FINANCIAL INCLUSION TASKFORCE

Third Annual Report on Progress Towards the Shared Goal for Banking

December 2008

Background and summary findings

1. The Financial Inclusion Taskforce was established by HM Treasury in April 2005. In December 2007 its terms of reference were extended for a further three years to 2011.

2. The Taskforce's remit covers the Government's strategic priorities to improve access to banking, affordable credit, free face-to-face money advice, savings and insurance. The Taskforce also advises on stimulating demand for financial services amongst hard-to-reach groups.

3. With regard to banking, the Taskforce's formal terms of reference are as follows:

- deliver a final evaluation to HM Treasury and the banking industry on whether the shared goal of halving the number of adults in households without a bank account has been achieved;
- gather further evidence on usage of basic bank accounts and make recommendations to HM Treasury on next steps for banking in light of the emerging evidence; and
- monitor developments in the way banking services are delivered and distributed, and report to HM Treasury on the opportunities and threats to financial inclusion.

4. The shared goal was agreed by the Government and the banking industry in December 2004. The baseline for the goal was the 2002-03 Family Resources Survey (FRS) finding of up to 2.8 million adults living in 1.8 million households without access to a bank account (defined as a current account, basic bank account or saving account).

5. In its first annual report on the shared goal[1] published in March 2006, the Financial Inclusion Taskforce was able to conclude that steady progress towards

[1] Available online at http://www.financialinclusion-taskforce.org.uk/taskforce_papers.htm

achieving the shared goal had been made. In its second annual report[2] the Taskforce found that in 2005-06, up to 2 million adults living in 1.3 million households did not have access to a bank account.

6. This is the Taskforce's third annual report on the shared goal. The summary findings of the Taskforce are that;

- The FRS data for 2006/07 show that up to 2.1m people, living in 1.4m households do not have access to a bank account of any kind. This represents 50% of the progress towards achieving the shared goal.
- However, recent analysis has highlighted a distinction within this group between people who affirm they have no bank account and people who refuse to answer the question or answer 'don't know'. When this distinction is applied to the data it suggests that more encouraging progress has been made towards the shared goal than had been previously thought.
- The FRS data show that 2006/07 saw significant increases in the number of banked adults and households and in the number of basic bank accounts being opened. However, compared with the data for 2005/06, the FRS data also suggest that progress towards the shared goal, which measures unbanked adults *in households with no bank account*, slowed or stalled during that year.
- Since the shared goal was set, there has been a significant reduction in the overall number of unbanked adults. We recognise that continuing work by government, the banks and other stakeholders has driven this reduction.
- We believe that to make further progress towards the shared goal, all those engaged in financial inclusion now need to consider new ways to understand and target those at greatest risk of exclusion from banking. We have suggested a series of next steps to support this process.

Progress towards the shared goal – latest FRS data

7. The FRS data this year present a complex scenario. Progress is shown in the table below.

FRS Year	Unbanked households	Adults in unbanked households
2002-03	1.84 million	2.83 million
2005-06	1.30 million	1.97 million
2006-07	**1.37 million**	**2.09 million**
% Change since 02/03	-25.5%	-26.2%

[2] Ibid.

8. Since 2002-03 the number of banked adults, according to the FRS data, has increased by over 2m from 42.5m to 44.6m.

9. The FRS data for 2005/06 and 2006/07 show a rise in the total numbers of both adults and households in the UK of 325,000 and 340,000 respectively. This has been accompanied by:

- An overall increase of 220,000 banked adults alongside an increase of 120,000 unbanked adults.

- An overall increase of 255,000 banked households alongside an increase of 70,000 unbanked households.

10. There are notable trends within the numbers of the unbanked between 2005/06 and 2006/07. During this period, the total number of adults with a basic bank account changed from 1.83 million to 2.49 million – an increase of 660,000. This corresponds closely with the British Bankers Association's (BBA) assessment that their members have been opening 50,000 basic bank accounts per month over this time-period.

11. Changes in the numbers of unbanked adults and households between 2005/06 and 2006/07 are not statistically significant. This makes it difficult to draw firm conclusions from the differences shown between the two years, at this stage and in particular to confirm whether there really has been a change in the number of unbanked adults. However the data strongly suggest that the pace of reduction in the numbers of unbanked has slowed or halted between the two years.

Savings Accounts

12. Our assessment of the unbanked (for the purposes of the shared goal) excludes people who hold saving accounts as well as those with transactional bank accounts. The FRS data for 2006/07 saw a fall in the number of adults with a savings account, but no current or basic bank account, of 190,000 from 1.21 million to 1.02 million and this fall may have contributed to the static figures for the numbers of unbanked.

Counting the unbanked

13. To support our analysis in this report we have also revisited an assumption in the way the number of 'unbanked' adults have been calculated since the shared goal was set. The reported number of unbanked adults includes both those who affirm they don't have an account and those who answer 'don't know' or who refuse to answer the question.

14. If we distinguish between people who confirm they have no account and those responding don't know or refusing then the figures for unbanked adults in each of the three years are as follows:

FRS Year	Confirmed unbanked adults	Adults in households where at least 1 adult answers don't know/refusal	Total
2002-03	2.02 million	0.81 million	2.83 million
2005-06	1 million	0.98 million	1.97 million
2006-07	**1.01 million**	**1.09 million**	**2.09 million**
% Change since 02/03	-50%	34.6%	-26.2%

15. The number and proportion of don't knows/refusals in the question has increased significantly since 2002-03, from 29% of the unbanked to 52% in 2006-07.

16. The FRS data does not allow us to distinguish between don't knows and refusals. This is unfortunate for the purposes of deciding how this group influences our assessment of progress towards the shared goal. They may represent two very distinct groups i.e. 'don't knows' may be people who aren't sure whether they hold an account, and are therefore most unlikely to be actively using banking services, whereas refusals may be people who are 'banked' but prefer not to answer questions about their financial affairs.

