreement or Debt Relief Order – and can prevent people from accessing credit years after they have paid off their debts. Lowering the duration the bankruptcy would remain on record would require cooperation between lenders and credit referencing agencies.

3.70 Finally, the DAS provides an element of financial education which is mandatory in certain cases (for example, if a person had previously been made bankrupt or been through other debt management programmes). The Commission recommends that a modified DAS would offer financial skills training to everyone taking up the scheme, but this would not be mandatory.

3.71 The DAS scheme is relatively new in Scotland, so limited evidence has emerged on outcomes. The Commission would therefore suggest close monitoring and evaluation of the further roll out, suitably refining delivery over time.

67. StepChange Debt Charity, 2014. *Safe Harbours: Why we need a new extended breathing space guarantee to help people in difficulties recover from debt*, London: StepChange Debt Charity.

15. Promote a more coherent approach to customer-focused debt advice through better coordination and clear regulatory guidance

3.72 On one estimate from StepChange Debt Charity, problem debt is costing the United Kingdom £8.3 billion, owing to people losing their homes or being evicted, lost productivity and impacts on mental health, among other factors.[68]

3.73 For those who seek help managing their debt, there is a wide range of debt management solutions available which differ between England, Wales, Northern Ireland and Scotland. This set of choices can be very difficult for individuals to navigate on their own. Yet only 17% of over-indebted people seek debt advice.[69]

3.74 The Commission has heard from witnesses that part of the problem is the number of debt advice agencies who provide slightly different offerings.

"To some degree the problem is there is a large number of organisations delivering quality debt advice. It is therefore...quite a confusing landscape."

– Sir Hector Sants, Archbishop's Task Group on Credit Unions and the Financial Sector

3.75 The practices of for-profit debt management companies and insolvency practitioners can also mean that it takes longer for people to recover from problem debt. There is significant price variation among firms, but FCA guidance allows for companies to charge up to half of the monthly debt repayment in fees. The cost of this administration could otherwise be returned to creditors or used to reduce the burden on individuals.

3.76 The Commission calls for clearer guidance from the FCA and Money Advice Service about the availability of high quality, free debt advice. It also calls for a more coherent approach to the provision of customer-focused debt advice in the United Kingdom with more, effective, coordination by the Money Advice Service, on the lines recommended by the Farnish Review. A range of easily accessible and distinguishable options from a range of providers should be available for those who need them.

3.77 In addition, the Commission recommends the FCA examine the regulatory boundary between generic money advice and debt counselling. At present, this is imprecise and can be difficult to understand. For example, helping someone to create a budget is considered merely generic money advice (and therefore not regulated). But advising someone to act on a budget by reducing spending on non-essentials in order to prioritise debt repayments is considered debt counselling (and therefore regulated). As a result, some voluntary organisations are hesitant to provide money advice for fear they will veer into regulated territory.

68. StepChange, 2014. *The £8.3 Billion Challenge: the social cost of problem debt in the UK*, London: StepChange.
69. Money Advice Service, 2013. *The Financial Capability of the UK*, London: Money Advice Service.

SAVINGS AND PENSIONS

Recommendations

16. Rebalance government subsidies for savers to ensure everyone is encouraged to save, introduce auto-enrolment for workplace savings schemes and conduct a feasibility study into which savings models work best for people on low incomes

17. Government to conduct a robust evaluation of 'Pension Wise' to ensure that everyone has access to an affordable, objective service that is fit for purpose

18. The Department for Work and Pensions to work with the industry to deliver a Swedish-style pensions dashboard to help people understand the prospective real value of their consolidated public, private and occupational pension income

3.78 Savings are crucial in building financial resilience. They help people meet unexpected demands, smooth peaks and troughs in income and spending and limit the need for borrowing. Yet only 41% of the UK population report having any savings.[70] 13 million people do not have enough savings to support them for a month if they experience a 25% fall in income.[71] Meanwhile, StepChange Debt Charity has estimated that having £1,000 worth of savings could have prevented half a million people from falling into problem debt.[72]

3.79 When many families are struggling to make ends meet, it is difficult for them to save. Leeds City Council conducted a study in the more deprived areas of the city either side of the recession and found that the proportion of households with no savings rose from 37% in 2004 to 67% in 2010.[73] This is probably due to a combination of people spending the savings they had, and others not having enough money to start saving.

16. Rebalance government subsidies for savers to ensure everyone is encouraged to save, introduce auto-enrolment for workplace savings schemes and conduct a feasibility study into which savings models work best for people on low incomes

3.80 The Government spent £2.85 billion on tax relief on ISAs in 2013/14[74] and, we estimate, over £319 million a year on pensioner bonds[75]. The benefits of these schemes go mostly to higher income households. If policymakers and financial institutions agree that better-off groups deserve incentives to save, lower income groups should get similar support. The Commission recommends that government rebalance spending to ensure that everyone is encouraged to save, including lower income households who are more vulnerable to unexpected expenditure and financial difficulty.

70. Rowlingson, K. & McKay, S., 2014. Financial Inclusion: Annual monitoring report 2014, Birmingham: University of Birmingham.
71. StepChange Debt Charity, 2014. *Life on the Edge*, London: StepChange.
72. StepChange Debt Charity, 2015. *An Action Plan on Problem Debt: How the next UK Government can reduce the £8.3 billion social cost of problem debt,* London: StepChange Debt Charity.
73. Written evidence to the Commission from Leeds City Council. Available at: http://financialinclusioncommission.org.uk/evidence/ written
74. HM Revenue & Customs, 2014. *Individual Savings Account (ISA) Statistics.* London: HM Revenue & Customs. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/348071/Full _Statistics_Release_August_2014.pdf
75. Author's calculations: Based pensioner bonds worth £10bn on a four per cent return on a three year pensioner bond, compared with the return on a three year government bond of 0.81 per cent (source: fixedincomeinvestor.co.uk, accessed on 8 February 2015). Calculation is £10bn * (4% - 0.81%) = £319m / year.

