

GfK. Growth from Knowledge



Research on the motivations and barriers to becoming 'banked'

FINANCIAL INCLUSION TASKFORCE

A research report for:

Financial Inclusion Taskforce

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Annex 1: Unbanked with POCA Case Study: *does not want a bank account but can get one*

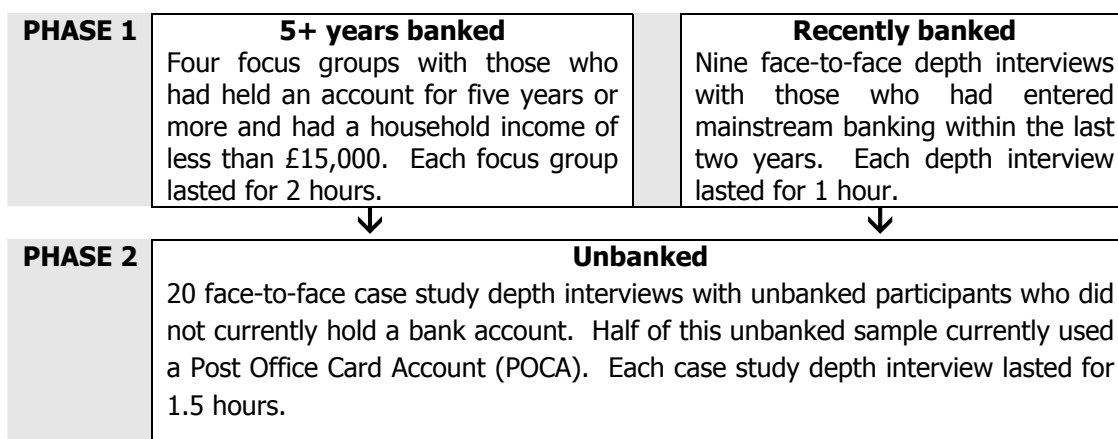
Annex 2: Unbanked without POCA Case Study: *would like a bank account but cannot get one*

Annex 3: Unbanked with POCA Case Study: *can get a bank account, but lack of a specific motivating factor*

Annex 4: Unbanked without POCA Case Study: *does not want a bank account*

1 Executive Summary

Qualitative research was carried out in November 2009 to explore the barriers that unbanked people face in becoming banked and established whether people could or should be moved into 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.



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.

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.

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.

Becoming banked

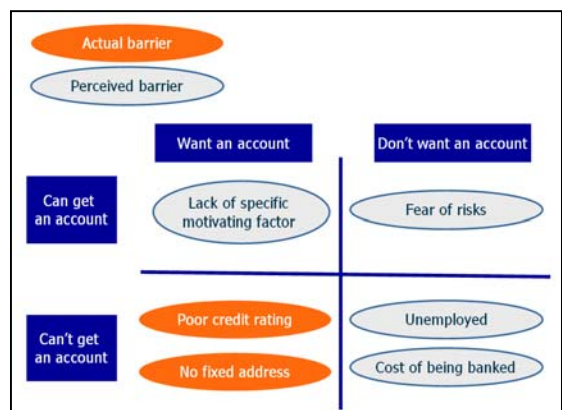
For recently banked participants opening an account had been driven by a change in circumstance. This included: gaining or planning to gain employment; breakdown of family relationship including divorce where a partner had previously held the household bank account; and recurrent problems with payment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

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.

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.

2 Introduction

2.1 Background

GfK NOP was commissioned by HM Treasury, on behalf of the Financial Inclusion Taskforce, to undertake qualitative research to identify barriers and motivators to becoming banked. Financial exclusion is a strategic priority for the Government, although tangible steps towards change have been made over the last six years that appear to be catalysing changes in the level of 'unbanked' adults in the UK. The unbanked are defined as those who do not hold a bank account, although they may hold a savings account. 'Banked' refers to those who hold a bank account through which they are able to run transactions such as direct debits and standing orders. Figures from GfK NOP's Financial Research Survey showed a reduction in the number of adults who positively affirmed that they have no account, from 4% to 2%. However over the last three years, this reduction appears to have plateaued at 2%.

Unbanked individuals tend to share some common characteristics, for example, they are likely to have an income less than £15,000 per year, and also have a higher likelihood of living in social housing. However, there are some distinct sub-groups within this broader audience, who may be experiencing different types of barriers and motivators to becoming banked. Factors such as age, level of geographical exclusion, and family background may prompt differences between the groups. These diverse populations represent a complex audience whose individual experiences of being unbanked reveal distinct and common barriers and motivators to becoming banked. This research was designed in line with HM Treasury's objective of furthering their understanding of the motivators and barriers to becoming banked amongst people on low incomes.

2.2 Objectives

The main remit of this research was to explore the barriers that unbanked people face in becoming banked and to establish whether people could or should be moved into using mainstream financial services. This was explored through research with those who were unbanked, those who were recently banked and those who had held a bank account for five years or more.

The objectives that GfK NOP explored with unbanked participants were:

- The perceived benefits to participants of having a bank account and the advantages that they felt would result from this.
- Any previous experiences that participants had had with banking and access to credit and how this experience affected their current views of mainstream banking.
- How participants currently managed their finances and what they felt were the advantages and disadvantages of managing their money in the way they did.
 - Feelings towards holding and using a Post Office Card Account (POCA); uses, advantages, disadvantages and comparisons with main stream banking.
- The barriers that participants perceived to becoming banked and what disadvantages they felt would arise from becoming banked.
 - The perceived barriers as to why participants feel that bank accounts would not be appropriate for them.

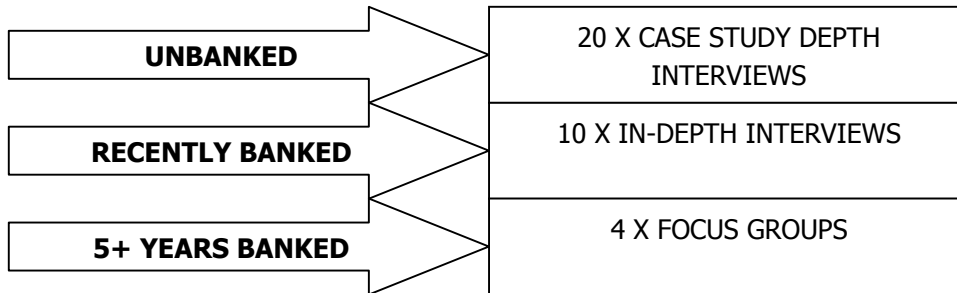
- The perceived barriers emanating from the banking industry and the supply of information and assistance, or lack thereof, that may have impacted on their decision to continue without a bank account.
- Whether there were any factors that would encourage people to become banked.
 - Whether improvements could be made to financial products that would make them more accessible to unbanked people.
 - How improvement could be made to communication to increase understanding of banking amongst unbanked people.
- Attitudes towards alternative methods of banking such as via mobile, internet and phone and the perceived advantages and disadvantages these would have for unbanked participants.

The objectives that GfK NOP explored with recently banked participants and those who had been banked for more than five years were:

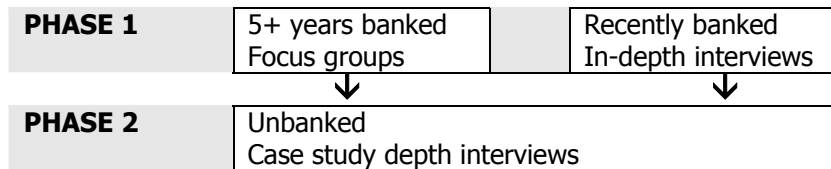
- The reasons for becoming banked and what encouraged them into banking.
- Whether they felt they had been provided with the information and advice they needed and the reason they chose the institution that they did.
- How smooth the process of becoming banked had been for them and what improvements they felt could have improved the process.
- Their experiences with banking; the functions they found useful and easy and those that they found more difficult to use and why.
- The overall advantages and disadvantages felt there were to being banked.
- Whether participants reported using other financial services, or whether these were something they would consider in the future and why.
- Whether banked participants used alternative methods for banking such as mobiles, internet and the phone and whether they perceived these to be advantageous to them in managing their finances.

2.3 Method

The research took a mixed method approach combining depth interviews with unbanked and recently banked participants and focus groups with those who had been banked for five or more years.



The research was carried out using a phased approach. During the first phase, interviews with the recently banked participants and the focus groups with those banked for five or more years were carried out.



Phase one provided an opportunity to identify the main reasons that participants reported for becoming banked and their motivations for doing so, as well as exploring reported barriers they had experienced in becoming banked. This provided context to inform phase two of the research; case study depth interviews with unbanked participants. Previous research carried out by GfK NOP suggested that unbanked participants were likely to have embedded beliefs and behaviours regarding the way they dealt with and managed their finances. This further suggested that unbanked participants could find it difficult to envisage managing their money in any other way, such as via a bank account. The information gathered in phase one of the research was used to inform the development of prompts and scenarios. These prompts and scenarios were used to enable unbanked participants to think about banking and finances from a range of view-points.

2.3.1 Focus groups: 5+ years banked

Focus groups with those who had been banked for five or more years were held as part of the phase one exploratory work. Participants in these groups had held a bank account for five or more years and all had household incomes of less than £15,000. Each focus group lasted for 2 hours and included between 6 and 10 participants. These groups identified participant experiences of having a bank account and also explored the positive and negative aspects that participants had experienced in using their accounts. They explored how far participants went in using the different functionalities of their accounts and their usage of financial services generally.

2.3.2 In-depth interviews: Recently banked

Including those who had entered mainstream banking within the last two years enabled us to gather information on the key factors behind people's decision to open a bank account and the rationale for this move into mainstream banking. In-depth interviews were chosen as the most appropriate method as they provide an opportunity to explore participant's experiences in detail, allowing them the privacy to give candid responses. Each in-depth interview lasted for 1 hour.

2.3.3 Unbanked: Case study depth interviews

Unbanked participants formed the main focus of this research. Case study depth interviews were carried out with these participants with the objective of gaining a detailed understanding of why they were not accessing mainstream banking services and to uncover whether there were any motivating factors that would encourage them to open an account. The research looked extensively at what participants perceived to be the benefits and barriers to mainstream banking. Although many of the participants shared some of the characteristics that are common amongst unbanked people such as: living on low incomes; being in receipt of state benefits; living in socially rented accommodation; and living in single headed households, there were also vast differences between them in regards to their previous social and financial experience. Unbanked participants did not currently hold a bank account. Half of the unbanked sample currently used a POCA, and half of the sample did not.

