



5th Floor, Holborn Gate, 330 High Holborn, London WC1V 7QG
Tel: 020 7861 3080 Fax: 020 7861 3081
Email: enquiries@opinionleader.co.uk

FINANCIAL
INCLUSION
TASKFORCE

www.financialinclusion-taskforce.org.uk

Financial Inclusion Deliberative Workshops

Prepared for HM Treasury / Financial Inclusion Taskforce by
Opinion Leader Research

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Opinion Leader Contact: Monique Rotik

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1. INTRODUCTION

1.1 Background

HM Treasury's 'Promoting financial inclusion'¹ Report (2004) shows that 8% of the population operates without access to any kind of bank account and that 12% have no 'everyday' bank account.

Not having a bank account has many negative impacts on the individuals, their communities and society in general. Some of the most important costs associated with financial exclusion include:

- Higher charges for basic financial transactions (e.g. money transfer and cheque cashing);
- No access to certain products or services (e.g. contract mobile phones and utility bills requiring Standing Order or Direct Debit);
- Limited access to affordable, mainstream sources of credit (forcing people to use alternative sources with very high costs and penalty charges);
- Lack of security in holding and storing money (operating in cash makes people more vulnerable to loss or theft);
- Barriers to employment (a bank account for receipt of wages is a basic requirement for most employers);
- Missing out on financial information and advice (without contact with mainstream financial services, people can also miss out on quality advice about improving their financial situation); and
- Entrenching exclusion (not having formal banking or credit history can be a disadvantage in accessing certain financial services).

HM Treasury's Financial Inclusion Taskforce wishes to extend its knowledge of the barriers to financial inclusion from the consumer perspective. Overall, it wants to:

- Assess the attitudes of financially excluded people to mainstream financial services; and
- Gain their views as to how these services can be made more appropriate and accessible.

More specifically, the objectives are:

- To explore the past experiences of financially excluded people in accessing or attempting to access banking and credit;
- To understand the skills and knowledge that financially excluded people feel they would need in order to make use of bank accounts and credit products;

¹ *Promoting Financial Inclusion*, HM Treasury, December 2004

- To explore the features of banking and credit products that would be most accessible to them as consumers; and
- To explore the methods and types of service that they would find most beneficial in accessing banking and credit products.

1.2 Approach

Our research revolved around four deliberative half day workshops with financially excluded people. Over 40 people attended workshops in Newcastle, Glasgow and Leicester and close to 30 people attended in South Wales. One supplementary extended focus group of 10 people was held in Stoke-on-Trent to boost overall numbers after a lower than expected turnout in South Wales.

A mix of men and women were recruited according to quotas set to reflect the characteristics of the financially excluded:

- Income (all participants had an annual household income of less than £14,500);
- Banking status (two-thirds has no account or a POCA, one-third had a basic bank account);
- Household type (half lived alone, one-fifth were lone parents); and
- Credit experience (at least half had borrowed money from a non-mainstream lending source).

Fieldwork took place between 6th and 29th March 2006.

The format of the workshops comprised a mix of plenary and smaller table discussions. In the table discussions, participants worked in groups of 10, each with a facilitator. Issues discussed followed an agreed framework to ensure consistency across all the groups. Participants were also periodically convened into plenary sessions to feed back on the results of their deliberations. Each participant also had access to an individual voting key pad for a series of attitudinal polling questions which were asked at the beginning and end of the workshops.

2. EXECUTIVE SUMMARY

2.1 Demand side barriers

Reasons for remaining outside mainstream financial services are complex and interrelated. This study was tasked with confirming and building upon existing knowledge of the demand side barriers preventing financially excluded people from accessing banking and affordable credit. Below is a summary of the key demand side barriers identified in the research.

- **Lack of awareness:** Financially excluded people are not all aware of the existence and features of basic bank accounts, or the fact that these are easier to obtain than current accounts. Awareness of sources of affordable credit, such as credit unions and Community Development Initiative Funds (CDIFs), is extremely low.
- **Lack of perceived advantage:** Many financially excluded people without bank accounts do not see a compelling reason for opening one. Those who do not prioritise having a bank account are satisfied with their existing approaches to managing their finances, and some are also distrustful of banks. In addition, some feel that their incomes are too low to warrant having or using a bank account.
- **Socio-cultural factors:** Socio-cultural factors act as a strong barrier for financially excluded people to change their financial situation. Many have been operating outside mainstream banking for some time, and this is what people close to them also do. There is a perception that banks are 'not for poor people', along with a preference for dealing in cash.
- **Attraction of alternatives:** People without any account are managing in cash and by using other people's accounts where necessary. The development of benefits (and wages for some) being paid electronically has compelled some people to take up a bank account. However, for many, a more straightforward alternative for benefits payments is a Post Office Card Account (POCA). In terms of credit, many borrow from family and friends, and catalogues and doorstep lenders are also frequently mentioned.
- **Control:** There are significant fears around being less able to keep track of spending and to resist temptation by moving from cash to an account. People have particular worries around managing timings of incomings and outgoings with Standing Orders and Direct Debits. Some have also had previous experiences with debt from bank loans and overdrafts, and there is great reluctance to take the 'risk' of getting into the situation again.
- **Confusion and complexity:** This is a theme that covers a multitude of factors when opening an account, including onerous ID requirements (a particularly strongly voiced theme in this research), complex paperwork, lack of understanding of terms and conditions, and difficulty comparing features from bank to bank. Most are therefore not confident about opening a bank account and even fewer are confident about the prospect of borrowing money from a bank.

- **Fear and mistrust of banks and banking:** Financially excluded people often refer to feeling intimidated when entering a bank. The daunting physical environment, described by one person as like 'going to court', contributes to this feeling. It also relates to the perception that people with less money are treated poorly by bank staff. There is also fear and uncertainty about bank charges and penalties, as well as about fraud and the security of accounts. Mistrust of banks is particularly evident amongst the financially excluded. Banks are perceived to be out for themselves and not to act in their customers' best interests. There is even some perception that banks will try to 'trick' the less well off and financially illiterate into getting into debt.
- **Perceived (and experienced) supply side barriers:** Another important barrier which directly impacts on demand is the concern amongst the financially excluded about whether or not they will 'qualify' for a bank account or loan. If they have poor credit histories, they worry about these issues coming to light and about being humiliated by being turned down as a result. They believe that banks will be reluctant to offer services to them and that there will be lengthy and onerous processes to go through.

2.2 Perceived benefits

Benefits of banking are not top of mind which is another factor in why many financially excluded people have not attempted to open an account. On prompting, however, some benefits of bank accounts can be identified. These include:

- **Better security:** operating in cash makes people more vulnerable to loss or theft;
- **Protection from spending:** not having cash 'burning a hole in your pocket';
- **More convenient:** access to cash points 24/7, paying by debit card etc;
- **Direct payments of wages and benefits:** POCAs are an alternative for benefits, but this is not the case for wages;
- **Access to direct debits:** perceived to be easier for bill paying and there is also some recognition that there are discounts available for direct debit users in some cases (however, direct debits are also a feature that causes concern);
- **Access to specific products and services:** e.g. those only available to people with debit/credit cards or the ability to pay by direct debit; and
- **Access to other bank services:** e.g. mortgages.

Financially excluded people find it much more difficult to identify the benefits of mainstream borrowing. While some expect the rates to be better, bank loans and credit are regarded by the financially excluded to be so out of reach to them as to be irrelevant.

As such, the perceived barriers of mainstream banking and credit currently substantially outweigh the benefits. There are also some indications that financial excluded people currently accept paying over the odds and being excluded from information and services. This level of acceptance also needs to be addressed to motivate greater take-up of mainstream financial products.

2.3 Overcoming barriers

Overcoming the demand side barriers to financial inclusion requires a programme of initiatives focused on every stage of the banking process:

- Making people aware of the banking products they are eligible for;
- Actively promoting the benefits of basic bank accounts;
- Making it easier and assisting people to open the account;
- Helping people to use them fully;
- Ensuring product features meet their needs; and
- Assisting them if they get into difficulty.

As the financially excluded will not normally proactively seek out solutions for themselves, a sustained campaign, with significant outreach activity, will be required to encourage greater take-up and use of mainstream financial products and services. Local intermediaries (both statutory and non-statutory) potentially have a significant role here.

Crucially the style as well as the substance of banks and banking needs to be addressed in order to become more approachable to the financially excluded.

Encouragingly, however, the majority would want to open a bank account and access affordable credit if the barriers were addressed.

Below we outline some specific ideas and initiatives for overcoming the barriers that emerged from the workshops. These ideas are presented under three broad themes – skills and knowledge, methods and types of services, and specific features.

Skills and knowledge

Specific initiatives have been identified in the areas of:

- Financial skills training: needs to be community based, particularly focused on opening and using an account, and to helping manage money and avoid/control debt;
- Independent money advice: particularly related to helping solve financial difficulties, delivered by a community based advisor who understands the service user's predicament;
- Simplifying information: plain English format, less text heavy; and
- Support provided by financial providers: more time, understanding and empathy.

