just finance

fair and affordable finance for all

a call to action

cdfa

what is community finance?

'Community finance' is the provision of fair-cost loans and savings, that are available to individuals and businesses unable to secure mainstream finance, so delivering economic and social benefit.

The Community Development Finance Association (CDFA) is the voice for providers of fair and affordable finance. We represent and support a national network of community development finance institutions or CDFIs.

Our mission is to support the development of a thriving and sustainable CDFI sector that provides finance for disadvantaged and underserved communities, bringing wealth, well-being and economic prosperity to these areas. We provide support, funding and networking services to CDFIs, raise their profile with government and investors, and seek to create a positive environment for their continued growth and success.

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the just finance vision

- Affordable credit will be accessible to everyone in every community across the UK
- Community finance will be recognised as a key component in providing local and national economic solutions, delivering not only economic recovery but locally driven stability and growth, especially in disadvantaged communities
- Provision and promotion of community finance will be an integrated part of the larger finance industry as well as inherent in social and fiscal public policy strategies
- Key stakeholders – government, the banking and financial services industry, major corporations, charities and community groups – will champion community finance
- Providers of community finance will be robust, responsible, sustainable and ambitious

1/ summary

In just a couple of years, the financial services landscape has shifted. New regulatory architecture has been created, new government schemes like the British Business Bank have been developed, Labour have set out some of their ideas for reform, payday lending has hit the headlines, and some mainstream bank lending data has been released, albeit on a voluntary basis. But some things have stayed constant: access to fair and affordable finance remains a barrier to many – with CDFIs filling at least some of the gaps.

Our financial markets are still not working well, with too much concentration, limited competition, customer confusion when navigating credit options, and a range of government interventions resulting in mixed success. For individuals, the cost of credit is still high and payday lenders are expanding. Things look a little better for SMEs but for social enterprises, finance is still the number one challenge[1]. This is a drag on our economy – entrepreneurs are being held back and there is a dearth of community reinvestment. Meanwhile, policies meant to address failure in our financial markets, such as Funding for Lending or Quantitative Easing, have been criticised for having little impact on these.

But CDFIs are stepping up to fill the gaps caused by market failure, serving record numbers of customers and providing a solution for unserved markets. In 2013, CDFIs received over 95,000 enquiries for finance, nearly double the demand of just four years ago[2]. CDFIs lent to over half of these customers, providing ethical finance to businesses and individuals who would otherwise be unable to meet their credit needs: lending to over 50,000 customers, creating and protecting 17,000 jobs, creating over 8,000 new businesses and saving 29,000 people from high-cost lenders. Community finance can offer government a vehicle to translate national policies into local delivery, and banks an alternative to supporting customers that they cannot serve.

CDFIs are stepping up to fill the gaps caused by market failure, serving record numbers of customers and providing a solution for unserved markets

what is a community development finance institution?

CDFIs lend money to businesses, social ventures and people who struggle to get finance from high street banks. They are themselves social enterprises, providing support as well as finance, giving extra help and advice where it's needed. Each CDFI is unique, serving local needs. But wherever they work and whether they support individuals, home owners, small businesses, charities or social enterprises around 60 CDFIs are investing in the growth and development of their local economies in all regions of the UK.

As a sector, we have made some progress towards our vision, moving slowly towards more affordable and accessible credit. While community finance struggles to get the attention of policymakers and potential allies, banks and others are starting to play their part in supporting CDFIs. To have a greater impact, we need stronger government support for banking transparency and data disclosure by all lenders. Equally, we need better regulation and funding of community finance, so enabling banks and others to more easily fund CDFIs. We must find new ways of coming together to create local community saving and lending models. We are starting to fill the gap but we need support from others to achieve our ambition of bridging it. We see a unique opportunity to take forward and strengthen the programme which started with the original publication of *Just Finance* in 2012. We have an ambitious plan and this report represents a call for renewed action.

HM Treasury, the Bank of England, the Financial Conduct Authority, banks, the Department for Communities and Local Government, Big Society Capital, the Big Lottery Fund, Local Enterprise Partnerships, local authorities, city mayors, trusts and foundations and private investors all have a role to play if we are to achieve the vision of just finance for all.