17. We have analysed the FRS data on both groups independently of each other in a series of tables.

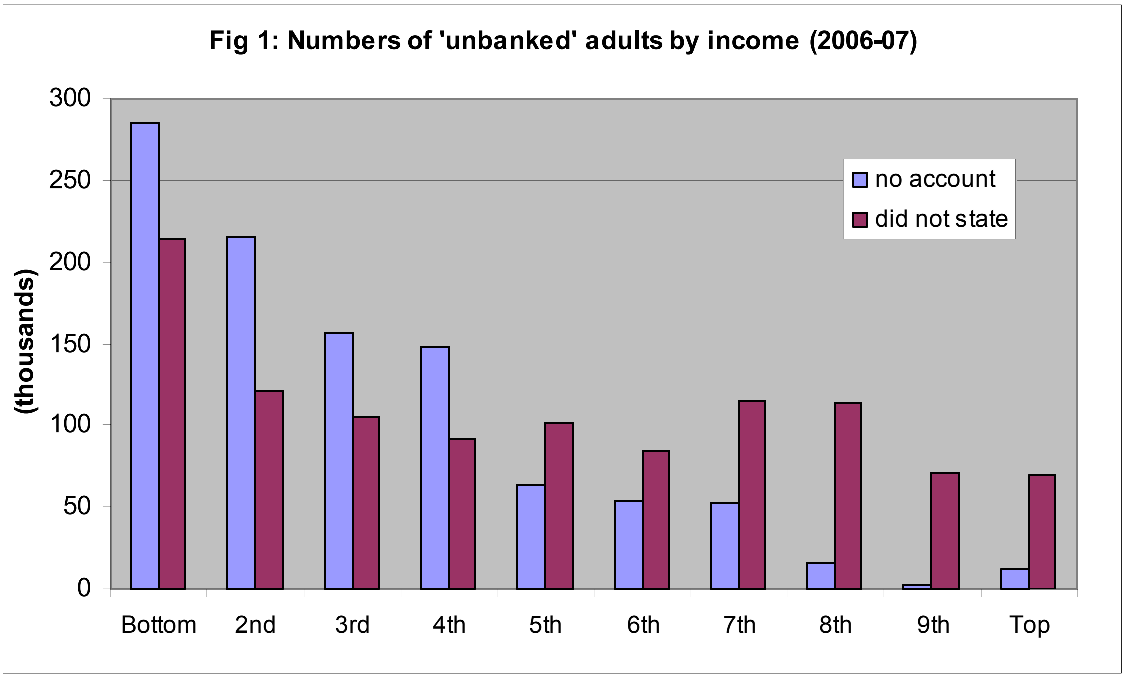


Fig 2: Numbers of 'unbanked' adults by employment status (2006-07)

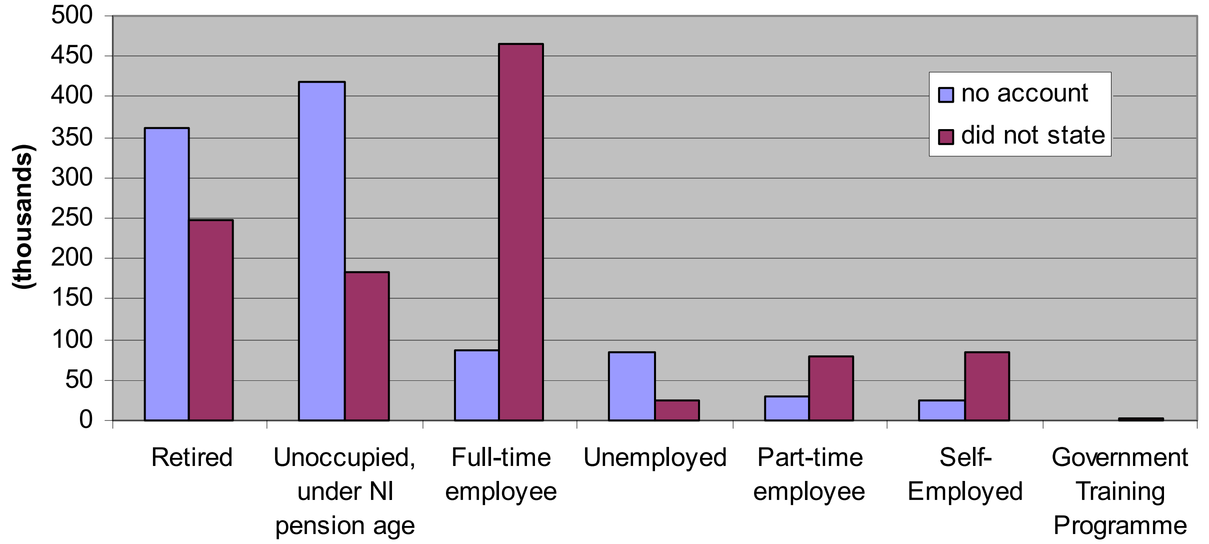
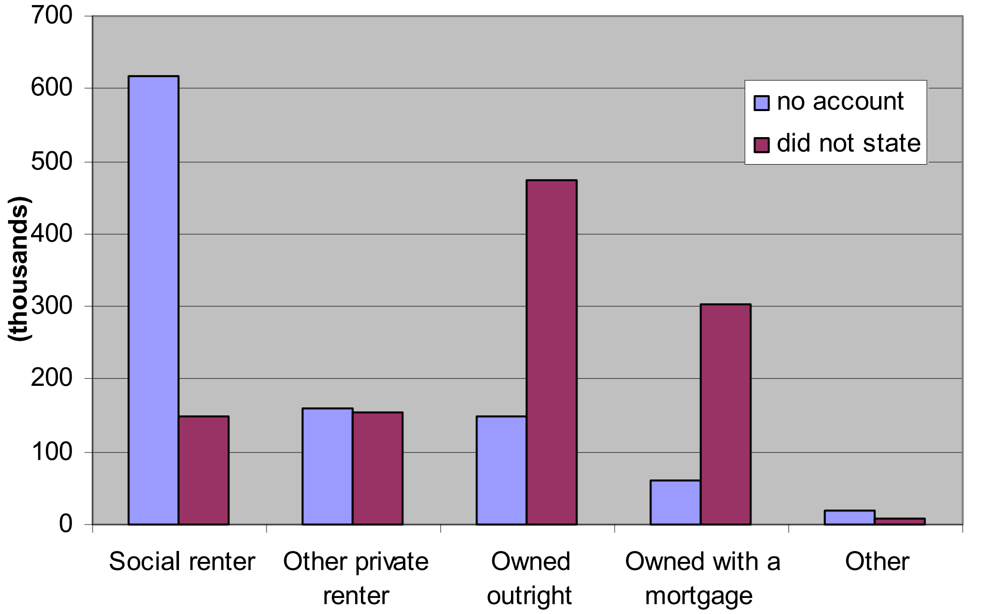


Fig 3: Numbers of 'unbanked' adults by housing tenure (2006-07)



18. Some of the numbers in this analysis are too small to be statistically significant. Nonetheless it is highly suggestive that the levels of don't knows/refusals increase significantly among higher income brackets, people in employment and homeowners. This in turn suggests that many of these don't knows/refusals are likely to be banked adults who prefer not to answer questions on their personal finances.

Further analysis

Possible factors behind slower progress

19. Even if the number of people who confirm they have no bank account is looked at in isolation, the figures still show a slowing in progress between 2005/06 and

2006/07. We believe that the factors that could have contributed to this slowdown, include:

- The end of the transition to direct payment of benefits, which provided specific impetus to individuals to open an appropriate account – along with engagement from voluntary sector, Jobcentre Plus and others in actively encouraging account opening.
- A possible change over time in the proportion of new basic bank accounts being opened by the previously unbanked (i.e. possibly no longer at the 50 percent level indicated in the 2005 research by Millward Brown).
- Changes in household composition counter-balancing the impact of new account opening (e.g. if the sole banked member of a household of four leaves, this creates three unbanked people, offsetting progress in bringing people into banking made elsewhere). This is discussed below at paragraph 21.
- A disproportionate increase in single-person households, leading to fewer people able to benefit from an account held by another household member.
- 2006/07 saw growing levels of migration to the UK from accession states to the European Union[3]. Figures are not yet available for 2007/08, however many of these new migrants are expected to return home after a relatively short stay. The arrival of this group for a short period, with many possibly leaving before they have opened a bank account, could have provided a short term boost to the numbers of unbanked people.

20. We also note that the number of banked adults and banked households has increased by a significant amount (220,000 adults, 255,000 households) between 2005/06 and 2006/07, which suggests continuing progress in bringing new people into banking, even if this progress has been offset by a rise in the number of unbanked people (120,000 adults and 70,000 households).

