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British-Irish Council

COMMUNITY CONFERENCE ON FINANCIAL INCLUSION

9/10 September 2002

Glasgow University, Scotland

Background

The British-Irish Council, which was established under the Good Friday or Belfast Agreement, is a forum for its Members to exchange information, discuss, consult and work together on matters of mutual interest.

The Council has agreed a number of priority areas of work in which various Members act as the 'lead Administration'. One of these work areas is social inclusion, which is being led by the Scottish Executive and the Welsh Assembly Government. As part of this work, it was agreed to organise a British-Irish Council Community Conference on the theme of Financial Inclusion, which in turn would contribute towards shaping proposals for the Council's future work on social inclusion. The conference was organised jointly by the Scottish Executive and the Welsh Assembly Government

There is recognition across the Member Administrations that whether in an urban or rural context, deprivation and social exclusion are caused by a combination of factors. One of these is poverty and in particular the lack of financial capacity, income and wealth, within families and communities. Financial inclusion is a term that describes a range of measures that can enhance that capacity.

A combination of measures is necessary to realise financial inclusion. Action requires to be taken at many levels, by national governments, regional and local administrations. But it is also recognised that non-governmental and community-based organisations and activists can play a key role. Across the Members, local communities, often working in partnership with local authorities, voluntary organisations and the private sector and with funding support from the EU, national governments and foundations have developed innovative financial inclusion projects.

Community-led initiatives will in themselves not be sufficient, but they do make a vital contribution not only to building up financial capital, but also towards strengthening social capital, the skills, resources, networks, capacity within a community, to work together to tackle exclusion.

We need to learn from these initiatives, in order to shape the wider package of policy measures and programmes that require to be developed. Are there projects which could be more widely replicated? Are community-led programmes cost-effective? To what extent have they actually led to significant social and economic outcomes? What measures can local, national and international bodies, including the private sector take to create a more supportive environment for local community action?

Conference Aims

This conference had four main objectives:

- To bring together community activists and those working at local community level who have practical experience in financial inclusion initiatives:
- To learn together and to exchange information on what does and does not work, and why:
- To identify what policy measures might be put in place that would support community-led initiatives:
- To make recommendations which would inform the Summit of the British-Irish Council.

This report includes edited versions of all the Conference speeches and the conclusions and recommendations from the event.

Scottish Executive and Welsh Assembly Government

The organisation of the conference, and the production of this report was carried out by the Scottish Community Development Centre.

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Conference review and recommendations

Mike Chapman:

*Associate Director, Centre for Research into Socially Inclusive Services
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The Community Conference identified that financial exclusion transcends many boundaries – not just geographical but cuts across the activities and work of many different agencies, organisations and government departments. Financial exclusion has to be tackled on a number of different fronts. It not only involves addressing personal financial exclusion, but also involves issues surrounding business finance and self-employment and the organisational financial needs of community-based organisational and social economy intermediaries. Common problems and themes were identified in Member Administrations - access to financial products, adequate levels of income for those at the very margins of our society, incentives to help people save and accumulate assets, the need for financial education, advice and learning.

There was recognition that these problems cannot be resolved overnight or by a single individual organisation, but there was a sense that not enough was being done to address the needs of many low-income families, in poverty and at risk of financial exclusion. There was a reminder that governments should ensure that every citizen, household or community has the opportunity to lift themselves out of poverty and financial exclusion. Governments also need to recognise the benefits from establishing a framework for stimulating more localised initiatives aimed at meeting the needs of those who are financially excluded.

The conference acknowledged that tackling poverty and financial exclusion requires sustained action and the development of policies aimed at both *people and places*. Governments should develop financial inclusion strategies, which are:

- **Holistic:** linked to other social inclusion, social justice and anti-poverty policies.
- **Integrated:** designed to maximise the opportunities for increasing disposable income by innovative use of tax incentives and targeting opportunities for increasing employment.
- **Cross cutting:** ensuring the effective delivery of services at the local level.
- **Innovative:** looking at what works and seeing how policy could be implemented differently.
- **Partnership-based:** between national and local governments, the public, voluntary and private sectors.
- **Targeted:** on measures that meet the needs of individuals, households and communities.

Policy Recommendations

The following policy recommendations were identified by the conference. They have informed Member Administrations in their preparations for the November Summit meeting:

1. To establish a network for the exchange of ideas, knowledge, information and examples of best practice in promoting financial inclusion at the community level.
2. To enhance the capacity of those trapped in poverty - who are financially excluded, by introducing mechanisms to maximise their income levels, provide access to appropriate financial products and to encourage saving and the acquisition of assets.
3. To work with the financial industry, advice agencies and community-based organisations to promote free and open access to financial advice, literacy and education, to ensure that everyone has the financial capability to make informed choices, thereby reducing the risk of financial exclusion and poverty.
4. To support, guide and enhance the role of intermediary organisations – credit unions, community development trusts, co-operatives, community banking initiatives and community-based housing associations – not only as providers of financial products and support services, but also as business support agencies to encourage the development of businesses and self employment within deprived communities.
5. To endorse and support community acquisition, control and management of assets, as an effective way of supporting community empowerment and creating wealth-enhancing opportunities within less well-off areas.

Recommendation 1:

Networking and exchange of information and best practice.

It was evident from the conference that Member Administrations were starting from different positions as to how to address poverty and financial exclusion. The diversity of approaches undertaken was seen as a key strength. Governments and administrations could learn from the experiences of others; delegates were of the opinion that there was a danger of reinventing policy when a better option would be to share information and knowledge. There was agreement that no one approach was significantly better than another but policy development would be enhanced if knowledge and information about what works and examples of best practice were disseminated widely. The following action was proposed by the conference:

1. The BIC to organise a follow-up meeting of policy matters and practitioners to discuss common ground and to explore potential avenues for future joint working on areas of common interest.

2. To establish under the auspices of the BIC, a website highlighting examples of best practice in community-based action which promote financial inclusion.
3. To emphasise the role of training and education, not only to inform citizens and consumers but also to promote understanding and highlight responsibilities of policy makers and practitioners dealing with individuals, households and communities experiencing or at risk of being financially excluded.

Recommendation 2:

Enhance the capacity of those trapped in poverty and who are financially excluded.

The conference saw merit in Administrations ensuring that benefit levels were realistic and matched the needs of those in poverty - especially the needs of families with children. Measures to increase income maximisation were welcomed and governments could do more to ensure adequate benefit levels and to speed up benefit payments. Access to appropriate financial products and incentives to save and build assets were seen as an area for policy development. So was encouraging saving and other asset-building measures. The conference was particularly keen to encourage access to responsible forms of credit.

Recommendation 3:

Financial advice and financial capabilities.

The conference was unanimous in the view that basic skills, money advice and budgeting, financial literacy and education were essential to tackling financial exclusion and poverty. However, it was noted that financial advice and education was also a basic right for individual citizens – providing people with the skills and know-how to make informed choices about their own lives. Providing financial knowledge for life was seen as a key task for Administrations. While there exist networks and examples of good practice on the ground, there is an absence of an overall co-ordinated approach to enhance financial capabilities for everyone, this issue was recognised by the conference as a key priority for action by Administrations. The following action was proposed by the conference:

1. To work towards developing financial capabilities for life approaches, through trusted intermediaries, providing free, high quality advice and education.
2. Governments to commit resources to supporting a national framework for financial advice and education.
3. Governments to campaign and stimulate attention on the importance of financial education and basic financial skills development.
4. To establish a database of best practice – focusing on real life examples.
5. To seek disclosure by providers of information on provision of financial services in deprived areas – including basic bank accounts.

***Recommendation 4:
Support for intermediaries.***

The conference saw the potential in the role of intermediary social economy organisations as providers of financial services and advice at the local level. Linking business advice and access to capital for self-employment or business start up, was seen as a key part of the whole process of addressing financial exclusion. Social economy organisations had a role to play in delivering finance for micro enterprise and self-employment - in collaboration with national government programmes and financial institutions. The following action was proposed by the conference:

1. To clarify the role of the social economy – what, who and what it does.
2. To promote the role of intermediary organisations as local providers of financial products and advice.
3. To support the development of social economy organisations through infrastructure development – providing adequate access to capital, training programmes for staff and managers, suitable premises, IT provision and supporting the establishment of the trade association for community development finance institutions.
4. To define policy interventions to encourage and link individual savings to capitalise micro enterprise and self employment.

***Recommendation 5:
Community assets.***

Community control of assets, such as rural communities gaining control of land and assets as a way of enhancing community well being and capacity building, was recognised as a possible way forward to address asset inequality, poverty and financial exclusion. The conference wanted Administrations, where appropriate:

1. To support community acquisition of assets over the long term.
2. To encourage innovative use of existing programmes.
3. To develop strategies to overcome barriers to the transfer of power to communities from other agencies.
4. To provide training and capacity building to ensure that communities can gain from asset transfers.