Each case study depth interview lasted for 1.5 hours. As compared with a standard depth interview, the case study depth interview utilised a person-centred approach, allowing a more detailed examination of individual context and circumstances.

2.4 Sample

| Participant type | Method | Participant numbers |
|------------------------------|-----------------------------|---------------------|
| Unbanked participants | Case study depth interviews | 20 |
| Recently banked participants | In-depth interviews | 9 |
| 5+ years banked participants | Focus groups | 4 groups |

A) Location

Locations were spread across the UK and incorporated a mix of urban and semi-rural/ rural areas:

- London (Tottenham, Hackney, Newham, Tower Hamlets, Hounslow)
- Liverpool
- Wolverhampton
- Glasgow
- Carmarthen

3 Current Financial Management

This section of the report explores the different ways in which participants were currently managing their finances. It explores:

- Budgeting

- Use of POCA
- Use of bank account
- Use of other financial products

3.1 Budgeting

All participants in the research whether banked or unbanked were within a low income bracket; all had an annual household income of less than £15,000. For many, finances were often a key concern and resultantly budgeting strategies were considered important and usually keenly followed. Strategies had been developed over time, and had become a habitual way of managing finances. Low income and what was described by some as a 'hand to mouth' existence made strategies for budgeting very important for the following reasons:

- Ensuring income covers all essential outgoings. This involved making sure that there was enough money to cover essential bills and living expenses.
- Saving money where possible for special occasions/ events or unexpected costs. This involved putting money aside when possible, to save for occasions such as birthdays, Christmas or holidays. Participants also put money aside to act as a financial buffer for unexpected costs. Parents often tried to set money aside for expenses such as school uniforms or activities for their children.

For banked participants (including those recently banked and those who had been banked for five or more years) an additional role of budgeting was avoiding debt. This was strongly related to avoiding using overdrafts or becoming overdrawn on their bank account.

Budgeting strategies differed across participants depending on whether they carried out their financial transactions on a cash basis or by using bank account features.

3.1.1 Budgeting with cash

The types of participants who carried out their financial transactions on a cash basis were:

- Unbanked participants without a POCA. This included participants who received benefits via giro cheques and/ or received their wages cash in hand.
- Unbanked participants with a POCA who withdrew benefits weekly or fortnightly from their POCA account.
- Banked participants who withdrew their benefits or wages from their bank account. These banked participants used their bank account as a conduit for their benefits or wages but did not use any additional functionality of their bank account. This was typically based on deep-seated fears that functions such as direct debits could lead to debt; the fear of risks associated with bank accounts is fully explored in section 6.

Participants budgeting with cash had often operated within a cash culture for a long period of time. In some cases this reflected the way in which their family and local community managed finances. The research identified the following budgeting strategies:

- Multiple collections for benefit payments. Those who received fortnightly benefit payments managed this money by collecting half of it from their POCA during the first week, and the remaining half during the second week. Budgeting on a weekly basis

ensured that there was adequate money to cover living expenses each week. Most participants managing transactions on a cash basis chose to manage money weekly.

- Leaving a financial 'buffer' in POCA. One participant tried to leave a small amount of money in their POCA each week to act as savings or a financial 'buffer' that they could draw on when required. However, most participants noted that they were only able to save small sums of money on occasions, whilst usually there were not spare funds to keep in their POCA.
- Budget plans. Participants had developed budgeting plans detailing how much they needed to spend on bills and living expenses each week. Some participants had these budgets written down; others had been budgeting in this way for a long period of time such that it had become habitual. This type of budgeting tended to be done on a weekly basis, or aligned to the frequency of benefit payments. A couple of participants micro-budgeted their money and had daily budgets.
- Saving money. Whilst participants tended to set money aside for bills each week, many made their bill payments quarterly. Resultantly they were saving cash at home in tins, bowls, jars and envelopes.

"Now I save my money in a jar. And when I meet my weekly budget, I start dipping in the jar, so by the end of the week there's nothing in it" (Wolverhampton, Unbanked, no POCA)

"I am so well trained to do it now [set money aside] that it is no problem. In the house we have a hiding place. I say to [partner] 'put that in the bank'. It's not a bank – it's our hidden place." (Liverpool, unbanked, no POCA)

Some participants noted that the benefit of saving cash in this way was that it provided a financial 'buffer' that they could access should an unexpected expense arise. These participants commented that they had used bill money when they had run out of cash, and reconciled this by paying it back the following week. Some participants noted that they saved money by asking a family member or friend to keep the money aside for them until it was needed. One participant asked a friend to keep their rent money until the rent was due. For these participants, asking somebody to look after cash made it easier to ensure that money for essential bills was put aside and ring-fenced.

- Overpayment of bills. One unbanked participant deliberately overpaid their Council Tax bill in order to have some leeway later in the year.

For many participants these budgeting strategies had been in place for a number of years and were deeply embedded within their routine. By following these strategies, participants felt that they had control over their finances and felt comfortable and a familiarity in dealing with cash. Many alluded to the physical, tangible nature of cash, and how physically handling and setting aside money was linked to feeling in control over their finances.

"I think I manage it [my money] better. I get my money, I can see where it's going, I've got my receipts and, you know, they do muck up sometimes in banks" (London, unbanked with POCA)

The link between an entrenched cash culture and attitudes to becoming banked is discussed in section 6.

3.1.2 Budgeting with a bank account

Whilst some banked participants used their bank account purely as a conduit for income (as described above), others used features of their bank account to help them budget.

The most frequently mentioned bank account feature mentioned in terms of budgeting was direct debit. Those using direct debit were attracted its convenience. Many participants highlighted the benefits of not needing to spend time paying bills in person. Others cited that once it was set up the payment of bills required limited input from themselves.

Another aspect of having a bank account to manage finances was an overdraft. Some participants noted that they often relied on an overdraft to keep them afloat before wages or benefits were paid into their account.

Whilst these bank account features were used by participants to budget their finances, the fear of debt associated with them meant that most participants relied on additional budgeting strategies to support the use of direct debits and overdrafts.

Concerns were frequently raised regarding the use of direct debits and overdrafts and the related risk of getting into debt, particularly in relation to becoming overdrawn. These risks were strongly felt by those who were unable to keep a financial 'buffer' in their account. This meant that they felt at a constant risk of becoming overdrawn. For example, they worried that if their account lacked sufficient funds when a direct debit payment was due they would resultantly end up overdrawn. Often, recently banked participants were worried about the risk of debt because they were unfamiliar with managing their money via a bank account. Some had accidentally become overdrawn in the past and had received bank charges as a result.

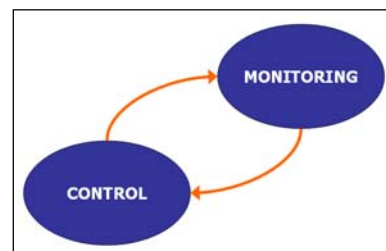
"I've had sticky moments when I haven't had the money in the accounts [for the direct debits]. You have to get the money in the day before or you can sometimes get away with the morning, otherwise you get charges. I'm trying to work that one out" (London, recently banked)

Debt was of key concern to most participants not only due to potential charges for becoming overdrawn but also because there was unlikely to be spare funds to make up the difference next time; getting out of debt was considered difficult.

This fear of debt resulted in a desire to **control** the use of their bank account. Some participants did this by limiting the functionality of their bank account. For example, some had decided not to use direct debits as they perceived that these would add a layer of complexity, compromising their ability to control their outgoings. As a result, they preferred to withdraw cash from their bank account and pay bills using this money. They felt that this gave them greater level of control over their money.

Those who did use features such as direct debits monitored their bank account very frequently to ensure that there were adequate funds when direct debits were due. This made them feel more in control of their finances.

"You've got a better picture of what you've got going in and what you spend, what it's costing you to live" (Glasgow, 5+ years banked)



Monitoring was carried out via regular statements, mini-statements requested at ATM machines, and via online banking. This enabled participants to track their money, and ensure that direct debit payments would not result in becoming overdrawn.

An additional strategy cited for managing direct debits was to 'front-load' them or ensure that they were due to be withdrawn from the bank account soon after a regular income payment (wages or benefits) had been paid into the account.

3.1.3 Use of POCA

Many of the participants who currently used a POCA remembered previously receiving benefits via a giro cheque. During the Payment Modernisation Programme they had been given the choice of opening a POCA or a bank account and had chosen a POCA because they felt it would be the most convenient option and the process of collecting their benefit would not need to change a great deal. As a result of this choice some participants had perceptually aligned POCA's with bank accounts and assumed that there was little difference between them. It was clear that among the research participants using a POCA had not acted as a stepping stone for opening a bank account. Many participants did not spontaneously note any motivating benefits that a bank account offered when compared to a POCA. Indeed, many felt that a key attribute of a POCA was the inability to get into debt and access credit. Many were attracted to the simplicity and limited input required to use a POCA.

Most of the unbanked participants included in the research were long-term benefit claimants. Many of the participants had experienced crises during their lives including severe debt, or the breakdown of family relationships. A few had experienced homelessness, drug and alcohol misuse, or mental illness and were reliant on the state for financial support as a result. This situation resulted in a mindset of dependency on the various institutions that helped and supported them, including the benefits system. The research indicated that use of a POCA contributed to and enforced this mindset of dependency; a POCA did not require any personal responsibility on the part of the participant – it was typically seen as a conduit for benefits with collection of money the only required activity from the POCA holder.

When discussing their POCA most participants' views were intertwined with their feelings towards the Post Office. Resultantly, they tended to talk about positive and negative attributes of dealing with finances at the Post Office rather than the functions of their POCA.

Many participants had affection for their local Post Office and enjoyed the community interaction that it offered. These participants tended to know their Post Office counter staff personally, and visiting the Post Office provided an opportunity to meet other local residents. Those most positive towards their Post Office tended to be older participants who had been using services at the same Post Office for many years. However, for a small number of participants the need to visit the Post Office to withdraw their cash was viewed as a drawback, with one participant noting that they did not like local people knowing about their

finances. In this instance, the participant did not like that the person behind the Post Office counter knew how much money they received.