We must find new ways of coming together to create local community saving and lending models

1/

2/ timeline

In 2012, we launched our new vision for community finance – *Just Finance*. The aim of assessing our progress so far and refreshing our strategy to accomplish this vision is to raise the profile of community finance as a motor of local economic development. In doing so, we can help increase knowledge and confidence in CDFIs, the potential for new and stronger partnerships, and the development of innovative new delivery mechanisms.

The financial landscape is shifting, at the political level and in the media, in the City and in localities, in financial institutions and on the streets. Some of the recent developments since the first publication of *Just Finance* are presented below. Amidst all this, CDFIs got on with the business of providing fair and affordable loans.

6 March 2013
The Office of Fair Trading finds widespread evidence of irresponsible lending and breaches of the law across the payday sector

18 March
Acceptance in full or in part 81 of Lord Heseltine's 89 recommendations to strengthen local economic growth

14 March
Ed Miliband says that Labour would seek to establish a network of regional banks if elected

26 March
The then Financial Services Authority (FSA) and Bank of England announces it will relax the barriers to entry for new banks, increasing competition in the sector

1 April
The Financial Services Act comes into force and replaces the FSA with three new bodies: the Financial Conduct Authority (FCA), the Financial Policy Committee and the Prudential Regulation Authority (PRA). Consumer credit regulation is transferred from the Office of Fair Trading (OFT) to the FCA

20 March
In the Budget, the "Help to Buy" scheme allows buyers with just 5% deposit to receive support towards 20% of the value of a home, interest free. The Chancellor also announces that the Government will consult on a new tax relief to encourage private investment in social enterprise

6 May
The Department for Business announces changes to the Enterprise Finance Guarantee Scheme as lending figures started to improve after 'disappointing' take-up in 2012

16 April
The Government announces it will be providing £38m of funding for credit unions through ABCUL to expand and modernise the sector

6 June
Prime Minister David Cameron initiates the social impact investment conference as part of Britain's hosting of the G8, and says Britain should lead the way in social investment. Government publishes its consultation on a new tax incentive for investment in social enterprise

12 June
Government commits to increase the maximum interest rate that credit unions can charge to 3% a month

19 June
The Commission on Banking Standards report sets out to address performance and incentives in the banks, and increase competition. It recognises the important role of community finance

27 June
The Office of Fair Trading announces its final decision to refer the market for payday lending in the UK to the Competition Commission (CC) for a market investigation

25 July
Justin Welby, Archbishop of Canterbury, announces his ambition to 'outcompete' Wonga

24 July
Danny Alexander announces that seven major banks would release lending data across 10,000 postcode areas from January 2014

19 August
A University of Nottingham study finds that deprived communities have been hardest hit by bank branch closures and 40% of all branches have closed since 1989

20 September
The Treasury sells 6% of Lloyds Banking Group to institutional investors, bringing taxpayer ownership down to 32.7%

5 September
The growth of payday loan companies with interest rates as high as 7,000% is revealed. There are 24 new ventures and all but one of the ten largest lenders saw their turnover more than double in just three years – with one lender growing over 40 times

27 September
The Church of England confirms it is part of a consortium of investors creating a new challenger bank from over 300 RBS branches

16 October
Labour announce they would cap the cost of credit, introduce a tax on loan sharks and an extra £13 million per year for credit unions

17 October
Labour leader Ed Miliband pledges to impose a levy on the profits of payday lenders to help support lower-cost lending from credit unions and boost money advice services

23 October
The age limit for the Start Up Loans scheme, which has been embraced by many CDFIs, is removed

14 November
Debt charities announce that the numbers of people contacting them for help after taking payday loans had nearly doubled

18-21 November
The CDFA hosts a visit from US experts in the Community Reinvestment Act (CRA) to share learning on how disclosure and regulation has been used to scale the CDFI industry in the US

25 November
Government announces a cap on interest rates of short term high cost credit by payday lenders. The measure will be included in a banking reform bill and the cap will be set by the FCA

28 November
The Treasury announces changes to the terms of the Funding for Lending Scheme (FLS) extension to re-focus the incentives towards supporting business lending

29 November
Co-operative Bank bond holders approve plans for a "bail-in" which sees significant control of the bank pass to US-based hedge funds