Methods and types of services

The key to facilitating greater access to banking and affordable credit for the financially excluded is ensuring services are as local and community based as possible. There is a strong preference for face-to-face contact but telephone potentially can complement this, particularly for information and advice.

There are a number of things that banks can do to become less practically and emotionally intimidating to financially excluded people.

Other service models also provide some valuable learnings:

- Credit Unions: common bond; friendly staff; local and convenient; whole family eligible to join; and
- Provident Financial: notwithstanding the cost of credit, people appreciate being visited at home, by someone local, who understands their situation.

Features

Once explained, the basic bank account appeals to this audience. In particular, they value the presence of a buffer zone and debit card, and the absence of a tempting and risky overdraft facility.

Additional features that people would find useful for bank accounts include:

- Consistent minimum standards across all basic bank accounts and providers;
- Reducing the ID requirements;
- Ensuring that the account can be opened with a minimal amount;
- Extending the buffer zone facility from cash withdrawals to Direct Debits;
- A method whereby the Direct Debit date can be made more flexible to coincide with an incoming credit;
- Providing regular statements without extra charge to help customers keep track of payments; and
- Providing warnings if the customer is about to go into the red.

Much can be learnt from the Credit Union model for its features as well as its style of service with respect to borrowing. Key aspects of its appeal are:

- Relatively low interest for borrowing;
- Built-in control – customers can only borrow what they can afford to pay back;
- Flexibility of repayments and the ability to agree payment terms that suit customers; and
- Encouraging saving, as customers need to save before they are eligible to borrow.

Even Provident Financial, with its comparatively much higher rates of interest, provides some learnings on what features of loans are valued by financially excluded people. These include:

- Being relatively easy to qualify;
- Ability to borrow small amounts; and

- Flexibility of repayments – particularly payment holidays and the ability to pay back more or less depending on circumstances.

2.4 Impact of the consultation

Encouragingly, as a result of the consultation a number of financially excluded participants became more motivated to do something about their financial circumstances. Confidence in banking also increased as a result of participating in the workshops. While only a minority (43%) felt confident about opening a bank account at the beginning of the workshops, this rose to a six in ten majority (58%) by the end.

3. DEMAND SIDE BARRIERS

This section focuses on financially excluded people's perceptions and experiences of mainstream financial services, and the resultant demand side barriers both to getting a bank account and then fully utilising it.

The reasons for remaining outside of mainstream banking are complex and interrelated. The demand side barriers identified in this research fall into a number of themes:

- Lack of awareness;
- Socio-cultural factors;
- Attraction of alternatives;
- Control;
- Confusion and complexity;
- Fear and mistrust of banks and banking;
- Perceived (and experienced) supply side barriers; and
- Lack of perceived advantage.

3.1 Lack of awareness

People who are financially excluded may lack awareness of basic bank accounts, their features, and the fact that they are easier to obtain than current accounts. For example, many believe that they need to have substantial funds (at least £50 - £100) to open any kind of account, or that all bank accounts have overdraft facilities.

"You need loads of money even to open one. I just want a basic account for wages but they'd probably just knock me back anyway." (Newcastle)

"I didn't know you could open some with just a pound." (Glasgow)

"(After the basic bank account had been explained) That's the exact account I would be looking for but I'm still concerned if I would be able to open one." (Glasgow)

In addition, there is very low awareness of credit unions and other sources of affordable credit – although once explained there is considerable interest in these.

[Once explained] "Where are they? Let me have one!" (Newcastle)

3.2 Socio-cultural factors

Socio-cultural factors act as a strong demand side barrier for financially excluded people. There is a perception that banks are 'not for poor people', along with a general preference for dealing in cash. Some people have been operating outside of mainstream banking for a considerable time, and this is what people close to them also do. All of this leads to a lack of motivation amongst many financially excluded people to change their situation.

"They (bank staff) look down on you. We feel inferior." (Newcastle)

"Banks aren't interested in people with low incomes." (Glasgow)

"I've used Provident ever since my 18th birthday; it seemed a good idea at the time." (Abergavenny)

3.3 Control

The fear that a bank account could result in being less able to keep track of spending and more 'open to temptation' also emerges as a significant theme in this research. Many lack the confidence to move away from the physicality of cash and of making small, regular payments (e.g. on pre-paid meters). Receiving statements or using ATMs to check their balance is not seen as a replacement for being able to physically count their money.

People have particular worries around managing the timings of incomings and outgoings with Standing Orders and Direct Debits. There is also uncertainty about bank charges and penalties, all of which contributes to a sense of lack of control.

"I ended up £3 overdrawn and they charged me." (Glasgow)

"(With Direct Debit) I'm worried that they could get paid out before the funds get paid in and then I'd be charged a fortune. So I'd rather not bother." (Abergavenny)

"I prefer to have the control – I can see what I have left after the bills and budget for the rest of the week." (Abergavenny)

Some have had previous negative experiences with debt from bank loans and overdrafts. These experiences can have serious and long-lasting practical and emotional repercussions. For those who have been affected, there is a great reluctance to take the 'risk' of being in that situation again. There is a sense, amongst this group, that a bank account is the first step towards debt. They expect to be offered loan products, overdrafts and credit cards that would be hard for them to refuse but not in their best interests.

"I'd find a way of getting money off the bank if I had a basic bank account like before. I can't trust myself not to!" (Stoke)

3.4 Confusion and complexity

There are a multitude of factors that make the process of opening a bank account confusing. Many factors relate to the initial stages of opening a bank account.

Lacking the required identification is a particularly strong theme. Those without a passport, driver's licence or bills in their own name can find it extremely difficult to open an account, and the high cost of acquiring this documentation is raised. Post Office Card Accounts (POCA) are regarded as being far easier on this front, with a letter from Job Centre Plus office sufficing as identification.

"You need a passport – that's fifty quid, where am I going to find fifty quid" (Stoke)

"They need loads of ID. They want a passport, a driver's licence, a bill that was addressed to me, a birth certificate. I don't have these things." (Abergavenny)

"The ID isn't easy which puts you off. Why do they need to have proof of ID when you're just putting money into the account?" (Glasgow)

"Years ago you just needed a letter from your boss, you need all sorts of things now" (Leicester)

"I have tried to open bank accounts but didn't have proof of address... The Post Office is easier as the job centre just signed it off." (Abergavenny)

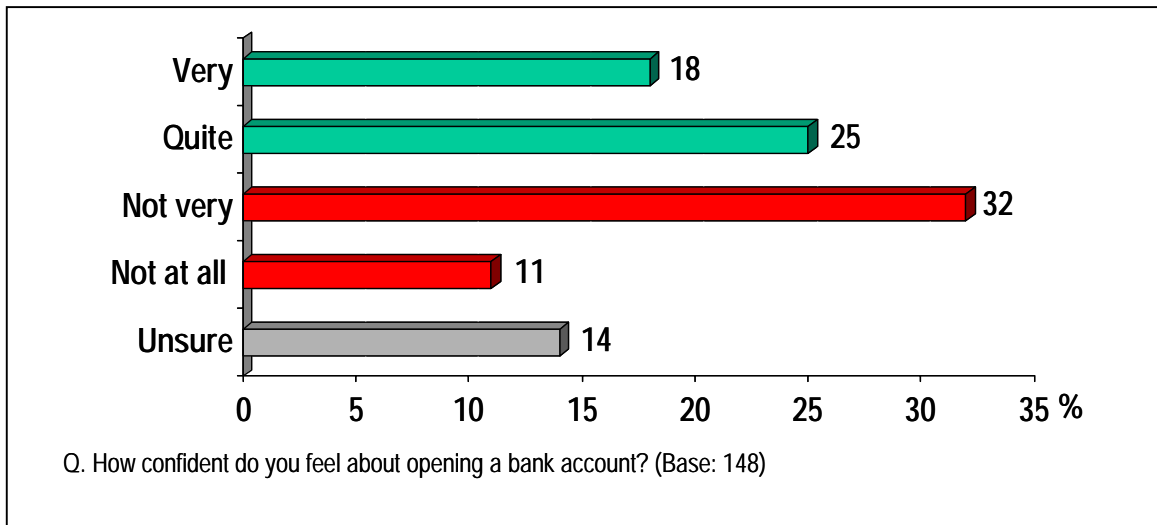
"They don't make it easy – all the questions they ask, all the forms. Now you need a passport, driver's licence and a birth certificate. I don't have any of those and all the bills are in my partner's name!" (Leicester)

Other elements that people can find confusing are:

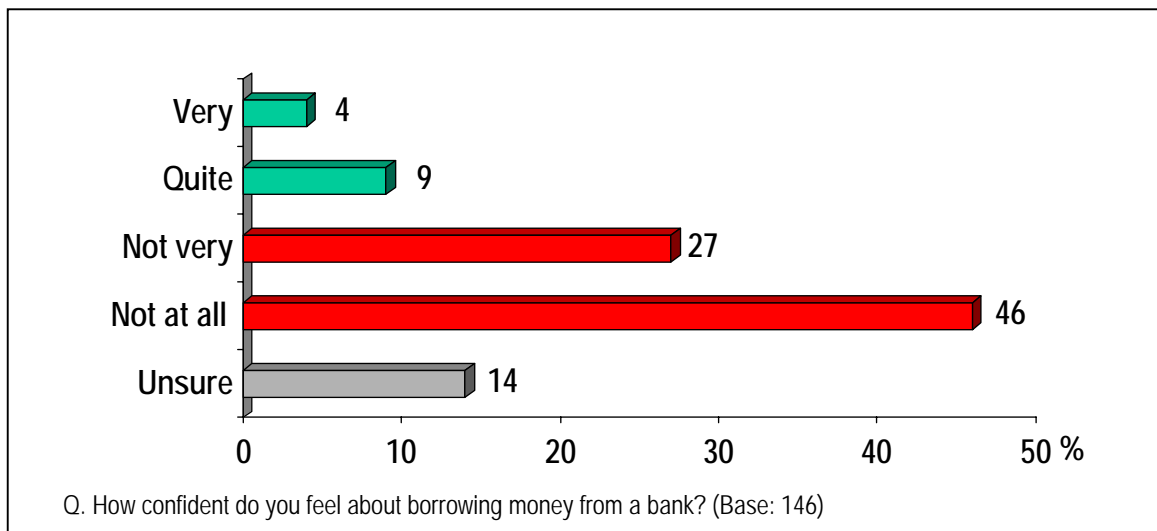
- Application forms, which are criticised for being complex and long-winded – this is a particular problem for those who have skill deficits in reading or writing;
- Lack of understanding of terms and conditions and APRs;
- Difficulty comparing features from bank to bank – few know of anywhere they can go to get advice about different banks and accounts; and
- Amount of time it takes to open a bank account – many see the process as overly lengthy and time-consuming.

As such, when asked, in a quantitative polling question, how confident people are with opening a bank account, only a minority (43%) claim to be confident and most of these are 'quite' rather than 'very' confident.

Fear of failure and subsequent embarrassment can prevent people outside mainstream banking even attempting to open bank accounts or access affordable credit products.



The proportion of people who feel confident about borrowing money from a bank is much lower again, with three-quarters (73%) stating that they are not confident about this aspect.



Newer banking technologies, such as Internet banking and chip and pin, are also alarming to some. This is particularly the case for older people. However, concern about fraud relating to these new technologies is common to all age groups.

"I would never do Internet banking – I can't even turn a computer on!" (Leicester)

"I don't believe in cards. I was forced into having one for my pension and I don't like it. It's too easy to get scammed." (Newcastle)

"I think the bank book was a good idea, you always knew where you were down to the last detail" (Leicester)

"They can see your number over your shoulder, if they get your card they've got everything" (Leicester)

3.5 Attractive alternatives

People outside of mainstream banking are managing by dealing in cash. As mentioned earlier, many prefer this as they are comfortable with the physicality of seeing where their money is going and the flexibility of being able to choose when and how much to hand over.

Where necessary, the un-banked are also getting by using other people's accounts (e.g. to bank cheques, receive wages electronically and make direct debit payments).

"My mum has to pay my car insurance through her bank and I give her the cash...or not!" (London Citizens' Advisory Board)

The development of electronic payments of benefits or wages has compelled some to take-up a basic bank account. However, for many, an attractive alternative for benefit payments is a Post Office Card Account (POCA). Whilst the POCA lacks most of the features of a basic bank account, it is regarded by many as a more straightforward option.

The requirements for opening a POCA are perceived to be less complex and time-consuming, with less onerous ID requirements and Post Office staff on hand to help people fill in the required forms. Importantly, Post Offices are local and seen by many as a more familiar and less intimidating environment.

"It's much easier to open a Post Office account. There isn't all the red tape that you need to open a bank account. And the staff are very helpful." (Abergavenny)

In terms of credit, many borrow from family or close friends. This is normally to cover the few tens of pounds they may need to tide them over to the next pay day, or for a special occasion. While this approach has its benefits (not paying interest, sometimes not needing to pay it back at all), it also can put relationships under considerable strain.

As is well documented, alternative credit sources are also heavily relied upon by many financially excluded people.

Doorstep lenders and home credit companies are often mentioned as a source of credit. Of these, Provident Financial received particular mention. Despite being aware of the comparatively high interest rates with Provident Financial, those who use this lender see it as their only viable option. They perceive that they will qualify for a loan relatively easily and will be able to get the amount they want (as little as £50).

There are also other perceived advantages of the Provident Financial approach. These include:

- The clarity and flexibility of payment terms;
- The amounts owed are expressed in monetary rather than percentage terms;
- The options for payment holidays;

- People also value being able to deal with someone from their local community in their own home; and
- Provident Financial is also seen to help control debt by refusing people more money if they are struggling to pay existing debts, (many believe that banks continue to offer more money in such cases).

"Provident are quite fair. They tell you at the start of the loan how much you need to pay back and if you think that will be OK and you will find the money." (Glasgow)

"Bank staff can look down on us when we are in trouble, but Provi staff understand our problems and will advise us when there are problems. It's for people who need money." (Abergavenny)

3.6 Fear and mistrust

Financially excluded people have a general fear and mistrust of banks and banking. They often refer to feeling intimidated when entering a bank. The daunting physical environment, which is likened to 'going to court', contributes to this feeling. There is also a perception that people with less money can be treated condescendingly by the bank staff.

"I feel uncomfortable going into the bank. You feel that everyone knows your business." (Newcastle)

"The younger people in the bank don't understand the person's situation. You want to talk to someone your own age and maturity." (Abergavenny)

In addition, there are fears about the security of accounts, with fraud stories reported in the media having made a strong impression.

"I don't think they're secure anymore – all your details have been shipped off to India." (Abergavenny)

"The banks aren't going to tell you about the risk. My wife had a card cloned and it took a long time to get the money back." (Glasgow)

More generally, mistrust of banks, their motives and practices, is particularly strong amongst financially excluded people. Some of this stems from a lack of knowledge and understanding of banking processes and accounts. There is also a perception that banks are 'out for themselves' rather than for their customers, with some even believing that they entrap the less well off into getting into debt.

"I'm too scared to leave my money in the account as they'll just take it out." (Abergavenny)

"Banks are money grabbing. They want people to spend and make money out of them." (Newcastle)

"Banks just pile facilities on those with less income to make more money so they can charge you more. So they're not helping, they're contributing to problems." (Newcastle)

"I think they target the vulnerable people who actually can't pay it back – credit cards etc." (Abergavenny)

"The bank should be working with you not against you" (Glasgow)

3.7 Perceived (and experienced) supply side barriers

Another important barrier which directly impacts on demand is concern amongst financially excluded people about whether or not they will 'qualify' for a bank account or loan. Those with poor credit histories are concerned that these issues may come to light and cause them humiliation, and they are reluctant to put themselves through this experience. There is a general belief that banks will be reluctant to offer services to 'people like them' because of their financial situation. This is particularly the case with loans.

These views are often based on previous experiences of trying and failing to qualify for a bank account. An eight in ten majority (79%) in this research had previously attempted to open a bank account, while only three in ten (30%) of those we spoke to currently held one.

"With my credit history I've got no chance." (Abergavenny)

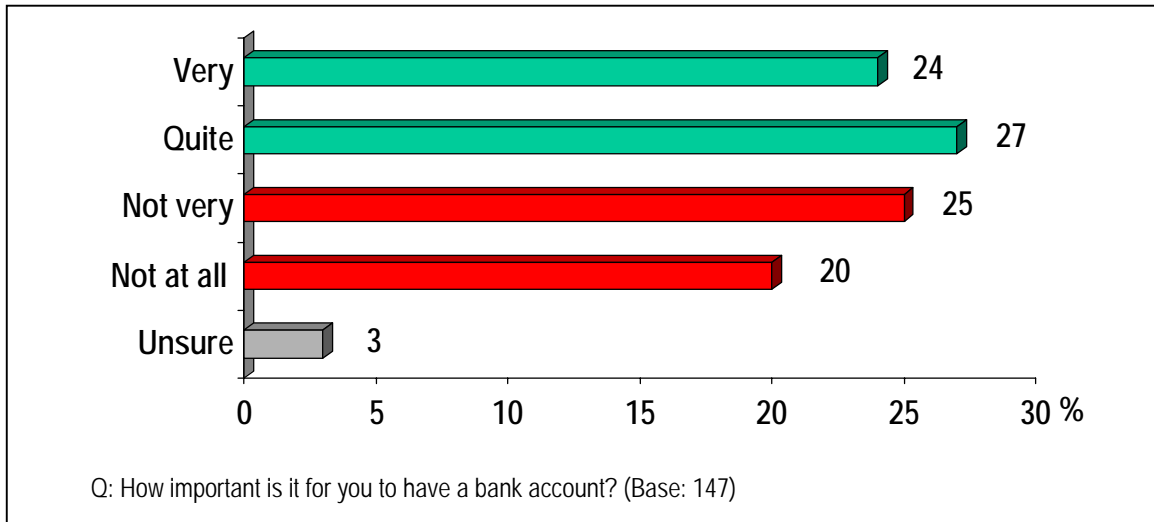
"It's a waste of time – I already know what they're going to say." (Newcastle)

"I would feel nervous and panicky even just starting it off (application for a loan) because I've never done it. I wouldn't know what to do and ask..... I wouldn't get it anyway – 'the computer says no!'" (Abergavenny)

"I'm scared of being rejected.... Do I look alright, am I going to say the right things, will I be accepted?" (Newcastle)

3.8 Lack of perceived advantage

Ultimately, many people without bank accounts do not see a compelling reason for opening one. The quantitative polling reveals that just over half (51%) believe that having a bank account is important. However, almost as many (45%) believe the having a bank account is unimportant. As this question was asked of the whole research sample (including approximately one-third who had a basic bank account), the perceived importance of bank accounts can be expected to be even lower amongst the unbanked.