Some participants found going to the Post Office to withdraw money convenient; these participants often lived near to a Post Office or within easy access via public transport. For many, visiting the Post Office was entrenched as part of a weekly routine and therefore any effort required in visiting a Post Office was not considered problematic. A couple of participants noted that their local Post Office had closed down a few years ago, but that they had not found it difficult to travel to and incorporate an alternative Post Office into their weekly routine. Across the research only one participant cited location of their Post Office as a key problem. This unbanked participant's local Post Office had closed down and they now needed to drive for three miles to access their nearest Post Office.

Some participants cited queuing as a negative aspect of dealing with finances at the Post Office. In particular, some described long queues at the Post Office counter which were experienced on a frequent basis. The research indicated that queues were not seen as particularly problematic for any one group of participants but tended to be mentioned in general by people with different circumstances.

"The queues....absolutely horrendous." (London, unbanked with POCA)

Among the banked participants two older participants aged 60+ years used a POCA for payment of their pension. These participants enjoyed the community interaction at the Post Office and typically would withdraw their pension monies and pay them in to their bank account.

"That's the heart of the community the Post Office...and I've seen how hard they've worked to keep the Post Office open" (Glasgow, 5+ years banked)

Unbanked participants who did not have a bank account or a POCA, and who were in receipt of benefits, received these by giro which they cashed at the Post Office. This arrangement was appropriate to their personal circumstances, and in many cases had become habituated as it had continued in this way for many years. In-line with the views discussed above, these participants typically enjoyed the community interaction that the Post Office offered.

3.1.4 Use of bank account

Most banked participants held a current or basic bank account and a couple of participants from both the recently banked and 5+ years banked sample held paid-for accounts. For most, their bank account acted as the main conduit for their money. Those who had a bank account (including those who been banked for five or more years, and those who had recently become banked) used the functions of their bank account to differing degrees.

As discussed above, some used the bank account only as a place to deposit their money, and did not use any additional functions. Often these participants withdrew all of their money in one transaction and managed their finances on a cash basis. This was often the case for recently banked participants, who used their bank account in line with the way they had previously used their POCA.

"I take a bit of rent money out, I take my electric money out and food money that's it. I still leave money in there for the next week so I can top up my food and things like that" (Wolverhampton, recently banked)

A) Use of direct debit and overdraft

Whilst the research indicated that those who held a bank account for a longer period of time tended to be more likely to use direct debits, length of time banked did not emerge as the sole rationale for bank account function use. The following themes emerged; these themes are not mutually exclusive and often worked in combination to impact on an individual's use of direct debit.

- Amount of income. Some participants with a low level of income cited that they felt more in control of managing their money, and bills, on a cash basis. One participant had recently stopped a direct debit payment for their mobile phone bill because they had been made redundant. Based on their reduced income they decided to manage this bill on a cash basis.
- Consistency of income. Where income fluctuated, participants were concerned that they may struggle to meet direct debits on months where income was reduced. With this in mind some participants preferred to manage their money on a cash basis to prevent situations where a direct debit payment would be taken from their account and result in them becoming overdrawn.
- Length of time banked. Those who had been banked for a long period of time indicated that they were more familiar and comfortable in using their bank account. Those who were recently banked tended to not use direct debits but were open to the idea of using this when either they were more used to their bank account, or when their financial situation improved. Those who had been banked for a long period of time still noted that they had strict budgets to manage their low income, but noted that using direct debit and, in some cases, their overdraft, had become part of their routine budgeting.

Across the research three unbanked participants ran some direct debits (for their satellite television package) through their parents' accounts in order to benefit from discounts, although they did not live with their parents or rely on their parents for other banking functions.

Whilst most banked participants in the research had an overdraft function on their bank account, older people (aged 60+ years) noted that they did not use this.

B) Use of debit card

Having a debit card was considered convenient for shopping and purchasing goods online. For recently banked participants, having a debit card was seen as a beneficial consequence of opening a bank account. Whilst acquiring a debit card had not been a driver to becoming banked for these participants, they had found their debit card very useful. The key benefit of a debit card for recently banked participants was that it enabled them to withdraw or spend small amounts of money; micro-transactions were useful when there was little money in their bank account and were able to spend less than £5 on their debit card.

Other functions mentioned by a small number of banked participants included overseas remittances and money transfers. Further to these, those who had been banked for five or more years noted the following financial products that they also held with their bank.

- Mortgage.
- Credit card. Some participants noted that they had more than one credit card.

- Individual Savings Account. This was mentioned by a couple of participants however, most participants tended to save money in their current account rather than have a separate savings account.

3.1.5 Use of other financial products

Whilst half of the unbanked participants in this research used a POCA, very few of all unbanked participants mentioned using any other financial products. A couple of participants mentioned credit unions and alternative sources of credit such as catalogues.

Banked participants used a number of financial products aligned with their current bank (as described above). However, few mentioned additional financial products. A couple of participants mentioned their local credit union and were positive towards this.

"Its owned by the people, that's the difference. Its owned by the members so there's no directors getting big bonuses" (Glasgow, 5+ years banked)

A further couple of participants noted that they used an o2 debit card. They felt that this compared favourably to credit cards as there was no risk of debt.

Finally, a small number of banked participants mentioned alternative credit sources such as catalogue companies.

4 Becoming banked

Those who had been banked for five or more years had opened their bank account as part of the natural progression of becoming an adult. For many, opening a bank account had coincided with a life change, such as moving out of the parental home or getting a job. For some it had been a natural transition from a savings account opened by a parent to a current account.

All recently banked participants had opened their bank accounts within the last 2 years. These participants had opened a bank account based on a change of personal circumstance. This included:

- Had gained employed or planned to gain employment in the future. On gaining employment, participants had found that they needed to have wages paid into a bank account and had resultantly opened their own bank account.

"That's why I got the bank account, when I started packing t-shirts from home, so my wages go in there" (London, recently banked)

- Breakdown of family relationship including divorce; in this instance the participants' partner had often held a bank account and managed all household finances. Following the break-up of a relationship the participant had found themselves in a situation with no bank account or mainstream way of managing their finances which had led them to opening their own bank account.
- Continued problems with payment of benefits by giro cheque. In one instance, a participant had experienced repeated problems with their giro cheque being lost. Resultantly they had opened a bank account for payment of their benefits.

"I was getting a giro and I just didn't really think about it. When I wanted to go to work, that's when I really had to think about things and get things sorted out. I'm glad I did now." (Wolverhampton, recently banked)

For these participants, becoming banked had been a necessity; they needed an account for payment of wages. In this regard, becoming banked had coincided with an improvement in their personal circumstances. For some, this meant that becoming banked was considered part of a positive shift in circumstances which led to feelings of pride and a sense that they were 'becoming part of society'. Some aspired to further improve their circumstances in the future, and to acquire additional financial products such as mortgages. For these participants, although using a bank account was different and challenging, it was a positive change.

The process of opening a bank account was considered easy and uncomplicated by participants. Some had had concerns before they had approached the bank. Concerns mirrored the general profile of barriers to becoming banked discussed in section X

"The only concern I had really was about if they would accept me, because I didn't have a lot of ID at the time. I only had a birth certificate and a couple of letters. I didn't have any photo ID and I didn't know if I would be able to get one" (Wolverhampton, recently banked)

When they attempted to open an account, they tended to have been pleasantly surprised, finding the process simple and completion of the required forms straightforward. Some did note that they would have preferred to have completed the forms face-to-face with a bank advisor as this would have made the process even simpler.

Upon opening a bank account, all recently banked participants closed their POCA and had started to receive any benefits into their bank account. Recently banked participants did not mention using any other financial products.

Both those who had been banked for five or more years and recently banked participants noted that they had not sought advice or guidance regarding opening a bank account. At the time of opening their bank account they had relied only on information and advice provided by the bank advisor.

"I just told them what I wanted, and they told me which account would be best for me." (recently banked, female, London)

In particular, none of the recently banked participants had compared banks or bank accounts and had often been strongly influenced by friends and family recommending bank brands.

Nearly all participants had low awareness regarding the different types of bank accounts available, and whether these varied across bank brands. Those who had recently experienced severe financial debt – such as bankruptcy – tended to know more about types of bank accounts available as they had researched or been given information regarding the types of bank account that they would be eligible for.

5 Channels for financial communications

Those who had been banked for five or more years, and those who had recently become banked, were using a mix of channels to communicate with their bank. Older people tended to mention face-to-face channels whilst other participants tended to use telephone most often. Some commented that they had experienced problems with call centres based outside of the UK. Some participants used online banking to check their balance although some voiced concerns regarding identity fraud and the security of online information. One recently banked participant was currently using online banking. The ATM was also seen as a communications channel for those who had been banked for five or more years. These participants discussed accessing their balance or mini-statement at ATMs.

Unbanked participants tended to voice a preference for dealing with financial issues on a face-to-face basis. This mirrored the way in which they currently dealt with their finances at the Post Office (withdrawing money at the Post Office counter), the Housing Association (paying rent in cash), the Council (paying council tax in cash) and JobCentre Plus (face-to-face appointments). Some commented that face-to-face interaction engendered a feeling of trust, as it was possible to see the person dealing with your money. A face-to-face transaction also made it possible to physically see the payment being made, which gave peace of mind.

Whilst face-to-face was clearly the preference for unbanked participants, they were not all opposed to dealing with financial matters via the telephone, although this did raise concerns regarding the cost of telephone calls.

"I would go in [to the bank]...I wouldn't phone. I think it's very expensive...they're all quite expensive numbers" (London, Unbanked with POCA)

Only a few unbanked participants suggested that they would feel comfortable dealing with financial matters via mobile phone (again, concerns regarding cost were raised), and few felt that online channels would be appropriate with many voicing concerns regarding the security of personal details.

6 Barriers to becoming banked

This section will describe the barriers to becoming banked, identified from research with the unbanked and those who were recently banked.

Barriers differed considerably in terms of the extent to which they were a key factor preventing people from opening a bank account. Where some barriers were very important and strongly felt, others represented a lesser obstacle or were easier to overcome. Where some barriers provided a complete explanation for why an individual had not opened an account, others tended to exist in combination to create a syndrome of perceptions and circumstances preventing the individual from opening an account.