Conference Address

Margaret Curran MSP

Minister for Social Justice, Scotland

Introduction

I am delighted and privileged to welcome the conference this morning. To welcome you to this important event, to welcome you to Scotland, and to welcome you to Glasgow, my own city. I hope you find a city of warmth and vibrancy.

This conference is particularly important for a number of reasons. It signals the importance of the British-Irish Council. It signals the importance of financial inclusion to all countries, and indicates our shared commitment to tackling financial inclusion and poverty. But perhaps the most important aspect of this conference is those who attend it. I have always believed that if you need new solutions, new answers, and new understanding, you have to go to the people who know more about it than anyone else.

We know the experience of ordinary people has inspired some of the most important developments in policy. From the experience of this conference, the detail of discussions will provide all of us with a considerable base to develop new ideas and responses. Out of this we can develop the partnership to take forward this agenda.

Financial Inclusion

Properly the focus of this conference will be on what can be done to promote financial inclusion. We all know the benefits accrued by some degree of financial security. Returns gained on paying bills automatically. Having realistic options for saving. Having insurance. Having access to affordable credit. Even having a pension or mortgage.

We all know the costs of not having access to this. We all know that far too many individuals and families are trapped into a vicious cycle of poverty and exclusion, and the scale of the challenge cannot be underestimated.

More than 1.5 million households in the UK have no mainstream financial products i.e. 7% of all UK households. In Scotland figures are even more demanding - 13% of Scottish households have no financial product. This means no bank account, no savings, no insurance.

In my own constituency in the East End of Glasgow, flooding meant that people lost absolutely everything, devastating for all involved. For those not insured the consequences have been tragic and overwhelming. We cannot ever allow ourselves to forget how desperate life can be for far too many of our citizens. At the beginning of the 21st century, only a few miles from here, because of flooding beyond their control, families have been left with only the very bare essentials. That is why discussion today and tomorrow is of absolutely fundamental importance.

How do we give everyone access everyone to cheap insurance and how do we ensure that people can access it themselves? This conference can begin to showcase a wide range of initiatives that can begin to provide some of the answers to issues of financial exclusion such as these. These initiatives focus not only on issues of financial poverty but also proposals to extend community ownership and extend control of local assets. We must maximise all opportunities to extend the range of measures that can increase financial capacity and capability.

Action must be taken at all levels to promote an environment to build financial inclusion. From government that can range from introduction of the minimum wage, reviewing the Consumer Credit Act, or introduction of tax credits for individuals and families, to bringing financial education into mainstream education in both secondary and primary schools.

Above all, all the key players need to work in partnership. Government, at all levels, working with the banks and financial institutions. Local public services working with the voluntary sector. Policy makers working with local communities. We need to examine and understand the range of community led initiatives throughout our different countries.

Fundamental to all of this is perhaps financial literacy. Fundamental to any process of empowerment and enabling people to make informed choices about how they live their lives. There is much still to do, raising awareness and knowledge on budgeting, finance possibilities, credit and saving.

And, of course, credit unions are an important alternative to mainstream financial services for many people. Indeed they offer a key service to a whole spectrum of people. Credit unions bring financial possibilities that could not be delivered any other way. Of course they are now no longer just about loans and savings but also about products such as insurance, providing an answer to some of the challenges I talked about earlier.

I am pleased that recent UK legislation has given credit unions more flexibility to offer a wide range of services. In Scotland, recently, it is impressive that links have been developed with the providers of social housing. For example, housing associations have been developing community banking initiatives to offer basic services and savings and loans to tenants.

Others go beyond this and take a broader approach. They aim also to encourage enterprise and skills development to improve employability- of course, the ultimate way to achieve financial inclusion for individuals, families, and communities more broadly.

We will look with great interest at the details and conclusions of this conference. Strategies for tackling financial inclusion are fundamental to tackling poverty. We need to release the talents and skills that too often lie dormant- I believe ideas and innovation and skills are not well enough supported. We need to find new ways to support and develop the not-for-profit sector and expand the critical role the social economy can play. We must use all means to extend technology and financial innovation to improve the lives of all our citizens- so that protection can be offered

from the unexpected changes in people's lives- job loss, relationship breakdown, illness, and the devastating consequences they can bring.

We also need to begin to understand the countless opportunities that may open up when communities have more control over and start building up their own assets. All of this will lead you into very demanding debate and analysis.

I am sorry that I cannot stay and listen to the detail of your deliberations, but they will feed into the British-Irish Council Summit later in the autumn, and of course they will go further and deeper than that. This debate is of crucial significance for those of us who refuse to be defeated by the scale of need we witness on an almost daily basis. We need to be prepared to take decisive steps to ensure that all citizens in our respective countries have the opportunity to access financial services that should be a basic requirement of any modern society.

I hope that you enjoy the conference, Scotland and Glasgow.

Keynote Address

Alison West, Chief Executive, Community Development Foundation

Financial exclusion affects poor people who are dispersed across more affluent areas and also those who live in concentrations of poverty. Alison argued that a new mutual system should be established and that this is best built up in the first instance through work on an area basis. This is not meant to suggest that no work takes place to assist the dispersed poor, simply that there are two different sorts of approach needed and that the area approach allows the slow build up of a social economy system in its own right.

What are the key characteristics, in terms of money, of a geographical area with a high percentage of poor people? As a recent report from the Joseph Rowntree Foundation observed, it is astonishing how very little cash in hand is left for poor people at the end of the week: they have almost no discretionary spending at all. According to the report, even an increase of £15 per week in disposable income would make a tremendous difference to the lives of the really poor. This is an achievable sum.

Secondly, a poor area retains very little of such money as is spent locally. The rent from housing normally goes to a social landlord, local shops are not normally locally owned and most services in the area are provided by the public sector. As a result, every pound that is spent rapidly finds its way into someone else's bank account and this leads to the third main feature of a poor area, that there are very low levels of the circulation of money. According to the Commission on Social Justice which appeared just before Labour came to power in 1997, money circulates only once or twice in a poor area, compared to 7 or 8 times in a wealthier area. In other words, part of the prosperity of a wealthy area consists of the rich exchanging their own money with each other. Poor people do not have this luxury of exchange.

If we took these three salient characteristics as our starting point, how would we design a programme to reduce exclusion in money terms? Our first step would be to maximise the amount of money coming into an individual or household. This should be done through a thorough welfare benefits take-up campaign: the former Strathclyde Region produced spectacular increases in total area income through this (and this money is usually then spent locally). In addition, job advice and creation is worth doing, along with the creation of marginal employment opportunities. As noted in the questioning after this talk, most of those living in poorer areas, particularly women with caring responsibilities, are unable to take up full-time employment. They can however, be helped to have some hours of work a week that can top up income without endangering benefits. However fragile and difficult, it is essential to set up a range of community businesses and co-operatives. These trading activities again give excellent opportunities for local people to accept varying levels of economic activity.

It is not enough to bring in small amounts of extra cash if that is immediately eaten up by high living costs and the next essential is therefore to reduce the cash that poor people have to pay for essentials such as food and heat. This is easy to do - energy efficiency schemes can be set up, bulk buying of groceries organised (note that the

middle classes have been doing this for years), and cheaper credit systems can be established through credit unions mainly. Combined, this can reduce costs considerably, even where income levels remain stable. Old-fashioned ideas should not be ruled out: if people grow some of their own food and even more if they went in for cooking rather than buying expensive tinned goods then they save money and probably eat a better diet. The recent re-runs of the comedy show, the Good Life, pokes fun at this sort of basic coping but it does reduce some costs. Craft skills also save valuable money, from carpentry to dressmaking and the local adult education service could easily run courses in this. It is also worth looking at ways of avoiding spending money at all. Barter systems such as Local Exchange Trading schemes are extremely useful in making cash irrelevant.

If the first stage in reducing financial exclusion is to increase income and reduce outgoings to allow a slight increase in disposable income (which is all you are realistically going to achieve), then the second stage is to seek to transfer all ownership into local hands. All housing, shops, property, services and goods should be owned locally if at all possible. This is not the same thing as management: it takes no skill at all to own something, managing it is quite a different proposition. Community ownership, as in the Scottish social housing sector, gives an excellent start to building up an asset base. Local ownership retains money in the area and increases the circulation of money, though note that you must never transfer something that is loss-making or the community will be even worse off.

In practical terms, if you are designing an inclusion programme this would mean that you should:

- set up a credit union
- set up a welfare advice system
- set up an advice system for jobs and for marginal employment
- set up a community business development agency
- bring in energy conservation projects
- negotiate the bulk buying of utilities such as gas and electricity
- set up gardening and food projects
- get adult education to run cookery and craft skills courses
- set up a furniture recycling project
- set up a local exchange trading system
- set up a community crèche to enable parents to take up marginal or full employment (make the crèche itself a community business)
- analyse the goods and services used in the area and organise a local provider
- set up a community development trust to give a legal and financial vehicle
- set up a community bank and loan fund

These are all tried and tested initiatives that are easy to do and low risk. They are however merely palliative and largely rely on the poor helping the poor. A ceiling on returns is soon reached.