Those who do not prioritise having a bank account tend to be happy with their existing approaches to managing their finances and do not envisage that having a bank account will improve their situation. Consequently, they lack motivation to make any change.

"I'm from the old school. I have a bundle and I pay what I need from that." (Glasgow)

"It's pointless having a bank account, they just charge you for everything." (Abergavenny)

"I'm too lazy to open an account." (Abergavenny)

Perceived advantages of mainstream credit are even fewer. While some expect rates to be better, bank loans and credit are regarded by the financially excluded as being so out of reach to them as to be irrelevant. Awareness of affordable credit products is very low.

4. PERCEIVED BENEFITS OF FINANCIAL SERVICES

As seen in the previous section, the demand side barriers to mainstream banking and credit are numerous. On the other hand, few financially excluded people have considered the benefits. However, on prompting, some benefits can be identified.

This section outlines benefits that financially excluded audiences perceive would be available to them if they had access to mainstream banking and credit services. These perceived benefits include:

- Increased security;
- Protection from spending;
- Convenience of instant access;
- Access to direct payments;
- Access to Direct Debits;
- Access to products and services; and
- Access to other banking services.

4.1 Increased security

Whilst some feel more in control of their money in cash, most appreciate that operating in cash makes people more vulnerable to loss or theft. This is particularly pertinent to those in older age groups who feel more susceptible to burglaries and muggings. A bank account is acknowledged to increase security because people would not need to hold large amounts of cash but could withdraw just what they need at the given time. However, as mentioned earlier, there are some fears about the security of funds in a bank account as well, with many having heard reports about fraud.

"Instead of your money lying around the house then it's secure" (Leicester)

"If I go abroad then I have to carry all the cash around with me all the time. Having to carry everything is scary" (Abergavenny)

4.2 Protection from spending

Some people feel that they would be less tempted to spend with a bank account, compared to having cash 'burning a hole in your pocket'.

"You might even save something if it's in the bank it stops you spending the cash" (Glasgow)

"You can't spend it if it's going into the bank" (Newcastle)

4.3 Convenience of instant access

Instant access is seen as a definite benefit of having a bank account. In particular, being able to access your money at any time from a cash point is seen as an advantage, as is paying for goods using a debit card rather than needing to take the money out first.

"The thing is (with POCA) you have to get your money from the Post Office when they're open. It would be better from a cash machine which is 24/7, as long as they didn't charge you." (Glasgow)

4.4 Direct payment

Many know that having a bank account also means that benefit payments and wages can be paid directly into an account.

"You're not waiting for Giro to come through the door." (Leicester)

However, as mentioned, whilst this is a positive the POCA is an attractive alternative for many with respect to benefits payments.

4.5 Access to Direct Debits

Being able to pay bills automatically through Direct Debit is also seen as positive, primarily as it saves people needing to remember to pay and is less time consuming. The discounts and savings available to those who pay by Direct Debit are also appealing, albeit of lesser importance than the convenience factor. Some are also not aware that such discounts exist.

"Direct Debits allow you to pay without having to worry about it. You can go away for a week and everything is OK" (Abergavenny)

However, it is important to note that Direct Debits are also a source of considerable concern. People believe that they lack the ability or confidence to manage the timings of their incomings and outgoings effectively to make best use of this feature. Their primary concern is incurring charges for missing Direct Debits if there are insufficient funds in the account to cover a payment.

4.6 Access to products and services

There is acknowledgement that there are certain services only available to bank account holders. Of main interest to people who are financially excluded are digital television, certain insurances, contract mobile phones, and purchase of products by telephone/Internet.

"Things like Teletext holidays...it would be nice to be able to buy things on the phone, I think you need an account for that so I guess that would be good." (Leicester)

4.7 Access to other banking services

Many appreciate that opening a bank account can also open up other banking services. Mortgages are an example of this, but so is simply not needing to pay a charge to cash a cheque.

"They don't even look at you for a loan or a mortgage so a bank account would help you to get your own home." (Stoke)

4.8 Benefits of affordable credit

The benefits of mainstream credit are more difficult for financially excluded people to envisage. Generally, financially excluded people regard bank loans and credit products as completely out of reach and therefore irrelevant to people like themselves. However, some do recognise that bank loans have the benefit of:

- Lower interest rates (although few really know what constitutes a 'good' interest rate);
- Opportunity to build up a credit rating;
- Better security and being less open to exploitation;
- Ability to have repayments automatically deducted; and
- Ability to borrow larger amounts on longer repayment terms.

Overall, the demand side barriers to financial inclusion substantially outweigh the perceived benefits currently. There is also some indication that financially excluded people accept paying over the odds and being financially excluded. This level of acceptance needs to be addressed to motivate greater take-up of mainstream financial products. In the next section, ways of overcoming the barriers and increasing financial inclusion are presented.

5. OVERCOMING THE BARRIERS

Addressing the demand side barriers to financial exclusion requires a programme of initiatives that focus on every stage of the banking process.

This section outlines a number of overarching considerations as a precursor to a detailed discussion of specific ideas and initiatives (in Section 6).

Some of the barriers identified in the previous sections are entrenched and will be difficult to shift – this is particularly the case with:

- Socio-cultural factors; and
- Fear and mistrust of banks.

The research indicated that overcoming the demand side barriers to financial inclusion will require a programme of initiatives focused on every stage of the banking process. The key elements identified through this research include:

- Making people aware of the banking products they are eligible for;
- Actively promoting the benefits of basic bank accounts and affordable sources of credit;
- Making it easier and assisting people to open the account and access affordable sources of credit;
- Helping people to use their accounts fully;
- Ensuring product features meet their needs; and
- Assisting them if they get into difficulty.

As financially excluded people will not normally proactively seek out solutions for themselves, a sustained campaign, with significant outreach activity, will be required to encourage greater take-up and use of mainstream banking and services. The campaign would preferably have both national awareness raising and local engagement elements. Respondents own suggestions for communications include:

- National advertising on TV, radio and billboards;
- Local advertising at job centres, supermarkets, doctors surgeries, schools and near cash machines; and
- Representatives to explain products and services to them face-to-face.

The role of local intermediaries, both statutory and non-statutory, will be crucial in helping to facilitate increased financial inclusion.

6. SPECIFIC IDEAS AND INITIATIVES

This section outlines some specific ideas and initiatives that emerged directly from suggestions from the financially excluded audiences we consulted with. The ideas have been grouped into three broad themes:

- **Skills and knowledge** – including financial skills training, generic money advice, simplifying information and support offered by financial providers;
- **Methods and types of services** – including community based services, face-to-face and telephone access, and provision of a non-threatening environment with empathetic staff; and
- **Features** – for both banking (basic bank accounts) and borrowing.

6.1 Skills and knowledge

Generally, people feel that they have the requisite skills to open and use a bank account and take out a loan. However, some specific gaps in skills and knowledge have been identified:

- Few fully understand interest rates or how to work out what an APR equates to in 'real' money;
- Some have skill deficits in reading and writing. This makes it difficult for them to understand the complex information given to them about bank accounts and makes it harder for them to complete forms;
- There is a general lack of skill in coping with budgeting and managing accounts. This is due to a lack of experience as some have previously only dealt with cash;
- Some are unaware of basic bank accounts, their features, or the fact that they are easier to obtain than current accounts;
- Few are aware of the 'buffer zone' feature of basic bank accounts. However, when this is explained, many see this as a benefit as it allows them to withdraw every pound they have in their account. They also see it as a mini overdraft that could help to tide them over for a couple of days if they are caught short of cash;
- There is confusion about the difference between a Standing Order and Direct Debit; and
- Most find the terms and conditions difficult to comprehend and some were previously unaware of bank charges and penalties until these costs were actually incurred.

"What kind of account would be best for me and how would I benefit from it?" (Glasgow)

"I feel a bit scared – I don't know where, when and how my money would be handled" (Leicester)

Financial skills training

Financially excluded people suggest that provision of financial skills training in the community, possibly in the form of group sessions, would be helpful to them. Potential venues for such sessions would be schools, Job Centre Plus, local resource centres, Sure Start centres and libraries.

Training and support to open an account would be particularly valued. This includes help with form-filling, information on the options available and comparative features, and advice on which products and services would be most appropriate. Training on money management and controlling debt would also be extremely useful for people with limited or negative previous experiences with mainstream financial products.