10 December
The Treasury publishes details of its new tax relief for investment in social enterprise and confirm continuation of CITR

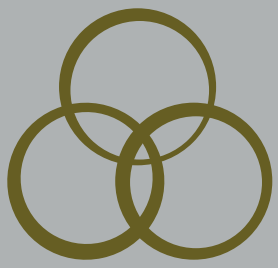
17 December
Banks release an initial round of lending data, as an important step towards greater transparency in financial services

2014
21 new challenger banks to emerge

3/ the economic case for commun

We face an urgent economic problem. The flaws in our financial markets, such as concentration in the banking sector, mean people and businesses in the UK are falling through gaps in the market and their credit needs are not being met. Community finance offers a compelling solution.

community finance, social investment and crowdfunding?



- Community finance describes loans and credit charged at a non-exploitative rate accessible by underserved markets unable to secure mainstream finance.
- Social investment describes the provision of finance to generate social and financial returns.
- Crowd funding is a way of raising finance by asking a large number of people each for a small amount of money (including donations, loans and equity).

the problem – market failure

Economists tell us that efficient and successful markets have certain key characteristics. These include a large number of buyers and sellers creating diversity and choice; low barriers to entry for new competitors; informed customers who can compare products and services for the value they offer; and government keeping out of the way, letting market forces work their magic. Our financial markets do not – at least for the moment – reflect this.

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Instead, we have a small number of finance providers dominating the market; high barriers to entry for new 'challenger' banks and alternative finance providers; customers are often uncertain on what they are being offered and charged; and government subsidy directly and indirectly propping up the top end of the market. The market is failing as follows:

- Competition in the banking sector is still insufficient – four banks hold 85% of the personal current account market[3].
- Challenger banks have yet to take hold, at least outside London, alternative lenders are relatively tiny and crowd funding still represents less than 1% of the market[4].
- Financial literacy and consumer education are not a priority – almost 50% of credit card holders have no idea of the interest rate on their cards[5] and 7 out of 10 young people between the ages of 16 and 18 do not understand what APR means[6].
- HM Treasury and Bank of England have pumped billions[7] into the system to keep it afloat yet other public policies limit the affect that banks' activities can have on the economy. As banks come under new regulatory pressure to bolster their core capital and take a less risky approach to finance, the flow of capital into communities will remain squeezed.

As the market fails, people and businesses are suffering. For individuals, the cost of credit is still high, payday lenders are expanding and plans to 'crack down' on payday lenders without sufficiently supporting alternative finance providers risks stranding communities in 'credit deserts'. The number of users of high-cost credit has quadrupled in the last four years and finance is all too often accessible but not affordable for up to 8 million people in the UK[8]. Two million people are unbanked[9].

3/

Plans to 'crack down' on payday lenders without sufficiently supporting alternative finance providers risks stranding communities in 'credit deserts'

3/ the economic case for community finance

For small businesses, the picture may be a little more positive as lending figures since the start of the year have improved, linked to an upturn in growth and confidence and the impact of government programmes. According to the Bank of England, over half of SMEs are now able to access loans at an interest rate of under 5%[10]. But these short-term trends must continue in order for meaningful economic change to be felt. A long-term funding gap for micro-businesses and SMEs remains – loan application rejection rates have soared from 5 to 6% in 2004 to 20%+ in 2012[11]. Our estimates suggest a gap of at least £1.3 billion[12].

For social ventures, a range of new funds have been announced and the launch of Big Society Capital could make a difference. But as yet, change has not been felt on the ground, with the market growing only by a few percentage points. The gap in social investment identified by the UK government in 2011 remains, estimated to be between £1 and £2 billion[13].

This makes no sense for the UK's economy. Access to finance is one of the biggest drivers of not only economic participation but economic growth – SMEs are critical to Britain's economic recovery with small businesses creating 60% of jobs and 50% of GDP[14]. Meanwhile, high cost credit drains money out of already disadvantaged homes and neighbourhoods and the single largest barrier facing social enterprises is access to finance.