3.81 People generally do save when it is worth their while, but the market does not provide much incentive for those who can. Existing savings products are not rewarding or suitable for people wanting to save a few pounds a week. Interest rates have not kept up with inflation, and the tax incentives used by government mean little to those who do not pay tax or only have small sums to save.

3.82 The Commission recommends the introduction of an auto-enrolment workplace savings scheme, which could build on the framework for pension contributions. This approach has been suggested by StepChange Debt Charity.[76] This would help to make saving as easy as possible for those in work, and would be expected to greatly increase the number of people saving.

3.83 But the Commission recognises that this scheme may not be appropriate for everyone and would not help people who were not in work. The Commission therefore calls for a feasibility study into which savings models work best and are most attractive to people on low incomes. The following box outlines options that could be explored.

76. StepChange Debt Charity, 2015. *An Action Plan on Problem Debt: How the next UK Government can reduce the £8.3 billion social cost of problem debt*, London: StepChange Debt Charity.

OPTIONS FOR SAVINGS SCHEMES

- Matched savings schemes, similar to the Saving Gateway that was piloted by government. Evaluation suggested that there was a positive impact, with 65% of people making further contributions after accruing the maximum match funding.[77] In the evidence taken, the Commission heard overwhelming support for the scheme.

- A lifetime savings product could allow people to save towards both short-term and long-term saving goals at the same time

- 'Save the change' type schemes that round up the amount of purchases and put the difference into savings. The scheme run by Lloyds has been taken up by hundreds of thousands of customers, saving millions of pounds.[78] Supermarkets or social landlords could adopt a similar approach.

- Existing Premium Bonds in the UK could be updated more closely to match the 'save to win' schemes popular in the United States. These schemes have incentives much simpler than complex interest rates or tax breaks. Customers simply enter into a prize draw, but do not risk losing the original amount of savings. Changes to Premium Bonds might entail reducing the minimum purchase amount (set at £100 or £50 if paid by monthly standing order) and better marketing.

- A savings element in Universal Credit could be introduced, as put forth by the Centre for Social Justice[79], which would allow recipients to divert an amount of their Universal Credit award into a savings account if they choose to.

- Savings contributions alongside debt repayments could be encouraged. Some lenders, particularly credit unions and CDFIs, already offer this service.

- Payroll deductions into credit union accounts could be made available to all public sector workers, and the private sector could be encouraged to do the same. This would not only help make savings easy for people, but would help drive membership and deposits for credit unions.

77. Harvey, P. et al., 2007. *Final Evaluation of the Saving Gateway 2 Pilot: Main Report*, London: HM Treasury.
78. Lloyds Banking Group, 2010. *Better Access to Banking: Financial Inclusion Report*. London: Lloyds Banking Group.
79. Centre for Social Justice, 2014. *Restoring the Balance: Tackling problem debt*, London: Centre for Social Justice.

17. Government to conduct a robust evaluation of ‘Pension Wise’ to ensure that everyone has access to an affordable, objective service that is fit for purpose

3.84 The liberalisation of pensions will give people greater flexibility. But it could be difficult for people to navigate their way through the new range of choices on offer. The International Longevity Centre has also argued that retirement planning was already difficult with numerous moving parts to consider, but has been made even more complicated in the face of constant policy change.[80]

3.85 While the government’s Guidance Guarantee (Pension Wise) gives people the right to free and impartial guidance from independent sources, it is yet to be seen if this will be enough. The Commission heard from witnesses who were concerned about a potential ‘advice gap’ and whether those responsible for providing such advice would be up to the task and ready on time. For example, the Association of British Insurers has raised concerns that, a mere six weeks before the reforms are launched, pension providers still do not have an understanding of where to direct people and how advice will be delivered.[81]

3.86 The Treasury Select Committee has also expressed concerns about pension reforms in its report on the 2014 Autumn Statement.[82] The report comments on a lack of stability and certainty in pensions for individuals, the ‘advice gap’, uncertainty as to what constitutes regulated advice under the FCA, and what a default pension product might look like.

3.87 Failure to provide adequate pensions advice will have serious long-term consequences. This could leave people unable to manage their pension pots, and struggling to provide a stable income through retirement.

3.88 The Commission therefore calls for a robust evaluation of ‘Pension Wise’ to ensure that everyone has access to an affordable, objective service that is fit for purpose. This should be a collective effort led by government, with the regulator making sure that advice is effective. The Commission would also like the evaluation to consider what financial skills training, in addition to pensions advice, should be provided. For example, people could be given training twelve months before they take their pensions to ensure they are equipped with the skills to manage their pension pots.

80. Franklin, Ben, 2015. *Consensus revisited: the case for a new Pensions Commission*, London: International Longevity Centre – UK.
81. Gillbe, R., 2015. *Gov't isn't ready for pension reforms: ABI.* Financial Times, 26 February, Available at: http://www.ftadviser.com/2015/02/26/regulation/regulators/gov-t-isn-t-ready- for-pension-reforms-abi-mkGf4B6eYb8UjPVZYjZ9RK/article.html.
82. http://www.parliament.uk/documents/commons- committees/treasury/Autumn_Statement_2014_web_version.pdf

18. The Department for Work and Pensions to work with the industry to deliver a Swedish-style pensions dashboard to help people understand the prospective real value of their consolidated public, private and occupational pension income

3.89 It is difficult to find a consolidated view of one's public, private, and occupational pensions all in one place. This makes it hard to understand and plan for the future. While there is information available online through Gov.uk, the Money Advice Service and others, the information is fragmented.