Generic money advice

In addition to skills training, there is an identified need for generic money advice. This could range from advice on which account may be suitable for them through to help with monthly budgeting. People are wary of the information provided by banks and would prefer to receive advice from an independent, unbiased source. Ideally, it would be provided face-to-face and an important requirement is that the advisor understands and can empathise with the individual's predicament (possibly someone who has been in that situation themselves in the past).

"The banks are not going to tell you about the risks" (Glasgow)

"There are too many bank accounts. I don't know what is best for me to use. I don't know the difference between them" (Leicester)

Those with financial difficulties and debt problems naturally have a strong need for help and many currently feel that they have nowhere to turn. More services and better publicity of existing services are clearly required.

Simplifying information

Another theme is simplifying information. People think that the forms and leaflets currently available from banks are complex and confusing. Financially excluded people call for the simplification of the forms, with an emphasis on diagrams and pictures and less text heavy where possible. The 'plain English' stimulus material used during the workshops is seen as an example that banks should look to emulate (an example of this is provided in the appendix). A particular need has been identified for simplification of terms and conditions, and of explanations of penalties and charges.

In addition, loans are an area where people feel particularly ill-informed. They want simple information and explanations of the cost per month, total cost and how long they will need to repay the loan. Practical examples of what the interest rate equates to in monetary terms would be helpful, as would access to an easy to use loan calculator.

Support offered by financial providers

People who are unfamiliar with banking processes will require additional support to understand the products, processes and terms. Some will also need help with filling out forms. Training is required to equip bank staff to recognise and respond to requirements.

6.2 Methods and types of services

Community-based services

To facilitate access to banking and affordable credit for the financially excluded, services need to be as local and community based as possible.

In logistical terms, people who are financially excluded often operate in a very small local area and are unwilling to travel outside it. As such, financially excluded people need services that are as geographically accessible as possible. Unsurprisingly, this is especially true for those in rural areas who have to travel some distance in order to access services. However, proximity is also important for those who live in more urban areas.

Community-based services also have a number of other benefits, such as representing a non-threatening environment and being staffed by local people who understand them and the issues they face.

As mentioned previously, Post Offices are preferred to banks for these reasons, but other community based outlets such as local shops, Job Centre Plus and charities could also play a valuable role in providing services and outreach.

Face-to-face and telephone access

There is a strong preference for face-to-face contact as people who are financially excluded require a higher level of 'hand-holding' and want to talk directly to an individual to get advice and information. This is particularly important for older people, who are worried about new technology and express a strong preference for face-to-face and personal service. Ideally, there should be the possibility of accessing services both on an appointment and drop-in basis.

Newer channels such as telephone and Internet banking are seen by a minority as being more convenient than traditional banking. However others, particularly older people, are worried about new technology and would be very unlikely to adopt this.

That said, telephone can play a potentially important role as a channel for advice, particularly if the matter is sensitive and potentially embarrassing in nature. For example, some feel that they would be more confident in approaching a bank to open an account if they had already been assured over the phone that they are eligible and have the correct ID.

"I prefer face-to-face but telephones are more convenient if it's late at night or you've got no money to get there" (Leicester)

"Face-to-face is good but all options should be available, for example telephones" (Abergavenny)

Non-threatening environment and empathetic staff

There are a number of things that banks can do to be less intimidating to financially excluded people. Practical measures like engaging with prospective customers in a private space would help.

"I find it hard to talk to people and have a lot of people around me" (Abergavenny)

Financially excluded people prefer to speak to people who are 'on their level'. As previously mentioned, post offices are often preferred to banks because they are seen to be staffed by local people who understand them and can help with routine issues that they face. Financially excluded people have the same expectations as any other group in terms of the way they should be treated by staff. However, they do not always feel they are treated equally and with respect. Specific training of bank staff may be required to ensure they understand and can respond appropriately to financially excluded people.

"I'd feel more comfortable being around others from a similar background" (Leicester)

"I feel worried going into the bank. They all look smart in suits and I feel inferior" (Abergavenny)

Learning from other service models

Few are aware of Credit Unions but once explained they are positively received. People particularly like the idea of a 'common bond' – i.e. for like-minded people in the same situation. They imagine that staff at a Credit Union would be friendly and supportive, and that branches would be local and convenient. Another perceived benefit is that the whole family will be eligible to join.

"With Credit Unions you know the people. It's nice having face to face contact and if they're chasing you for money then it's more acceptable from people you know" (Glasgow)

The home credit model can also provide some learnings for mainstream financial providers. People who use home credit providers appreciate being visited at home, by someone local, who understands their situation.

6.3 Features

Encouragingly, the products that have been developed specifically for financially excluded people are positively received when explained and fully understood. Key features that appeal to this audience are summarised below:

Banking

People consider the Basic Bank Account, as shown in the workshops, to be a simple to understand account offering features that could potentially make managing their money easier. The buffer zone is particularly appreciated, as is the debit card which is preferred over a simple cash card.

"I had a 20 minute walk to take money out from a cash point that doesn't charge £1.75!" (Leicester)

"It would be handy to have a debit card at the weekend when you've run out of cash and can't get at the last £3 in your account to buy the nappies you need for your baby." (Leicester)

The lack of overdraft facility and cheque book is also appealing as many have had bad experiences of being in debt and would prefer not to have credit easily available to them.

"It's good that you can't get into trouble with them (basic bank accounts) and you can't get overdrawn." (Leicester)

These preferences demonstrate that a trade-off exists for the financially excluded between control and convenience. Most would prefer not to have features that could provide temptation to become indebted. However, they are looking for the features which make it quicker and easier to access their own money.

The other features that people would find useful for banking include:

- Consistent minimum standards for features and terms and conditions across all basic bank accounts and providers;
- Reducing the ID requirements – in particular, making it easier to use alternatives to passports and photo ID;
- Ensuring that the account can be opened with a minimal amount such as £1;
- Extending the buffer zone facility from cash withdrawals to Direct Debits;
- A method whereby the Direct Debit date can be made more flexible to coincide with an incoming credit, or ideally that enables the customer to nominate a preferred date;
- Providing regular (at least monthly) statements without extra charge to help customers to keep track of payments; and
- Providing warnings (at ATMs or by text message) if the customer is about to go into the red.

Borrowing

Much can be learnt from the Credit Union model for its features as well as style of service, as mentioned above. Key aspects of its appeal are:

- Perceived low interest for borrowing (1% per month);
- Built-in control – they can only borrow what they can afford to pay back;
- Flexibility of repayments and the ability for customers to agree payment terms that suit them; and
- An incentive to save, as customers need to save before they are eligible to borrow.

Even Provident, with its comparatively much higher rates of interest, provides some learnings on what features of loans are valued by financially excluded people. These include:

- Being relatively easy to qualify;
- Ability to borrow small amounts; and
- Flexibility of repayments – particularly the payment holidays and being able to pay back more or less depending on circumstances.

An additional 'wish list' of loan features includes:

- More clarity about the loan period, the repayments and the total commitment required of them right at the start;
- Starter loans of just a few tens of pounds to allow people to build up their credit rating;
- The ability to change loan repayments or period if required;
- The option of taking the loan repayments straight out of wages to minimise the temptation to spend it; and
- More information about the consequences of non-payment and lower penalties in the case of financial difficulties.

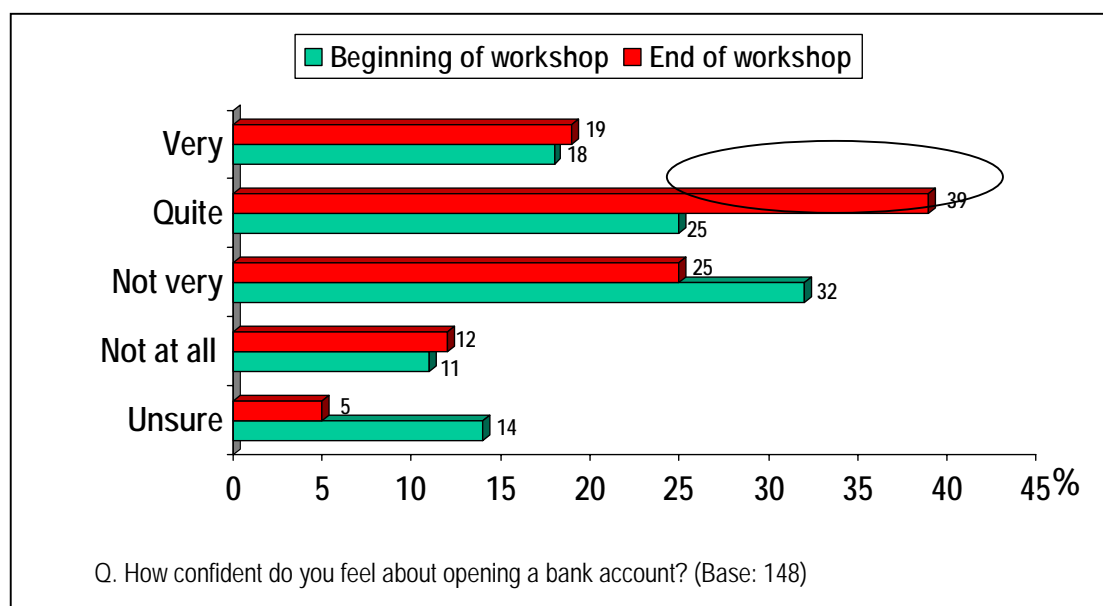
"If the bank explained like this is going to happen if you don't pay the interest back then that would have helped me. I would have done things differently had I known this information from the start" (Abergavenny)