3/

Access to finance is one of the biggest drivers of not only economic participation but economic growth

the solution – community investment

The answer is not just about creating real competition from the top down. It's as much about building new models and structures from the bottom up. We need investment models which sit within a functioning financial services market. We need institutions which can invest in growth, enterprise, jobs and wealth creation in the real economy, in our high streets, towns and cities that remain underserved.

This is happening already but is small and under the radar. Community Development Finance Institutions are stepping up to fill the gaps caused by market failure. The last year saw CDFIs lend a record amount of money to micro, small and medium sized businesses, driving the creation of more than 8,000 new businesses in the process[15]. CDFIs are important lenders across all regions of the UK and there has been a powerful response by CDFIs to the debt and personal credit crisis: a 70% increase in responsible lending disbursed to the poorest and most deprived households in Britain. Almost £20m has been lent at fair interest rates to over 40,000 customers with an average loan size of £478[16]. In addition, CDFIs lent £4 million to hundreds of homeowners for home repairs and upgrades, if they were living in sub-standard living conditions.

Five years ago, CDFIs were making around 10,000 loans per year. If CDFI activity continues to grow at the current rate then in 5 years' time, the sector will be lending to over 250,000 borrowers. CDFIs are stepping up to meet gaps in the finance market today, while also offering promise of a credible alternative tomorrow:

- CDFIs can provide greater diversity in the market through a large number of diverse, locally-based, smaller providers.
- This network of local lenders has the potential to fill the 'missing middle' in our financial services sector – towards a German-style Mittelstand banking system.
- CDFIs also educate and inform borrowers through responsible lending, support transparency and accountability and are themselves calling for greater levels of disclosure in the market. They are set up not to maximise shareholder dividends but to support and advise through their social mission.
- While we do argue for investment in growth and a favourable operating environment, our ambitions are to create a diverse market place, where the taxpayer doesn't have to step in if one or two finance providers fail. What support we do receive, we use to invest directly in the real economy.

4/ the political case for communi

There is a compelling political opportunity here – to lead the charge to rebuild trust in our financial services.

the problem – a crisis of trust in financial services

While politicians, journalists and many others have spent over five years analysing the financial crisis, apportioning blame and identifying the problems that caused the crash, no-one has yet made a compelling case for the solution. We want to provide solutions.

Blame, barracking and banker bashing have had their place. Anger is a natural response to a crisis. But the public will respond to those who suggest answers and offer hope. We need a solution about how financial markets can work for us, and deliver economic prosperity and public benefit.

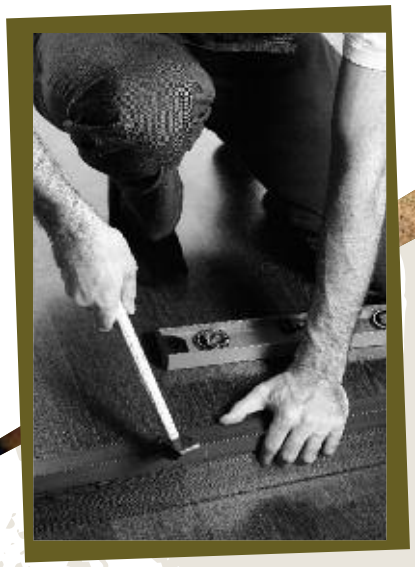
Political parties need narratives and stories – something for voters to believe in. They also need what have been described as 'retail' policies – quick headline grabbing initiatives that capture the imagination and can be 'sold' to the electorate. And they also need policies that work in practice and are seen to deliver the change they promise. Unfortunately many of the political responses to the financial crisis so far have failed against each of these tests.

First, politicians have lacked a set of cohesive principles when it comes to sorting out the crisis. Sometimes, the answer appears to be regulation (such as interest rate caps), sometimes state financial support (through guarantee schemes for instance), sometimes tax breaks (and sometimes levies), and sometimes politicians simply 'urge' and 'nudge' the banks to act. There has been far too little focus on actively supporting and encouraging new challengers to grow.

Second, long-term systems change cannot be achieved through short-term fixes. Politics tends to focus on the short term, often constraining the potential of policies and programmes in order to appease multiple stakeholders.