The report distinguishes, therefore, between 'primary' barriers which represented a formidable obstacle to being banked, from 'secondary' barriers, which were less strongly felt. Primary barriers represent the chief, and in some cases sole, explanation for an individual's unbankedness. Secondary barriers tended to exist in combination with other barriers rather than in isolation, resulting in an overall negative motivational state in relation to getting a bank account. They also reinforced negative motivational states towards opening a bank account.

The secondary barriers listed in this section should not, therefore, be considered to form a complete explanation for an individual being unbanked, but tended to exist as part of a wider syndrome. In addition, some of the secondary barriers may have been presented by some research participants as rationalised 'explanation' for being unbanked, where the real underlying 'primary' barriers were rooted in fears and concerns about being banked that they found harder to articulate.

Barriers should also be considered in relation to the drivers or benefits of becoming banked. Although strongly felt, barriers may only represent a partial explanation for unbankedness, and would prevent an individual from opening an account only until the introduction of a strong driver to opening the account. This was notable from interviews amongst those who had recently opened an account. They tended to have taken the step of opening an account as a result of being forced or at least strongly driven to do so by a circumstance, for example getting a new job, although their original misgivings remained. This highlights the fact that the eradication of barriers to being banked may not immediately result in account take-up, except where there is also a strong driver for the individual to become banked.

The majority of the barriers identified were perceptual, in that they were based on people's beliefs and attitudes rather than on their experiences of trying and failing to open an account. However, the barriers around identification and credit rating were 'real' in the sense that some participants who wished to open an account had been refused one on the basis of their lack of appropriate identification or poor credit rating. As well as those who had experienced 'real' identification and credit rating barriers, however, there were instances where participants had made the assumption that they would be unable to open an account on this basis. In this sense, even the 'real' barriers were perceptual to some extent.

6.1 Primary barriers

Primary barriers are defined as chief or most important reasons for not opening an account. Each of the primary barriers described in this subsection was identified in the research as a formidable obstacle to opening a bank account. As distinct from the secondary barriers, primary barriers could represent the sole factor explaining an individual's unbankedness. The research identified three primary barriers to becoming banked. These were:

- Fear of the risks associated with a bank account
- Having a poor credit rating
- Lack of required identification

Fear of the risks associated with a bank account

This was one of the most critical barriers to opening a bank account that was identified in the research. Fears associated with opening a bank account related to the risk of becoming out of control of your finances such that you might run the risk of becoming overdrawn, and ultimately fall into debt. This was a highly entrenched attitudinal barrier which was difficult to overcome, even for those who had recently opened a bank account. This barrier was strongly associated with an entrenched cash culture, described in section XXX.

Having a bank account was often seen as a responsibility. Along with the positive benefits of banking in terms of an increased sense of independence and status, came a heavy responsibility to manage finances and avoid debt. This should be understood in the context that a number of participants had previously claimed benefits, often for an extended period, and had therefore had little opportunity to exert personal control over their finances beyond drawing their benefits and paying bills. Managing a bank account therefore, particularly in its extended functionality, involved an element of personal volition in relation to finances that was unfamiliar and could seem daunting.

Operating finances through a bank account would remove the tangible, physical presence of cash, through which participants felt able to exert control over their finances. The unbanked often managed their bills by compartmentalising cash kept at home into envelopes or tins according to their purpose. This could then be juggled for use in emergencies, with cash being 'borrowed' against one bill to meet an unexpected expense. This careful management system, which may have been maintained for a number of years, would need to alter if they were to open a bank account, resulting in a loss of control.

Where cash was seen as finite and therefore easy to control, there was a perception that a bank account had the potential to allow you to extend the available money through card payments or overdrafts, and that it would therefore be easy to go beyond your means and to lose control. Cash was thought to provide a natural limit on spending, where a bank account had no limits imposed, meaning that limits on spending must be self-imposed. Some participants described feeling concerned that they would be tempted to overspend when offered the opportunity to go beyond their means.

"Why are you giving me an overdraft? Of course I'm going to spend it!" (unbanked, female)

"If you've got access to borrowing more and more, you ain't bothered. You're just going to keep spending until someone comes knocking at your door." (unbanked, male, Liverpool)

"If I did come into money, I wouldn't put it in the bank. I'd probably give it to my sister or something. I don't trust myself with money. I don't trust myself with money at all, I'm terrible with money." (unbanked, female, Glasgow)

"I would get into debt because I would just go 'I will put it on that' and before I know it I would be up at the limit. It just isn't worth it. This (using cash) saves me getting into debt. This means I have no sleepless nights and no worries about where the next £10 is coming from." (unbanked, female, Glasgow)

Direct debits in particular were thought to entail a loss of control, as money leaves the account automatically. This was thought to give rise to the risk that the bill would not be paid, or that the wrong amount might be paid. Variable bills were of most concern, as this made it more difficult to keep track of outgoings. Some were inherently mistrustful of the idea of a direct debit leaving your account automatically as if a 'third party' or middleman was involved in moving the money.

"The fact that they can go into your account and take money without notifying you ... It's an invasion of privacy isn't it? It's supposed to be private. It's your money. I don't like the direct debits." (unbanked, male, Liverpool)

"I always think something might happen and then you are stuck, that's why I prefer doing it by cash. It's not that much difference anyway (that you would save by using direct debits), probably like £12 per year or something like that if I remember." (unbanked, female)

Most could cite examples of friends and relatives who had become severely indebted as a result of managing their finances poorly via a bank, and this reinforced their fears. Banks were thought to encourage people to borrow beyond their means, and participants were aware that they could be offered products or overdrafts that could put them at risk. As well as the risk of losing control through being tempted to live beyond their means, there was a fear of making a genuine mistake which could result in bank charges.

"I've got so many friends who are in trouble now with cards, and mortgages. One friend of mine just lives on her overdraft. So I know (with cash) what I've got." (unbanked, female, London)

To this extent, bank accounts were equated with a risk of debt. As there was a lack of awareness of the range of bank account options, this fear of risk pervaded their overall impression of becoming involved with banks. As this fear often stemmed from an entrenched cash culture mindset, it was difficult to overcome. In fact, a number of recently banked participants continued to have this fear, and to avoid using their account functionality to the full as a result.

"I just use my bank account like a cupboard really. I just put money in and take it out and that's it." (recently banked, female, London)

"I've always been like that (monitoring account daily). It's not really changed since I've got a bank account." (recently banked, female, London)

"I've got to be careful they don't bounce me into credit. I wouldn't want to get into that after 30 years of relying on myself. (recently banked, female, London)

"...if you are going shopping and your shopping is costing you more than you actually intended in the first place and you just automatically put a debit card in and say "Take it out of that", the money is there but I forgot that there was a direct debit coming off three or four

or five days later and then you are into charges. In every sense of the word for me it is just a no-no." (Unbanked female, Wolverhampton)

The entrenched nature of this attitude was highlighted by the fact that each of the recently banked participants had encountered a strong driver to open their bank account, such as a new job or a marital separation. Without this trigger, they may have continued to avoid opening an account because of the perceived risks.

This barrier often existed in combination with other barriers, but was perhaps less easy to articulate. Secondary barriers cited, such as the negative press around being banked could mask, or provide a post-rationalisation, for the fear of loss of control over finances.

Poor credit rating

A number of participants had been refused a bank account because of their poor credit rating, or assumed that their experiences with severe debt would mean that they could not open a bank account. This was a critical barrier to opening an account, in that it formed the primary reason for not opening an account for those affected, even though they may not have perceived any other barriers to opening an account.

There were two instances of participants having been refused an account within the last year. These participants had approached a bank about opening a current account, but had been refused because they had had a bankruptcy in the past. Participants said that they had not been offered any other type of account.

"When I went to them and said 'cancel this one and give me another account', they said 'no, until that is cleared, you can't get another one.' They are not going to give me a bank account and a chequebook that I can go and spend £3000 with if I still owe them money. They wouldn't do it. I understand that. Saying that, it would be handy to have a new bank account." (unbanked, male, Liverpool)

In two further cases, participants had not recently tried to open an account, but simply made the assumption that because they had been in debt in the past they would not be able to open an account. Both were engaged via the bank in clearing their existing debts, and felt that they would be likely to be refused an account if they were to request one.

Lack of appropriate identification documents

The lack of appropriate identification prevented some participants from opening an account. Perceptions of the type of identification documents (ID) required were based on personal experience, as well as on hearsay from friends and family, and on assumption about what might be required. Where the barrier was based only on assumption and hearsay, lack of ID tended to be a secondary barrier, existing in combination with other barriers. For those who had personally encountered this barrier, or who had reasonable evidence that they did not possess appropriate ID, this was a primary barrier to becoming banked.

It was generally thought that some form of photographic ID would be required in order to open an account, and a proof of address. Within this, perceptions varied as to the specific items required. Most commonly, it was assumed that a passport or driver's license would be required as photographic ID, and a household bill or benefits statement for proof of address. Other suggestions included a National Insurance number or card, and a birth certificate. Most problematic were the photographic forms of ID and the requirement for a birth certificate, as participants may not have these and would therefore need to acquire them in order to open an account.

Recent experiences of attempts to open an account that were cited included one participant who had enquired in a branch about ID requirements, and realising that he would need a birth certificate he had ordered one for this purpose. Another participant assumed that he would need a birth certificate as he had used this to open a bank account in the past. As he no longer had his birth certificate, he assumed that he would not be able to open an account.

Participants had not necessarily formed their perception of ID requirements based on personal experience, but would also gather information from friends and family. Friends and family made recommendations as to which banks would accept various forms of ID. Participants would then choose to open an account with a bank that would accept the ID that they were able to provide.

For participants with no fixed address, this was thought to represent an absolute barrier to opening an account. Participants who were recently arrived in the UK from overseas and were living with friends and family, and therefore did not have any fixed address or responsibility for bills such that they could provide proof of an address.

6.2 Secondary barriers

Secondary barriers are defined as the lesser factors leading to an individual being unbanked. Secondary barriers tended not to represent a complete explanation for an individual being unbanked, but to exist in combination with other barriers. Secondary barriers could be more easily overcome than primary barriers if there was a sufficiently motivating driver for the individual to open an account. Secondary barriers could be presented as a rationalisation or justification for being unbanked to mask primary barriers which may be harder to articulate, or simply to mask a low motivation for opening an account. Secondary barriers also had a role in reinforcing entrenched negative motivational states towards opening a bank account.