3.90 The Commission calls for the DWP to work with the industry to deliver a pensions dashboard to help people understand their consolidated pension income. This could be modelled on the Swedish 'Minpension' system which allows users to get an estimate of their combined pension income (public, private and occupational) once they retire. This 'pensions dashboard' is updated on a regular, near real-time basis for most pension funds, with over two million people registered on the service[83] (from a population of 9.5m). Its annual budget is about £4 million.[84]

83. Minpension, 2015. *Om Min Pension i Sverige AB.* Stockholm: Minpension. Available at: https://www.minpension.se/om-min-pension
84. Ibid.

INSURANCE

Recommendations

19. The Financial Conduct Authority, using its proposed new financial inclusion objective, to ensure that risk profiles, premiums and refusals of cover in the personal insurance market are based on accurate information

20. The Treasury to lead a debate on suitable and affordable protection for consumers unable to obtain personal insurance through the market

3.91 Insurance can be a tool for managing risk and becoming more financially resilient. The Financial Inclusion Commission, along with other organisations like the Community Investment Coalition[85], believes that every adult should have access to the right insurance cover for his or her needs, at a fair price.

3.92 But insurance is seen by many, even where available, as irrelevant or unaffordable. Half of households in the bottom half of the income distribution do not have home contents insurance.[86] Households without home contents insurance are three times more likely to be burgled than households with insurance[87], but have the least disposable income to replace even low cost items. Low income households are the hardest hit by the loss of a family member, but the least likely to have life insurance.[88]

3.93 Insurance products tailored to the needs of low income households, such as home contents insurance schemes for social housing tenants with no excess and low-sum insured value, often suffer from low take-up. The Commission heard from Aviva, which has done considerable work to address this challenge, that the average take-up of its tailored schemes for social housing tenants was just 12%.[89] With household budgets squeezed, people do not see insurance as a high priority.

85. Community Investment Coalition, 2014. *Community Banking Charter*, London: Community Investment Coalition.
86. Rowlingson, K. & McKay, S., 2014. *Financial Inclusion: Annual monitoring report 2014*, Birmingham: University of Birmingham.
87. Ibid.
88. Friends Provident Foundation, 2009. *Delivering Insurance to Low-income Households*, York: Friends Provident Foundation.
89. Karen Arthur, Aviva, Oral evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/transcripts

19. The Financial Conduct Authority, using its proposed new financial inclusion objective, to ensure that risk profiles, premiums and refusals of cover in the personal insurance market are based on accurate information

3.94 The Commission has heard that of those who do want to buy insurance, some groups may face unfair exclusion or disproportionately high costs:

- six in ten disabled people turned down for insurance said that it was because of their impairment or condition.[90] One in five disabled people feel they pay more for insurance because of their impairment[91];
- consumers in Northern Ireland on average paid 39% more for insurance compared with consumers in Great Britain[92];
- 86% of former prisoners report their conviction makes it harder to get insurance[93]; and
- many people with a cancer diagnosis are not able to access appropriate insurance products, notably travel and life insurance, even when they are confirmed as 'all-clear'[94].

3.95 It is reasonable that people who present a higher risk pay a higher premium, but there is a need to ensure that these costs are proportionate to the risk.

> "For insurers, there appears to be a 'herd' mentality. The lack of data makes it difficult to challenge the current status quo."
>
> – Christopher Stacey, Unlock (the National Association of Reformed Offenders)

3.96 More evidence is needed on how risk-pricing operates in the personal insurance market (e.g. for travel, car, home contents, and life assurance products) for groups that are thought to be underserved. The Commission recommends that the FCA, using its proposed new financial inclusion objective (our Recommendation no 4), ensure that risk profiles, premiums and exclusions from cover are based on accurate information. It must make sure that people are being assessed for risk fairly, and prices reflect that level of risk. Insurers should be required to justify to the FCA that their decisions are based on risk-based pricing and contain no element of discrimination.

3.97 The Commission would also like to see insurance companies and trade bodies work in partnership with charities and civil society organisations through data sharing to ensure risk profiling of all consumers is based upon accurate information. In addition, where a person is either refused insurance or offered it at a prohibitively high cost, insurers should direct him or her to other more specialised insurers or an effective brokerage service.

90. Scope, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written
91. Ibid.
92. The General Consumer Council for Northern Ireland, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written
93. Unlock, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written
94. Macmillan Cancer Support, Written evidence to the Commission. Available at: http://financialinclusioncommission.org.uk/evidence/written

20. The Treasury to lead a debate on suitable and affordable protection for consumers unable to obtain personal insurance through the market

3.98 As insurance companies become better able to segment customers, consumers will group or be grouped into similar risk bands. While some groups will see lower premiums, the implication of this is that even when insurance is priced fairly, and without discrimination, some people will be priced out of or excluded from the insurance market altogether.

3.99 The Commission believes that this leaves the government and insurance sector facing a number of important questions. For example, what is the purpose of insurance if not to pool risk? Is it inevitable that people have to pay ten, twenty or even fifty times more for a service, because of circumstances over which they have no or limited control? What is the alternative for people who are priced out?

3.100 There are no clear answers on how to tackle these difficult questions. There could be a role for social insurance or subsidy, a wider pooling of risk or other form of cross-subsidy, regulation of price, or regulation of the elements that can be factored into a risk score.

3.101 The Treasury should lead an honest debate on how suitable and affordable protection can be provided for those groups that can no longer afford, or are excluded from insurance. The debate should include all stakeholders, including insurance companies, trade bodies, civil society and the general public.