7. IMPACT OF THE CONSULTATION

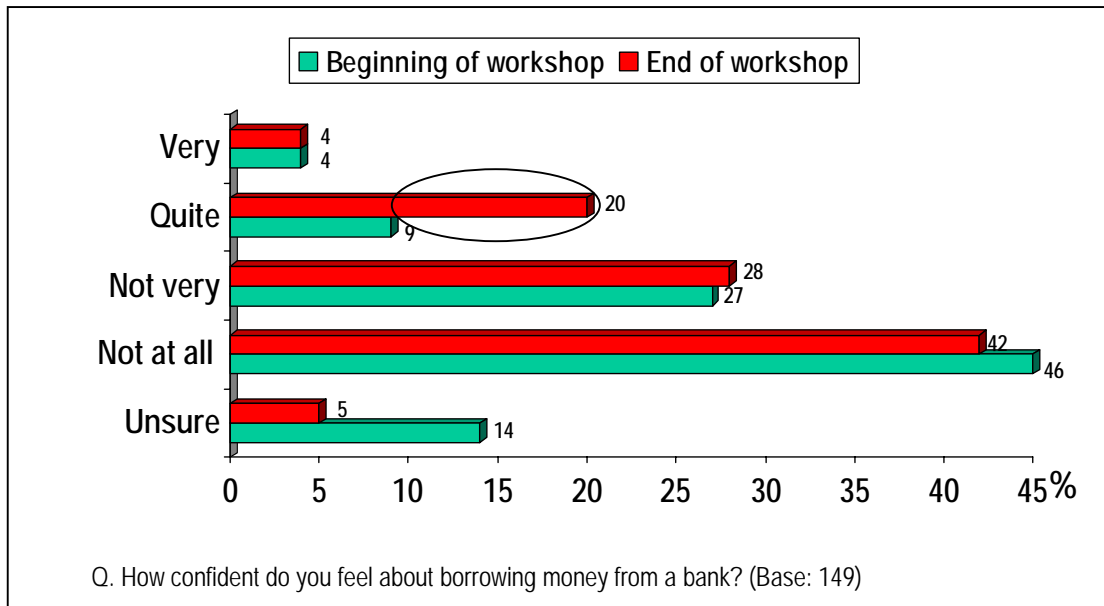
This section looks at the positive impact the consultation had on financially excluded people in terms of their motivation to change their situations and their increased confidence in dealing with financial services.

A number of financially excluded participants at the workshops are now more motivated to do something about their financial circumstances; this is as a direct result of their participation in the consultation. Some were keen to take away the information materials, which were all written in plain English format, with clear visuals and using practical examples.

Significantly, as a result of the consultation there is a discernable improvement in people's confidence in banking. While only a minority (43%) felt confident about opening a bank account at the beginning of the workshops, this rose to a six in ten majority (58%) by the end.



A slight improvement in people's confidence in borrowing money from a bank was achieved. While just over one in ten (13%) felt confident about borrowing money from a bank at the start of the sessions, this rose to one-quarter (24%) by the conclusion of the workshops.



This indicates that when they are given the time and tools, financially excluded people feel better equipped and more motivated to access mainstream financial services.

8. CONCLUSIONS AND RECOMMENDATIONS

The majority of people who are outside mainstream banking are aware of the benefits of having a bank account and having access to affordable credit, although these benefits are not normally top-of-mind. Nonetheless, most would also like to have and use a bank account or have access to affordable credit, if it were easy to do so.

The main advantages of banking, upon prompting, are perceived to be increased security compared to cash, less temptation to spend, convenience of instant access to their money, and of access to direct payments and direct debits. There are also perceived corollary benefits which include access to other banking services and to affordable credit.

However, people are deterred or prevented from taking out bank accounts or accessing affordable credit by a host of demand side barriers; currently these significantly outweigh the perceived benefits of accessing mainstream financial services.

Demand side barriers are wide-ranging, complex and interrelated. They primarily concern:

- **Lack of awareness** that suitable products are available to them;
- **Socio-cultural factors** which mean accessing mainstream financial services is completely outside the experience of many;
- **Attraction of alternatives**, such as cash based approaches and POCAs;
- Fear of losing **control** and succumbing to temptation with financial products;
- The perceived **complexity** of products which causes **confusion** and intimidation;
- **Fear and mistrust** of banks and banking;
- Perceived (and experienced) **supply side barriers**, such as having already tried unsuccessfully to take out a bank account; and
- Lack of a strong **perceived advantage**, particularly for those currently getting by using alternatives

The findings suggest that raising awareness of the benefits of banking, and increasing the availability of appropriate banking facilities and sources of affordable credit such as Credit Unions will only be part of the solution.

Additional action is required to tackle the demand side barriers identified by people who are financially excluded. We are recommending an integrated programme of initiatives focused on every stage of the banking process:

- Making people aware of the banking products they are eligible for;
- Actively promoting the benefits of basic bank accounts;
- Making it easier and assisting people to open the account;
- Helping people use their accounts fully;
- Ensuring product features meet their needs; and
- Assisting them if they get into difficulty.

People outside of mainstream banking themselves suggest the following as being potentially particularly helpful to them:

- **Initiatives to build skills and knowledge** – including financial skills training, generic money advice, simplifying information and support offered by financial provider;
- **New methods and types of services** – including community based services, better face-to-face and telephone access and provision of a non-threatening environment with empathetic staff; and
- **Features designed specifically to meet the needs of financially excluded people** – such as minimum standards for basic bank accounts and learning from other models of credit provision (e.g. credit unions).

As financially excluded people will not normally proactively seek out solutions for themselves, a sustained campaign, with significant outreach activity, will be required to encourage greater take-up and use of mainstream banking and services.

The campaign would preferably have both national awareness raising and local engagement elements. The role of local intermediaries, both statutory and non-statutory, will be crucial in helping to facilitate increased financial inclusion.

* * * * *

9. APPENDIX

Appendix 1: Discussion guide

FINANCIAL INCLUSION - FINAL AGENDA

INTRODUCTION 10am – 10.20am
<i>Aim of session:</i> <ul style="list-style-type: none">▪ <i>To welcome participants and inform them of the proceedings</i>▪ <i>To introduce the Keypad technology and allow the participants to be familiar with it</i>
<ul style="list-style-type: none">▪ Participants shown to tables and met by facilitators▪ Welcome and introduction from HM Treasury – a short general introduction about why the workshops are important▪ Agenda, ground rules and housekeeping by Opinion Leader Research Lead Facilitator▪ Keypad introduction using demographic information
WARM UP AND INITIAL POLLING QUESTIONS 10.20am – 10.30am
<i>Aim of session:</i> <ul style="list-style-type: none">▪ <i>To ensure participants are comfortable with the form and dynamics of the debate</i>▪ <i>To gain an understanding of participants' initial perceptions of financial services</i>
Attitudinal polling questions: (15 mins) Either yes/no answers or on a 5 point scale (very, quite, not very, not at all, unsure) <ul style="list-style-type: none">▪ Have you ever tried to open a bank account?▪ How confident do you feel about opening a bank account?▪ How confident do you feel about borrowing money from a bank?▪ How important is it for you to have a bank account?▪ How important is it for you to be able to borrow money from a bank?▪ How likely is it that you would qualify for a bank account?▪ How likely is it that you would qualify for a loan from a bank? <p>Summary of votes presented</p>
SECTION 1: DISCUSSION OF BANKING AND CREDIT EXPERIENCES: BARRIERS AND BENEFITS 10.30am – 12.00
<i>Aim of session:</i> <ul style="list-style-type: none">▪ <i>To provide a warm-up to the subject and understand more about the lives of those taking part</i>▪ <i>To explore the past experiences of financially excluded people in accessing or attempting to access banking and credit</i>▪ <i>To explore the reasons for financial exclusion, and what the triggers might be to financial inclusion</i> <i>Format of session:</i> <ul style="list-style-type: none">▪ <i>Introduced by Lead Facilitator, then individual tables to discuss in break out sessions</i>

EXPERIENCES AND BARRIERS (Stimulus needed – hearts and minds)

Warm Up (10 mins)

In pairs, participants to introduce themselves;

- Name
- Are they married / single?
- Do they have children?
- Are they working? If so, what as?
- What are the good/bad things about the area they live in?

Pairs then to introduce each other to the group

- **Background (20 mins):**

- Have they ever thought about opening a bank account? Probe: why? What did they do next? What stopped them?
Draw out what the key triggers and barriers are at what points e.g. Unbanked – have they ever considered opening an account? If not, why not? If so, why/what were the triggers? What did they do next? What stopped them from getting one and at what stage of the process?

