



Evidence for the Thoresen Review of Generic Financial Advice

April 2007

The Community Development Finance Association (**cdfa**) is the UK trade association for community development finance institutions (CDFIs). CDFIs are independent financial institutions. They provide capital and support to enable individuals or organisations to develop and create wealth in disadvantaged communities or underserved markets. The **cdfa**'s mission is to support the development of a thriving and sustainable community development finance sector that provides finance for disadvantaged and underserved communities and, as a consequence, contributes to the increasing prosperity of these communities.

We welcome the Thoresen Review of Generic Financial Advice and support the Government's long-term aspiration for all adults in the UK to have access to high-quality generic financial advice. The terms of reference for the Thoresen Review include the following aims; 'to determine a range of models for achieving greater access to generic financial advice on a national scale' and to ascertain 'the most effective way of serving different groups of consumers, ensuring effective targeting of those most vulnerable to the consequences of poor financial decision-making'. These aspirations coincide with the work of the **cdfa** and our member organisations in aiming to improve financial advice provision in some of the most deprived neighbourhoods in the country.

CDFIs work to provide clients with the appropriate tools to move into the mainstream banking system, thereby promoting financial inclusion and providing a meaningful alternative to home credit, or 'doorstep' lenders. CDFIs typically see their role as going beyond simply lending money and most provide free advice and other services which are intended to help ease the consequences of poverty.

One of our member organisations, Fair Finance based in East London, offers a holistic provision of financial services including personal loans, micro-credit loans and money advice. Fair Finance works hard to ensure that clients are individually assisted with their financial requirements and this includes debt counselling, money advice, negotiating with creditors, re-payment plans and obtaining discounts on goods and services for the client. This range of services is delivered by Fair Finance's Money Matters Project whose staff work closely with their clients to prepare financial statements, offer basic budgeting support and to maximise their income. The Money Matters certified debt advisers refer any issues to do with benefit problems to other specialist welfare benefit agencies, such as the Citizens Advice Bureau.

The Money Matters Project at Fair Finance works in partnership with a number of local Housing Associations to assist their tenants who have been referred to the money advice services, and in addition Money Matters provides in-house advice to clients who have been lent money by Fair Finance. Money Matters services are very well received

by their clients, many of whom become aware of the services on offer by word of mouth recommendation, and who then in turn recommend to other people the financial advice services that are available. Since its inception in June 2001 the Money Matters Project has helped clients tackle over £1.5 million of debt including rent, utility, consumer and other debts.

Scotcash, based in Glasgow, also offers money advice and a range of other financial services to its clients. All clients who approach Scotcash, whether to seek a loan or not, are offered an appointment with one of their money advisers who are located in the branch. This face to face interview is held to ascertain whether the client might be better assisted by accessing a range of financial services rather than taking on a loan from the organisation. There are two independent money advisers who are able to help the client with money advice, financial education, assistance to open a Basic Bank Account, conducting a benefits check to see whether the client is claiming all the benefits to which they are entitled, and a range of other services to help the client become part of the banking mainstream.

The money advice services offered by Scotcash have been very popular and a number of clients have advised the organisation that they have benefited from the service, both financially (i.e. accessing benefits which have raised their income levels) and in terms of receiving holistic support and advice from a money advice service.

We believe that the provision of financial advice services offered by CDFIs is an essential part of their work in reaching out to people in deprived neighbourhoods, many of whom are excluded from the banking mainstream and are then left vulnerable to exploitative financial lenders. CDFIs providing money advice services are able to offer a personal and supportive service to people who often live on very low income levels and can have low levels of financial literacy.

Whilst the Thoresen Review is principally concerned with financial advice provision in connection with personal saving and borrowing, the **cdfa** also believes that business lending advice needs to be included in any nationwide provision of generic financial advice. Appropriate and accessible finance to start-up or expand a business is essential to ensuring there is financial inclusion for as many people as possible in all sectors of their lives.

Conclusion

The **cdfa** and its member organisations welcome the main proposal of the Thoresen Review of Generic Financial Advice in that there should be greater access to the provision of generic financial advice on a national scale. The **cdfa** supports this aspiration and our member CDFIs would like to be included in any future generic financial advice framework in this country as they see themselves as an essential part of the network of money advice organisations.

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