FINANCIAL CAPABILITY

Recommendations

21. Provide financial skills training from primary school through to retirement, including at key life stages and events, and covering cultural as well as technical aspects of money management

22. Develop a robust, outcomes-based evaluation of how to improve financial capability, with resources to enable it, developed with industry, government, consumer groups and civil society, and coordinated by a reformed Money Advice Service

3.102 Financial education and training is a long term strategy to improve financial skills. With a firm grounding in the basics of personal finance and sound money management skills, people are not only better able to handle their own finance, but are better equipped to succeed in business and drive economic growth. The Commission heard from a wide range of witnesses that more urgently needs to be done to improve financial skills in the United Kingdom.

21. Provide financial skills training from primary school through to retirement, including at key life stages and events, and covering cultural as well as technical aspects of money management

3.103 Research suggests that by the age of seven children have developed several basic 'finance' behaviours, such as counting, and have developed an understanding of the value and exchange of money.[95] This has important implications for financial inclusion. At the same time, the Children's Society has found that children learn about money not only through school and family, but also through television.[96] It is therefore important that there is a focus on building financial skills from a very early age.

3.104 Financial education has been on the curriculum in Scotland, Wales and Northern Ireland, and was introduced in secondary schools in England in September 2014. But this excludes academies, free schools and independent schools, meaning that fewer than half of secondary schools in England will be obliged to provide financial education.

3.105 There is huge variation in the delivery of financial education. For example, in Welsh schools some students receive 270 hours of financial education by the age of 16 while others receive a mere six hours.[97] In a consultation with young people in Wales, 97% said that they would like more financial education in school.[98]

95. Whitehead, D. & Bingham, Sue, 2013. *Habit Formation and Learning in Young Children*, London: Money Advice Service.
96. The Children's Society, 2014. *Playday not Payday: Protecting children from irresponsible payday loan advertising*, London: The Children's Society.
97. BBC, 2014. *Gap in financial education, warns Bethan Jenkins AM.* London: British Broadcasting Corporation. Available at: http://www.bbc.co.uk/news/uk-wales-politics- 26579688
98. Oral evidence given to the Commission by Bethan Jenkins AM. Available at: http://financialinclusioncommission.org.uk/evidence/transcripts

3.106 There is also a challenge in that most teachers themselves feel ill-equipped to teach money management. While organisations such as Young Enterprise provide training for teachers, the capacity is extremely limited, and direct provision in schools by The Money Charity and others more limited still.

> "It is not enough just to be on the National Curriculum. It has got to be fully embraced in such a way that the teachers are not doing it just because they have got to; they are doing it because they need to and they have got good resources and that they are properly qualified to do it."
>
> – Caroline Rookes, Money Advice Service

3.107 The Commission recommends that financial education forms a critical part of education from primary school in all regions in the United Kingdom. This should be delivered equally to all pupils. The United Kingdom could even follow New Zealand's lead, which has tasked its Ministry of Education with direct responsibility for financial literacy in schools. This is a long-term strategy to provide children with a grounding in the basics of personal finance at a time when they are developing attitudes towards money management.

> "In New Zealand...financial inclusion is not a debate that is in the sector really at all. The only thing that I can point to...is that financial education is at the heart of the education curriculum and has been for quite a considerable period of time."
>
> – Catherine McGrath, Barclays

3.108 By adulthood, many have not received a good enough financial education to ensure they can make the right choices and decisions when it comes to money matters. Only half of the UK population have numeracy skills equivalent to those expected of children at primary school.[99] 16% of people are unable to identify the balance on a bank statement.[100]

3.109 The Commission recommends the provision of financial skills training throughout people's lifetimes. People do not generally think about money in isolation, separate to what else is going on in their lives. Initiatives could therefore be more successful when delivered at key life stages and events when people's finances change alongside their circumstances. For example, financial skills training could be delivered a year before retirement and during pregnancy.

99. Written evidence to the Commission from National Numeracy. Available at: http://financialinclusioncommission.org.uk/evidence/written

100. Money Advice Service, 2013. *The Financial Capability of the UK*, London: Money Advice Service.

3.110 The Commission heard from witnesses about cultural barriers to discussing personal finance. Managing money is seen by many as dull and boring. It can therefore be hard to engage people in developing financial skills, which may contribute to the limited impact of financial capability interventions. With the financial services landscape evolving, especially with the use of technology, people require more than simply factual knowledge (e.g. the meaning of APR). They also need to be engaged with their money and financial services.

"We have in this country a massive money taboo. People do not like talking about money and so there is not much sharing among social networks, friends and family or anything else about these serious issues."

– John Godfrey, Legal & General Group

3.111 While house prices are often discussed in the pub, few people talk to their friends about their pension pots – although many are willing to discuss financial issues anonymously online. When things go wrong, people are even less inclined to discuss their finances. Half of people in debt wait more than a year before seeking help.[101] The insecure nature of employment and benefits can also prevent people from planning their finances for the future.

"It is really difficult for anybody to have any certainty about their money and that is a real barrier to long-term thinking about money, which is what is needed if people are to become more financially included."

– Siw Jones, North Liverpool Citizens Advice Bureau

3.112 To engage people in building financial skills in the short term, more could be done to capitalise on points of engagement. For example, some local authorities have used signs of financial difficulty, such as falling into arrears or applying for a Discretionary Housing Payment, as an opportunity to engage people in budgeting support. Money management training could be taken into account in a credit score, serving as an incentive to get people engaged.

3.113 In the long term, the prioritisation of financial skills will help deliver a cultural shift toward a country where people are more comfortable managing and talking about money. As people gain skills, they will gain confidence, which will in turn give them the confidence to gain more skills.