Household size and composition

21. Changes in household composition can also affect the numbers of unbanked adults and households (for the purposes of the shared goal) independently of any change in the numbers of accounts opened or closed. We can identify some significant changes between 2005/06 and 2006/07.

22. First, the 325,000 increase in the total number of households is the largest yearly increase since the shared goal was set. Second, the increase of 250,000 single person households was also the largest in this category since the goal was set (almost double the previous year's increase, and over three times the increase of each of the two preceding years).

23. The FRS data cannot tell us what has prompted these increases. They could be driven by family breakdown, immigration, young adults leaving home and other causes. These changes could well have impacted on progress towards the shared goal.

[3] See the National Statistics 2006 International Migration Survey, found here; http://www.statistics.gov.uk/downloads/theme_population/MN33.pdf particularly page 17 table A

24. However, the survey data show very little change in the number of single-person households without a bank account between 05/06 and 06/07. An increase of 20,000 in this period is not statistically significant. Additionally, the proportion of single-person households in the whole population has increased steadily since 2003/04, albeit to a slightly lesser degree earlier on. This increase is therefore unlikely to be solely responsible for a lull in progress toward the goal in 2006/07.

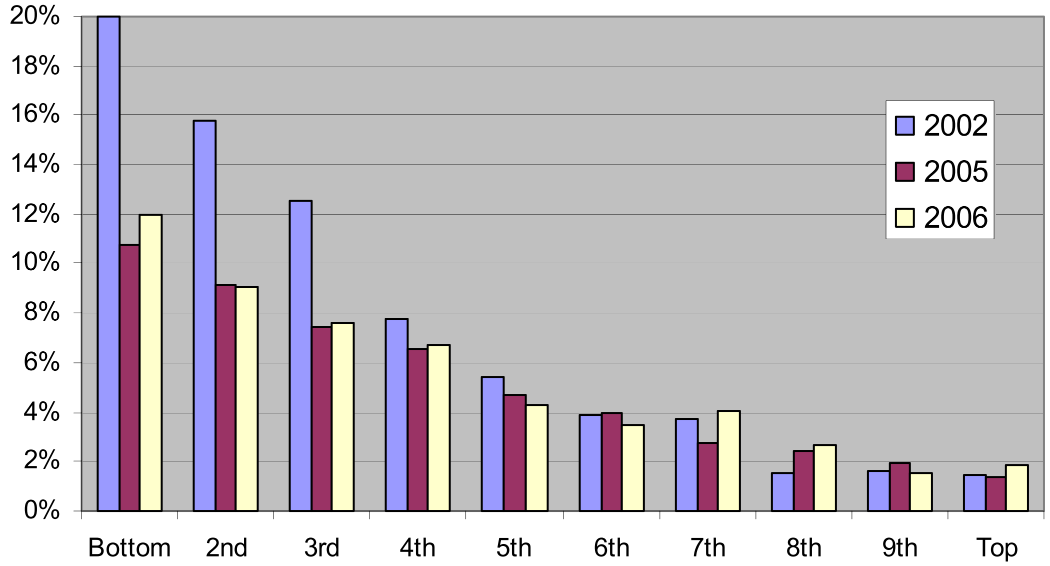
25. Further discussions with stakeholders or supplementary research may help us to understand the drivers of recent changes to household composition and the effects on access to banking.

Distribution and other breakdowns of FRS data

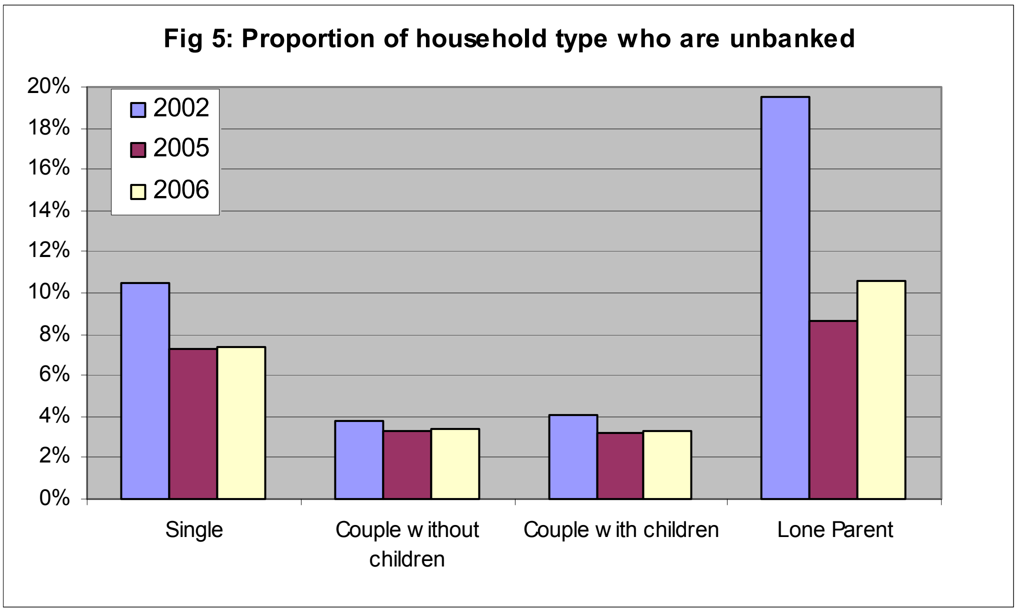
26. Annex A contains a series of tables which break down the FRS data for 2006/07 by a variety of demographic and socio-economic factors, matching the analysis in our second annual banking report. The following section highlights some of the more interesting variations across various demographics. Once again, we would stress that we are unable to draw firm conclusions from small changes in the data.

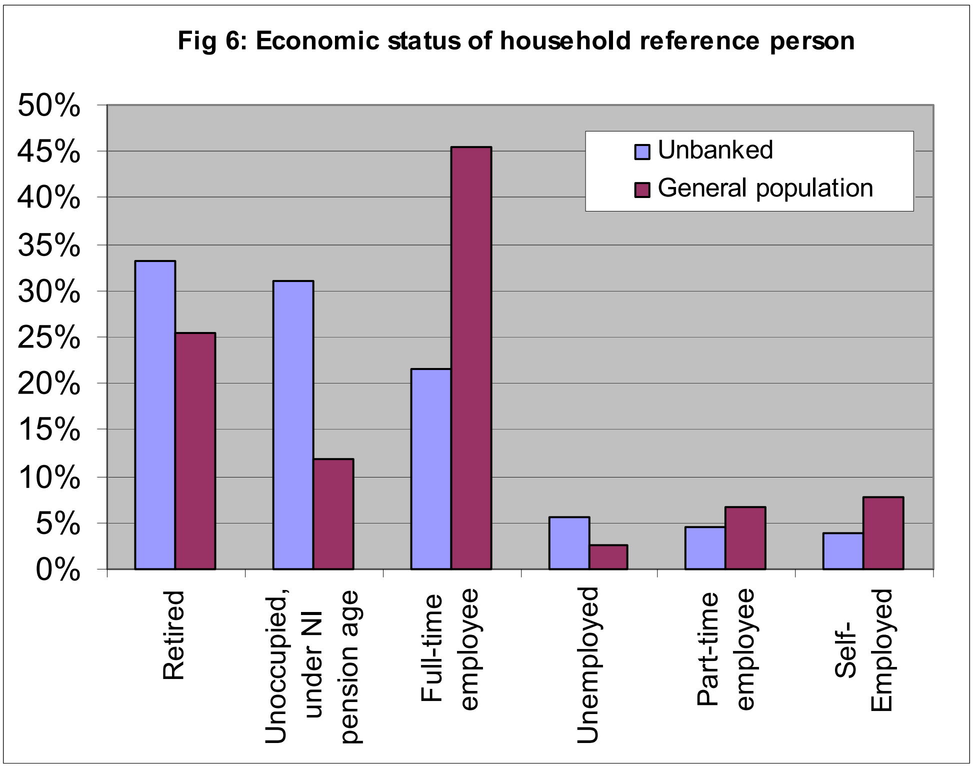
27. The unbanked continue to be found predominantly in the lower income deciles - 40% are in the two lowest income deciles, and 75% are below median income (see Annex A1). Significant progress has been made in this area, with the proportion of the lowest income decile who are unbanked falling from 20% to 12% since the shared goal was set (see Figure 4 below). Nevertheless, the likelihood that a household in the lowest decile will be unbanked is still more than twice the average (5.3%).