The research identified four secondary barriers to becoming banked. These were:

- Being unemployed
- Cost of becoming banked
- Negative press
- Poor previous experience of having a bank account

Being unemployed

There was a perception that a bank account related directly to employment. Some held the view that they would not be able to benefit from having a bank account because of their low income. For others, there was a perception that they could only open an account if a minimum monthly income was paid into the account.

Those who thought that their low income would mean that they could not derive any advantages from opening a bank account tended to be longer term benefit claimants. Benefit payments were quickly spent or allocated to household bills, meaning that there would be no money to be kept in a bank account if they were to open one. Bank accounts were seen as appropriate for those who had a level of wealth that would merit storing money, and that this was not the case for people claiming benefits. For this reason, they felt that it was not worthwhile to open an account, but that this could be postponed until they began work at some stage in the future.

"Probably if I went back to work or if I won the lottery I'd get a bank account." (unbanked male, Liverpool)

"I see it as useless for me because I haven't got no money to go into a bank account. I only get a giro which is about £94 a fortnight. That ain't even worth going into a bank account." (unbanked, male, Liverpool)

"I always thought you had to have 'moneymoney' to have a bank account. I didn't realise how easy it is." (recently banked, female, London)

"If I had a job now I would open one up, cos I've got a regular good amount of money coming in then maybe I would get direct debits with my rent or whatever." (unbanked, female, London)

Holding a bank account was associated by many with a positive change in circumstances, often related to getting a new job. Opening a bank account had a validating, legitimising effect, making people feel that they were part of society. This association, however, made those who were unemployed feel that a bank account was not appropriate to them in their current circumstances.

This was also borne out in the interviews amongst those who were recently banked, who had often opened their bank account as a result of getting a new job. Even after becoming banked, they continued to feel that it would not have been appropriate for them to open an account before becoming employed.

There was also a perception amongst the unbanked that banks would look less favourably on those who are not working, and would be more reluctant to allow them to open an account. Some felt daunted about going into the bank to ask for an account, and assumed that they would not be wanted as customers, or that they would be looked down upon for not having a job. This was also the case for one homeless participant, who felt that he would be judged harshly based on his appearance and circumstances.

"I don't really get involved in them because they don't want me." (unbanked, female, Wolverhampton)

This perception that the bank's attitude towards customers was dependent on their status was also expressed in the research amongst those who had been banked for many years and had become unemployed during this time. This group were acutely aware of a change in their status with the bank. Where they felt that they had been treated very favourably by their bank at a time when their income was higher, they felt that the bank no longer valued their custom and now treated them differently.

There were also those who thought that a minimum monthly income was required in order to open a bank account, and that as a benefit claimant they would not be eligible to open an account.

"I've just learnt this morning (during interview) that you can still have a bank account with (being on) benefits." (unbanked, male, Liverpool)

Cost of becoming banked

A number of participants thought that there would be a cost involved in opening a bank account, either through a minimum initial deposit, or through ongoing costs associated with running the account. These perceptions were based on speculation and hearsay rather than on actual personal experience.

It was suggested that there may be an initial cost to opening an account, in the form of a minimum deposit. Speculations as to the minimum amount varied, from £50 - £100. For those subsisting on benefits, this was more than they felt able to accumulate in their current circumstances, and opening a bank account would therefore need to be delayed until they were working.

"I thought you had to pay some money into the account before you can open it. Like £50 or £20. I always thought you needed money to open an account." (unbanked, male, Liverpool)

"I'd heard from different people, some say it's a pound, some say it's like £10 or £100. I didn't think about it until the time I went and actually opened an account and realised I only needed a pound to open it." (recently banked, male, Wolverhampton)

"I remember a few years ago you could put £1 in to open an account, but now I think you need £100 or something." (unbanked, female, London)

There were also those who thought that there would be costs associated with running the account, in the form of charges for individual services such as direct debits, or a regular monthly charge for use of the bank account. It was also suggested that the account might be closed if funds fell below a certain level.

These potential costs and charges were seen as problematic by benefit claimants, as on their low income they would find it difficult to afford to spend extra money on running their account.

Negative press

Negative stories about banks and banking came from two major sources: friends and family, and the media. Negative press was influential for the unbanked, particularly stories from friends and family, as they had little or no personal experience upon which to base their views. However, such stories reinforced fears and concerns about banks and banking rather than representing a barrier per se.

The unbanked participants would often cite the case of a friend or family member who had encountered problems relating to their bank account. Stories often related to overdraft charges incurred by mistake, or as a result of an error by the bank. Some stories related to friends and family members being in severe debt as a result of using credit cards. Although participants did not always blame the banks, believing that the individual in question was partly to blame for these events, they still related the stories as evidence of the risks associated with bank accounts. Some also mentioned that their family of origin had never trusted banks, and that their views had been shaped as a result.

Stories from the press, by comparison, appeared to have less influence than stories from friends and family. Not all participants were aware of the recent press surrounding banks. A few mentioned concerns about the security of their money following the collapse of Northern Rock, and the unfairness of bankers' bonuses. This did not appear to have a strong influence on attitudes, however.

Poor previous experience of being banked

A number of unbanked participants had held bank accounts in the past, or had previously made attempts to open an account, or to get information about bank accounts. Negative experiences from the past continued to influence their views about banks, even where the experience had occurred a number of years ago. Negative experiences cited were around poor

treatment by counter staff, experience of debt, and in one case loss of their deposit when an overseas bank collapsed.

Participants who had been treated poorly by counter staff in the past felt reluctant to engage with them in order to open a new account. One participant had argued with a member of staff and closed their account as a result. Another felt that their privacy had been breached by a member of staff who discussed his spending habits with the other bank staff.

Poor experiences were also cited around falling into debt. Participants described how they had unexpectedly been given access an overdraft or offered credit in the form of a loan. This had resulted in charges and debt which they had been unable to manage. One participant who had become indebted had not received any support or advice from their bank. These past experiences of being given access to credit and becoming indebted as a result feed into concerns about bank accounts resulting in loss of control.

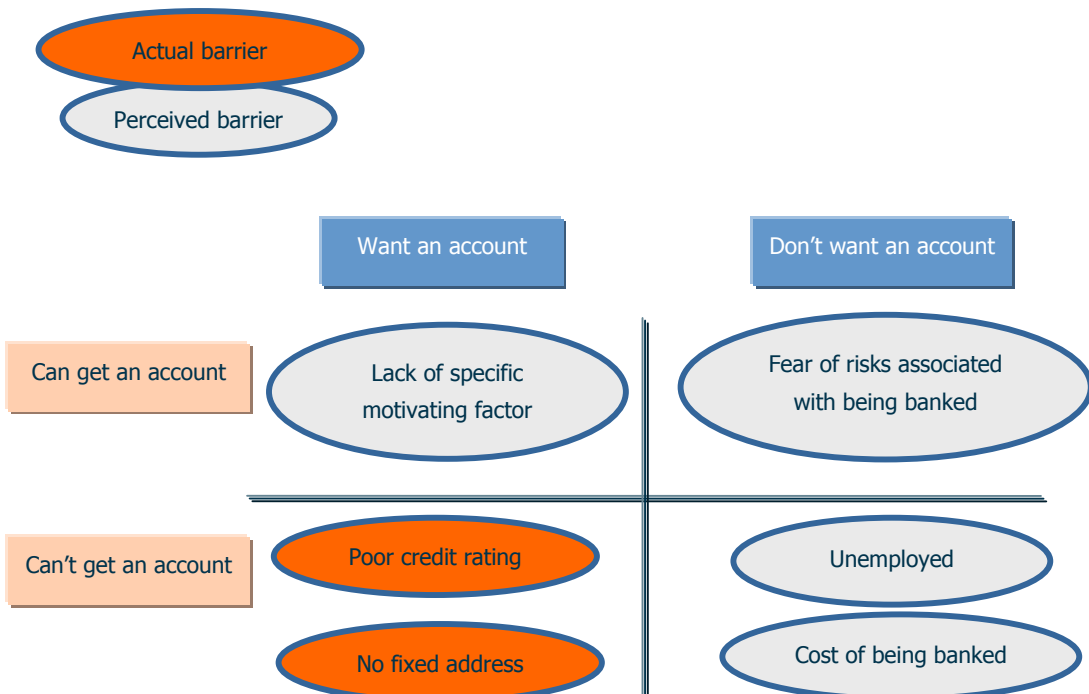
"You don't have to have an overdraft but when I did have a bank account, when I was 17 or 18, I told them I don't want an overdraft; they gave me an overdraft, I got in debt so I won't have a bank account now." (unbanked, female, London)

6.3 Barriers and motivation

Barriers to becoming banked are complex, and often interlinked. For example, those who cited unemployed status as the main reason for not having a bank account often also feared the risks associated with a bank account. However, barriers were also weighed against the motivation to becoming banked. Those who were recently banked had set aside their concerns in order to open an account if they found themselves in a sufficiently motivating set of circumstances. For example, a new job with an employer who insisted on paying them via a bank account, or repeated incidences of missing giro cheques, had persuaded those with misgivings about being banked to take the step of opening an account. Barriers should therefore be understood in the context of motivation.

The figure below describes a framework by which each of the barriers identified can be understood in the context of motivation to become banked. As people’s propensity to open a bank account was based on motivation to open an account (discussed further in section 0), as well as on their actual ability to open an account, the diagram categorises barriers according to both of these factors.

The bubbles in orange relate to ‘actual’ barriers based on past attempts to open an account, and the blue are perceptual barriers, based on assumptions as well as personal experience. Therefore, the examples of scenarios below in which people ‘can’t get an account’ are not necessarily based on recent experience of attempting to open an account, but may be based on assumptions. Only the scenarios in the bottom left quadrant of the diagram relate represent ‘actual’ barriers, which were described in interviews with those who had recently attempted to open an account, and found that they could not.



The diagram shows that there are a number of scenarios leading people to remain unbanked which are not based on their actual ability to open an account, but rather on their attitudes and perceptions, some of which are based on erroneous assumptions. The bottom right quadrant refers to those who could open an account, but wrongly assume that they would not be able to open one, or that a bank account would not be suitable for their needs.

The top two quadrants describe scenarios where participants knew that they would be able to get an account, but had made the choice that they did not want one, either based on fear of the risks associated with opening an account, or lack of motivation to open an account.