The third stage is therefore to move from a collection across all of the nations represented here of small area programmes into a system on a much larger scale. Effectively, we have to join all of these small points of light together into a mutual system. The areas of poverty have to be woven into a web, they have to form a federal system that will support them without overburdening them. Why should we

do this? First of all, it protects the individual areas and initiatives - a credit union in the North of England faced bankruptcy and was assisted by sister unions until it got back on its feet. Alone, it would have gone under. Secondly, and more positively, it offers greater scope. The areas can then do joint purchasing - 2000 or 4000 areas give vast economies of scale in the purchase of goods. It allows joint marketing (one community business set up a regional network to bid for larger contracts). It allows a larger banking and loan system, with impressive equity and borrowing power. It allows a larger asset base for more favourable interest rates. In other words, such a federation sets up an economic and trading system in its own right, with some financial and economic clout.

This, alas, is still not enough. In the long run, this is still confining the poor to a protective system of their own and at some stage they have to use what one hopes is by now a strong and supportive system to penetrate the mainstream economy and find a productive place in it. The fourth stage in creating inclusion is therefore to go for contracts in straight competition in the mainstream economy. A strong social economy sector can bid for the big contracts. It can also demand that the regional and national economic development agencies meet its needs as much as they do any other sector of the economy. The sector can act politically too, asking local authorities and public agencies to agree local labour and good provision. The sector should also seek to link poorer areas to richer areas for trading purposes (to avoid the poor simply trading with the poor.) However unpalatable it may be, even a service relationship with richer areas will lead to that vital transfer of wealth from richer to poorer areas. Over a long period of time, poorer areas must look at investing in non-poor areas. To simply have ownership of areas that no one else wants should not be their goal - they should seek to emulate the Oxbridge colleges, which are subsidised by their ownership of prime London property.

What would be the outcome of all this? The social economy would become an economic player of some strength, in its own right and not needing any favours. At its worst, this will protect the poor against the worst effects of international capitalism when it behaves badly, and at its best, it will actually over time change the agenda.

In conclusion, we should not undertake work to promote financial inclusion or to fight poverty unless we are willing to think through in advance what sort of sector we are creating.

Keynote Address

Niall Cooper, National Coordinator, Church Action on Poverty

Forgive us our debts as we forgive those who debt against us...

Four people are sitting down to discuss how to deal with court order for the repayment of a £500 debt:

- Irish person said, easy, I'll go to my local Credit Union, as we're all members over here.
- Scots person said, easy, I won't pay & I'll send for Tommy Sheridan.
- Welsh person said, since Rowan Williams is going to be Archbishop of Canterbury, I'll just drop him a note to pray for the Jubilee & cancellation of all unpaid debts
- English person said, easy, since I already own the bank, its an asset and not a debt at all.

Well, as an Englishman who doesn't actually own any banks, what is my interest in debt? At Church Action on Poverty we have had an interest for the past five years, and over the period of time worked with people in debt in a variety of ways to enable them to identify their own understanding of the problem and their own policy solutions.

The starting point for all our work is that the real experts in poverty are the people who experience it firsthand, who live with its consequences day in day out, and who, from their own knowledge, in many cases acquired over years know what works, what doesn't work and what the real solutions might involve. I'm therefore delighted to be part of this first British Irish Council community conference on financial inclusion – a genuine attempt to enable community activists and those working at local community level to set the agenda for the various national governments and assemblies across these islands.

Over the next 20 minutes or so, I'll try to give some stimulus to this process – to set out what some of the problems of financial inclusion and exclusion are; what might be needed in order to tackle them; explore a few case studies and challenges for those charged with developing practical and policy responses both locally and nationally.

Poverty and low income: the reality on the ground

In as far as is possible, our discussions over the next 24 hours or so must relate to and be seen as a response to the reality of poverty, debt and financial exclusion on the ground. As a participant in one of our National Policy Forums said:

*"You are socially excluded in the most minute ways. You're different, you can't join in and you just do without. I went without a TV for two years and wasn't part of what goes on, children are excluded from every conversation about it. This happens in every area of your life."*¹

¹ CAP national policy forum participant – 31st January 2002

The lack of an adequate income is at the heart of financial exclusion. Low income is, for many, the beginning of the debt trap - a fact repeatedly attested to by participants at CAP's National Policy Forums over the past 18 months. If they were not on low income the problem of debt would not exist to the same extent. The choices facing people in many cases are very stark indeed.

*"At the moment I'm on income support and child benefit. I've used the Provi and Shopcheck and I've been unable to keep paying them so I don't do that no more. Now I have to buy from shoplifters so I have money to look after myself."*²

Growing inequality in access to financial services

In the last 30 years there has been a move away from managing a cash budget towards use of financial services and electronic money management, making dealing in cash increasingly difficult. However around 1.5 million households in Britain lack any financial products at all, and a further 4.4 million are on the margins of financial services, with little more than a bank or building society account that is not much used. These households are heavily concentrated in poor neighbourhoods, are likely to be in receipt of means tested benefits, long term unemployed or a lone parent, a member of the Pakistani or Bangladeshi communities, have left school at 16, and live in Scotland, Wales or Greater London³. Operating a household budget without access to mainstream financial services is more expensive. Their financial exclusion doesn't enable them to 'juggle their debt' between overdrafts, credit cards and loans. As Elaine Kempson has observed:⁴

"Ironically, concern about financial exclusion has arisen not because more people cannot gain access to financial services but because use has increased, leaving a minority of people on low incomes behind".

This is the challenge that faces us today.

So what is needed to tackle financial exclusion or promote financial inclusion? To what extent can these needs be addressed through local action, national action or a combination of the two? I want to set four key challenges for both local and national strategies for promoting financial inclusion: The challenges are:

- To build on people's own financial survival strategies and provide financial services which meet low income customers needs
- To increase income through reducing costs
- To break the cycle of borrowing from high cost lenders and increase access to affordable credit
- To increase access to advice and advocacy and put people at the centre of developing policy solutions

² CAP national policy forum participant – 9th July 2001

³ Elaine Kempson and Claire Whyley, Understanding and combating 'financial exclusion' Joseph Rowntree Foundation, March 1999.

⁴ *How people on low incomes manage their finances*, "Life on a low income", ESRC, 13 December 2001.

Firstly, to provide financial services which match low-income customer's needs.

*"I don't think anyone can understand properly just how it feels, to dread letters coming through the letter box. When they did come you'd feel so ill you'd put the letters behind the mantelpiece – never even open them sometimes."*⁵

Contrary to popular myth, and media image, people who are forced to survive on a low income for any period of time are neither stupid or feckless. By and large, they are hugely resourceful and rational in how they make choices, and how they manage to survive, financially, socially, emotionally and spiritually. My attempt at a bit of humour at the start, was also a light-hearted attempt to illustrate that people have a range of strategies – whether they be practical, protest, or pray and hope for the best. And before you start to judge other people's strategies – ask yourself, really, what would you do in their shoes? The point here, is that practical or policy interventions succeed where they relate to – and build on – people's own strategies – and fail when they don't. For many people on low incomes operating entirely in cash is an incredibly sensible strategy. It gives;

- An instant means of knowing how much you have left – down to the last penny (or cent) – for the rest of the week
- the ability to budget very simply for weekly outgoings without huge levels of financial literacy
- direct control over budgeting priorities – including the option of missing a bill payment if there is a more important call on the money (eg a new pair of shoes for your child or a birthday present to buy).

So strategies which simply try to get poor people to open bank accounts (basic or otherwise) because this makes it easier for benefits to be paid to them electronically or because we think this is what being 'financially included' is all about are, to my mind, misguided.

*"Home credit provides a human element...there can be a long-term relationship with an agent (and constant flow of debt)...Home credit is on your doorstep"*⁶

One of the reasons for the 'success' of Home Credit is that, in contrast to any mainstream bank, it provides credit in a form which is tailored to the needs of people operating in a weekly cash economy – cash loans, repayable weekly in cash without excess paperwork or credit checks - and delivered by a personal service – even if at an unacceptably high cost. The challenge for public, private or community finance initiatives is to deliver products and services which are similarly well tailored to strengthen and enhance the strategies adopted by those on low incomes. A good example of this – and an exception to my illustration about the cash economy – is the Bank of Scotland's partnership with The Big Issue in Scotland, grandly called Grand Central Savings, which offers homeless people access to banking facilities to deal with deposits and withdraws of as little as £1 at a time – enabling them to build savings and avoid the danger of carrying large amounts of cash on the street.⁷ This is a good example of a sensible financial inclusion strategy, carefully researched and

⁵ CAP national policy forum participant – 9th July 2001

⁶ CAP national policy forum participant – 9 July 2001

⁷ **Bank of Scotland's homeless initiative scoops national award**, Big Issue in Scotland, 22 August 2002

tailored to the needs of a specific customer group. Would that there were many more!