Fig 4: Proportion of income decile who are unbanked

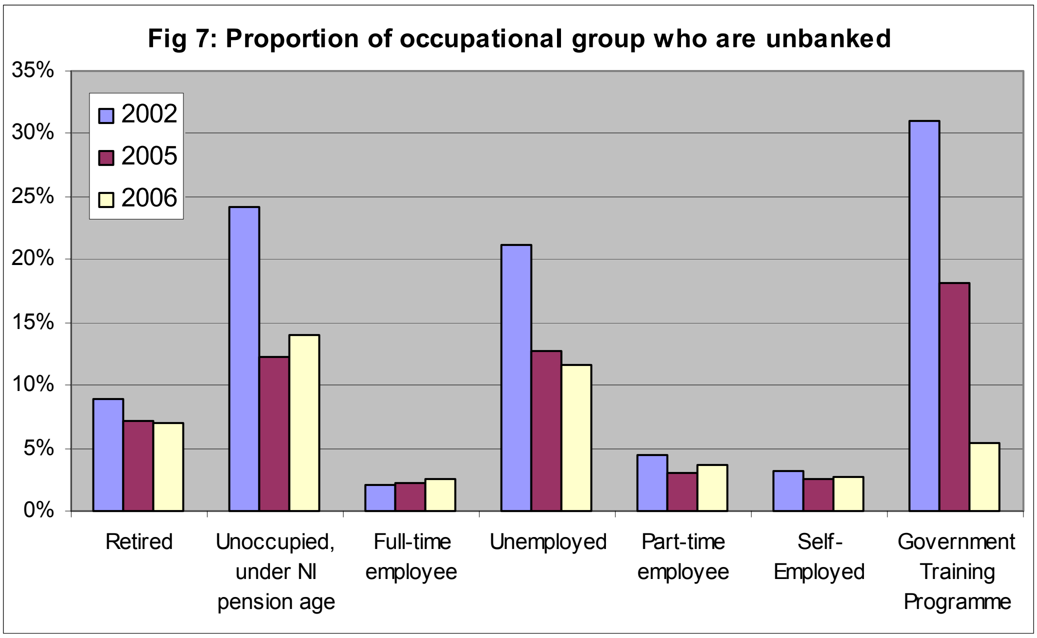


28. More than one in ten lone parents are unbanked, over double the average (see Figure 5 below). However, significant progress has been made from the benchmark where one in five lone parents were unbanked. Singles are only slightly more likely to be unbanked than average.