101. StepChange Debt Charity, 2014. *Statistics Yearbook: Personal debt 2013*, Leeds: Foundation for Credit Counselling.

22. Develop a robust, outcomes-based evaluation of how to improve financial capability, with resources to enable it, developed with industry, government, consumer groups and civil society, and coordinated by a reformed Money Advice Service

3.114 It is essential that people not only have access to financial services, but also have the skills, confidence and motivation to use them. A great deal of work is being done to improve financial capability, particularly in the voluntary sector, but it lacks funding, effective coordination, and an established measure of effectiveness.

3.115 Funding should go toward what is proven to be effective, not what appears to be the most innovative or exciting. This will require a robust outcomes-based evaluation framework to determine if a programme is working, who it is working for, who it is not working for, and the reasons for this. The Commission is encouraged by the National Financial Capability Strategy which will collect survey data from adults, financial capability providers, and funders over the next ten years. The learning from this and other outcomes data can also be used to gain insights on consumer behaviour to contribute to the debate on financial inclusion and product and service design.

3.116 With a better understanding of what works, for whom and why, the Commission calls for more work to be done to identify where there are gaps in the provision of funding. For example, money management courses for female prisoners receive more funding than similar courses for male prisoners. Funding needs to be coordinated and sustained, not granted in isolation. The Commission recommends that a Money Advice Service, reformed on the lines recommended by the Farnish Review, lead this coordination. This could be through the creation of a funders' partnership board.

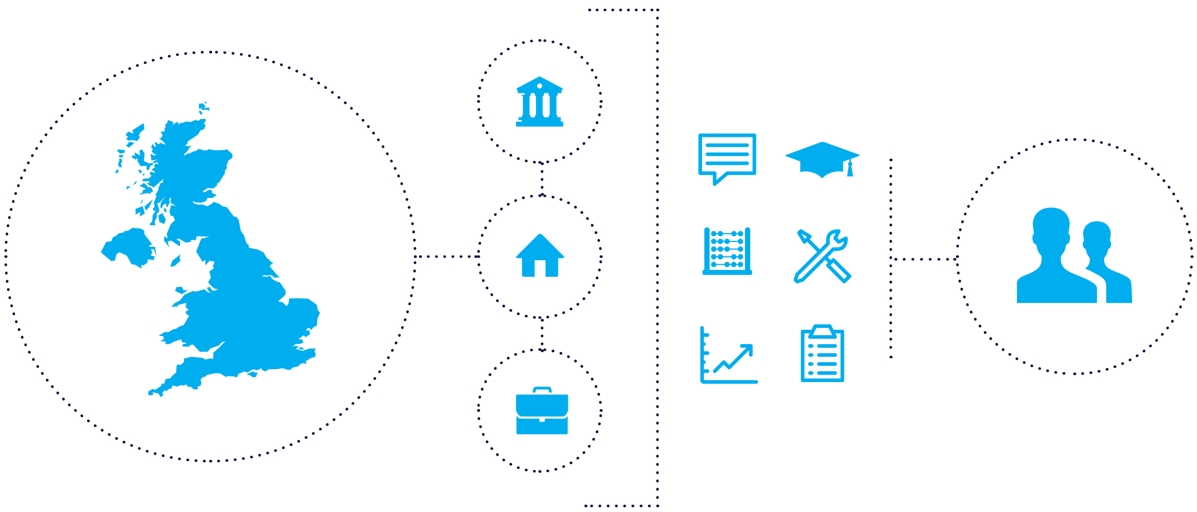
3.117 There should also be greater coordination of the provision of training and advice itself. The Commission hopes that the new Government will take seriously the Farnish Review's detailed assessment of money and debt advice provision in the United Kingdom, and act on its recommendations.

IV. CONCLUSION

4.1 This report describes the evidence gathered by the Financial Inclusion Commission over the past six months on progress in promoting financial inclusion in the United Kingdom, but also on the significant gaps that remain and the challenges ahead. The report shows where a financially advanced country such as the United Kingdom should aim to be, where it is now, and what needs to be done to close the gap.

4.2 Moving forward in financial inclusion is not a task for government alone, particularly at a time of great pressure on the public finances. But it is an area where government can and should take a lead, working with the regulator, the financial services industry and civil society, to improve the financial health of the nation.

4.3 **The United Kingdom leads the world in financial services. This report shows how we can also lead the world in giving everyone in these islands fair and affordable access to a world-class financial system that meets the needs of real people with real, and diverse, financial needs.**



MEMBERS OF THE FINANCIAL INCLUSION COMMISSION AND ADVISORY PANEL

Sir Sherard Cowper-Coles KCMG LVO
Chair

Sir Sherard Cowper-Coles is Senior Adviser to the Group Chairman and Group Chief Executive of HSBC Holdings. Before HSBC Sherard worked as Business Development Director, International, at BAE Systems plc. Earlier he spent over 30 years in the British Diplomatic Service, serving in Cairo, Washington and Paris. He was also Principal Private Secretary to the UK Foreign Secretary, the late Robin Cook, and was Head of the Foreign Office Hong Kong Department from 1994 until the handover to China in 1997. Sherard was the UK Foreign Secretary's Special Representative for Afghanistan and Pakistan (2009 – 2010), Ambassador to Afghanistan (2007 - 2009), Ambassador to Saudi Arabia (2003 – 2007) and Ambassador to Israel (2001 – 2003).

Sherard is a Board Member of the China Britain Business Council; UK Chairman of the Omani-British Friendship Association (business council); and Chairman of the Saudi- British Society and of Pitzhanger Manor Trust.