7 Benefits to becoming banked

This section of the report looks at the benefits of becoming banked. Benefits of opening an account could be considered to fall into two categories: core benefits and subsidiary benefits. Core benefits are important advantages of opening an account, which have made a substantive difference to the way that the participant is able to manage their money. Subsidiary benefits are less important, although still represent a positive impact of becoming banked.

Benefits should be distinguished from drivers to opening an account. The research demonstrated that for those who had recently opened an account, there were still a number of perceptual barriers to doing so, but that a specific trigger or driver had prompted them to open an account despite the barriers. This tended to take the form of a change in circumstances such as a new job. Therefore, although unbanked participants could see many benefits to being banked, these would not necessarily provide the necessary driver to opening an account.

There were many commonalities across each of the three groups: banked, recently banked, and unbanked, regarding their views of the benefits of being banked. Differences between the groups, where these occurred, are drawn out in the sections below. It was not the case, however, that a differential understanding of the benefits of having a bank account determined whether or not an individual chose to open an account. Therefore, those who were recently banked did not necessarily have a different understanding of the benefits of being banked than the recently banked. Rather, their decision to open an account was based on a specific triggering factor. There is a discussion of 'becoming banked' in section XXX, which describes triggers and drivers to opening a bank

7.1 Core benefits

7.1.1 Convenience in accessing cash

Accessibility of cash was a key benefit to opening a bank account. The wide availability of ATMs meant that cash and statements could be accessed at any time, in a convenient location.

Unbanked participants who had a POCA or received a giro reported that they were limited by Post Office opening hours, with no opportunity to access their money outside these times. The ability to access money outside of the Post Office opening hours, especially at weekends, was considered a serious drawback of a POCA, and a benefit of a bank account.

"You don't have to wait. If somewhere is such you can at least go to a cash point and get access to your money 24 hours a day." (Unbanked male, Liverpool)

"Holes in the wall mean that you can access your money." (Glasgow, unbanked female)

A number of participants, banked and unbanked, discussed the benefits of being able to take out money abroad using a bank account. A few unbanked participants reported that they had run out of cash whilst abroad which meant having to use costly alternatives such as Western Union rather than being able to take money out at a cash machine or accessing their account abroad.

"I went out to Spain and ran out of money and the only way I could do it [get money sent out] was through one of the Western Unions but then they charge on the money..." (London, unbanked female)

"I actually phoned my daughter and she wired me the money and I paid her back when I came back. I have been in situations like that where you should have thought about it and brought enough. I don't see the need for debit cards or bank cards." (Glasgow, unbanked female)

7.1.2 Debit Cards

Access to a debit card was seen as a key benefit of having a bank account. Debit cards allowed access to money in a range of locations, at any time. Many banked participants reported that they liked being able to use the debit card in shops as it meant they could still access their money although they were not carrying cash with them.

"If I run out of something and I haven't had the cash on me I can just go to Tesco's and use my debit card." (London, recently banked female)

For some banked participants, the greatest benefit of a debit card was the ability to make micro-transactions. This was particularly relevant as participants were on low incomes, and their account balance would often drop below £10. Smaller sums could be accessed by paying for items with a value below £10 in shops using the debit card.

Some of the banked participants further reported that they used their debit card to make purchases online. This was seen as an advantage to having a bank account by unbanked participants, a few of whom had previously been forced to ask friends and family to make online purchases on their behalf. However, using debit cards online raised concerns regarding fraud. Some participants noted that people that they knew had been victims of fraud, and had had problems in reclaiming the money.

7.1.3 Direct Debits

Direct debits were valued by many participants as a convenient way of managing bills. They were thought to provide peace of mind, as they removed the need to worry about remembering to pay individual bills. They were also convenient in the sense that once they were set up, there was no need to take action to physically pay the bills.

"It's one-stop banking, you put your money in and that's it. You've done all the direct debits, you've done everything." (Glasgow, female five years + banked)

"Obviously I haven't the worry of – 'oh did I pay that bill today'." (London, recently banked female)

Amongst unbanked participants there were differing levels of understanding of the savings that could be made by using the direct debit facility on a bank account. Some were unaware that they could save money through paying household bills via direct debit. Others, although aware of the potential savings, felt that using cash enabled them to budget more effectively and avoid the risks associated with direct debits. Some unbanked participants did feel that using direct debits would save them money and could be a useful tool.

"Knowing that your money is there and direct debits can be paid out so you're not running around paying your bills. The bank could talk to you about that. People don't know about it." (unbanked male, Liverpool)

A few participants reported running their direct debits through the accounts of friends or relatives in order to benefit from the savings available with one participant reporting that the amount she saved paying her 'Sky' through direct debit on her mum's account was the equivalent to her sons dinner money for a week whilst another who mistrusted direct debits herself, used her daughter-in-laws account to pay her TV Licence.

"The TV licence is a direct debit so I use my daughter-in-law's bank card. I don't have a bank account so I use her bank account." (Glasgow, unbanked female)

Discussion around the benefits of direct debits tended, however, to be tempered by an acknowledgement of the responsibility to ensure that enough funds remained in the account to honour the payments. Direct debits were strongly associated with the risks of opening an account, outlined in section 0.

7.1.4 Security

For banked and recently banked participants, avoiding the necessity to carry and store cash was a major benefit to having a bank account. This was also the most frequently acknowledged benefit for the unbanked, who were conscious of the risks of keeping cash at home.

"Certain people get frightened. If you've got money on you you're a target." (unbanked male, Liverpool)

7.2 Subsidiary benefits

7.2.1 Saving and budgeting

The ability to save and to set aside money for future purposes was listed as a benefit of holding a bank account. Given that those researched were on low incomes however, many felt that they did not have enough to be able to set any aside, making this benefit less relevant. They did feel, however, that a bank account might be useful as a tool for budgeting.

"I would be nice to put a bit of money aside. I'd like to be able to do so but it's a case of being able to afford do it." (unbanked male, Liverpool)

"If I did have a bank account I wouldn't get it all out at once. I'd get out all my bill money first and if I couldn't go shopping that day I'd leave it in there so I suppose it would be a good thing in that way." (London, unbanked female)

A few unbanked participants reported that when they needed to save money or keep money back they would give the money to friends or family to look after, but that if they had a bank account they would not need to do this.

"If I leave money with people that I don't want to spend, I have to go round their houses to get it back, so with a bank account, if I did have it in there I could just go and get it out." (London, unbanked female)

Some participants mentioned that the inability to save was a key disadvantage to using a POCA, and that they would tend to cash their giro and spend the cash straight away leaving them short of cash for the rest of the fortnight.

Recently banked participants reported that they found being able to leave money in their account helped them to budget more effectively. This was seen as a useful tool in improved financial management, and a positive advantage to having an account.

"If I've got all the money in my hand at once, I tend to just spend it within the first couple of days. Having it in the bank, I just forget about it really." (Wolverhampton, recently banked male)

Some recently banked participants described how having a bank account had changed their budgeting behaviour. For one participant, this had enabled them to keep a financial 'buffer' in their account for unexpected expenses.

"I tend to plan for when I need things and leave something in there just in case something unexpected happens" (Wolverhampton, recently banked)

7.2.2 Developing a credit rating

Some recently banked participants reported that the ability to begin to develop a credit rating had been a motivating factor in getting a bank account. Participants felt that a good credit rating would be necessary for their future goals such as getting a mortgage and buying a property. Another participant felt that having a good credit rating would set a good example to her children.

Developing a credit rating was seen as more important by participants who had previously been in debt. They aspired to regain their financial standing through good management of their account, enabling them to apply for credit at some point in the future.

"It's good to have a credit rating isn't it. I ain't got one...I suppose later on in life you might need one, but at the moment I'm alright." (London, unbanked female)

Although some unbanked participants reported having a good credit rating as an advantage, others did not feel that it was something that would relate to them. There was a lack of financial aspiration resulting from long term unemployment and the perception that credit ratings were for people with money. Some associated developing a credit rating with borrowing money which would lead to debt that they did not want.

7.2.3 Privacy

Some unbanked participants using POCA's or cashing Giro's in the Post Office reported feeling a lack of privacy when in the Post Office, as the Post Office was generally situated in their local area, and people were able to overhear conversations. A few felt that a bank account would allow them more privacy over their financial affairs.

Others felt that a bank account would allow them less privacy and would mean that their financial management could be monitored in a 'big brother' fashion. For these participants, using cash meant that no-one could monitor what they did with their money.

"I don't tell no-one what I do with my money, it's down to me." (London, unbanked female)

7.2.4 Freedom and independence

Bank accounts were associated with a level of freedom and self-determination, in that they allowed people to have full control over, and open access to, their money.

"I know I have got control of my money now but with that [bank account] I would be more independent in doing it all myself i.e. internet banking and stuff like that." (Unbanked female)

For some participants, this would mean not having to entrust their family members with money, or use others accounts for direct debits.

"Instead of asking someone else to look after your money, you can take charge of it yourself." (Wolverhampton, recently banked male)

This benefit was counterbalanced by the sense of responsibility that came along with total control.

7.2.5 Aspiration and Status

Bank accounts were often associated with aspiration and status, especially for those who were recently banked or unbanked. Opening a bank account was seen as an affirming, legitimising event, making people feel that they were part of society. Those who had been banked for a number of years were less likely to mention this, but a number of unbanked and recently banked participants felt that opening a bank account was something in which they could feel pride.

"I would feel proud of myself knowing that I could open up [a bank account] and having my own card." (unbanked male, Liverpool)

"It makes you feel like a bit of a snob I suppose, to have a debit card." (London, recently banked female)

"It sounds better doesn't it – 'I've got a current account'." (London, recently banked female)

8 Conclusions and recommendations

8.1 Conclusions

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.

For some, a POCA was perceptually aligned with a bank account, meaning that they remained unaware of the additional benefits offered by a bank account. Holding a POCA did not challenge the cash culture, and so could not be considered to be a stepping stone to a bank account.

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. In addition to their limited use of account functionality, they tended to frequently monitor their account balance, sometimes on a daily basis or even more frequently.

Those who had recently opened bank accounts had been prompted to do so by a specific trigger, such as a new job, or a lost giro cheque. The research suggested that overcoming barriers to account opening may not provide the level of impetus required to take the step of opening an account, but that a specific trigger may be required.

