

GfK. Growth from Knowledge



Research on motivations and barriers to becoming 'banked'

FINANCIAL **INCLUSION** TASKFORCE

Executive Summary

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Your contacts:

Amrita Sood, Research Director

Polly Hollings, Associate Director

Phone: +44 207 890 9774 / 9763

e-Mail: amrita.sood@gfk.com / polly.hollings@gfk.com

1 Introduction and method

This document summarises the findings of qualitative research carried out in November 2009 which explored the barriers that unbanked people face in becoming banked, and established whether people could or should be moved into banking using mainstream financial services. The research comprised of two key phases. Phase one identified the main motivations and triggers for becoming banked and informed phase two of the research, which investigated reasons for being unbanked and explored any motivating factors that would encourage participants to open a bank account.

PHASE 1	5+ years banked Four focus groups with those who had held an account for five years or more and had a household income of less than £15,000. Each focus group lasted for 2 hours.	Recently banked Nine face-to-face depth interviews with those who had entered mainstream banking within the last two years. Each depth interview lasted for 1 hour.
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PHASE 2	Unbanked 20 face-to-face case study depth interviews with unbanked participants who did not currently hold a bank account. Half of this unbanked sample currently used a Post Office Card Account (POCA). Each case study depth interview lasted for 1.5 hours.	

2 Key Findings

2.1 Current financial management

Finances were often a key concern for participants, as many were on low incomes. Resultantly budgeting strategies had been developed over time, and had become a habitual way of managing finances.

By following budgeting strategies, participants felt that they had control over their finances and felt comfortable in dealing with physical cash.

Participants budgeting with bank account functions frequently cited convenience of direct debit and a reliance on their overdraft to keep them financially afloat. However, they were concerned about the risk of getting into debt through use of these functions. Resultantly they sought to control the use of their bank account either through limiting the functionality of their bank account or monitoring their balance very frequently via statements.

2.1.1 Use of POCA

The research showed that using a POCA was not a stepping stone for opening a bank account. The research indicated that use of a POCA did not result in people feeling they were managing money independently, as with a bank account. A POCA did not require any personal responsibility and was typically seen as a conduit for benefits with collection of money the only required activity from the POCA holder.

Few spontaneously noted any motivating benefits that a bank account offered when compared to a POCA. Many felt that a key attribute of a POCA was that it does not involve the risk of getting into debt or accessing credit. Attitudes towards POCA's were strongly linked with attitudes towards the Post Office, for example, community interaction.

2.1.2 Use of bank account

Some participants used their bank account only for withdrawing cash, and did not use any additional functions. This was often the case for recently banked participants, who used their bank account in a similar way that they had previously used their POCA.

Others used bank account functions to differing degrees. Those with very low levels of income or fluctuating income levels preferred to manage money and bills on a cash basis reducing the risk of not being able to meet direct debit payments and becoming overdrawn. Those who had been banked for a long period of time indicated that they were more familiar and comfortable with using bank account functions.

2.2 Becoming banked

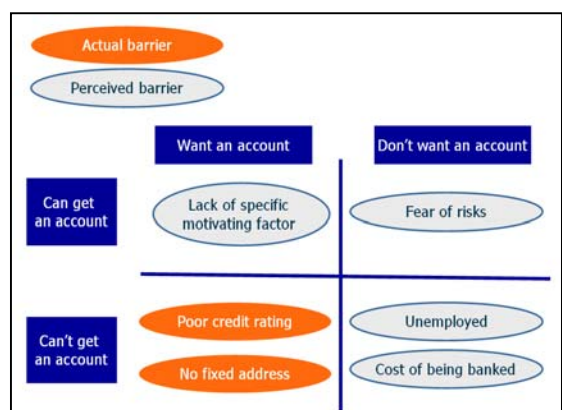
For recently banked participants opening an account had been driven by a change in circumstance. This included: gaining or planning to gain employment; breakdown of family relationship including divorce where a partner had previously held the household bank account; and recurrent problems with payment of benefits by giro cheque. For these participants, becoming banked had been a necessity for payment of wages or benefits.

Opening a bank account was considered easy and uncomplicated. At the time of opening their account they had relied only on information and advice provided by the bank advisor. None had compared banks or bank accounts and had often been strongly influenced by friends and family recommending bank brands.

2.3 Barriers to becoming banked

Barriers differed considerably in terms of their role in preventing people from becoming banked. Some provided a complete rationale for why an individual remained unbanked and others existed in combination to create a syndrome of perceptions and circumstances preventing the individual from becoming banked. The majority of barriers identified were perceptual and based on people's beliefs and attitudes rather than on their experiences of trying and failing to open an account.