- How do people without bank accounts manage their money? NB Include post office account holders
- How do people with basic bank accounts manage their money?

More on how people with and without accounts manage their money.

E.g. how do they budget – both for day-to-day and longer term expenses?

Do people with accounts still deal mainly in cash – why? Do they check/keep their bank statements? What is their relationship with money?

NB: MORE ON PERSONAL EXPERIENCES, LESS ON GENERAL BANK BASHING

- How do they buy things they need when they don't have the spare cash?

Prompts:

- Borrowed money from home credit companies, pawn brokers, illegal money lenders?
- Bought things from catalogues or rental purchase outlet such as Bighthouse?

- **Projective technique: Hearts and Minds diagrams about 1) bank account (5 mins)**

- Imagining you were trying to open a bank account, what would you be thinking, feeling and saying?
Participants to fill in diagrams (see Hearts and Minds) using drawings, words, if uncomfortable with writing then can think about it and contribute later etc.

- **Best and worst experiences of opening bank accounts (15 mins)**

- Using the diagrams they have completed; why would you be thinking, feeling and saying these things?
- What do they know about bank accounts? Explore extent of their knowledge and how confident they are in their knowledge, also how interested they are in

it

- What sort of people have bank accounts?
 - Who do banks provide a service for?

 - Could you describe your experiences or the experiences of people you know of doing these things?
 - EXPLORE THE BARRIERS (NB focus on demand side barriers as other research has covered supply side).
 - **Why might people not think about opening bank accounts?**
 - **To what extent is fear of 'temptation' and losing control a barrier to moving from dealing in cash to using an account?**
- **(2nd Hearts and minds handout) (5 mins)** Now imagine you were trying to borrow money, what would you be thinking, feeling and saying?
Participants to fill in diagrams (see Hearts and Minds) using drawings, words etc. if uncomfortable with writing can think about it then contribute later
- **Best and worst experiences of borrowing money (15 mins)**
- Using the diagrams they have completed; why would you be thinking, feeling and saying these things?
 - What do they know about borrowing money (from any source)? Explore experiences
 - What do they know about borrowing money from places like banks? Explore extent of their knowledge and how confident they are in their knowledge, also how interested they are in it
 - What sort of people borrow money from these sorts of places?

 - Could you describe your experiences or the experiences of people you know of doing these things?
 - EXPLORE THE BARRIERS (NB focus on demand side barriers as other research has covered supply side).
 - **Why might people not be able to borrow money in this way?**

Facilitator to have prompt list to refer to:

BANKING	CREDIT
Prefer the physicality of dealing in cash	Few products available to cater for their needs
Don't see the need for banking – live hand to mouth	Don't qualify for mainstream products / not credit worthy
Geographically, unable to get to the bank	Prefer personal service offered by home credit companies – familiar face/relationship
None of their family/friends have done this	
Costs prohibitively high	
Perceived to be too complicated / difficult	
Not targeted directly by financial institutions	
Not aware of products available	
Believe mainstream products are 'not for them'	
Mistrust banks/other institutions	
Not being able to negotiate – terms and conditions not flexible	

- **Within the discussions above, raise the following questions around other ways of managing money:**
 - In what ways do people you know organise things i.e. pay for things, keep track of how much money they have etc?
 - And why do they do it in this way?
 - What are the good things about managing money in this way?
 - What are the bad things about managing money in this way?
PROMPT pay-in cheques, pay bills etc.
 - In what ways do people you know borrow money?
 - And why do they do it in this way?
 - What are the good things about borrowing money in this way?
 - What are the bad things about borrowing money in this way?
PROMPT high costs for repaying loans

- *If participants have talked about the banking environment and banks themselves being barriers, explore the extent to which having access to bank accounts through non-banking channels e.g. the Post Office or Supermarket, would make a difference to whether or not they would want a bank account*

- **Summary: Facilitator to develop a summary of barriers to (5 mins)**
 - 1) opening a bank account
 - 2) borrowing money from a bank/mainstream lender e.g. loans, credit cards

Probe: what prevents you from wanting to /doing anything about it?

- **Group to then agree their top demand side five barriers *overall*** (for presentation to plenary later)

BENEFITS TO BEING FINANCIALLY INCLUDED (10 mins)

- **Importance of having a bank account**
 - In a perfect world, what are the good things about having a bank account?
 - What would it enable them to do?

- **Importance of being able to borrow money from bank or mainstream lender**
 - In a perfect world, what are the good things about borrowing money from banks or other similar organisations?
 - What would it enable them to do?

- **Group to agree top 3 benefits for banking and top 3 benefits for borrowing**

Facilitator to have prompt list to refer to:

<i>Reasons - banking</i>	<i>Reasons - Affordable credit</i>
<i>Save money on paying bills using direct debit</i>	<i>The interest you pay will be lower so you <u>will not have to pay your loan for so long</u></i>
<i>Money safe from theft or loss</i>	<i>The interest you pay will be lower so you <u>will not have to pay so much money back</u></i>

<i>Money safe from theft or loss</i>	<i>The interest you pay will be lower so you <u>will not have to pay so much money back</u></i>
<i>Access to other ways of purchasing things via the telephone or internet</i>	<i>Borrowing money from sources such as credit unions or CDFIs mean that you will be <u>protected from people trying to take advantage of you</u> when lending you money</i>
<i>Access to other money accounts such as savings accounts and loans which can help you to save money in the future</i>	<i>Get a face-to-face service</i>
<i>Employers want people to have a bank account into which they can pay their wages</i>	

SECTION 2: PLENARY DISCUSSION OF BANKING AND CREDIT EXPERIENCES: BARRIERS AND BENEFITS 12.00 – 12.15

- Each group presents back their barriers and benefits summaries to rest of the groups and expert panel in plenary. Lead facilitator to collate these for voting on later
- *Task force member/ Treasury team present a brief précis on the benefits of having a bank account and access to affordable credit from their/Government perspective –*
- Response to this from participants

LUNCH BREAK 12.15 – 12.45

SECTION 3: INTRODUCTION TO 3 QUESTION AREAS 12.45pm – 1pm

Aim of session:

- *To introduce the 3 question areas*

Content of the session:

All subjects introduced by Lead Facilitator as ways we can overcome the barriers so more people can have access to bank accounts and borrowing money from organisations like banks and credit cards

- **A Knowledge and information** – explained as ‘the sort of things people might need to know so they can be comfortable getting and using a bank account and borrowing money’
- **B Features** – explained as ‘the types of things people would like to be able to do with their bank account and when borrowing money (how they’d like it all to work)’
- **C Services** – explained as ‘the ways in which people would like to open a bank account or access loans/borrow money’

Each table to discuss one area.

(Within each workshop two groups to discuss the same thing - rotated across venues).

SECTION 3A: DELIBERATION ON SPECIFIC AREAS : KNOWLEDGE 1pm – 2pm

Aim of session:

- *To explore reactions to each of the specific areas – to explore their own ideas, reactions to proposed initiatives and develop participant-led solutions*
- *To understand the knowledge/skills financially excluded people feel they would need in order to make use of bank accounts and credit products*

Format of session:

Break out areas facilitated table discussion, incorporating tasks and provision of background information

Summaries prepared for presenting in plenary

Throughout to use the characters [see characters] to enable people to project their ideas and experiences onto others. To discuss banking and affordable credit i.e.

- *They are thinking about opening a bank account*
- *They need to borrow money*

KNOWLEDGE

(Stimulus needed – characters, information about basic bank accounts, feature descriptors(direct payment into your account etc), information about loans)

- **Brainstorm banking: (20 mins)**
 - 'In order to open a bank account I would need to...' PROMPT : READING, MATHS, WRITING, UNDERSTANDING OF FINANCIAL ACCOUNTS ETC
 - SHOW DIFFERENT BASIC BANK ACCOUNT FEATURES DESCRIPTORS AND/OR MAP FOR OPENING A BANK ACCOUNT
 - What do people need to be able to do to use these specific product features? e.g. direct debits / cheque book / standing order / ATM machines etc
 - What sort of things would they need to know about?
 - What could be done to help them to get this knowledge?
 - What's the best way of helping to give people the knowledge and skills they need to open a bank account?
- **Brainstorm borrowing: (20 mins)**
 - 'To borrow money from a bank/credit card company/other similar organisation I would need to be able to...' PROMPT : READING, MATHS, WRITING, UNDERSTANDING OF FINANCIAL ACCOUNTS ETC
 - SHOW DIFFERENT PRODUCT FEATURES / PROCESSES USING INFORMATION ABOUT LOANS AND/OR MAP
 - What do people need to be able to do to use these specific product features? e.g.
 - What sort of things would they need to know about?
 - What could be done to help them to get this knowledge?
 - What's the best way of helping to give people the knowledge and skills they need to borrow money from a bank?

- **Preparation of the summary for the group (5 mins)**
 - Record ideal way(s) of building knowledge and skills – aim for five elements
 - a) to open and use bank accounts
 - b) to borrow money

- **Information**
 - What would be the best way of letting people know that these initiatives exist?
 - *Finally, if we could take away all the barriers to opening a bank account – such as the need for ID, that we've been talking about today would you want a bank account?