Sir Brian Pomeroy CBE
President

Sir Brian Pomeroy CBE was formerly Chairman of the Treasury's Financial Inclusion Taskforce. He is a non-executive member of the board of the Financial Conduct Authority, a non-executive director of QBE Insurance Group Ltd., Chairman of the government's Action Group on Cross-Border Remittances and a Board Member of The Social Market Foundation.

He serves as President of the Financial Inclusion Commission in a personal capacity. As President, his principal role has been in supporting and helping promote the Commission's high level objectives (particularly that of raising the profile of financial inclusion as an important social issue) rather than in developing the Report's detailed findings and recommendations.

He was formerly chairman of the Gambling Commission, the Responsible Gambling Strategy Board, the Independent Commission on Equitable Life Payments, the Payments Council, the National Lottery Commission, Centrepoint, Homeless Link and The Photographers' Gallery; a member of the Financial Reporting Review Panel, the Audit Commission and the Disability Rights Taskforce; and a Nominated Member of the Council of Lloyd's. He was formerly a trustee of Money Advice Trust, for which he now acts as an Ambassador. He was the Senior Partner of Deloitte Consulting until 1999.

Chris Pond
Vice-Chair

Chris Pond, Head of UK Public Affairs with Kreab Gavin Anderson, was formerly a Member of Parliament, serving in the Treasury Ministerial team and as Work and Pensions Minister. After leaving Westminster, Chris chaired a Cabinet Office Public Body, held a non-executive role with HMRC and was Director at the Financial Services Authority. He is currently Chair of the Money Charity and the Equity Release Council Standards Board He has been Honorary Visiting professor at two universities and is author and contributor to several books on taxation, social policy and inequality.

COMMISSIONERS

Professor Sharon Collard

Professor Collard's background is social policy. She has 16 years' experience of policy-focused social research on personal finance and has conducted extensive research on financial inclusion, consumer credit use and problem debt, and financial capability. Since May 2014, Sharon has been Professor of Personal Finance Capability at the Open University Business School's True Potential Centre for the Public Understanding of Finance (True Potential PUFin). From 1998 to 2014, she worked at the University of Bristol's Personal Finance Research Centre, serving as its Director from 2010 to 2014.

Her recent research includes understanding motivations and barriers to engagement in the consumer debt marketplace; the work decisions of low-income two-parent households; working households' experiences of debt problems; the impact of a cap on the total cost of high-cost credit; and the financial dimensions of wellbeing in older age. Sharon regularly acts as an expert adviser on personal finance and is a member of the Future of Debt Management Steering Group.

Martin Coppack

Martin has held a number of policy, development and external affairs roles centred on representing and engaging with consumers, generally in partnership with civil society organisations. He has held positions with the Financial Services Authority, National Consumer Council, the American Association of Family and Consumer Sciences as well as the Big Lottery Fund where he led the creation of its £31.7 million financial capability and inclusion programme, Increasing Financial Confidence. Martin has held advisory roles with the Basic Skills Agency, Office of Fair Trading, Bank of Trinidad and Tobago and is currently a Commissioner for Scope's Commission on Extra Costs for disabled people and a Trustee of the Nationwide Foundation. He started his career teaching consumer and life skills to adults with learning difficulties and disabilities.

Laurie Edmans CBE

Laurie Edmans CBE spent his executive career in the pensions and insurance sector, establishing and leading businesses, with a background of sales, strategic marketing and public/industry affairs. He is chairman of Marine and General Mutual Life Assurance, of the Trinity Mirror Pension Plan, of the Independent Governance Committee of Zurich UK pensions, and of B Different Ltd, a specialist market research agency. He left the board of NEST – the National Employment Savings Trust – in 2014. He is a member of the advisory board of the Equity Release Council, a Trustee of the Pensions Policy Institute and of the Quest School for Autistic Children. He was formerly a Board member at The Pensions Regulator and Deputy Chair of CPA Global. He is a non-executive director of the Money Advice Service.

Nick Hurd MP

Nick Hurd is the Conservative Member of Parliament for Ruislip Northwood and Pinner, and was first elected in 2005. He served in Government as Minister for Civil Society between 2010 and July 2014, having been Shadow Minister since October 2008. During that time he led the work to develop National Citizen Service and Big Society Capital as well as broader policy to support charities; social enterprise and volunteering. Before politics, he spent eighteen years in business, of which half was spent in financial services.

Dr Omar Khan

Dr Omar Khan is the director of the Runnymede Trust. Prior to this he was Runnymede's Head of Policy and led the financial inclusion programme. Omar sits on the Department for Work and Pensions' Ethnic Minority Advisory Group and is a 2012 Clore Social Leadership Fellow. Omar's other advisory positions include chair of Olmec, chair of the Ethnicity Strand Advisory Group to Understanding Society, chair of the advisory group of the Centre on Dynamics of Ethnicity at the University of Manchester, and a member of the 2014 REF assessment, the 2011 Census, the Payments Council, and the UK representative on the European Commission's Socio-economic network of experts.

Lord Archy Kirkwood

Lord Kirkwood was Liberal Democrat MP for Roxburgh and Berwickshire between 1983 and 2005 before entering the House of Lords as Lord Kirkwood of Kirkhope. During his time in the Commons, he was Lib Dem Chief Whip from 1992-1997; Chair of the Select Committee on Social Security/DWP for 8 years and a Member of the House of Commons Commission for 6 years. Throughout his parliamentary career he has been interested in addressing poverty and assisting people to find meaningful work. Archy was formerly a Trustee of the Low Pay Unit, Chair of the Joseph Rowntree Reform Trust and Director, Centre for Reform. He is the Chair of the Information Committee in the Lords and currently works as part of an FCO programme to assist parliamentary development in emerging democracies like Iraq.