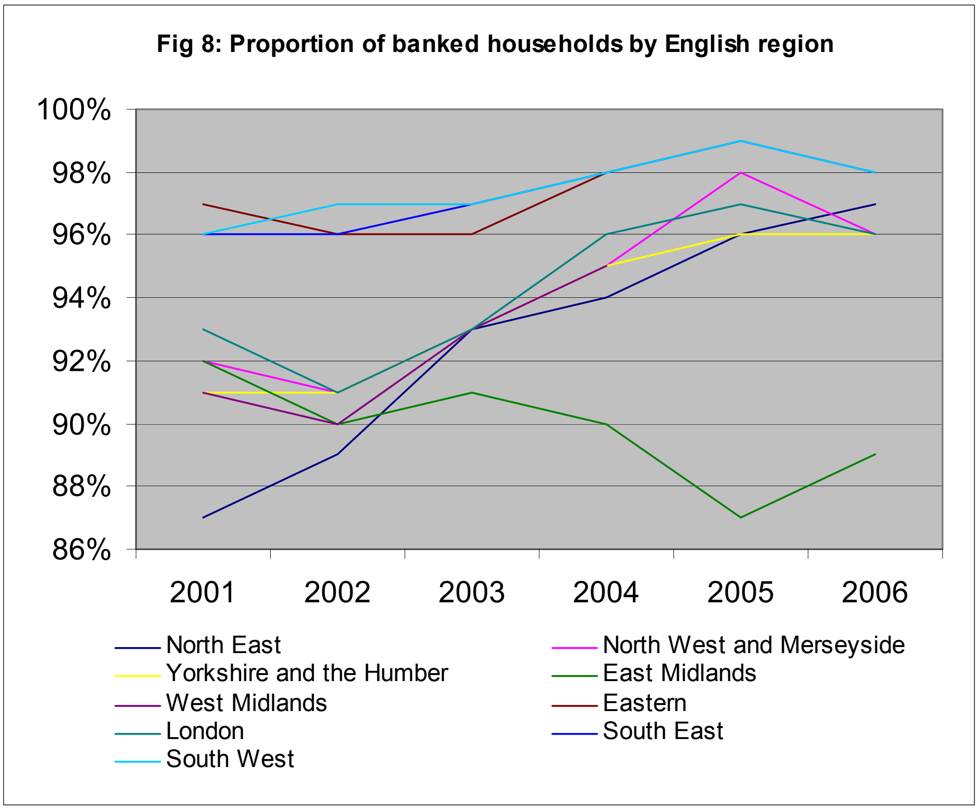




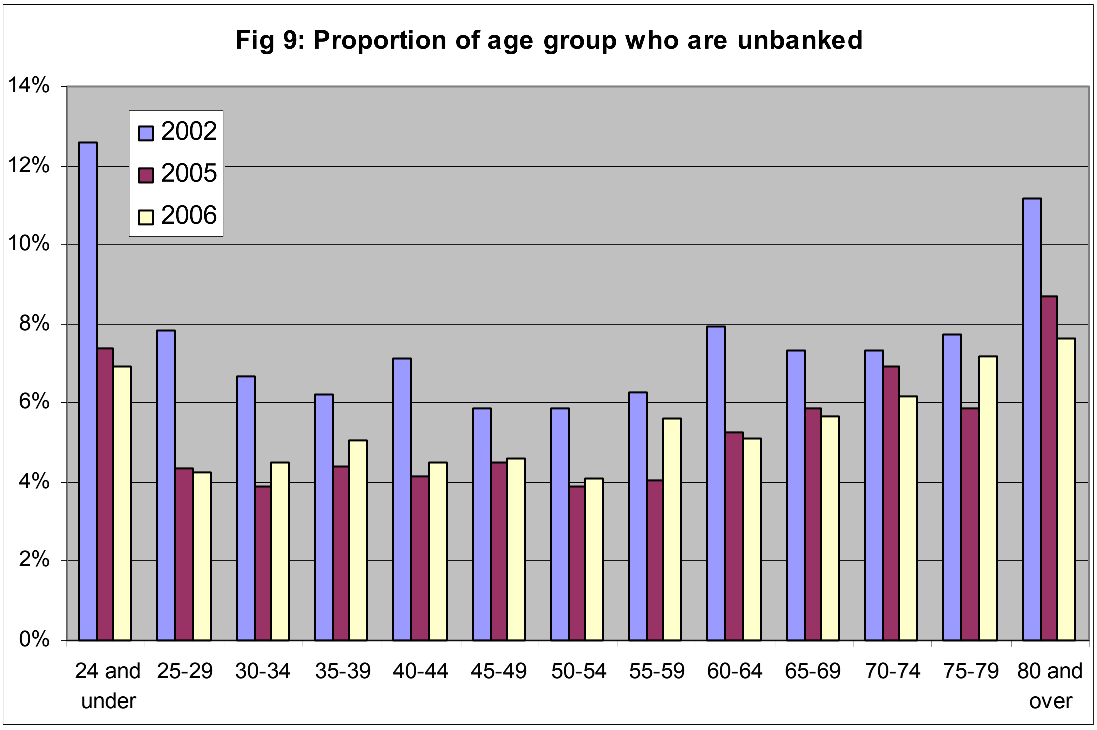
29. Nearly two thirds (64%) of the unbanked are either retired or “unoccupied, under NI age” (see Figure 6 above). In both these population groups, the unbanked are significantly over-represented. The retired account for 25% of the population, but 33% of the unbanked; the ‘unoccupied’ account for 12% of the population, but 31% of the unbanked. Furthermore, the proportion of the overall ‘unoccupied’ population who are unbanked is 14%, almost three times the 5.3% average for the general population (see Figure 7 below).



30. There was a repetition of the previous year's apparently high concentration of the unbanked in the East Midlands (see Annex A5). Further analysis over a longer time period suggests that, although it is possible that the 2005 figure may have been influenced by an anomalous sampling issue, the underlying trend for the region is markedly different from other English regions (see Figure 8 below). On the basis of this finding, we would recommend further investigation into this area of the country to discover any specific factors affecting the region.



31. Although sample sizes when considering individual age brackets do not allow us to draw firm conclusions, it appears that progress has been made since 2002 in reducing the level of exclusion among both the youngest and the oldest age groups in the UK (see Figure 9 below).



Progress towards the Shared Goal

32. The shared goal was set in December 2004. The Government and the retail banking providers committed to work together to halve the number of people living in households without access to a bank account and to make significant progress towards this goal within two years (i.e. by December 2006). The FRS data for 2006/07 therefore allows us to make an evaluation on this latter part of the goal.

33. The reduction to 2.1m people represents 50% of the progress required to meet the shared goal. The Taskforce considers that there has been a significant reduction in the numbers of the unbanked. We also believe that the Government's financial inclusion strategy and the commitment of the banks and other key stakeholders has been a key factor in driving this reduction. However, the data suggest that progress is now slowing, if not static. The continuing take-up of basic bank accounts shown in the FRS data and by the BBA's own figures is apparently not having the desired effect of reducing the number of unbanked as defined (correctly in our view) as "individuals in unbanked households" for the purpose of the shared goal.

34. We believe that new approaches to bringing people into banking will therefore be required in order to make further significant progress towards meeting the shared goal. We recommend that the Government and its partners in financial inclusion consider using the demographic breakdowns of the FRS data to identify specific groups that could be effectively targeted to seek further reductions in the unbanked.

Targetting Specific Groups Effectively

35. We have also used some basic arithmetic to set a rough statistical estimate of the level of impact that could potentially be achieved by targeting specific sectors of the population. We have combined the proportion of each sector that is unbanked with the proportion of the unbanked population that this sector represents, using the formula; 'percentage of total sector who are unbanked' x 'percentage of unbanked who are in sector' x 100.

36. Under this formula, targeting the whole population would have an effectiveness rating of 5.3% (0.053) x 100% (1) * 100 = 5.3.

37. Ranking groups by their score gives some indication of the relative impact on overall numbers of unbanked if the entire group could be effectively engaged. This measure cannot take into account factors such as differing levels of resistance to changes in banking behaviour between different groups. Nevertheless, it could prove a useful reference when considering where efforts might be most fruitfully directed.

38. The top ten characteristics on this ranking basis are shown in order below.

Rank	Characteristic	Category	Target effectiveness rating
1	Housing Benefit	Benefit	7.6
2	Council Tax Benefit	Benefit	6.8
3	Social renter	Tenure Type	5.9
4	Income Support/MIG/Pension Credit	Benefit	4.7
5	Council Tax Band A	Council Tax Band	4.5
6	Unoccupied, under NI pension age	Employment Status of HRP	4.3
7	White	Ethnic Group of HRP	4.2
8	Single	Household Type	3.7
9	Female	Gender	2.7
10	Bottom	Income Decile	2.7

39. The table suggests that targeting the first three groups: people receiving Housing Benefit; people receiving Council Tax Benefit; and social renters would (assuming equal effectiveness of the targeted interventions) yield greater results than interventions targeted at the general population.

40. We believe this fits with the focus of the recently launched financial inclusion Champions programme, which seeks to increase financial inclusion by promoting greater partnership working between local councils, housing associations and other local service providers.

The costs and benefits of increasing access to banking

41. The Taskforce maintains its belief that not having access to banking continues to carry significant disadvantages for adults. We note that research published by Save the Children in 2007[4] found that a poverty premium of £1,000 per annum was paid by poorer families due to financial exclusion. A significant proportion of the extra costs listed in this research were specifically linked to lack of access to a bank

[4] Found here; http://www.savethechildren.org.uk/en/docs/poverty_briefing.pdf

account. In December 2007, Energywatch[5] said that prepayment users could be paying an average of £195 extra each year for their gas and electricity compared to the best available deals.

42. The Taskforce also believes that further costs result from lack of access, for example, increased difficulty in taking up employment, where employers expect to pay salaries into bank accounts. We would encourage the Government to continue to examine the costs of being unbanked and consider whether there are other ways to reduce these, alongside driving an increase in access to banking.

43. There are also clear benefits to having a bank account, including a greater ability to manage one's money over the longer term and being in a better position to access other mainstream financial products. We therefore continue to believe that it is desirable for the government and other stakeholders to work towards the shared target for reducing the unbanked.

The value of a shared goal

44. The Taskforce believes that setting a shared goal has supported a significant improvement in the availability and take-up of basic bank accounts. We continue to believe that owning and using a basic bank account is a key to achieving financial inclusion. Owning an account enables people to hold their money securely and to make payments electronically. It also facilitates access to other financial services.

45. The latest FRS data suggest that fewer basic bank accounts are now being opened by previously unbanked people(as defined in the shared goal) and we would encourage the BBA to revisit their working assumptions for the rate at which people are brought into banking.

46. The shared goal was originally designed to measure the availability and accessibility of bank accounts. We still believe that we can make further progress in this direction and therefore the goal remains useful. However, the goal cannot measure people's ability and willingness to use their accounts. To support progress here, we will look at wider indicators of banking behaviour in future.