The second challenge: to reduce the excess costs of financial exclusion

“I have a fifteen year old daughter and she needs clothes so I have to get a Provident loan or vouchers. It’s hard. At the end of my benefit I’ve nothing left to pay back the loan and vouchers. I can’t spend money on shopping and bills.”

One of the paradoxes of poverty and financial exclusion, is that those with the least money are frequently forced to pay the most for access to goods and services. For example, if you have to pay your gas and electricity bills by prepayment meter, it costs on average £80 a year more than paying by direct debit.⁸ But this paradox is most evident in relation to access to money itself. Access to credit for those on low incomes (excepting credit unions, which I’ll come on to), is vastly more expensive than for the more affluent.

The upshot of borrowing at these rates of interest is that your money is worth far less: Borrowing at 164%apr effectively reduces the purchasing power of every £1 in your pocket to around 60 pence. Yet over 3 million people in the UK do so on a regular basis.

Indebtedness to extortionate lenders is a major drain not just on households incomes but also can undermine whole local economies. A community survey in North East England revealed that the residents of just one street were paying out in the region of £40,000 to high cost lenders – around £15,000 in interest and charges alone. Nationally, this adds up to a huge transfer of resources from poor communities to the shareholders of loan companies, worth hundreds of millions of pounds a year.⁹

A central element of any strategy for financial inclusion must therefore be to lift the burden of extortionate credit and at the same time reduce the cost penalties of financial exclusion.

A number of examples:

Firstly, debt redemption schemes, by which high cost loans are transferred to Credit Unions, are currently few and far between – but offer a simple method of both making debts more manageable and boosting household income. Transferring £1,000 of debt from Provident Financial (164%apr) to a Credit Union (12%apr) would immediately increase disposable income by around £8 per week.

Budgeting and bill payment schemes, of which there are a number of different examples in Britain and Ireland offer a mechanism for the weekly cash payment of utility and other bills, in some cases at discount, alongside assistance with rescheduling existing debts, budgeting advice and energy saving schemes.

⁸ Access to financial services, Policy Action Team 14, November 1999

⁹ Provident Financial, the largest provider of home credit in the UK, made profits in excess of £160 million last year from its 1.5 million customers.

Leeds City Credit Union for example, has operated a bill payment service for eight years, along with debt management plans and energy efficiency loans of up to £1,000 – on conventional credit union terms, but with no pre-savings requirement – in partnership with the Energy Saving Trust.

In contrast to the mainly local and small scale initiatives in Britain, the Irish Government has played a major role in developing a national Money Advice and Budgeting Service: From an initial pilot scheme in 5 areas a decade ago, central Government now funds 50 MABS centres across the republic, which are currently assisting 40,000 households with debt and money advice, bill payments via a Special Budget Account and access to Credit Union loan services.

New Economics Foundation, with Neighbourhood Energy Action and others, are currently seeking to pilot a similar though slightly confusingly titled 'Factor Four approach' to ending fuel poverty and financial exclusion in 3 cities in England, for an initial cost of just less than half a million pounds – and for the schemes to be largely self-financing after five years.¹⁰

The third challenge: To break the cycle of borrowing from high cost lenders and increase access to affordable credit

"As a student I now get offered platinum cards, why is this? This is respectable debt, when on the social its bad debt."¹¹

Have you every thought it strange how when wealthy people borrow money to buy a house, car or whatever they are acting rationally, but when someone on a low income borrows money to buy a school uniform or pay a pressing bill they are viewed as lacking moral fibre or acting irresponsibly? The reality, however, is that most people on low income need credit to supplement their income in times of additional demand. Over the past decade, in the absence of access to 'mainstream' sources of credit, there has been a mushrooming in the 'home credit' industry, providing small short-term unsecured loans through networks of local collectors. Datamonitor estimated the UK home collected credit market to be worth £3.3bn in 2001, and that through the course of a year the average home collected credit customer borrows £739.¹² A sample of weekly credit agreements collected by Sheffield Debt support unit earlier this year found the cost of an average £200 loan ranged from 164% up to a whopping 756% apr. Current legislation in the UK offers vulnerable customers virtually no protection against unscrupulous or extortionate money-lenders. Whilst the 1974 Consumer Credit Act does in theory cover 'extortionate credit', the Office of Fair Trading has admitted the measure is ineffective and only 27 cases have ever been taken forward. The Department of Trade and Industry has shown an interest in the issue, but as yet come up with no specific proposals for reform.

"Once you start borrowing you are in a cycle, you just keep going"¹³

¹⁰ Ending fuel poverty and financial exclusion, A factor four approach, New Economics Foundation, March 2002

¹¹ CAP national policy forum participant – 31st January 2002

¹² The British 'Credit Underclass' is Decreasing in Size, Datamonitor, October 2001

¹³ CAP national policy forum participant – 9th July 2001

What is needed to break the vicious cycle of debt which extortionate lending practices lead to? Firstly a question and then a paradox. Question: Why is it that there is no interest rate ceiling in the UK (and, I think Ireland), when one exists in many other countries in Europe, as well as many states in America, Australia and elsewhere? Paradox: Why has the Credit Union movement failed to take off in Britain, when it is thriving in Ireland, the States, Canada and elsewhere? To many, Credit Unions are the great white hope of financial inclusion policy. Cheap credit, alongside the promotion of a healthy savings culture – and all delivered on a mutual self-help basis with no state interference... Perfect! Ireland (North and South) is home to 530 credit unions, with 2 million members and €4 billion in savings (£2.8 billion). Clonmel Credit Union, just one I picked at random from the Irish League of Credit Union's website has 16,600 members (what proportion is that of Clonmel's total population?) with over 15,000 loans, totalling £18.3 million – the bulk for under £500, but including 126 over £10,000 and 3 over £30,000. Services include, not just savings and credit, but

- Bureau de Change and travellers cheques
- Money transfer facilities
- House and contents insurance
- Health scheme discounts
- Gift vouchers
- Car insurance
- Rail tickets
- Mortgages and
- Hotel discounts

Many – but not all – in Britain, would be green with envy.

The British Credit Union movement, but contrast, is tiny: With a population almost ten times that of Ireland, it has just 300,000 members and assets of £200 million. Whilst the Association of British Credit Unions has plans for the development of 'new model credit unions' which combine traditional community and workplace credit unions, the challenge of scaling up in terms of size, membership, services and professionalism to meet the gap in the provision of affordable credit is truly enormous. To provide a realistic competitor (let alone replacement) for the high cost home credit market, the British Credit Union movement would need to expand tenfold.

Undoubtedly, local authorities, social landlords and other public bodies can and should play a much more significant role in promoting credit unions. But here, to my mind, we start to reach the limits of mutuality. Many existing community credit unions were formed precisely on the basis of self-help and mutual interest between small groups of people on low incomes, neighbours, church groups and so on. But few of them had or have aspirations to become directors of multi-million pound social enterprises. And why should they? If I need access to credit, I can pop into my local bank, make a phone call or go on line – why should it be any different for someone just because they are on a low income?

The problem is not, after all, a shortage of cheap credit (over £500 billion is currently on loan to households in the UK), but that through mutual mistrust and a lack of appropriate mechanisms, it is not available to people on low incomes.

The Portsmouth Area Regeneration Trust – PART – offers one, as yet fairly small scale example of the kind of innovative thinking required. Set up by Portsmouth Housing Association, with regeneration, charitable and European funding, and in kind support from Lloyds TSB, PART is specifically set up to provide cheap credit (15%) and other basic financial services to low income families. As yet, Lloyds TSB regard it as a social programme, but there is no reason in principle why, if the scheme takes off, it could not provide PART with access to loan capital on normal business terms.

The fourth challenge: To increase access to advice and advocacy

“People are still trapped in debt and poverty. When will change come?”¹⁴

It is essential that people have the information, knowledge and skills to make effective choices about what financial services are right for them. Pilot programmes are currently being developed to provide financial literacy through existing community based organisations such as the Citizens Advice Bureaux, Credit Unions and Housing Associations¹⁵. But alongside information, vulnerable customers also require effective advocates to help counteract the enormous imbalance of power and resources between lenders and borrowers.

And this is not just a question of providing recourse for individuals where they feel trapped, misled or ripped off, but of ensuring access to justice and equality of treatment for low income customers across the board. This is much more about identifying or developing consumer champions.

In 1996, the high street retail chain Crazy George’s – which sells household goods to low income households at inflated prices – tried to establish itself in France. It failed - as the result of national outrage at the amount customers were paying – and a campaign led by Lionel Jospin, the future (and now former) French Prime Minister.

I’m not suggesting that Ian Duncan Smith should get on a white charger to see off Crazy George’s or any of its equivalents here – but it does reflect a willingness on the part of politicians or national institutions to champion the rights of the poor, which is possibly somewhat lacking here.

Debt on our Doorstep: A network for fair finance

This leads me on to my last point. This is the reason Church Action on Poverty took a lead in establishing the Debt on our Doorstep network – a loose coalition of 150 local and national organisations across the UK, committed to securing a fairer financial deal for people on low income.