Dame Mary Marsh

Dame Mary Marsh is Founding Director of the Clore Social Leadership Programme which she created in 2008 for aspiring social sector leaders. Previously she was chief executive of NSPCC and head teacher of two comprehensive schools. She is a non-executive director of HSBC Bank plc, a member of the Governing Body at London Business School and chair of INSSO, the International Skills Standards Organisation.

Lord Wilf Stevenson

Wilf Stevenson joined the House of Lords in July 2010, and is the Opposition Front Bench spokesman for BIS, specialising in Higher Education and Trade; and for DCMS, where he is in the lead for Media and Sport. He is an Opposition Whip, and has also served on the Lords Communications Select Committee (2010-2011).

Outside the House of Lords, he is chair of StepChange Debt Charity which provides free, professional counselling and money management assistance to some 600,000 financially distressed families and individuals each year.

Prior to being appointed to the House of Lords, Wilf Stevenson spent a year as a special adviser to the Prime Minister; and before that nearly 11 years as the Director of the Smith Institute, an independent think tank.

Sian Williams

Sian Williams is Head of National Services at Toynbee Hall in London's East End. Sian has been responsible for Toynbee Hall's local and national financial inclusion programmes since October 2009, including Transact (the UK's national forum for financial inclusion), financial inclusion training, research, evaluation and strategic consultancy.

Sian takes a whole systems approach to financial well-being, supporting organisations to develop policies and practice which make it easier for people to make the most of their money. She has co-led the Financially Inclusive Tower Hamlets programme, which adopts this environmental approach within one of the UK's most deprived communities. Sian's team have also created a ground-breaking needs and impact digital measurement tool for financial health, the MAP Tool, to fill the gaps around knowing "what works" in financial health interventions.

Sian provides advice on financial inclusion to financial services providers, and is a member of advisory groups for the Payments Council, the LINK Scheme, the BBA, DWP, HMT and the Big Lottery. Sian is also a member of the new PSR Panel, and a trustee for the Money Advice Trust.

ADVISORY PANEL

Wendy Alcock, Money Saving Expert

Antony Elliott OBE, The Fairbanking Foundation

Joanna Elson OBE, Money Advice Trust

Huw Evans, Association of British Insurers

Damon Gibbons, Centre for Responsible Credit

Michelle Highman, The Money Charity

Mark Lyonette, Association of British Credit Unions Limited

Phill Holdsworth, Independent Consultant

Chris Sier, Financial Services Knowledge Transfer Network

Janpal Singh Basran, Southall Community Alliance

Paul Smee, Council of Mortgage Lenders

Phillip Treleaven, University College London

Matthew Whittaker, Resolution Foundation

Melanie Worthy, British Bankers' Association

ACKNOWLEDGEMENTS AND LIST OF WITNESSES

The Financial Inclusion Commission would like to thank everyone who gave evidence as part of the programme of hearings.

The Commissioners were delighted by the wide range of individuals and organisations that participated in the process – providing evidence that was both insightful and compelling.

Our gratitude also goes to our expert Advisory Panel, which helped to guide the Commission's work. The panel proved a huge repository of knowledge and the Commission welcomed the part it played.

The Commission Coordination team's dedication must also be recognised. This includes Policy in Practice who played a crucial role in leading the production of the final report. Particular thanks go to Lisa Stidle, Head of Operations, for her tireless efforts as Lead Coordinator to the Commission.

MasterCard's support was also essential to the Commission including the notable contribution made by Jennifer Duncan, Senior Public Affairs Manager, seconded as Commission Coordinator.

Finally, thanks go to Kreab and, specifically, to Matthew Jervois, Head of Financial Services, for advising on communications.

The process of compiling this report has highlighted the depth of interest in financial inclusion. There is a widespread desire to see words transformed into actions. Our hope and ambition is that this report places financial inclusion back on the political agenda.