Action by banks to increase financial inclusion

47. The Taskforce recognises and appreciates the commitment shown by the major retail banking providers in the UK to ensure that basic bank accounts are available to everyone. We also appreciate the significant additional work undertaken by the banks to support other aspects of the Government's financial inclusion strategy. For example in December 2007, the major retail banking providers committed to support an increase in capacity among third sector lenders providing affordable credit to vulnerable people. We also recognise the banks' recent support for the Government in developing its proposals for the Saving Gateway, their support for the debt advice sector and for the Government and the FSA's proposal for a Money Guidance service.

[5] Found here; http://www.energywatch.org.uk/media/news/show_release.asp?article_id=1072

48. Recent mystery shopping exercises by the Banking Code Standards Board have shown further encouraging improvement in the ease of opening basic bank accounts and the availability of information[6]. The BCSB has concluded that;

> 'the work that has been done by providers, the enhancements to the Code and the monitoring carried out by the BCSB has led to basic accounts becoming more readily available and where an individual is financially excluded, that they should be able to obtain information and open a basic bank account relatively easily.'

49. Research undertaken in 2005 by Toynbee Hall found that identification and verification procedures acted as the most significant barrier to account opening with 56% of 471 participants reporting this as the reason they had not been able to open an account. Research published in 2008 revisited 10% (40) of the clients to whom help had been provided in account opening. Fifteen per cent stated that the accounts had been closed at the bank's instigation, with further requests for identification and verification papers post-account opening being the main reason.

50. A further initiative at Toynbee Hall, Transact, surveyed 277 intermediaries across the UK earlier this year. Access to banking was the issue most cited by intermediaries as affecting people experiencing financial exclusion; 74% of the survey respondents reported this as being in the top three issues facing their clients, and 30% reported it as the most significant. Further depth interviews with 30 intermediaries found that identification and verification procedures were still the most often cited reason for people struggling to open bank accounts. As part of the Now Let's Talk Money Special Projects Fund, Toynbee Hall currently has a banking project underway in partnership with the BBA, BCSB, DWP and representatives from the major retail banking providers and other stakeholders to establish the extent of these issues and develop an effective response.

51. We also note that a market study by the Office of Fair Trading (OFT) has found that the market for current accounts is not working well for consumers[7]. OFT found a lack of transparency and a misalignment between bank revenues and service costs for current accounts. OFT also perceived substantial cross-subsidisation from consumers who incur charges for having insufficient funds to those who do not incur such charges and to a significant extent from 'vulnerable', low income and low saving consumers to higher income, higher saving ones. OFT has proposed a series of steps to find a way to improve the functioning of the market, notably to address opaque charging structures and barriers to switching bank accounts.

52. The BBA has responded to the study, expressing its view that 'UK banks offer a wide range of products and services and are committed to providing their customers with high quality service and accounts to meet all their financial needs.'

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[6] Found at http://www.bankingcode.org.uk/wpdocs/BBA_report_for_website_March_2008.doc and http://www.bankingcode.org.uk/wpdocs/REVIEW_OF_THE_PROVISION_OF_BASIC_BANK_ACCOUNTS.doc

[7] The study can be found at http://www.oft.gov.uk/advice_and_resources/resource_base/market-studies/current/personal/pca/

53. OFT has also launched a test case in the High Court concerning overdraft charges and “returned item” charges. The Taskforce awaits the outcome of this investigation with interest and is keen that OFT and the banks ensure that any consequent changes introduced in the personal account market do not put poorer customers at a disadvantage or make banking less attractive to them.

54. We also note that new developments in the way that banking services are delivered may be of particular benefit in attracting financially excluded people into banking. For example, a payments infrastructure that uses mobile phone networks (such as those recently developed in South Africa and other developing countries) could make banking services less expensive to deliver and easier to access. We will monitor and encourage any developments in banking delivery that could have a similar effect.

Who else can play a role in bringing people into banking?

55. We believe that there are a number of other key actors who need to be engaged with the Government’s strategy to expand access to banking.

Advice providers

56. We recognise that advice providers have played a key role in enabling their clients to use banking services, often working directly with local banks to open accounts, where clients lack the initial capability to do so themselves. We would encourage all providers of debt advice and money advice to continue to promote banking as a part of their work.

57. In partnership with Barclays, Toynbee Hall has produced a Guide to Identification to help people access identification for account opening and other purposes. As part of its banking project, funded by the DWP’s Special Project Fund, it is also developing a resource and training to support advice providers and other intermediaries in helping their clients to open accounts[8].

58. We also note the Government’s recent proposals for a universal Money Guidance Service[9] and we hope that this programme will place suitable emphasis on encouraging people who are unbanked to open accounts.

Third Sector lenders

59. Credit Unions and Community Development Finance Institutions also play a key role in increasing financial inclusion by reaching out to some of the most vulnerable people in society. ABCUL recently reported that 10,000 people have now opened current accounts with their Credit Unions. We believe that third sector lenders can continue to provide valuable support and encouragement to excluded people taking up bank accounts.

[8] The guide can be downloaded from; http://www.toynbeehall.org.uk/core/core_picker/download.asp?id=1521

[9] See the financial capability action plan launched on 7 July 2008 and available here; http://www.hm-treasury.gov.uk/media/B/E/fincap_jointactionplan070708.pdf

Local government and housing associations

60. The recent inception of a financial inclusion Champions project confirms a key role for local government and housing associations in the next phase of promoting financial inclusion. Many housing associations already have projects in place to help tenants open bank accounts. We held a series of discussions on both the moral and the business case in support of a greater role for these organisations at our recent conference, *Empowering local partnerships*[10]. We would like to draw these organisations' attention to our earlier conclusion that a high concentration of unbanked people could be effectively reached by targeting interventions towards social tenants.

61. We also note that, in April 2008, housing benefit for the private sector became Local Housing Allowance (LHA). Payments are now made directly to recipients (as the default option) rather than to landlords. The national roll-out of the new LHA arrangements could prove a stimulus for increased account opening among a demographic that the FRS shows includes a significant proportion of the unbanked population.

Post Office

62. We believe that one reason for greater adoption of basic bank accounts by poorer customers has been their accessibility through Post Office branches and we see a key role for the Post Office in increasing financial inclusion further.

63. Approximately 1m out of 3.9m Post Office Card Account (POCA) customers are thought to manage their money without access to a bank account. We understand that the Government introduced the POCA as a 'first step' towards full bank account ownership and we would encourage the government and the Post Office to consider new ways to encourage POCA customers to move into mainstream banking. The POCA has been extended beyond 2010 and the Taskforce would strongly support increasing its functionality as a transactional account.

Bank account usage

64. Over the last year the Taskforce has worked with the BBA to examine the behaviour of basic bank account customers - for example, how often they use direct debits, and how many continue to withdraw their money in full as soon as it is paid into their account (a 'clear to zero' mentality). We believe that it is extremely important to determine whether newly banked individuals are enjoying the full benefits of a transactional bank account and these indicators can help us gauge customers levels of financial confidence and capability. Our work so far has suggested that there are encouraging levels of direct debit usage among basic bank account customers (in up to 38% of accounts). Our forthcoming report on direct debits and energy payments encourages the banks and energy suppliers to consider whether there are new ways to enable poorer people to make an informed choice between different payment methods, including direct debits.

[10] See http://www.livegroup.co.uk/financialinclusion-taskforce for information about the conference.

65. This work has also indicated that many basic bank account customers go on to take up other financial services from their account providers, supporting our belief that banking can be a gateway to wider financial inclusion.