Whatever local or community based actions and strategies we can identify or agree over the next 24 hours, the scale of the problem of financial exclusion, and the level of indebtedness to extortionate lenders is such, that such strategies cannot hope to succeed without a major coordination of effort, action and resources at national level.

¹⁴ CAP national policy forum participant – 9th July 2001

¹⁵ ePolitix, *Forum Brief: Financial Literacy*, 20/02/2002.

This is not so much about national governments taking a lead, or developing top down initiatives, but catching up with the realities, bolstering and ensuring the adequate resourcing of the strategies which people are already adopting at street level.

Financial Exclusion: tackling it the Welsh Way

Edwina Hart MBE

Welsh Assembly Government Minister for Finance, Local Government and Communities

I want to take the opportunity of talking with you this afternoon to look at the underlying approach which, in Wales, we are trying to bring to bear on the issue of financial exclusion.

Scale of the problem

The enduring scale of poverty and deprivation in Wales is already well known, and does not require lengthy repetition here. One set of statistics must stand for the whole complex question of financial exclusion. The Welsh Assembly Government's first substantial publication in the field of social exclusion¹⁶ suggested that around 23% of households in Wales had no savings whatsoever, a figure which rose to 32% in the cases of Merthyr Tydfil and Caerphilly local authority areas.

In five of the 22 local authorities in Wales more than 40% of households reported savings levels of less than £1000. No single authority contained less than 30% of households in that position.

Debt

Financial exclusion reaches its sharpest point, of course, for those individuals and families who find themselves in debt. Deep and intractable indebtedness has become a fact of many lives in the most disadvantaged localities. In the period between 1981 and 1988, average savings per person in the United Kingdom fell from 15% of take home pay to 5%. Over the same period personal borrowing increased from £93 billion to £284 billion.¹⁷

Recent research¹⁸ has also suggested that 'debt is a more serious problem for consumers in Wales than in other parts of the United Kingdom'. The National Association of Citizens' Advice Bureaux have also reported that the rate of increase in debt inquiries to CABx has been particularly sharp in Wales. In 1999, debt enquires in England rose by 12%, while in Wales the figure reached two and a half times that level, at 30%.¹⁹ Unsurprisingly, a survey of Bureaux users showed that debt was concentrated in poorest households.

Access to credit

¹⁶ National Assembly for Wales (1999) *Mapping social exclusion in Wales*, Cardiff.

¹⁷ Wales Anti-Poverty Unit, evidence to the Welsh Affairs Select Committee Inquiry into Social Exclusion in Wales, 2000.

¹⁸ National Citizens' Advice Bureaux in Wales, the Trading Standards Service and the Welsh Consumer Council, *Borrowing and Debt in Wales: a Preliminary Investigation*, September 2001

¹⁹ See 25 above.

The difficulty which faced the most people in this situation is less about not having access to credit than on having to borrow money from the most expensive and least reputable lenders. Nearly half the clients taking part in a nationwide CAB survey in 2001 reported a strategy for coping with debt which involved taking on further borrowing. Almost half of those contacted in a recent survey of some of the poorest parts of Wales had borrowed money in the previous two years. Of these, one in four had used a weekly collecting credit company, and one in twenty-five had borrowed from individual moneylenders who were almost certainly lending illegally.

Borrowing money in the unregulated market did not only bring problems of massively high repayment rates. One in ten people reported being threatened in some way by their lender. One in twenty five – ‘almost certainly users of unlicensed moneylenders’, the research authors conclude - had had their benefit book kept by the lender as ‘security’ for their loan.

More generally, it has been estimated²⁰ that three million borrowers in Britain use the door-to-door facilities of firms who are able to charge legal credit rates of more than 250% a year. As banks have closed branches in disadvantaged areas (see below) so, as the Chief Executive of a major money-lending company puts it, ‘more people come dropping into my market’²¹.

You will hardly be surprised to hear that services such as cheque cashing agencies or shops and agencies specialising in credit for customers with poor credit ratings, charge extremely high interest rates. Many people in financial difficulty, however, resort to using them. This makes credit very expensive and often results in unmanageable debt²².

The Banks

The need to rely upon such services, and those even less within the mainstream, has been exacerbated by policies pursued by high street banks in the years following the boom and bust era of the late 1980s. Banks do not only aim to screen out those who represent an active risk. They prefer, as others²³ have suggested, to ‘concentrate on more profitable, better-off customers, whose accounts cost little to administer and whose purchase of non-current account products and services boosts profitability.’ As a result, best estimates suggest²⁴ that some two and half to three and a half million adults in Britain have neither a current account nor a savings account.

Financial exclusion has an important community as well as individual dimension. Banks not only prefer to concentrate upon profit-rich customers, they prefer to

²⁰ see Drakeford, M. and Sashdev, D. ‘Financial Exclusion and Debt Redemption’, *Critical Social Policy*, 22:2, 2001, pp 209 – 230.

²¹ Quoted in Rogaly, B., Fisher, T. and Mayo, E. (1999) *Poverty and Social Exclusion and Microfinance in Britain*, New Economics Foundation, London, p. 28.

²² Speak, S. and Graham, S. (2000) *Private Sector services withdrawal in disadvantaged neighbourhoods*, York, Joseph Rowntree Foundation, *Findings* 230: 4

²³ Evans, J. (1999) *Tackling Social Exclusion in Financial Services*, Vol. 2, Credit Scoring, London, Ludgate Public Affairs.

²⁴ Kempson, E. and Whyley, C. (1998) *Understanding and Combating Financial Exclusion*, Personal Finance Research Centre, University of Bristol.

operate in profit-rich places. The rate of closure of bank branches accelerated during the 1990s²⁵, producing a decline of nearly 30% in the number of branches over a ten year period. The position in Wales reflects the general position. Evidence from the banking union, UNIFI, identified 31 bank closures in Wales during the year 2000 alone²⁶.

The factor which each of these communities holds in common is that every one is located in an Objective One area, that is to say, in a part of Wales where poverty is already most pronounced. To provide just one example, the town of Neyland in Pembrokeshire which has a population of 4,000 and a hinterland of a further 1,500, saw all four bank branches closed during the 1990s, the last on 19 November 1999²⁷.

Figures from the British Bankers' Association²⁸ suggest that, by 2000, only 63 per cent of Welsh households lived within one mile of a bank or building society branch, compared to a British figure of 75 per cent. The Campaign for Community Banking Services concludes that this gap has widened over the period of bank branch closures and suggests that 'Welsh rural communities are generally further from neighbouring towns retaining bank branches than their English equivalents'. And, on top of this, the geography of Wales means that simple 'as-the-crow-flies' distances disguise the extra obstacles of valleys and mountains which mean that even a short distance between two points can take a very long time to travel.

Nor are these issues simply a rural phenomenon. In urban communities, 85 per cent of the British population live within a mile of a mainstream financial institution, while in Wales that position is enjoyed by only 77 per cent. Behind these figures lies a flight of banks and building societies from particular urban communities – outlying estates and inner city areas.

Post Offices

The withdrawal of banks and building societies is mirrored by the accelerating decline in the number of post offices from both rural and disadvantaged urban communities in Wales, at a time when privatised utilities and other services increasingly reward – by preferential pricing and marketing – those customers who are able to pay by non-cash means.

Figures provided by the Post Office suggest that in the five years to 2000, 150 branches had been closed²⁹ in Wales, predominantly in rural areas. The post office network is particularly important to poorest communities in Wales. While 45% of the less well off half of the population live within half a mile of a bank or building society, 95% of the same groups live within the same distance of a post office³⁰.

²⁵ See 5 above.

²⁶ See the final report of the Welsh Affairs Select Committee Inquiry into Social Exclusion in Wales, 2000, para 73.

²⁷ *ibid*

²⁸ British Bankers' Association, *Supplementary evidence for the House of Commons Welsh Affairs Select Committee Investigation into Financial Exclusion in Wales*, 2000.

²⁹ Evidence from the Post Office to the Welsh Affairs Select Committee Inquiry into Social Exclusion in Wales, 2000.

³⁰ *Ibid*.

In Wales post office usage has a significance both in poor urban communities, where customers carry out 33% more business at post offices than the national average³¹, and in rural areas. Only 5% of rural parishes have a bank, whereas nearly 60% have a post office.³²

In over three quarters of Welsh constituencies, more than 50% of post offices rely on benefit payments for more than 40% of their business³³. This figure is regarded by the post office authorities as a level of reliance on income from benefit transactions which threatens long-term survival because, in an increasingly commercial context, the reliance on such customers threatens the viability of individual offices.

The loss of a post office does not simply produce an adverse affect upon individuals. Estimates suggest that, for a settlement of 1,000 to 3,000 people, having a post office puts about £100,000 each month back into the community³⁴. This figure is given added importance in those 2,000 rural settlements in Britain where the post office provides the last shop in a village.

Developing Solutions in Wales

The position I have described to you is one where the need for policy and practice solutions to provide access to financial services by poor people and localities is urgent, and when some of the major policy levers lie elsewhere.