Finally, many top down interventions have struggled to deliver against their aims. The launch of the British Business Bank was delayed, evaluations of the Government's access to finance policies have criticised their inflexibility and lack of cohesion. Labour's venture capital schemes and various guarantees were similarly flawed, as were the underspent urban development 'zombie funds' – a fate that could still await the Green Investment Bank, the Business Bank and Big Society Capital, despite cross-party support.

These policies have had some positive impacts on the market in the short-term. But in the long term, we need more principled, popular and practical policies embedded in communities, which build from the bottom-up and shift markets to work for us.



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the solution – community investment policies

Politicians, influencers and policymakers looking for ways to step up and out of our financial predicament can pick up the model of community finance. Community finance is not faceless and rootless but recognisable and place-based. It promotes transparency not opacity, the long-term not the short-term, honesty not complexity, and real investment in the economy rather than a game of numbers on a screen. Instead of algorithms, community finance offers the human touch, instead of hidden systemic risk and moral hazard, this is social enterprise.

CDFIs are the nearest we have to ready-made local delivery vehicles for funding streams. These models offer politicians, departments and the likes of LEPs, Big Society Capital, Regional Growth Funds and European funding the best hope for translating policy into practice. Since 2012 CDFIs delivered £14 million through the RGF programme and have been effective partners in delivering the Government's Start Up loans and New Enterprise Allowance programmes[17].

But CDFIs need to be better capitalised. We aim to scale delivery of community finance as a proven, quick and cost effective way to meet credit needs. This is not just about CDFIs but credit unions, emerging alternative providers, new banks and local lenders, working with housing associations, social enterprises, the church and others to develop models of integrated community saving and community lending. The disappointment of the recent programme of government support for credit unions is that much more could have been done to enable potential partners to build these models together. Thus we need a more favourable legislative, regulatory and fiscal environment in which community finance can flourish.

Community finance promotes transparency not opacity, the long-term not the short-term, honesty not complexity, and real investment in the economy rather than a game of numbers on a screen

a local and regional perspective

- Local Enterprise Partnerships (LEPs) are partnerships between local authorities, businesses and others, led locally to support economic development across England. Each LEP will lead the development of a Structural and Investment Fund Investment Strategy to manage European funding. From 2014, LEPs will work with local partners to decide which projects to support, help identify match funding, and oversee arrangements for selecting projects. LEPs are exploring the creation of urban development funds, revolving loan funds to support the growth of the social economy. CDFIs could play a crucial role in helping LEPs successfully invest billions of pounds in local economies.

- In Scotland, plans for European Structural and Investment Funds are being designed along three themes: Competitiveness, Innovation & Jobs – Smart Growth; Environment, Low Carbon and Resource Efficiency – Sustainable Growth; and Local Development and Social Inclusion – inclusive Growth. CDFIs can play a role in each of these priorities, helping the Scottish Government deliver on its responsibilities in managing significant EU funding.

- In Wales, the Structural Funds priorities include skills, helping people into work, enterprise and SME competitiveness, energy efficiency and the digital economy. In addition, the review by Dylan Jones-Evans which examined access to finance for Welsh SMEs explored a £500m funding gap across the principality and an increase in alternative finance. The review called for a Development Bank for Wales, bringing together a range of business support schemes under one roof[18].

- In Northern Ireland, Invest Northern Ireland the business development agency for the region has developed and implemented a comprehensive "Access to Finance" strategy. The strategy is designed to support a key priority for government, to grow a sustainable economy and invest in the future and to assist business to start, grow, innovate and compete. A series of funds provide a continuum of funding ranging from £1,000 to £2 million either as debt and/or equity for early stage and growth companies.






5/ progress report

How far have we come since the publication of *Just Finance* in 2012? Below, we score progress against each of the elements of our vision.

a/ affordable credit will be accessible to everyone in every community across the uk

Over the last two years, the accessibility and affordability of credit has changed across each market in which CDFIs operate. Household debt in the UK has reached record levels with individuals now owing almost £1.5 trillion[19]. One in 20 families rely on payday loans. For SMEs, loan rejection rates are higher in the UK than in other european countries and for social enterprises, access to finance is still their number one barrier to business growth. Too often and for too many, debt is either accessible and unaffordable or affordable but inaccessible.