66. However, a number of basic bank accounts also appear to show only limited activity. We would encourage the BBA to work with its members to identify how many basic bank accounts could be considered dormant.

67. We will continue with this work and seek to determine whether there are ways to encourage greater use of transactional banking and further financial inclusion among the newly banked.

Next steps

68. The Taskforce will continue to monitor progress being made with the take-up of banking services, and will make its fourth annual report next year.

69. The Taskforce has considered the continuing relevance of the shared goal as agreed between the Government and the banks in 2004. We will continue to use the FRS Savings and Investment data to measure progress towards the shared goal, using both the overall figure and the figure excluding people refusing to answer or answering 'don't know'.

70. In order to gain a further understanding of factors affecting non-ownership of bank accounts we intend to undertake statistical analysis such as using regression techniques to attempt to determined which factors could predict non-ownership of a bank account.

71. At the same time we will seek to refine how we measure banking behaviour among people on low incomes and to encourage more people to enjoy the benefits of transactional banking.

72. We believe that many organisations, not just the banks, should play a role in increasing the take-up and usage of banking services e.g. local government, utility companies, housing associations and others. We will lead and support efforts by the Government and others to engage these organisations in financial inclusion.

73. We expect the new financial inclusion Champions to play a part in co-ordinating local partnerships that could deliver increased access to banking, particularly in the light of regional data on the numbers of unbanked.

74. We will follow the progress of Toynbee Hall's banking project with interest to see what new ideas it generates to boost inclusion, particularly among some of the most vulnerable and excluded groups.

75. We also recommend that the BBA revisit the research-based assumption that approximately 50% of basic bank accounts are opened by people who were previously unbanked.

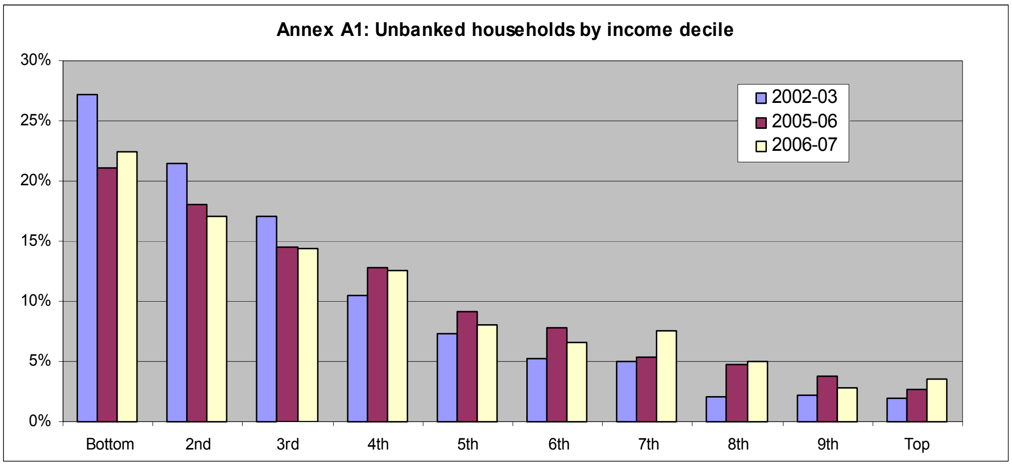
76. We will seek to identify whether changes in paying the Local Housing Allowance will lead more people to open and use a bank account for the first time.

77. The Taskforce will consider commissioning research to show how new unbanked adults arrive in that position and discover their characteristics. We will see whether we can understand the drivers of change in household composition and whether this has impacted on progress towards the shared goal.

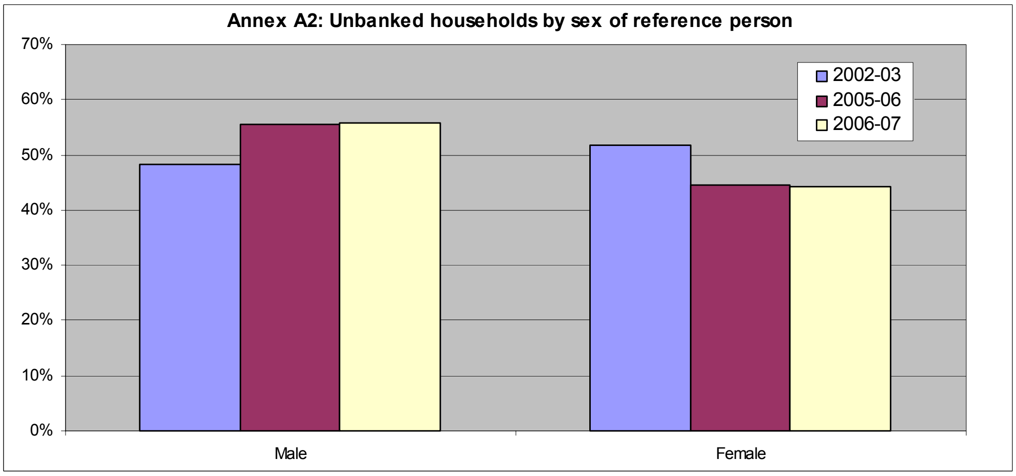
78. We will also consider possible research to measure the continuing cost to society of financial exclusion, e.g. the impact on health and on people's life opportunities.

79. We will continue to work with the BBA to examine ways to increase the use of transactional banking by newly banked people and also the take of up other financial services products. We will seek to determine whether there are opportunities to bring these customers further into financial inclusion. We would also encourage the BBA and its members to consider what proportion of basic bank accounts could be considered inactive.

