Financial Inclusion Taskforce Research Programme (2005-2011)

Introduction

The Government set out its strategy to tackle financial exclusion in ‘Promoting financial inclusion’, published alongside the 2004 Pre-Budget Report. The report set out a range of measures - in three priority areas - access to banking, access to affordable credit, and access to free face to-face money advice.

The Government also established a framework for delivery - including a Financial Inclusion Fund of £120m over three years and a Financial Inclusion Taskforce, chaired by Brian Pomeroy to oversee progress. The Financial Inclusion Taskforce was formally launched on 21st February 2005 and has monitored progress on the objectives the Government set out and has made recommendations on what more needs to be done. The Taskforce is scheduled to end its work in March 2011.

In over six years of operation the Taskforce has invested a significant amount of its resources in a research programme. Taskforce research has provided new evidence on consumer attitudes and behaviours, has mapped availability of financial services across the UK, has tested new products and new ways of working and has helped the Government to evaluate some of the Financial Inclusion projects.

Research commissioned and funded by the Taskforce has helped to move forward the thinking on policy making in financial inclusion. Research has filled the gaps in the financial inclusion evidence base and has ensured effective oversight and evaluation for projects funded by HM Treasury’s Financial Inclusion Fund.

The most recently published Taskforce research can be found on the HM Treasury web-pages

www.hm-treasury.gov.uk/fin_consumer_fininclusion_taskforce_research.htm

Research published before May 2010 can be found at the National Archives

http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/fit_index.htm
Summary of Taskforce research

Evidence review

- In 2010, the Financial Inclusion Taskforce carried out three critical reviews of the evidence base relating to the Government’s key objectives for financial inclusion:
  
  o the costs of financial distress and the benefits of access to debt advice;
  o the costs of banking exclusion and the benefits of access to bank accounts;
  o the costs of credit exclusion and the benefits of access to affordable credit.

  The review is based on a search of research published since 1995. It provides an empirical foundation for decisions on ‘mainstreaming’ responsibility for financial inclusion across Government, going forward, and priorities for future action.

Mapping work

- Experian was commissioned by the Affordable Credit Working Group of the Taskforce to identify and map across Great Britain the current levels of demand for, and supply of, affordable credit from third sector lenders. This analysis and mapping has been used to identify areas of greatest mismatch between levels of demand and current supply – these are the Red and Amber Alert priority areas which have subsequently informed the ‘Financial Champions’ initiative being delivered by DWP.

- Building on this work, Experian was commissioned to extend the scope of study: to incorporate a broader range of financial exclusion indicators, to map the supply infrastructure of mainstream financial services providers and free-to-client debt advice agencies, and to understand the ‘mismatch’ between financially excluded communities and the provision of mainstream financial services.

- Experian also mapped the supply of, and demand, for home credit and found more home credit accounts in the areas most commonly associated with home credit, such as the North East and North West and not as many in the southern regions.

- A further exercise carried out by Experian was the mapping of Home Contents Insurance (HCI) schemes operated by Local Authorities and Housing Associations the key objectives of the project were to understand the geographic distribution of likely demand for HCI packaged-with-rent products, to map the availability and take up of schemes and to confirm the mismatch between demand and supply at Local Authority level.

Affordable credit research

- In 2007, GfK NOP measured the extent to which usage and awareness have changed since the introduction of the Growth Fund. Further analysis explored differences between those who were ‘unwilling’ and those who were ‘unable’ to access credit.

- In 2011, Taskforce published the Evaluation of the DWP Growth Fund, undertaken by the Personal Finance Research Centre and ECORYS. The evaluation established both the impacts of the Growth Fund on borrowers and

Debt advice
- In 2007, IFF Research conducted research to help inform future direction of debt advice funding. The research focussed on organisations in England and Wales that offered individuals free help with debt through individual assistance or casework.
- In 2009, IFF Research was commissioned by HM Treasury, on behalf of the Money Advice Subgroup of the Taskforce, to explore monitoring and reporting of both provision of, and demand for, free face-to-face money advice to the public. The research sought to explore the impact of current reporting requirements on money advice providers, it also aimed to obtain ideas from providers and funders on how the reporting process might be improved.

Insurance
- In 2007, Ipsos MORI was commissioned by HM Treasury on behalf of the Insurance Working Group of the Taskforce, to explore further the barriers financially excluded people face or perceive they face to taking out HCI and how these barriers can best be tackled. The research focused on the attitudes of financially excluded people to mainstream HCI products and services; their experiences to date – and other factors that influence attitudes; and how to make HCI products and services more appropriate and accessible to financially excluded groups.
- ABI research reviewed access to a range of insurance products for low income households. The research found the greatest disparity between demand for and take up of home contents insurance. Since this research, the ABI, prompted by the Financial Inclusion Taskforce, has led a partnership between the insurance industry and social landlords (supported by the Financial Inclusion Champions) to develop affordable home contents insurance for poorer households.