Access to fair and affordable finance remains a critical problem for UK businesses, individuals and social ventures. Our report – *Mind The Finance Gap* – suggested that potential demand from those unable to access affordable credit from mainstream sources stands at around £6bn per year. CDFIs are currently providing £123 million to 50,000 customers every year – a fraction of the wider market for investment.

Assessment: Some promise but slow change on the ground – 4/10

b/ community finance recognised as a key component in providing local and national economic solutions

It seems all of us worry about the economy to a degree. But for those whose job it is to worry about the economy, community finance rarely plays a significant role in potential solutions. Journalists, economists, policymakers, members of LEPs and others tend to worry first and foremost about the big picture, about macro-economic trends and the next move by the Treasury or the Bank of England.

In Tim Breedon's review of alternative finance[20], in BIS's SME strategy and in Labour's report on microbusiness, for instance, CDFIs occasionally merit a mention. But rarely does community finance sit at the heart of proposals to address the economic challenge.

But slowly, perhaps, eyes are turning to local economic solutions. The Heseltine Review, the creation of What Works Centre for Local Economic Growth, talk of regional banks and the gradual emergence of LEPs shows that people are realising that economic potential lies not only in the levers of Whitehall but in the heart of our communities. It is perhaps only a matter of time before the spotlight turns to the potentially crucial role of CDFIs in delivering local economic solutions. But we are not there yet.

Assessment: Slow but upward trend – 3/10

It is perhaps only a matter of time before the spotlight turns to the potentially crucial role of CDFIs in delivering local economic solutions

c/ provision and promotion of community finance will be an integrated part of the larger finance industry

It is a difficult time for our financial services industry. The regulatory framework has been torn up and rewired. Interest rates can only go one way. The system is still tied to direct and indirect state subsidy while politicians continually put pressure on banks to lend more while reducing risk and building core capital. Banks, hedge funds and the private equity community are distrusted at best, by the wider public.

Yet the banking industry is increasingly reaching out to support social and community finance. The banks are looking to work in partnership with CDFIs and others, perhaps motivated by the need to rebuild trust, perhaps through nudges from government or in response to an emerging threat of peer-to-peer and tech-enabled finance. Banks have started disclosing lending patterns, the BBA and the banks have built a system to refer unsuccessful loan applicants to CDFIs and most of the big players support community finance or social investment in some way. The voluntary lending disclosure agreement is an important first step, but an incomplete picture of the financial services landscape limits the potential of the data to support local economic growth strategies. This is just the start – for banks to be trusted again, and become relieved of this level of negative public scrutiny and blame, they need to be seen to be making a positive impact in our communities.

Assessment: Lots done, lots more to do – 5/10

d/ key stakeholders will champion community finance

Our *Just Finance* vision argues for an overarching government advocate for community finance, a social economy unit with banks and formal institutionalisation of community finance into the UK's financial services regime.
None of this is in place.

But there is some progress. Key politicians recognise the role of CDFIs, the government has provided significant support for credit unions through ABCUL and Labour have an emerging commitment to a Community Reinvestment Act for the UK. Social Investment Tax Relief is here with Community Investment Tax Relief protected. The Community Investment Coalition and the Social Economy Alliance are both proposing models with CDFIs at their heart.

But we need a deeper understanding of community finance with the FCA, formal responsibility within the Treasury and more support from and better cooperation with key partners and friends in the sector like the social investment community, ABCUL and the UKCrowdfunding Association.

Assessment: Some promise but the powers-that-be need to seize the nettle – 5/10

The banks are looking to work in partnership with CDFIs and others, perhaps motivated by the need to rebuild trust

e/ providers of community finance will be robust, responsible, sustainable and ambitious

Under-capitalisation of the community finance sector in the UK has long been identified as a significant constraint to growth. Whilst strides have been made towards developing a more sustainable and diverse income base, third party income such as grants and investments is still crucial for the sector's capacity for research and development, infrastructure development, and innovation.

In terms of increasing the potential impacts and scope of the sector, the creation of a dedicated CDFI fund – in the region of £150m per year – would unlock significant private sector investment up to a total of £600m. This is a request CDFA and others such as the federation of small businesses and british chambers of commerce have been making for some years. However, despite ministerial level strategic support from the Treasury and the Department for Business, this has yet to be realized; the creation of a similar facility in the US in 1995 is cited as one of the major milestones in achieving their $45bn annual lending.