The response which we have tried to design in Wales is one which is:

- true to the political values which we bring to administration, and
- places a premium on imaginative and ground-breaking use of those policy solutions which we can generate ourselves.

I will now concentrate on just a couple of examples, starting with credit unions.

Values

When I said, a moment ago, that the Welsh Assembly Government's approach to financial exclusion is one which has an ideological as well as a practical component, I was simply reflecting the fact that, for individuals who experience debt and service-failure, the impact is wider than the simply personal. Research carried out in South Wales during the late 1990s emphasised the extent to which, in those places where disadvantage is at its more concentrated, individuals experience an acute and overwhelming sense of shame about the place in which they live³⁵.

³¹ National Federation of Sub Postmasters, *The Role of Post Offices in Addressing Social and Financial Exclusion*, evidence to the Welsh Affairs Select Committee Inquiry into Social Exclusion in Wales, 2000.

³² *ibid*

³³ As 8 above.

³⁴ As 12 above.

³⁵ Adamson, D. and Burns, D. (1998) *Penyrenghlyn Social Exclusion Audit*, Rhondda Cynon Taf/University of Glamorgan, Pontypridd

In social exchanges away from home such individuals never identified the area from which they had come, for fear of evoking powerful and stigmatising reactions in others. In dealings with the 'official' world, the same respondents reported a sense of 'invisibility', in which their needs and requests for help were ignored or dismissed by more influential individuals, writing-off what they were told simply because of the community from which the issues had been raised.

Credit unions are important because they provide a response to financial exclusion which allows individuals to fashion a solution at a collective as well as a personal level. This is especially important in Wales where we are able to draw on a tradition of collective endeavour, in which credit unions provide a means of promoting social solidarity, as well as enhancing individual citizenship. In addition to providing financial services, unions operate from an ethical basis which emphasises a sense of community and belonging. They attempt to reinsert the principle of mutuality into the world of economic transaction which is otherwise governed only by considerations of profit and loss.

Innovation

For the purposes of this presentation, I have time to look at only one main area of innovative practice where I think we can show how, in Wales, we have been able to work with credit unions to provide some ground-breaking policy solutions.

During the 1990s, the privatisation of water, gas and electricity industries, produced a whole new series of problems for poorest consumers of these essential goods. In 2000, discussions with the South Wales electricity company, SWALEC, produced an agreement in which energy efficiency measures which the company are obliged to promote should be targeted through credit unions. The company were attracted to this route precisely because it provided a clear means of directing its efforts towards individuals and communities most in need. The scheme involved the distribution, at very low prices, of energy efficient kettles and light bulbs to union members. The substantial grant made by the Welsh Assembly Government to the Wales Cooperative Centre for credit union development purposes has provided the central capacity by which the effort needed to set up such a scheme has been possible. By the time the first round of the scheme had ended, 4,250 kettles and 12,500 energy efficient bulbs had been delivered to 34 participating credit unions. With three quarters of the 47 unions in Wales in participation, the total savings to members on recommended retail prices, alone, has been estimated³⁶ to be in the region of £75,000. More importantly, however, the project has the potential to save Welsh credit union members collectively, up to half a million pounds on their annual electricity bills. Over the lifetime of the products the saving in electricity bills could exceed £2 million.

Credit unions are sometimes, and wrongly, dismissed as 'poor people's banks'. The initiative I have just outlined is, to my mind, a clear example of the way in which unions can provide services which are superior, rather than inferior, to the products which are available to such individuals from mainstream institutions. What is needed

³⁶ Hudson, W. 'Credit Union Progress Report', Wales Cooperative Centre, Cardiff. December 2001

is imagination, backed up by the resources and political impetus which government can provide.

Let me give you one more example which I think fits into this sort of way of doing things. You will know that, since privatisation, utility companies have come, more and more, to rely upon pre-payment metering as a means of providing services to disadvantaged consumers. The additional costs which fall upon pre-payment customers – that is to say, those least able to afford them – has been widely attested, particularly in the Welsh context³⁷. Now, as a result of discussions between the credit union movement in Wales and the electricity supplier MANWEB, we have a scheme which allows those who make regular payments through their local credit union to be charged at lower, direct debit payment rates. These discussions were concluded towards the end of 2001 and the first referrals to the scheme were made in February 2002. One hundred credit union members are to be involved in the first phase of a programme which, once again, aims to extend union services to those most in need of them.

Community Loan Fund

While credit unions build from the individual to the communal, financial exclusion also has an impact which begins at the collective level. Here I want, again, just to mention one example of the work in which we are engaged in Wales, the Community Loan Fund.

The CLF is a joint venture between Finance Wales and HSBC. It is being funded by the Assembly Government through the WDA. Since its establishment in autumn 2000 Community Loan Fund (CLF) has made an impressive start - loans of almost £500,000 were made in the first four months and, over the period 2001-02 to 2004-05, nearly £2m has been allocated or planned for by the Assembly Government. This is being matched pound for pound by HSBC. CLF makes loans to social economy enterprises, mainly focused on Communities First areas. It has been found to be a good method of securing private sector leverage; a ratio of 6:1 leverage on CLF loans has been achieved.

The wide range of projects supported by the Fund include those which support community regeneration and help the community sector increase long term sustainability. We are especially interested to work with groups which are at a start up or early stage or ventures seeking to expand. The Fund is designed to be of help to community organisations who find it difficult to obtain traditional finance, with particular emphasis on ventures run by woman and ethnic groups.

The CLF supports community regeneration throughout whole of Wales, with priority to Community First areas. It helps the community sector increase long-term sustainability and provides access to sound business advice. It is especially beneficial to community organisations that find it difficult to obtain traditional finance

³⁷ see, for example, Drakeford, M. (1999) 'Debt, Disconnection and the Privatised Utilities in Wales', *Contemporary Wales*: 11, 149 – 166; Drakeford, M. (1998) 'Water Regulation and Pre-Payment Meters', *Journal of Law and Society*, 25:4, 588 – 602 and Drakeford, M. (1997) 'Poverty and Privatisation', *Critical Social Policy*, 17:2, 115 - 132.

and encourages a more entrepreneurial spirit in Wales.

It is the Assembly's Intention that the Fund will continue its good work and the number of projects supported will continue to grow.

Conclusion

What I have tried to demonstrate, in this contribution is how, through the work of the Welsh Assembly Government and its partners, we are developing a specifically Welsh set of solutions to local needs and circumstances in financial exclusion.

There were many more practical examples which I would like to have had the time to discuss with you today but what I hope I have been able to demonstrate is that the nature of the solutions we have applied at the Assembly Government is that they apply a set of values which have a traditional resonance in Wales, in a fresh fashion. The values are those which link individual progress and life chances to collective effort and action. Where those chances are at their most reduced, then governments must intervene to bolster the shared struggle needed to bring about improvement.

The development of credit union services in Wales and the way in which we have set about the work of the Community Loan Fund show all those values in action. They do so, moreover, in a way which – in terms of legislation, financing, policy and practice – shows an Administration prepared to act creatively within, and at the boundaries, of the powers available to it.

Workshop summaries

1 **Community Banking in Jersey**

Francis Le Gresley: Manager, Jersey Citizens Advice Bureau

Jersey now has its own Community Bank. It has taken nearly six years to get the necessary licence from the Jersey Financial Services Commission. The creation of a Community Bank arose out of research work done by a group of individuals who came together as part of Jersey's response to the United Nations Eradication of Poverty initiative in 1996.

The aims of the Bank are to educate individuals, within common interest groups, on how to budget for their everyday requirements and manage their resources; to provide a means of saving modest amounts on a regular basis and once a suitable savings record has been established to consider the provision of loans for necessities.

The structure of Jersey's Community Bank differs from traditional credit unions in that the shares in the Bank are owned by a charitable trust. The Trustees of the Community Charitable Trust are tasked with raising money to cover the administration costs of the Bank. The Bank acts as a type of Head Office for the common interest groups, providing all administration and computer services on a no cost basis.

The collective savings of the common interest groups are invested by the Bank and provide the working capital from which loans can be made to members of the common interest groups. A director of the Bank will sit on each common interest group's lending committee and will take forward recommendations for loans to the full board of the Bank. Loans can be for up to three times the value of an individual's savings. The upper limit for unsecured loans is £5,000 and must be repayable within 2 years.

It is early days for the Community Bank but the potential to help people who are facing financial exclusion is enormous. The Directors of the Bank have recently been asked by a senior politician to act as the custodian of rental deposits under a proposed compulsory scheme to safeguard rental deposits.

For further information email communitybanking@jerseymail.co.uk

2 **What Future For Credit Unions? (Wales)**

Simon Jones, Chief Executive, Wales Co-operative Centre

(Please note: Workshop withdrawn due a bereavement)

Where should the ambition for the credit movement in the UK be – a traditional building society or a community based financial service? There has been a considerable amount of debate over recent months on the direction that the credit union movement should take in the future. This debate has polarised into on the one hand, a drive to grow fast, cover larger areas and offer more and more bank like

services to on the other hand the need to ensure that credit unions retain their community focus.