Savings
- In 2009, the Personal Finance Research Centre were commissioned to provide an overview of the existing evidence on non-retirement saving among lower-income households. This research was intended to help the Taskforce identify the potential for increasing levels of saving among these groups and improving take-up of saving products from regulated providers. The findings were based on a review of the literature and secondary analysis of two existing data sources: the Baseline Survey of Saving for and by Children (BSSC); and the first pilot of the Saving Gateway, a government supported cash saving scheme for people on low incomes and of working age.

Banking
- Since 2006, the Taskforce has been using the Family Resources Survey to track the number of people who live in a household where no-one has a bank account and, as part of this tracking, information has been provided about the types of people who are most likely to be unbanked. Taskforce has monitored the shared goal of halving the number of adults without a bank account. This monitoring has led to pressure on banks to provide Basic Bank Accounts for those whom a current account is not appropriate. The most recent Statistical Release of
unbanked figures was published on HM Treasury’s National Statistics website in December 2010 (http://www.hm-treasury.gov.uk/national_statistics.htm)

- In 2009, PFRC undertook a regression analysis of the Family Resources Survey to identify the socio-demographic characteristics that are independently associated with being ‘unbanked’.

- In 2010, GfK NOP carried out qualitative research to explore the barriers that unbanked people face in becoming banked and established whether people could or should be moved into using mainstream financial services. The research comprised of two key phases. Phase one identified the main motivations and triggers for becoming banked and informed phase two of the research, which investigated reasons for being unbanked and explored any motivating factors that would encourage participants to open a bank account. This work has informed thinking around developing new banking products that are tailored to the needs of low-income consumers.

- In 2010, Policis carried out quantitative research to explore how much had been achieved in terms of banking inclusion. The research was a quantitative survey of people on low incomes (defined as the lowest 50% of household incomes), including boosted sub-samples of the newly banked and the remaining unbanked. The research explored the drivers for moving into banking and the barriers to doing so; the experiences of using bank and POCA accounts and their impact on money management and budgeting; the extent to which banking is delivering benefits such as savings, enhanced financial stability and meaningful financial inclusion to people who open accounts; the costs of remaining unbanked; and the potential for further extending banking inclusion to those who remain unbanked.

- The Centre for Research in Social Policy is currently carrying out an Evaluation of the DWP Financial Inclusion Champions Initiative. This evaluation aims to establish the effectiveness of the Initiative looking at both the impact and processes of it. This evaluation is due to report at the end of March 2011.

- Social Finance is currently undertaking a seven month research study to explore the possibilities for a commercially viable business model for a new ‘Jam Jar Account’ targeted at financially excluded individuals. The account would seek to meet the needs of financially included customers by supporting them in managing their money, helping them to save towards big purchases, smoothing expenditure and enabling discounts on goods and services through direct payments. The research will seek to inform potential providers of both the range of costs and potential gains from offer such accounts in the absence of a public subsidy. This work will be published on the Financial Inclusion Taskforce research pages by the end of March 2011.

Evidence gaps

The Taskforce’s evidence review identified notable gaps in the financial inclusion evidence base.

Affordable credit

There is little evidence on the role, growth and development of CDFIs in providing access to affordable credit. Most of the available research focuses on credit unions and the extent to which CDFIs have a distinct role in combating financial exclusion remains largely unknown.
Banking

Banking exclusion is relatively well researched, in terms of its consequences and the needs of those without accounts. Remaining gaps in the evidence base relate to:

- The total accumulated costs of banking exclusion – although many studies highlight the additional costs faced by those without accounts, only one study has attempted to aggregate these costs during the course of a year. Even this study is an estimate of costs based on assumed expenditure, and is not focussed on the banking excluded specifically, but on people living in poverty. As a result, we do not know the extent of the poverty premium for the unbanked, in terms of the real costs they actually pay for managing their money in cash.

- What proportion of the remaining unbanked are likely to benefit from becoming banked? What are the triggers that would encourage them to become banked? We have some qualitative evidence on this (GfK, 2010), but no sense of the different segments that make up the unbanked population and how likely they are to change their banking status.

Debt advice

The two key gaps in the evidence base on debt and financial distress are:

- Quality data on the longer-term impact of advice. A number of quantitative studies have attempted this but been unable to sustain participation rates in the follow-up stages. One current study looks likely to be successful in delivering data on the impact of debt advice on low-income households over a six year period, which will be extremely valuable. Quantitative time series data, and data relating to a longer time period, would be helpful. In particular, evidence of the longer-term impact of debt advice in areas such as financial capability, decision-making about credit use and ability to manage financial problems and negotiate with creditors, and future advice-seeking behaviour would be extremely valuable.

- Research to identify and isolate the outcomes that are directly related to debt advice. Studies attempting a random control approach to identify the difference between people who receive advice and those that do not, have not been successful, to date. Further, it is questionable whether a random control group approach could ever be wholly successful in the context of debt advice, due to high rates of attrition and the impossibility of controlling for other relevant environmental and behavioural variables, or ethically desirable given the impact of financial distress on health and well-being.