

FINANCIAL
INCLUSION
TASKFORCE

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CITR consultation
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The Financial Inclusion Taskforce was established following the HM Treasury December 2004 report 'Promoting financial inclusion' which set out the Government's strategy to tackle financial exclusion in three priority areas:

- access to banking;
- access to affordable credit; and
- access to free face-to-face money advice.

The role of the Taskforce is to monitor progress on the objectives the Government has set in these areas and to identify what more needs to be done to tackle financial exclusion.

Specifically, the Government has asked the Taskforce to monitor the provision of affordable credit by third sector institutions such as credit unions and community development finance institutions (CDFIs). The Taskforce therefore has a clear interest in the provision of support to these institutions and the extent to which measures such as Community Investment Tax Relief can promote sustainability in the sector.

The Financial Inclusion Taskforce supports the proposal to extend a Community Investment Tax Relief (CITR) scheme to investments in CDFIs' personal lending activities. The Financial Inclusion Taskforce recognises that for families on low incomes, credit can often be necessary for day-to-day financial management. The Taskforce would like to see a range of accessible credit products supplied in a competitive market, at fair and transparent rates, where consumers have the appropriate information and capability to make

informed borrowing decisions. An extension of the CITR scheme may help to promote additional investment in CDFIs, thus aiding such organisations to work towards sustainability and to become a more established part of the market, that low-income borrowers are able to access.

The Taskforce would like the Government to consider extending a CITR scheme to other third sector institutions such as credit unions. Many credit unions also play a vital part in the provision of affordable credit to low-income households, and may also benefit from attracting additional external investment.

The Taskforce would like to see that, in taking forward any extension of a CITR type scheme, no additional complexities are added to the system. The accreditation processes and criteria must not act as a barrier to CDFI involvement. The Government should also consider the implications of any feedback or evaluation of the current scheme before developing any extension.

The Financial Inclusion Taskforce

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