The Wales Co-operative Centre with the support of the Welsh Assembly Government and European structural funds has been implementing a significant credit union growth programme in Wales. Inevitably issues around this debate have arisen. The aim of this workshop is to explore the issues involved in this debate and to explore whether bigger is incompatible with community and vice versa.

3 Community Land Ownership (Scotland)

Andrew Anderson, Highlands & Islands Enterprise & Alan Hobbett, Isle of Gigha Heritage Trust

The Community Land Unit (CLU) was established by Highlands and Islands Enterprise in 1997. The aim of CLU is to increase the role of communities in the ownership and management of land and land assets, and the sustainable management of these resources for the benefit of the community. In the process of achieving its aims and objectives, the unit encourages diversity and experimentation in community land initiatives.

The Scottish Land Fund, which is administered by Highlands & Islands Enterprise's Community Land Unit in partnership with Scottish Enterprise, has made £10 million available to help communities establish the feasibility, complete the purchase, and undertake the development and management of local land and land assets.

The Scottish Land Fund has been established by the New Opportunities Fund - a National Lottery distributor.

The Community Land Unit and the Scottish Land Fund have assisted over 60 communities to acquire land and develop land-based projects since the Land Fund's launch in February 2001. In addition to well-publicised projects such as the Isle of Gigha and Anagach Wood at Grantown on Spey, a wide range of smaller projects has received assistance.

The residents of the Isle of Gigha, an island of the South West of Scotland, were faced with the prospect of seeing their homes sold to yet another landlord when the island was advertised for sale in 2001. With the help of HIE and the Scottish Land fund they were able to raise the money to buy their island.

The Isle of Gigha Heritage Trust has been formed as a company limited by guarantee, with charitable status. The company will look after the day-to-day affairs of Gigha. This company has a membership based on all the residents of the island, each guaranteeing their membership with a nominal £1 fee. The members of the company have elected 7 directors whose role is to be responsible for the running of the island, on behalf of the community.

4 The Entrepreneurship Action Plan (Wales)

Mark Evans, & Ann Watkin, Welsh Development Agency

The Entrepreneurship Action Plan was a key initiative announced by the Welsh Office in "Pathway to Prosperity" prior to devolution in July 1998 to promote a stronger enterprise across the whole of Wales. Six key actions form the basis of the EAP:

1. Promoting a change in attitudes towards entrepreneurial culture
2. Encouraging entrepreneurship within career development, primary, secondary, further and higher education
3. Providing experience of enterprise activities for those thinking of starting a business
4. Encouraging entrepreneurship in the Social Economy
5. Providing a National business birth-rate strategy for Wales
6. Supporting entrepreneurship within growth business

An extensive programme incorporating these actions now is being rolled out across Wales through partnerships involving the WDA, private, public and voluntary sector organisations.

5 Financial inclusion for all (Isle of Man)

David Cooke, Director of Social Services & George Hull, Director of Social Security

Constitutionally, the Isle of Man is a Crown dependency responsible for its own domestic law. It has its own Parliament, Tynwald, which in addition to legislative responsibilities appoints a Chief Minister. There are nine Government departments, each headed by a Minister. The Chief Minister and Ministers constitute the Council of Ministers which is responsible for overall Government policy.

The Department of Health and Social Security determines policy for the health service, social services and social security (subject to Council of Minister's approval of major issues) and operates those three services. The Department of Local Government and the Environment, among other duties, determines housing policy, is a housing authority in its own right, supervises and funds local housing authorities and provides mortgage and other financial assistance to people on low to modest incomes. Others are involved in social inclusion issues - the Treasury, which determines economic policy and taxation in particular, the Office of Fair Trading, which among other things provides a personal budgeting advice service, and various charitable organisations notably Age Concern Isle of Man.

One of the Government's aims is to progress the social well-being of the people of the Island, and its objectives to this end are to -

- a) ensure the provision of adequate housing for all income levels in the population;
- b) promote as integrated and inclusive a society as possible; and
- c) provide a comprehensive programme of benefits which is effective in meeting genuine need, encourages independence and provides incentives to work.

The Island's population grew from 69,788 in 1991 to 76,315 in 2001. This high growth was principally due to net immigration and marked a period of growing economic prosperity. The Island's presentation will comprise a range of performance indicators to illustrate the extent to which it has managed to reduce numbers in social groupings who are vulnerable to financial exclusion

6 Money Advice and Budgeting Service (Republic of Ireland)

Liam Edwards & Elaine Hogan, Money Advice and Budgeting Service

The Department of Social and Family Affairs has been directly involved in activities to combat moneylending since the publication in 1988 of a report by the Combat Poverty Agency entitled "Moneylending and Low Income Families". The 1992 Budget provided for a special allocation of £260,000 for the establishment of 5 pilot projects around the country, aimed at building new and more comprehensive approaches to combating the problems of money-lending. Since then the number of projects has grown to 52 with a budget of 9.7 m euro.

The key features of the Programme may be summarised as follows:

- A co-ordinated scheme allowing for the sharing of experiences and information on different approaches and progress in local communities in relation to combating money-lending;
- the scheme includes a general money advice element for the local community, including publication of information on money management and debt counseling;
- an approach which targets families identified as having problems with debt and money-lending, in particular, those dependent on social welfare or on low income;
- a prominent role for local statutory agencies, such as the Social Welfare Regional Managers, Community Welfare Officers, local voluntary and community groups, credit unions, SVP etc.;
- an emphasis on practical, budget-based measures that will succeed in removing people permanently from dependence on moneylenders and open up alternative sources of low cost credit through the credit unions;
- the projects give advice and assistance, but do not pay debts. They are not a source of money. Money advice is close to the core income maintenance business of the Department. Each local project is run by a management committee drawn from local voluntary and statutory services and community groups. The projects are independent information and advice providers, rooted in the local community.

7 Financial Literacy (UK)

Roger Langdon, Communities & Regeneration, Dept for Education & Skills

“Financial exclusion means that many in [disadvantaged] communities, often those in greatest need, do not have the access to financial services the rest of us enjoy, and are worse off as a result. Income, saving and borrowing facilities and how we access and make use of them through credit lines, mortgages, insurance and pensions, are central to how many people organise their daily lives and plan their futures”. (Policy Action Team Report 14)

In Britain:

- 1.5m low income households (7%) use no financial services (over 2m adults).
- In nearly 1 in 10 households nobody has a Bank or Building Society Account.
- Many low income households encounter barriers in opening Bank/Building Society Accounts and many do not want to open accounts for fear of running up debts
- There is a polarised distribution of assets in the UK. During the 1979-1997 period the ratio of households without *any* assets doubled from 5 to 10% of the population.
- A special need for money advice was identified, particularly to help with managing debts

8 Wester Hailes Community Banking Agreement (Scotland)

Niall Alexander & Eoghan Howard, Wester Hailes Representative Council

This Community Banking Agreement, the first of its kind in the UK, is a partnership between the community and the private sector. A Steering Group consisting of the community, the Bank of Scotland, Communities Scotland, Capital City Partnership, West Edinburgh Community Planning Partnership, Scottish Enterprise, the local Community Housing Association (Prospect) and the Centre for Research into Socially Inclusive Services (CRSIS) meet 6 weekly to progress the initiative.

The early work of the Community Banking Agreement was informed by a comprehensive baseline study of over 500 Wester Hailes residents. This study revealed the levels of debt, the household income, savings and assets, the number of bank accounts held and perceptions of local banks. Initially five strands were identified for the Community Banking Agreement to concentrate on, these were:

- Increasing the take up of bank accounts amongst the currently unbanked.
- Providing human resource support from the Bank to local community Agencies tackling poverty issues.
- Financial literacy education to the 16+ age group.
- Developing an innovative savings and loans scheme with Prospect Community Housing.
- Hosting an Enterprise Day to encourage people to consider working for themselves.

The common thread is that there will be tangible benefits for individuals, community organisations, and the business community. As the Agreement has progressed new initiatives have been brought onstream including focus groups looking at asset building schemes, insurance and fuel poverty issues, employment opportunities and a roll out programme in to other parts of Edinburgh.

9 The Vincentian Partnership for Social Justice: One Long Struggle - A study of Low Income Families (Republic of Ireland)

Bernadette MacMahon, The Vincentian Partnership for Social Justice

In Spring 2000 118 people in 12 community centres in 7 parts of Dublin city completed a detailed questionnaire on how they spent their weekly income. Interviews were held with 30 of that same group to explore the day-to-day reality of living on a low income. A second series of interviews was held with 45 other people to examine in more depth some of the key topics which emerged from the first phase of the study.