Participants could see a number of benefits to becoming banked, although these were not necessarily sufficiently motivating to encourage them to overcome their fears and open an account. Core benefits of becoming banked were those seen as resulting in a substantive difference to the way in which money is managed. These included the convenience of accessing cash; debit cards enabling people to make purchases at any time, including for amounts under £10; direct debits; and increased security resulting from not having to store cash at home.

8.2 Recommendations

The key barriers to becoming banked that were highlighted in the research were those based around negative perceptions of being banked, in particular that having a bank account would result in the risk of falling into debt. These perceptions could be challenged by raising people's awareness of the existence of basic bank accounts, as the main risks are associated with extended functionality that is not present in basic accounts, such as overdrafts and direct debits.

In addition, erroneous assumptions about banking could be challenged, such as those around ID requirements, or around the costs of being banked.

In addition to challenging assumptions, support could be offered in the form of targeted services for those opening a bank account for the first time, or through targeted communications about customer support that is currently offered by banks. Support could

include guidance with budgeting, and advice on how to use their account features such as direct debits. This may not be sufficient to encourage those with high barriers to opening an account, but it may encourage those who are recently banked to utilise the extended functionality of their account.

The research highlighted the aspirational elements of having a bank account, such as the opportunity to develop a credit rating, and to feel legitimised in society. It is possible that communications could be designed based around the aspirational elements of being banked, however, the potential to alienate those who do not see themselves as financially aspirational would need to be considered.

Challenging negative perceptions would help overcome resistance to opening an account, but would not necessarily provide the motivational impetus. To achieve this, it is likely that there would need to be a specific triggering factor to encourage people to take the step of opening an account. The research suggests that this would need to be highly compelling, for example inability to continue to receive benefits by cheque, or a substantial financial incentive.

Unbanked with POCA Case Study: *does not want a bank account but can get one*

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| <p>Pen Portrait</p> <ul style="list-style-type: none"> ▪ Female ▪ Early 60s ▪ Glasgow ▪ Retired ▪ Widowed ▪ Renting | <p>Financial mindset</p> <p>She is very conscious about avoiding debt and this is part of the reason that she does not want a bank account.</p> <p><i>"Before you know where you are [with a bank account] you are thousands of pounds in debt."</i></p> <p>She only buys what she can afford and always leaves some money in her POCA each week.</p> <p><i>"I always leave something in [the POCA] just in case. I don't mean hundreds of pounds. I can leave in twenty pounds and in any month I can have one hundred pounds to spend if I want."</i></p> | <p>Barriers to becoming banked</p> <p>There main barrier for this participant is concern surrounding debt.</p> <p><i>"I would get into debt because I would just go 'I will out it on that' and before I know I would be up at the limit. It just isn't worth it."</i></p> <p>For this reason, she prefers a POCA because she can only take out the money that she has in it and is unable to borrow any extra money.</p> <p><i>"That is the difference, you know you have got that few days to get it [cash to put into a bank account when paying by cheque], whereas with the post office account you take it out and you have got it."</i></p> <p>She feels that with a POCA she has more control over her money and will therefore not get into any debt.</p> <p><i>"When you have got a debit card you tend to think 'I have got money in the bank', so you don't keep that control."</i></p> <p>She also thinks bank charges are unfair and feels they increase a person's debt.</p> <p><i>"I think the charges are atrocious. I think they make money that doesn't come back to the customer."</i></p> <p>She has a general dislike of banks as institutions and a negative view of bank staff.</p> <p><i>"I think courtesy costs you absolutely nothing so I don't see why they [bank staff] are like that. My attitude is they are not better than me and I am not better than them. I don't particularly like them [banks] in the first place."</i></p> <p>The other key barrier to becoming banked is this participant's satisfaction with her POCA.</p> <p><i>"For me there are no disadvantages [to having a POCA]. It is totally and utterly advantageous."</i></p> <p>Her high level of satisfaction means she feels there are very few advantages to becoming banked.</p> <p><i>"I don't really lose out on anything because anything that needs to be done through a bank, they do it for me at the post office."</i></p> | <p>Benefits of becoming banked</p> <p>Despite this participant's reluctance to becoming banked, she can see that one of the benefits of having a bank account is the ability to access money at any time from a cash point.</p> <p><i>"A bank account comes into its own...if you are getting your benefit paid in and maybe the post office is shut on a Monday...whereas with a bank you could put it in a machine and you could get the money out."</i></p> <p>Her 'ideal' bank account would consist of a direct debit reminder facility and a notification about how much money you can actually spend.</p> <p><i>"It would have to flag up something that would tell me that the direct debit is coming off and you have only got that amount of money in the bank that you can actually spend."</i></p> <p><i>"If they had a bank account that would specifically suit my needs i.e. that would give me text reminders that this has to be paid, and I am talking five or six days [notice]...That would be a good idea for me and I probably would think about that, but at the moment my post office card suits me."</i></p> |
| <p>Background</p> <p>This participant has worked all her life, except for when she was unable to due a recurrent health problem. She has also had a mini-stroke which has resulted in some memory loss. She is now retired and very involved in community and voluntary work. She is very happy about the state pension she receives and considers herself to be well-off. However, she also said that she sometimes struggles with money; although she is never in debt.</p> <p><i>"There is not a great deal of money left but I am coping well enough..."</i></p> <p>She opened a bank account many years ago so that her wages could be paid into it. However, she had an argument with the bank over a charge she should not have received. After the situation was resolved she closed the bank account and decided that she would not open another bank account.</p> <p><i>"I had an argument over a charge that should never have happened...In actual fact I hadn't owed them a penny and [I thought] never again. Never will I have a bank account again, and I never have."</i></p> <p>She has a POCA which she is very happy with and which suits her needs.</p> <p><i>"I am exceptionally happy with a card account in the post office...it suits me and it is as simple as that."</i></p> | <p>Current financial management</p> <p>Her pension is paid into her POCA and she also uses the POCA as a savings facility.</p> <p><i>"So you can use it as a savings account as well, although it is not your typical bank savings account...You don't earn interest on it or anything but you can still save."</i></p> <p>She has meters for her gas and electricity and takes cash from her POCA to pay for shopping. She is familiar with operating in a cash culture.</p> <p><i>"When you get to retirement age you tend to think in cash rather than in anything else."</i></p> <p>She has set up direct debits for her TV license and her Sky TV and telephone account. The direct debits are in her name but they are paid from her daughter's bank account. She pays for the direct debits by taking cash from her POCA and giving it to her daughter.</p> <p><i>"I pay the children. They will say whatever amount is due and I give it to them and they pay it."</i></p> <p>She has set up these direct debits so that she does not forget to pay these bills.</p> <p><i>"...anything I do pay for my daughter-in-law has to remind me because I would forget. I cannot stress that highly enough. I can very easily forget."</i></p> <p>She also keeps money hidden in the house.</p> <p><i>"I keep money in the house...I have no fear simply because I have the added knowledge that our houses are very, very secure...[I] went to Blackpool in July for a week and I had left nearly six hundred pounds in the house and I had no worries whatsoever about leaving it."</i></p> | | |

Unbanked without POCA Case Study: *would like a bank account but cannot get one*

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| <p>Pen Portrait</p> <ul style="list-style-type: none"> ▪ Male ▪ Early 70s ▪ Liverpool ▪ Retired ▪ Married ▪ Owns house | <p>Financial mindset</p> <p>In his youth he had experienced financial problems, and had been homeless, sleeping on the streets for a month. This had resulted in him becoming aware of debt, and trying to keep an eye on his finances.</p> <p><i>"I swore I would never get into a position like that again."</i></p> | <p>Barriers to becoming banked</p> <p>The key barrier for this participant was poor credit rating and outstanding debt. Five years ago when he had experienced trouble with his joint account he had been told that he could not open a bank account in his own name.</p> <p><i>"Because with owing them so much money...when I went to them [the bank] and said 'cancel this one [joint account] and give me one on my own' they said no. Until this [debt] is cleared you can't have one...they wouldn't do it."</i></p> | <p>Benefits of becoming banked</p> <p>This participant had a philosophical outlook on being currently unbanked. He felt that it was circumstantial, and something that he had limited control over. He was making payments on his debt with the bank, and hoped to open a bank account in the future.</p> <p><i>"I know when it is paid off [debt] they will give me one [bank account]...it won't take long and sometime next year it will be cleared and on a level footing again. And then we will start with banks again."</i></p> |
| <p>Background</p> <p>This participant had used a bank account for most of his life but had been unbanked for the past five years. For many years of his working life he had been self employed and had used a number of bank products including a bank account and business loans. During this time he had a good relationship with his bank and found them to be helpful and friendly. Roughly six years ago his first marriage broke down and did not end amicably. He held a joint account with his wife and when she left him she withdrew all of the money and used the overdraft. This left him with no money and coupled with outstanding debt against his business loans he was in financial trouble. Luckily he had some shares which he sold to pay of some of this debt. He had not used a bank account since this happened. He still owes money and makes payments to the bank whenever possible. He envisages that it will take a further year to completely pay off the debt. He had remarried two years ago and his wife is also unbanked. She had also experienced problems with debt in the past.</p> | <p>Current financial management</p> <p>When he stopped using his bank account he arranged for his pension to be paid by giro. He had not heard of a POCA.</p> <p><i>"They [bank] wouldn't give me another account of my own because I had no money so forget it. I had to have my money sent to me direct and that is what I did. I have been working on giros ever since."</i></p> <p>Since then he had become familiar with operating within a cash culture. In particular he enjoyed the interaction with people at the Post Office which was a short walk from his home.</p> <p><i>"I have got into such a routine now that I like to get the giro and I like to go to the Post Office and I like to have a chat with people. It brightens the week up a little bit."</i></p> <p>He paid all of his bills at the Post Office and had a Pay As You Go mobile phone. Over the past five years he had become adept at managing finances on a cash basis. Most utility bills were paid quarterly so cash was saved in the house until the bill was due.</p> <p><i>"You have got to put so much away for your electric and so much for the water...I am so well trained now that it is no problem. In the house we have a hiding place. I say to [wife], put that in the bank. It is not a bank, it is our hidden place."</i></p> | <p>Since this initial query he had not asked about a bank account again and assumed that he would still be unable to open one. Whilst he felt that a bank account would be beneficial to managing his finances, he had accepted the bank's position.</p> <p><i>"At the time it would have been handy to have the new bank account...if they [banks] think you are a bad risk they don't want to know you and I feel - I have to agree with them - at the moment I am a bad risk and I accept that."</i></p> <p>He was planning to open a bank account once he was free of debt. Opening a bank account was linked to his circumstances improving, and looking forward to when things were "sorted". He also cited concerns regarding credit that was accessible via a bank account. He did not want to enter back into debt and resultantly showed some concern regarding overdrafts. He also felt that he would have less control over money if he were to use a debit card as it would be less easy to monitor how much money he had.</p> <p><i>"I won't take a debit card. That is so I don't have any money worries and I won't be in debt. I am determined that will never happen."</i></p> | <p>Whilst he did not want to have an overdraft or debit card he did want to use direct debit. This was something that he had used in the past and felt that paying bills would be more convenient with direct debit compared to paying bills at the Post Office.</p> <p><i>"I never checked up on it [direct debit], but as long as I put money in I didn't have to worry about any bills. They were all going to be paid."</i></p> <p>He had envisaged that when he had paid off his debt he would ask for a bank account without overdraft or debit card. He was aware that online banking was available and thought that he would use this to monitor his finances.</p> <p><i>"The benefits of doing it online would be...if you didn't want to go out and it was a rainy day. Also out of hours banking, you can keep a check on it."</i></p> <p>Finally, he had not heard of a basic bank account but once this was discussed during the research interview felt very positive towards this type of account and envisaged that it would be appropriate for him.</p> |