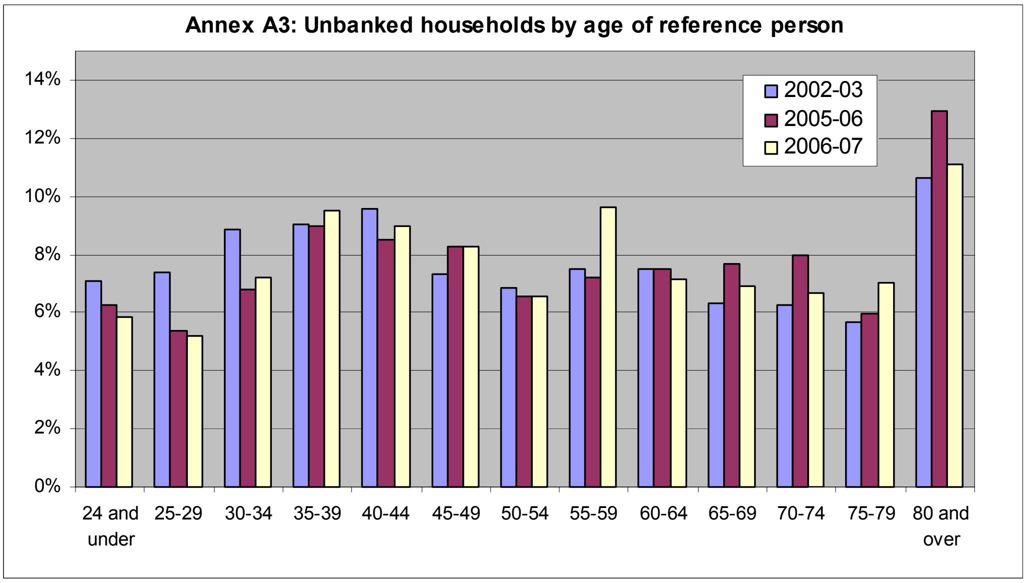
Annex A



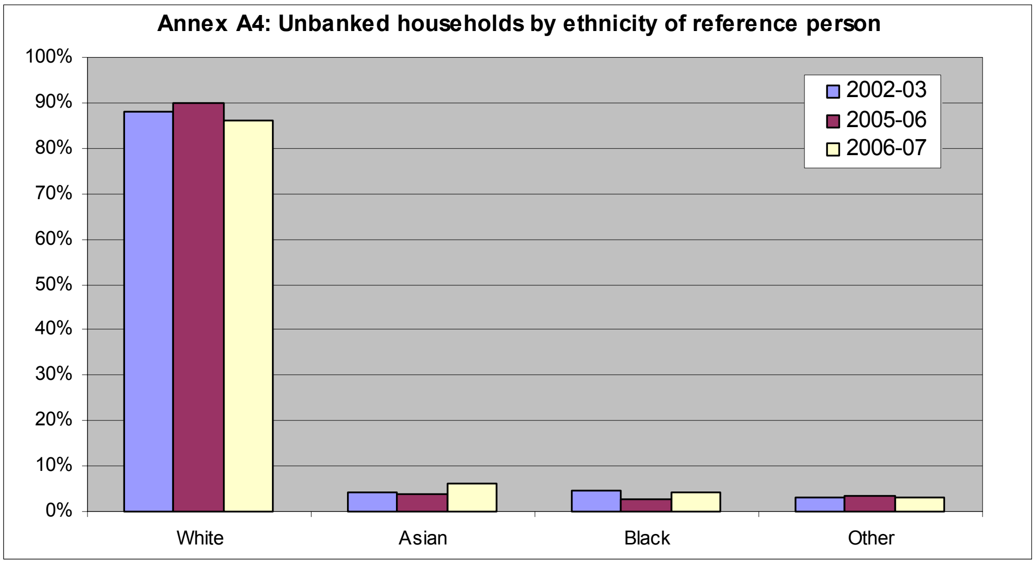
Annex A1: Unbanked households by income decile
30%
25%
20%
15%
10%
5%
0%
2002-03
2005-06
2006-07
Bottom
2nd
3rd
4th
5th
6th
7th
8th
9th
Top

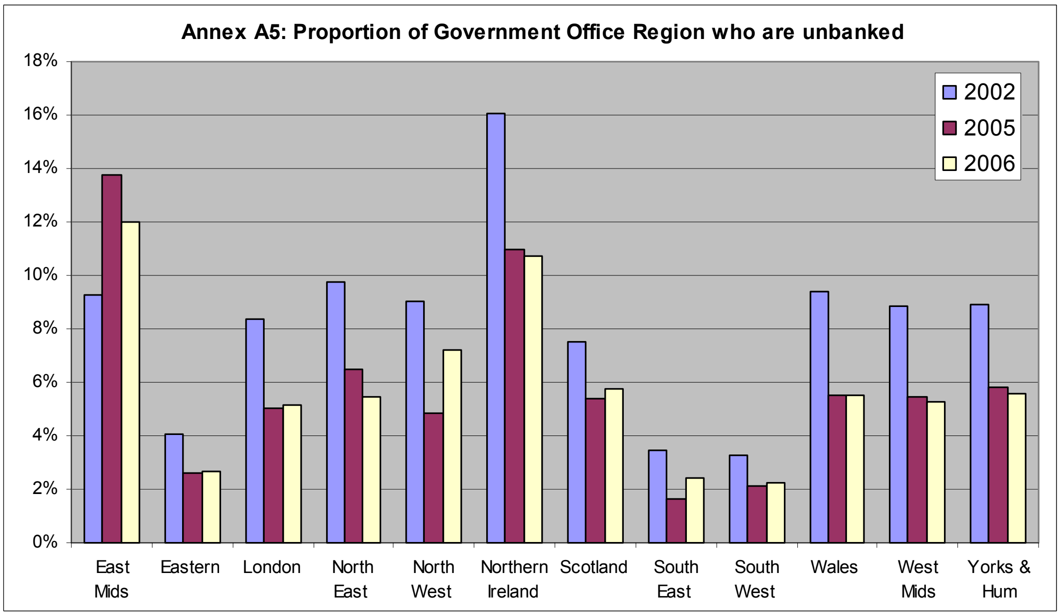


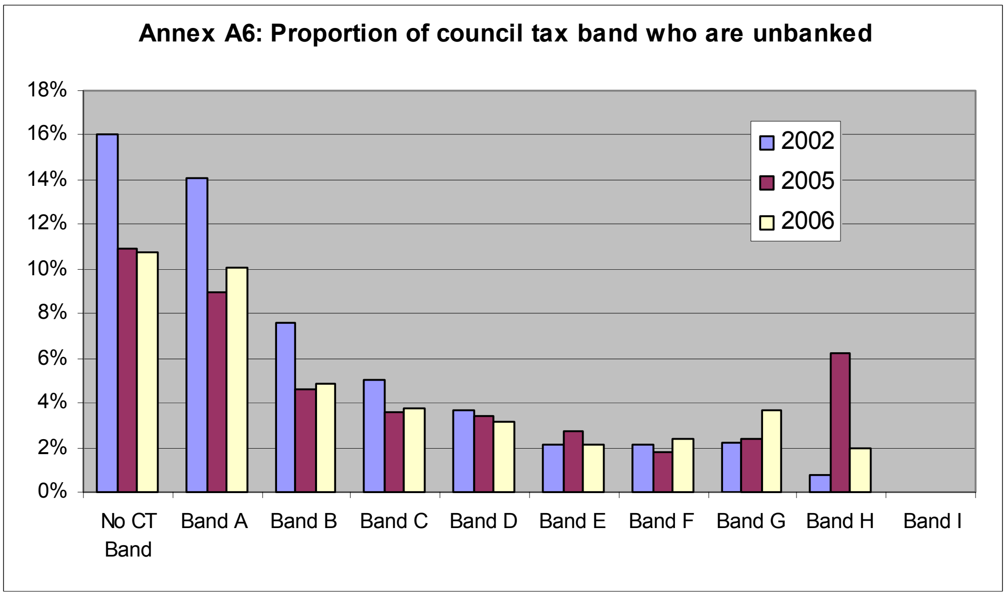
Annex A2: Unbanked households by sex of reference person
70%
60%
50%
40%
30%
20%
10%
0%
2002-03
2005-06
2006-07
Male
Female



Annex A3: Unbanked households by age of reference person
14%
12%
10%
8%
6%
4%
2%
0%
2002-03
2005-06
2006-07
24 and under
25-29
30-34
35-39
40-44
45-49
50-54
55-59
60-64
65-69
70-74
75-79
80 and over


Annex A4: Unbanked households by ethnicity of reference person
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2002-03
2005-06
2006-07
White
Asian
Black
Other


Annex A5: Proportion of Government Office Region who are unbanked
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
2002
2005
2006
East Mids
Eastern
London
North East
North West
Northern Ireland
Scotland
South East
South West
Wales
West Mids
Yorks & Hum


Annex A6: Proportion of council tax band who are unbanked
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
2002
2005
2006
No CT Band
Band A
Band B
Band C
Band D
Band E
Band F
Band G
Band H
Band I