LIST OF WITNESSES

Niall Alexander, Moneyline

Karen Arthur, Aviva

Allison Barnes, Money Advice Service

Mark Bayley, Green Deal Finance Company

Meike Beckford, Dosh

Fran Bennett, Women's Budget Group

Chris Bose, Santander

Peter Brooker, PayPoint

Anthony Browne, British Bankers' Association

Fiona Buchanan, Young Scot

Kevin Cadman, Grameen Foundation

Denise Cox, Family Mosaic

Sara Crawford, Southampton City Council

Rachael Cray, Consumer Council

Matt Cullen, Association of British Insurers

Katija Dew, Wales Co-operative

Rachel Dodge, Money for Life

Joanna Elson OBE, Money Advice Trust

Chris Fitch, Royal College of Psychiatrists

David Frank, EE

Norah Gibson, Leeds Debt Forums

John Godfrey, Legal & General

Mike Granville, Post Office

Rachel Gregory, Christians Against Poverty

Russell Hamblin-Boone, Consumer Finance Association

Sarah Harrison, Ofgem

Emma Haydon, National Numeracy

Jeremy Hewer, Scottish Federation of Housing Associations

Paula Holland, Welsh Local Government Association

John Howells, Link

Ben Hughes, Community Development Finance Association

Clare James, Community Housing Cymru

Laura Jamieson, Convention of Scottish Local Authorities

Bethan Jenkins AM, National Assembly For Wales

Melanie Johnson, UK Cards Association

James Jones, Experian

Dr Paul A. Jones, Liverpool John Moores University

Siw Jones, North Liverpool Citizens Advice Bureau

Lindsey Kearton, Citizens Advice Bureaux

Mike Knight, Riverside Credit Union

John Lamidey, Individual

Rebecca Langford, Money Advice Service

Deborah Lee, Knowsley Council

Kristina Leonnet, Quaker Social Action

Alex Letts, Ffrees

Sue Lewis, Financial Services Consumer Panel

David Lock, Local Government Association

Cllr Amina Lone, Social Action Research Foundation

Mark Lyonette, Association of British Credit Unions Limited

Sharon Macpherson, Scotcash

Paul McCarron, UK Cards Association

Helen McCarthy, Consumer Finance Association

Erin McCreadie, Accountant in Bankruptcy

Charles McCready, Tax Incentivised Savings Association

Sandra McDermott, Glasgow City Council

Catherine McGrath, Barclays

Zoe McLeod, Ofgem

Peter Mercer, Golden Gates Housing Trust

Léonora Miles, MacMillan Cancer Support

David Owen, Scope

Teresa Perchard, Fuel Poverty Advisory Group

John Pollock, Trading Standards Scotland

David Poole, Brighthouse

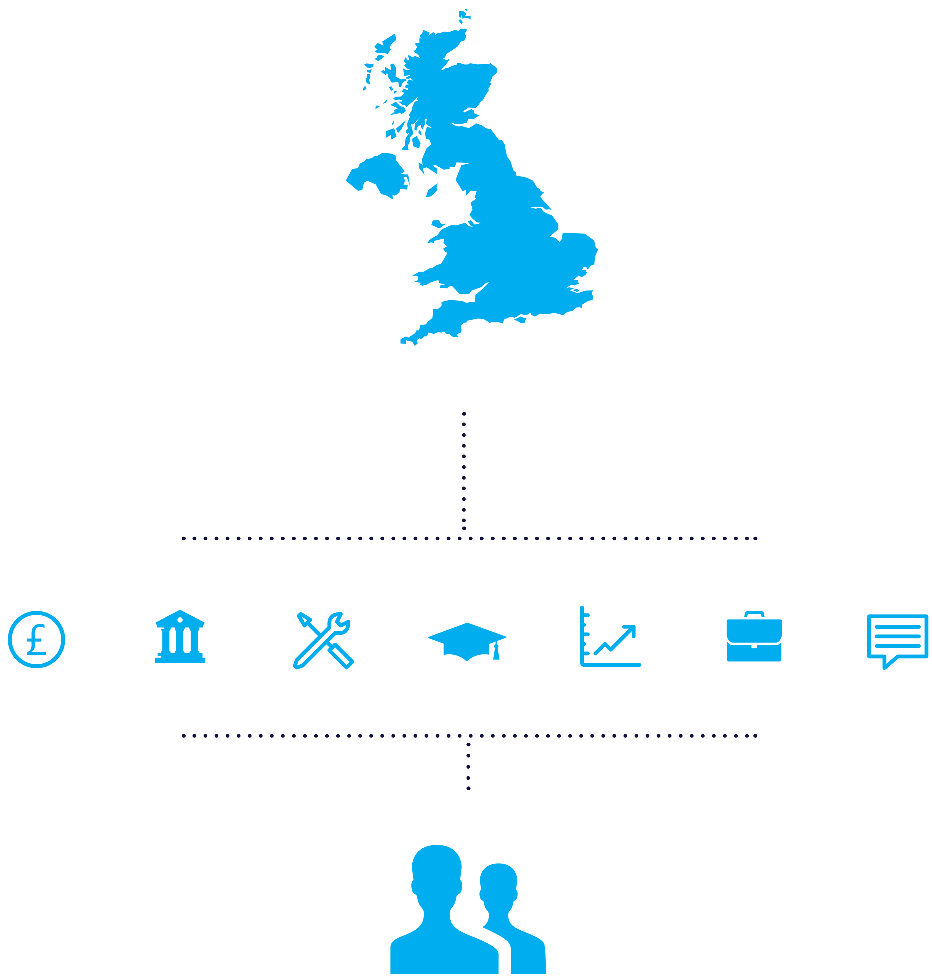
Dr Rajiv Prabhakar, The Open University

Faisel Rahman OBE, Fair Finance

Sue Ramsden, National Housing Federation

Paul Raynes, Local Government Association

Alex Reid, Accountant in Bankruptcy
Dave Roberts, Leeds City Council
Caroline Rookes, Money Advice Service
Steve Round, The Change Account
Karen Rowlingson, Centre on Household Assets and Savings Management, University of Birmingham
Sam Royston, Children's Society
Sandra Sankey, Improvement Service
Sir Hector Sants, Archbishop's Task Group on Credit Unions and the Financial Sector
Peter Seymour, Vocalink
Edward Simpson, Finance & Leasing Association
Rebecca Simpson, Toynbee Hall
Michael Smith, Experian
Peter Smith, Tax Incentivised Savings Association
Clare Spottiswoode CBE, Payments Council
Christopher Stacey, Unlock
Austin Staunton, North Lancashire Citizens Advice Bureau
Jonathan Stearn, Citizens Advice Bureaux
Fraser Sutherland, Citizens Advice Scotland
Jennifer Tankard, Community Investment Coalition
Emma Thomas, Experian
Laurence Thraves, Alzheimer's Society
Jamie Thunder, The Money Charity
Linda Tookey, First Wessex
Laura Tough, Barclays
Toynbee Hall Money Mentor Graduates
Fiona Turner, Royal Bank of Scotland
Pete Turner, Experian
Peter Tutton, StepChange Debt Charity
Sara Weller, Lloyds Banking Group
Jonathan Westley, Experian
Ron Wheatcroft, Swiss Re
Claire Whyley, Financial Services Consumer Panel
Tristan Wilkinson, Go ON UK
Rosemary Winter-Scott OBE, Accountant in Bankruptcy



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