Assessment: CDFIs are doing a remarkable job against the odds and stepping up to the challenge. Now we need support from others to help us bridge the finance gap – 6/10

6/ a call to action

To make the progress we need towards the vision set out in *Just Finance*, the following recommendations need to be taken up by supporters and friends of CDFIs.

1/ A new fund of at least £150m with flexibility to invest on appropriate terms should be created through Investments from a combination of trusts and foundations, the banks, deployment of existing government schemes, Big Society Capital and private investors – capitalising CDFIs to expand, replicate and sustain community finance and the long-term development of the sector.

2/ Banks should strengthen the bank-to-CDFI referral system and reflect this at the local level by forging strong CDFI partnerships, to enable a new era of co-financing along with skills sharing and development, CDFI secondments and mentoring and advisory services.

3/ CDFIs, local authorities, LEPs and city mayors should work together to develop local investment funds with CDFIs as effective ready made vehicles for significant european funding.

4/ HM Treasury and the Bank of England should follow the role played by the US federal reserve in ensuring the cohesive development of policies, regulation, programmes, funding and support for community finance. For example, ensuring that Community Investment Tax Relief remains fit for purpose and that the British Business Bank is working well for CDFIs, social enterprises and SMEs in deprived areas. This could be the cornerstone of new legislation for the uk, to which shadow ministers have already committed.

5/ The Financial Conduct Authority should take responsibility for independent oversight of a commitment by all lenders to full and proper market disclosure, including the quantity and cost of lending to small businesses and social ventures on an area basis, the provision of current and basic bank accounts, branch location and free to use ATMs. The FCA should provide regular market updates, publishing league tables on banks and other finance providers' support for community finance.

6/ The Big Lottery Fund should provide financial support for better quality and more professional systems and standardisation of community finance infrastructure. This would include a common operating platform, more robust information management and technology solutions, shared services and hub and spoke models. This can enable CDFIs, credit unions, housing associations, banks, building societies, community foundations and others to develop community banking models with more integrated and jointly branded community saving and lending.

7/ A 'community banking' style partnership model – as being piloted by CDFA in Bristol – should be mainstreamed across other localities in the UK. Building on DCLG's lead, government should evaluate the outcomes and impacts of this partnership model which can increase the wealth and health within a community, through growing a new economy.

7/ conclusion

The value of community finance is in providing real investment to the economy and society on a local and manageable scale. CDFIs broaden the diversity of the market, stepping up to meet gaps in the market in the short term, delivering economic development and impact in their own right, and potentially providing a longer term alternative to address the challenge of making financial services work better for local economies.

As Mark Carney says "finance can absolutely play a socially useful and an economically useful function but what it needs in order to do so, the focus has to be… on the real economy, what it does for businesses making investment, what ultimately it means for jobs in the economy."[21] This is the focus of CDFIs.

Yet this is a relatively small sector, albeit with great potential. Never mind banks which are too big to fail, the danger is that CDFIs are too small to succeed. Small, sometimes tiny institutions filling in gaps as best they can is not quite enough. We need to develop even more impressive, new and innovative financial models which serve local economies. We are making progress, despite the odds and no-one else is better placed. So now we need friends and partners to support us along the way if we are to step up to the finance gap and bridge it.

footnotes

1 http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf
2 http://www.cdfa.org.uk/about-CDFIs/icf
3 http://www.bbc.co.uk/news/uk-politics-25764261
4 http://www.nesta.org.uk/publications/rise-future-finance
5 http://www.moneywise.co.uk/news/2013-05-02/half-all-credit-card-holders-have-no-idea-what-interest-rate-they-pay
6 http://uk.creditcards.com/credit-card-news/UK-teens-have-low-financial-awareness-survey-says-1378.php
7 The *Funding for Lending* programme alone is worth up to £80 billion.
8 http://www.cdfa.org.uk/wp-content/uploads/2012/01/JUST-Finance-ONLINE-VERSION.pdf
9 http://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/CHASM/2013/Financial-inclusion-report-2013-final.pdf
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