General observations:

- Housekeeping and food are the most costly items of expenditure for the majority of households regardless of income
- An inadequate income made it impossible to provide a reasonably healthy diet
- Shortfall of people dependent on social welfare payment is not due to bad management but to a totally inadequate income
- The income from a Community Employment Scheme (CES) made a better standard of living possible and reduced the risk of a weekly shortfall
- When a family's energy is concentrated on struggling to survive, there is less opportunity to give time, commitment or money to areas such as education – children may even leave school early to avoid further financial burden on their parents.
- Any income below the Average Industrial Wage (£322.34) leads to a risk of poverty:
- Poverty becomes acute when income falls below 60% of AIW
- Poverty is most severe at the 40% AIW level

10 Building on Community Assets: The Eldonians Experience (UK)

Chris Hart, Managing Director, Pulse Regeneration Limited, Eldonian Group

The Eldonians have shown what can be achieved by local people with a commitment and enthusiasm to fight for and create a better life for themselves and their children.

Working side by side, the Eldonian Community Based Housing Association has developed high quality social housing, whilst the Eldonian Group has worked to provide facilities and services which meet the economic needs of the local community and beyond. Based in Vauxhall, an area of inner city Liverpool close to the north docks, the Eldonians have been successful in completely transforming the area into a place where people want to live and work, attracting with it private investment and a new sense of security and confidence.

The Eldonians have developed a number of initiatives including the Eldonian Village Hall, Elaine Norris Sports Centre, Eldonian House, Eldonwoods Day Nursery, Boundary Street Business Centre, Eldonian Neighbourhood Wardens and Innervation Developments. A particular aspect of the Eldonians success has been its ability to attract and work with the private sector at a number of levels. All these activities create jobs and increase the wealth at the disposal of the local community.

Further information can be found on the following website: www.eldonians.org.uk.

11 Social Inclusion and Entrepreneurship in Under-Invested Communities (Northern Ireland)

Sharon Polson, Invest Northern Ireland, Liam Quinn, Enterprise Northern Ireland and Niamh Goggin, Aspire

Through Invest Northern Ireland, the Northern Ireland Business Birth Rate Strategy (BBRS) is being formed to assist many new entrepreneurs into sustainable businesses, thus increasing the number of business starts in Northern Ireland, which will have a positive impact on the economy.

The Community Business Start Up Programme will play a key role, representing specifically tailored intervention within the BBRS. It will harness the entrepreneurial opportunities arising within the social economy, targeting underrepresented groups and New TSN areas. The new Programme is also a key delivery programme/demonstration project within the context of both the Social Economy strategy and the interdepartmental Strategy for the Community and Voluntary sector.

With a budget of £2.6m, the Community Business Start Up Programme is a four stage initiative, offering a package of business support, funding and advice to community groups committed to starting a community business.

A key feature of the Programme is the support of a consortium of local Delivery Agents (local enterprise agencies) provided to groups throughout the application process, right up to the first two years of trading of the new businesses. The consortium comprises five key agents, with a number of subcontractors. Larne Enterprise Development Supported under the EU Programme for Peace and Reconciliation via DEL, Company (LEDKOM) has been appointed as the lead agent for the Consortium.

Based on the success of previous programmes, with 80 new community businesses and 194 new jobs created, targets for the new Programme are the creation of 51 viable businesses and 153 additional local employment opportunities over the next two years.

12 Financial literacy and the development of financial capability (Scotland)

Jim Lally, Director, Scottish Centre for Financial Education

Managing money is one of the most important and challenging features of everyday life. The skills, understandings and attitudes that are inherent in financial capability are essential for young people now and in their future lives. Therefore the development of financial capability is increasingly important for the well-being of both individuals and families. The changing economic, social, political and environmental contexts are increasing the complexity of people's financial needs.

One of the big issues facing individual, families and governments is the problem of debt. Financial education isn't just about reconciling bank accounts and statements it is also about individual and collective responsibility. It is about decisions such as buying a car or using public transport. In addition a lack of financial know how can often lead to unmanageable levels of debt and bankruptcy.

The role of the Scottish Centre for Financial Education (SCFE) is to help teachers, schools and education authorities to provide a high standard of financial education to meet the needs of all their learners. In particular the centre will:

- help in planning continuing professional development
- provide advice on useful resources and information for learning and teaching by;
 - having a bank of resources at the Centre
 - developing resources to meet needs
 - developing a web site with links to other useful sites
- establish a network of contacts across the financial and education sectors and generally promote the national strategy for financial education.

13 Dormant Accounts Scheme – A New Departure (Republic of Ireland)

Brendan Kiely, Community, Rural and Gaeltach Affairs

Introduction: For some years certain politicians were concerned about unclaimed balances, which remained untouched in Banks, Building Societies and An Post (Irish Post Office). This received a major impetus when the Public Accounts Committee of the Dail (Irish lower house of Parliament) inquiring into the behaviour of the financial institutions and DIRT tax evasion by their customers recommended that legislation be prepared to ensure that any funds which could not be reclaimed by the account holder or beneficiary be used for the benefit of society. The legislation was drafted by the Department of Finance in 2000, approved by Government in November of that year and published in May 2001.

Complexity: The right of private property is enshrined in Bunreacht na hÉireann (the Irish Constitution of 1937). How could the Dormant Accounts legislation be insulated against a constitutional challenge in the courts? The solution was to simply transfer the funds in question from the care of the credit institutions to the care of the State

and ensuring that a right of reclaim by the account holder or their next of kin was preserved in perpetuity. The next issue was what should be the period of dormancy. The State opted for 15 years taking international best practice into account but allowing this to be changed by Ministerial regulations subject to approval by resolution of both houses of the Oireachtas (Irish Parliament).

Implementation: The co-operation of the credit institutions through their trade organisations was crucial. A public awareness campaign jointly funded by Finance and Social, Community and Family Affairs was run in Feb/March 2002. The emphasis was very much on people reclaiming their dormant funds. The credit institutions were required to write to those with account of €100 (£64) or over – for smaller amounts a notice had to be published in at least two national newspapers in April/May 2002.

Issues: The Dormant Accounts Fund Disbursements Board was appointed in May 2002 and it is now drawing up a Plan for the disbursement of surplus dormant funds. It is supported by a secretariat drawn from the Department of Community, Rural and Gaeltacht affairs (a new Department which has taken over this function from Social, Community and Family Affairs). The unclaimed dormant funds will be transferred from the NTMA (a special institution which handles State funds) and the Dormant Accounts Scheme should be up and running in the summer of 2003.

Websites:

<http://www.irlgov.ie/finance/publications/otherpubs/dormant.htm>

<http://www.irlgov.ie/oireachtas/frame.htm> Under Legislative Information select the year 2001. Dormant Accounts Act, 2001 is no. 32 of 2001.

14 Individual Asset Building The Savings Gateway (UK)

Simon Oates, Economic Advisor at HM Treasury

Savings have a crucial role to play in people's lives. From money saved in an account at a bank or building society, investments on the stock market, wealth built up in a life or pension fund or in equity in a house, savings act as a cushion for people to fall back on if something unexpected happens and a platform for people to build for their future. The Government recognises the importance of savings in providing people with independence throughout their lives, security if things go wrong and comfort in old age.

As part of its strategy to encourage saving the Government is currently piloting the Saving Gateway account - targeted at low-income households, delivering a strong incentive to save regularly through the Government matching money saved into the account. The operation of these accounts would be linked to Financial Education. By directly targeting those on low incomes and offering them a real financial incentive to save, together with the information and education they need to help them make informed choices about saving behaviour, it is intended that the Saving Gateway would help those with the lowest levels of saving to make better informed decisions about saving and, according to their individual circumstances, to save more and kick-start a saving habit.

Conference Programme

Day 1

- 11.30** Conference introduction:
Chair: Charlie McConnell - Head of Community Learning and Development Policy Unit, Scottish Executive
- 11.45** Ministerial Address:
Margaret Curran MSP - Minister for Social Justice, Scottish Executive
- 12.00** Keynote speakers: Setting the scene
Alison West – Chief Executive, Community Development Foundation
Niall Cooper – National Co-ordinator, Church Action on Poverty
- 12.45** Plenary session:
- 1.00** Lunch
- 2.00** Workshops:
- 4.00** Coffee / tea
- 4.45** Feedback from workshops: Mike Chapman – Associate Director, Centre for Research into Socially Inclusive Services
Focus upon policy implications to be recommended to Summit
- 5.30** Close
Chair: Charlie McConnell – Scottish Executive
- 6.40** Reception at The Burrell Collection hosted by the Welsh Assembly and Glasgow City Council. Buffet supper.
- 10.00** Return to University, bar facilities available until midnight.

Day 2 Tuesday

- 09.00** Workshops:
- 11.00** Coffee / tea
- 11.45** Feedback from workshops: Mike Chapman
Focus upon policy implications to be recommended to Summit.

- 12.30** Ministerial Address:
Edwina Hart - Welsh Assembly Government Minister for Finance, Local Government and Communities
- 12.45** Key themes arising from the conference:
Mike Chapman - Associate Director, Centre for Research into Socially Inclusive Services
- 1.00** Close of conference: Charlie McConnell – Scottish Executive.