Unbanked with POCA Case Study: *can get a bank account, but lack of a specific motivating factor*

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| <p>Pen Portrait</p> <ul style="list-style-type: none"> ▪ Female ▪ Early 40s ▪ London ▪ Non-working ▪ 1 eight-year-old son ▪ Lone parent | <p>Financial mindset</p> <p>She has always relied upon cash, and it's important to her to live within her means and avoid debt. She sees herself as 'old-fashioned' in this way.</p> | <p>Barriers to becoming banked</p> <p>Although she can see the benefits of a bank account, she does not feel that these benefits necessarily apply to her as she is unemployed.</p> | <p>Benefits of becoming banked</p> <p>She can see that a bank account would allow her to build and plan for her future as she would be able to save money and eventually take out a mortgage.</p> |
| <p>Background</p> <p>This respondent lives alone with her eight-year-old son in a flat in South London. Before she had her son, she worked full time in various jobs, and also worked abroad for some time in a children's summer camp. At that time, she made use of a savings account to save for her travel abroad, but never set up a current account. She has also never used a credit card or a chequebook. Although she distrusts credit of any kind, she does use catalogues to buy things for herself and her son. She grew up near to where she now lives, and her mother lives nearby. When she was growing up, her parents never had a bank account. She sees bank accounts as mainly being appropriate for working people. She has recently completed training in childcare, and hopes to start working as a teaching assistant in the near future. When she starts work she thinks she may open a bank account.</p> | <p><i>"I've never had debit cards, credit cards, it's always been cash."</i></p> <p>She is habituated to using cash to pay all her bills, and feels reassured that she cannot go beyond her means.</p> <p><i>"I don't find it difficult to be honest, what I have is what I have and that's the way that I've been brought up."</i></p> <p>She has a number of friends who have fallen into debt with credit cards and mortgages, and this has a strong influence on her perceptions. She worries that having a credit card would lead to temptation, and prefers to play safe and stick to cash.</p> <p><i>"I've got so many friends who are in trouble now with cards and mortgages. (With cash) I know what I've got."</i></p> <p>She sees her current way of managing as appropriate for her income level, and thinks bank accounts are for working people.</p> <p><i>"I think the banks don't want people who are unemployed, they want people who are working and have a good amount of money coming in."</i></p> | <p><i>"If I had a job now I would open one up, cos (I'd have) a good regular amount of money coming in. Then maybe I would get Direct Debits with my rent and whatever."</i></p> <p>Cash gives her a sense of control over her finances, as she can see exactly what she is spending.</p> <p><i>"I think I manage it better (with cash). I get my money, I can see where it's going, I've got my receipts and, you know, they do muck up in banks sometimes."</i></p> <p>She believes that there would be a cost involved in opening a bank account, and this is offputting.</p> <p><i>"I remember a few years ago, you could put £1 in to open it. Now I think you need £100 or something."</i></p> <p>She is concerned that if she had an overdraft or credit card, she would be tempted to spend beyond her means.</p> <p><i>"You could just spend the money ...great!"</i></p> <p>She feels that she may then be unable to pay her bills as her income is low, and that as a result she could fall into debt.</p> <p><i>"I know that it would be easy, just have it and spend it, but then my downside would be paying it back because I probably wouldn't have it and that way my money would be unstuck."</i></p> <p>She is aware that Direct Debits would be convenient and cheaper for paying her mobile phone bill, but concerns about not having enough money in the bank to cover the Direct Debt outweigh the advantages.</p> <p><i>"I always think something might happen and then you're stuck. That's why I prefer paying by cash. It's not that much difference anyway, only about £12 a year."</i></p> | <p><i>"You've got your money in there so later on in life you've got a lump sum ... like a safe way of saving money I suppose."</i></p> <p>Living without a credit card can sometimes be inconvenient, and can exclude her from certain activities.</p> <p><i>"I'd love to have a credit card cos I know sometimes when you see theatre tickets you need a Visa card or a chequebook."</i></p> <p>Despite feeling that she has more control with cash, she does feel that it is probably more convenient to have access to bank cards and a chequebook to help with managing money.</p> <p><i>"It's probably convenient to have a chequebook and a credit card and a debit card."</i></p> <p>She would find it convenient to operate her account online, although she would need to learn how to do this.</p> <p><i>"You can just do it online and all that now. I don't really know how to use it yet."</i></p> <p>ATMs would enable her to take money out of her account at any time, without having to face the queues in the Post Office.</p> <p><i>"The (Post Office) queues are absolutely horrendous."</i></p> |
| | <p>Current financial management</p> <p>She has two POCAs. Her benefits are paid into one, and she uses the other to save money, paying in £10 per month. Most of her bills are paid in cash at local shops using the Paypoint.</p> <p><i>"Water and all that now is just from the little shops on the corner; the Paypoint. Most of the bills now go to the Paypoint A lot of the Post Offices have stopped (taking bills). TV License, you can't do that at the Post Office no more."</i></p> | | |

Unbanked without POCA Case Study: *does not want a bank account*

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| <p>Pen Portrait</p> <ul style="list-style-type: none"> ▪ Male ▪ Mid 40s ▪ Wolverhampton ▪ Unemployed ▪ Single ▪ Recently homeless | <p>Financial mindset</p> <p>He did not feel like he was in a position to be able to manage his finances because of his ongoing drug problems. He struggled with holding on to any money for bills and food and as a result often had to borrow money from other people. He would repay the money when he received his giro but this left him short again and trapped in a cycle of borrowing.</p> <p><i>"I'm not the best of budgeters."</i></p> | <p>Barriers to becoming banked</p> <p>The key barrier for this participant was his current lifestyle. He had been homeless and had a drug addiction for many years and did not feel like he was in control of his life. He did not want to commit himself to anything until he felt he was able to manage on his own.</p> <p><i>"I think it boils down to the individual and the life they lead and they're lifestyle. If you've got other problems and other issues, you're money is just one aspect of it."</i></p> | <p>Benefits of becoming banked</p> <p>This participant understood the advantages of having a bank account such as being able to save and being able to pay money into an account.</p> <p><i>"At least with a bank account you can pay other money in as well. Whereas a post office account is just for social payments. You can't use it as a savings account, the way that I understand it."</i></p> |
| <p>Background</p> <p>This participant had been unbanked for 20 years. He had a bank account when he was working but had closed his bank account when he lost his job. He had a post office account for many years but had developed a drug addiction and became homeless. He eventually moved into a hostel and had to have all money paid directly into the hostel account so closed his POCA.</p> <p>After a while he was asked to leave the hostel and returned to living on the streets. He did not re-open his POCA but registered for giro payments instead. He did not feel he needed a POCA as he had limited outgoing and did not have any regular payments to make.</p> <p>He had recently been found accommodation and had been living in a bedsit for four weeks. He also had a local pitch selling The Big Issue. He was receiving help with his drug addiction and support in getting back on his feet. As part of this, he planned to re-open his POCA once he felt able to manage his own finances.</p> | <p>Current financial management</p> <p>He had been collecting his giro for four months at the time of the interview. He was currently paying all of his bills on receipt of this giro and only had a very small amount of money remaining.</p> <p><i>"The majority is paid out the day that I get it so I only have a bit left actually in my pocket."</i></p> <p>His priority was to get a POCA as he felt this would help him to manage his finances better and potentially save some money once he was back on his feet.</p> <p><i>"With a post office account you could go there and draw out what you need for the day or whatever you've got to pay out and just leave the rest in there. If you decide 'oh I don't need to spend that' it's not lying around or in your pocket."</i></p> | <p>The participant did not like bank accounts and had no desire to get a bank account. He was suspicious of banks and particularly of direct debits. He did not like the thought of other people being able to take money out of his account.</p> <p><i>"The fact that they can go into your account and just take the money without even notifying you...I don't have anything to do with banks but I do know that people have problems with that sort of thing."</i></p> <p>He did not feel that he needed a bank account as he could not see himself ever having enough money to warrant having one. He also felt that a bank account would be too tempting as he would be able to access money too easily.</p> <p><i>"You've physically got to go out to the post office of the bank whereas if it's there in your pocket it's a lot more tempting."</i></p> | <p>He also felt that having a bank account would make it easier for him to monitor the amount of money he had and keep an eye on where his money was going, but this was a minor benefit.</p> <p><i>"It is useful to check up on your money but most people keep a track on what money they have and what they've got going out anyway."</i></p> <p>Ultimately, the participant felt that he would prefer to have a POCA than a bank account and didn't see how it would make a difference to him in his current circumstances. However, part of his rehabilitation would eventually include looking for work and at this point having a bank account have become more relevant.</p> <p><i>"I can understand the advantages of having a bank account but I'm not really bothered whether it's a bank account or a post office account when it comes down to it."</i></p> |