Although strongly felt, the research indicated that barriers may be overcome by a strong driver. Recently banked participants had overcome barriers and were driven to become banked due to circumstance and necessity, such as getting a new job. This suggests that the eradication of perceptual barriers may not immediately result in account take-up, except where there is also a strong driver for the individual to become banked. The diagram to the right provides an overview of the types of



barriers cited by participants. It highlights the role of perceptual barriers as well as the indication that a strong motivating trigger is required to actually become banked.

Barriers to becoming banked are divided into primary and secondary barriers. Primary barriers represented a formidable obstacle and often the sole rationale for being unbanked. These included:

- Fear of the risks associated with a bank account: risk of debt was strongly associated with being unable to meet direct debit payments and/ or becoming overdrawn. Participants were daunted by the idea of becoming banked and being responsible for avoiding debt. An embedded cash culture meant that many felt control over managing finances with physical cash but were worried about transferring this control to a bank account.
- Having a poor credit rating: two participants had been refused a bank account because of their poor credit rating, and others assumed that their experiences with severe debt would mean that they could not open a bank account.
- Lack of required identification: lack of appropriate identification (photographic ID and proof of address) prevented some participants from opening an account. Perceptions of the type of identification documents required were based on personal experience, as well as on hearsay from friends and family, and on assumption about what might be required.

Secondary barriers were less strongly felt and tended to exist in combination with other barriers resulting in an overall negative motivational state in relation to getting a bank account. These included:

- Being unemployed: some suggested they would not benefit from having a bank account because of their low income. Others assumed they could only open an account if a minimum monthly income was paid into the account.
- Cost of becoming banked: some thought that a bank account required a minimum initial deposit or ongoing running cost.
- Negative press: negative stories came from friends and family, and the media, and tended to reinforce fears and concerns about banks and banking.
- Poor previous experience of having a bank account: negative experiences of being previously banked or attempting to open a bank account influenced views about banks, even where the experience had occurred a number of years ago. Negative experiences cited were around poor treatment by counter staff and experience of debt.

2.4 Benefits of becoming banked

The core benefits of becoming banked were those which participants perceived would result in a substantive difference to the way they could manage their money. Whilst participants identified benefits of having a bank account, these did not necessarily act as a driver to opening an account. This was demonstrated by those who had recently opened an account where a specific trigger or driver based on change of circumstance had been required to overcome the perceptual barriers of becoming banked.

Core benefits of becoming banked were seen as resulting in a substantive difference to the way in which money is managed. These included:

- Convenience of accessing cash: wide availability of ATMs enabling access to cash at any time at a convenient location. This was seen as advantageous when compared to limited access to cash at the Post Office.
- Debit cards: ability to make purchases at any time at a range of locations including online. The ability to make micro-transactions when bank account balance dropped below £10 was considered very useful.
- Direct debits: convenient way to ensure that bills are regularly paid.
- Security: no need to carry cash or store cash at home.

Subsidiary benefits were considered less important, although still represented a positive impact of becoming banked. These included:

- Saving and budgeting: ability to leave money in the account creating a financial buffer.
- Developing a credit rating: seen as important by those who had experienced debt in the past, a good credit rating was seen as key to accessing financial products in the future.
- Privacy: a small number of participants were apprehensive that bank accounts would be monitored whilst others felt that bank accounts afforded more privacy when compared to Post Offices where money had to be withdrawn at the counter.
- Independence and status: opening a bank account was seen as an affirming, legitimising event, making people feel that they were part of society. Using a bank account was associated with having full control and responsibility for finances.

3 Policy Implications

The key barrier for becoming banked was reliance on a deeply entrenched cash culture. Participants were comfortable in controlling their finances on a cash basis and were fearful of losing this control by opening a bank account. Of particular concern was the risk of getting into debt as a result of direct debits and becoming overdrawn. The strong reliance on cash was demonstrated by recently banked participants who continued to budget and manage finances in cash even when they became banked, using their bank account solely as a conduit for their money. The research indicated that a POCA is not a stepping stone to becoming banked as it requires limited input from the user. The POCA does not currently challenge a strong cash culture.

It is clear that a strong driver based in necessity is required for an individual to become banked. Whilst participants reflected on the benefits of managing finances via a bank account, this did not represent a strong enough driver to opening a bank account. The drivers to becoming banked identified in the research tended to be personal circumstances such as becoming employed. This suggests a potential touch point for providing information about becoming banked.

Many of the barriers highlighted in the research were perceptual, highlighting the need to raise awareness of banking across the unbanked audience. This includes:

- Raising awareness of the existence of basic bank accounts and the limited function these enable focusing on use of direct debit and overdraft.

- Challenging the association between being banked and risk of debt.
- Challenging inaccurate assumptions regarding the cost of being banked and identification requirements.
- Highlighting the core benefits of being banked and the disadvantages of reliance on cash.