SECTION 3B: DELIBERATION ON SPECIFIC AREAS: FEATURES 1pm – 2pm

Aim of session:

- *To explore reactions to each of the specific areas – to explore their own ideas, reactions to proposed initiatives and develop participant-led solutions*
- *To explore the features of banking and credit products that would be most accessible to them as consumers*

Format of session:

Break out areas facilitated table discussion, incorporating tasks and provision of background information

Summaries prepared for presenting in plenary

Throughout to use the characters [see characters] to enable people to project their ideas and experiences onto others. To discuss banking and affordable credit i.e.

- *They are thinking about opening a bank account*
- *They need to borrow money*

FEATURES

(Stimulus needed – characters, information about basic bank accounts, feature descriptors(direct payment into your account etc), information about community development finance institutions, information about credit unions)

- **Brainstorm what they'd want a bank account to be like (possibly in smaller groups/pairs) (10 mins)**
 - What would they want to be able to do with their money?
 - What would they need to be able to do with their money?
 - How would they want to get the information about these types of accounts

- **Evaluation of the basic bank account and product features (2 handouts – Basic Bank Account and feature descriptors) against their criteria (15 mins)**
- **Talk through it**
 - What do they like best about it? (considering previous brainstorm)
 - What do they like least?
 - What's missing?

- What more is needed to deliver against their needs / any other ideas?
- **Brainstorm what they'd want a loan to be like (possibly in smaller groups/pairs) (10 mins)**
 - How would they want to borrow the money?
 - How would they want to pay it back?
 - What would the organisation lending them money need to tell them about how it works?
 - How do they want to get the information about getting a loan?
- **Evaluation of innovative ways of borrowing money (credit union loans/CDFI) against their criteria (15 mins)**
- **Talk through each one**
 - What do they like best about it? (considering previous brainstorm)
 - What do they like least?
 - What's missing?
 - What more is needed to deliver against their needs / any other ideas?
- **Preparation of the summary for the group (5 mins)**
 - Choose the best features from the basic bank account and from CDFI/Credit Union loans
 - Summarise other ideas what they would want...
 - a) a bank account to be like
 - b) borrowing money to be like
- **Information**
 - What would be the best way of letting people know that these ideas exist?
 - Finally, if we could take away all the barriers to opening a bank account – such as the need for ID, that we've been talking about today would you want a bank account?

SECTION 3C: DELIBERATION ON SPECIFIC AREAS: SERVICES 1pm – 2pm

Aim of session:

- *To explore reactions to each of the specific areas – to explore their own ideas, reactions to proposed initiatives and develop participant-led solutions*
- *To explore the services that would be most accessible to them as consumers*

Format of session:

Break out areas facilitated table discussion, incorporating tasks and provision of background information

Summaries prepared for presenting in plenary

Throughout to use the characters [see characters] to enable people to project their ideas and experiences onto others. To discuss banking and affordable credit i.e.

- *They are thinking about opening a bank account*
- *They need to borrow money*

SERVICES

(Stimulus needed – characters, Channels (with the A4 description), process maps (opening a basic bank account, getting a loan from a credit union, getting a loan from a cdfi,))

- **Introduction: (5 mins)**
 - USE CHARACTERS TO ILLUSTRATE IF NECESSARY **What ways of accessing these things (e.g. where, face-to-face etc) would attract people you know / or help people you know to;**
 - Open (and use) bank accounts
 - Access loans from banks / other affordable mainstream sources?
 - Why would these be attractive / helpful?
 - What methods or types of services or places would people you know like to be able to learn about finances?
- **Brainstorm how they would like to be able to open a bank account (10 mins)**
 - Who from?
 - Where from?
- **Use briefing note on different ways (channels and process maps) to get information and advice on banking and borrowing (15 mins)**
 - What ways would they like best and why?
 - What not and why?
- **Different styles of service (15 mins)**
 - What ways would you like to be approached and told about things?
 - What do the people helping you need to be like?
 - What help do they need to give you?
 - How should the people helping you treat you?
- **Preparation of the summary for the group (5 mins)**
 - Sum up the top five things that they'd want the service to be like
 - a) To get a bank account
 - b) To borrow money
- **Information**
 - What would be the best way of letting them know that these ideas exist?
 - Finally, if we could take away all the barriers to opening a bank account – such as the need for ID, that we've been talking about today would you want a bank account?

SECTION 4: CLOSING PRESENTATIONS AND FEEDBACK 2pm-2.30pm

Aim of session:

To bring the discussions and solutions back to the group for consideration

Format of session:

Each table to present to the group

- Summary presentations – 10 mins (2-3 minutes each only)
- **Final voting – repeating questions** – 10 mins

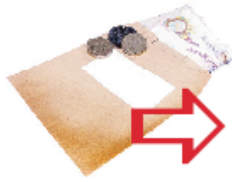
- How confident do you feel about opening a bank account?
- How confident do you feel about borrowing money from a bank?
- How important is it for **you** to have a bank account?
- How important is it for **you** to be able to borrow money from a bank?

- Comments from the Expert Panel – 5 mins max
- Thanks from OLR and HM Treasury – 5 mins max
- Participants complete evaluation and receive incentives – 5 mins

- Hand-outs available at end for participants to take away
 - Basic Bank Account leaflet – copies provided by HMT – TO FOLLOW FROM FSA
 - Leaflets from any local Credit Unions – OLR to source these once HMT has provided details of CU operating within each area
 - Information handout with numbers for people to call for advice or to find out more about bank accounts and affordable borrowing – OLR to compile this

Appendix 2: An example of stimulus material. For further details or more examples please contact Opinion Leader Research

Information about basic bank accounts



Wages, benefits, state pension and tax credits can be paid directly into your account.



You can pay cheques into your account for free.



You can take money out at cash machines.



With some accounts you can take money out at other banks or the post office.



If you have a debit card you can take money out at some shops using cash-back.

basic bank accounts

(continued)



You can pay your bills using Direct Debit.



You don't get a cheque book.



You don't get an overdraft but some accounts have a **buffer zone** of £10 - £20.

Direct payments into your account



This saves you time queuing for benefits or a pension.



Your money is held safe in the bank.



Speak to the person who deals with your wages, pension or benefits to set up a direct payment into your account.

Cheques



You can pay in cheques for free.

You will have to wait a few days before you can get the money while the cheque 'clears'.



Then you can take the money out of your account using your cash card.

Cash machines



You can take out money with a cash card or debit card at a cash machine.



There are cash machines in many places, like the high street, supermarkets and pubs.



You can use most cash machines for free but some will charge you, especially 'stand-alone' cash machines. They will say if they charge you to take out money.



You can check how much money you have in your account at the cash machine. This is called checking your **balance**. You can see the amount on the screen or get a printed paper.

Cash and debit cards



Some basic bank accounts have cash cards, some have debit cards.



You can check your balance or take money out of cash machines with a cash card. You can't use a cash card to pay for things in shops.



A debit card is like a cash card but you can also use it to pay for things in shops.



Cash and debit cards take money straight from your bank account. They are not the same as credit cards which let you buy things without having the money.

Direct Debit



This is a way of paying bills from your bank account each month. People use Direct Debits for things like gas or electric bills, council tax and TV licence.



You sign a form which lets a company take money from your account on the same date each month. Sometimes you get a better deal - a **discount** - for paying by Direct Debit.



If the amount changes, the company must tell you before the payment is due. This is usually by letter.



If you don't have enough money in your account when a Direct Debit is due for payment, the bank will not pay the bill. The bank will charge you if this happens or maybe close your account.



You will have to get in touch with the company to pay the bill.

Standing Order



Standing Orders are a bit like Direct Debits. It is another way of paying bills directly from your bank account.



You sign a form which says how much money will be taken each month, and which date the payment is made. Sometimes you get a better deal - a **discount** - for paying by Standing Order.



If the amount you owe changes, it is up to you to tell your bank the new amount. This is the main way a Standing Order is different from a Direct Debit.



If you don't have enough money in your account the bank will not pay the bill.



The bank will charge you if this happens and you will still have to pay the bill.

Buffer Zone



Cash machines only have £10 or £20 notes. If you only have £6 in your account a buffer zone will let you take out £10 from a cash machine so you can have your £6. But you will then owe the bank £4.



The bank will not charge you for being overdrawn by £4. When you next pay money into your account the £4 will be taken back by the bank.



You could withdraw the exact amount (£6) at the counter of the bank or post office but not at a cash machine.



A buffer zone is not an overdraft which allows you to spend more money than you have in your account.

Notes



Most banks let you open a bank account without putting any money in. Some charge £1. You will not be charged for opening a bank account.



You will have to show proof of who you are (ID) and where you live. This is things like a passport, driving licence or household bills.



If you don't have these proof of ID then other official documents can normally be used like a letter showing your right to benefits or a letter from a responsible person you know.



Almost everyone can open a basic bank account. The bank may carry out a credit check to see if you still own anyone money or have been made bankrupt.