




# Community Investment Coalition (CIC) newsletter, April 2017

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## Campaign update

CIC will be hosting the first meeting of its working group on bank lending data disclosure next week. The group will investigate ways to increase the quantity and progress the quality and granularity of lending data made available by lending institutions.

CIC attended the Financial Conduct Authority's Future Horizons conference. The innovative format explored hypothetical future scenarios extrapolated from the present day in working groups, with data issues and the future of international regulation top of the agenda.

The announcement of a general election for 8th June means that already distracted ([FT, £](#)) policymakers will, for the next six weeks, be even less inclined to consider anything which doesn't appear to be of critical importance.

The Italian Parliament [introduced a law](#) recognising ethical finance – the first legislation of its kind in Europe. The law sets out clear requirements in terms of profits, portfolio make-up and governance, and benefits including tax relief on capitalisation. [This blog post](#) by New Economy and Social Innovation investigates the question of what exactly is values-based banking.

*Jennifer Tankard, Director CIC*

## News

The former CFO of Santander, Stephen Jones, [has been appointed](#) CEO of UK Finance. The new trade body is the result of a merger of the British Bankers' Association (BBA), Council of Mortgage Lenders,

Payments UK, Asset Based Finance Association, UK Cards Association and Financial Fraud Action UK. **CIC has always had a productive and collaborative relationship with the BBA and will endeavour to continue to work in this vein with UK Finance.**

**After a 5-month consultation, the Financial Conduct Authority (FCA) published their [Mission, along with their Business Plan for 2017/18](#) (overview: [FT, £](#)).**

- The Mission Statement ([PDF](#)) promises a review of the FCA Handbook through which they will look at introducing a Duty of Care expanding on the existing Principle of ‘treating customers fairly’. Timing will consider Brexit negotiations.
- The FCA will publish a statement this year on their over-arching strategy for considering consumer needs, based on their research into needs, attitudes and behaviour.
- The Mission fails to feature financial inclusion as a regulatory responsibility for the FCA, but the Business Plan ([PDF](#)) does include it as one of their ‘cross-sector priorities’.
- As many expected, the FCA announced it would look closely at the free-if-in-credit current account model, potentially bringing it to an end. The regulator cited concern over whether “the actions of firms in one market can affect consumers in another”, meaning whether overdraft charges applied to one consumer group were being used to subsidise free accounts for another ([FT, £](#)).

In response to the squeeze on household spending, **the Prudential Regulation Authority is reviewing the credit quality standards ([Times, £](#)) lenders impose for consumer loans.** The concern is that more consumers will turn to credit through overdrafts, credit cards and personal loans, and may receive it too easily. Citizens Advice [called](#) for lenders to make sure potential borrowers can afford to borrow, citing a Bank of England statistic that consumer borrowing is up 10.5% over the year to February, to £196 billion overall.

**The FCA announced [a consultation](#) on persistent debt and earlier intervention remedies.** The consultation is a follow-on from the credit card market study concluded last year, and relates specifically to proposals that credit card companies should use data available to them to identify and intervene with customers early on who appear to be at risk of problem debt, and to approach with forbearance customers who are in the midst of debt problems.

3.3 million consumers are in persistent debt, and pay more in interest on repayments than they borrow ([Daily Mail](#)). [A Guardian editorial](#) called moves by regulators to address credit card debt ‘too little, too late’, and posited that the real source of ballooning unmanageable debt is cuts to benefits and tax credits. 4 in 10 adults are at least ‘fairly worried’ about their level of borrowing ([Times, £](#)).

**UK household savings fell to the lowest levels since 1963, when records began.** The savings ratio (the amount of disposable income a household can save) is was at 3.3% in Q4 2016, down from 5.3% in Q3. TUC General Secretary Francis O’Grady said the figures ‘should set alarm bells ringing’ ([Guardian](#)). The Times [laments \(£\)](#) an eroded savings culture.

Shadow Chancellor John McDonnell said that **Labour would legislate to keep bank branches open**, responding to Consumer Association figures that 1,046 local bank branches closed in the UK between December 2015 and January 2017, with another 486 already scheduled for closure this year. McDonnell described banks as ‘a utility performing an essential public service’. ([Independent](#), [BBC](#))

BBA’s Managing Director for Retail Eric Leenders responded that the ‘digital revolution’ has changed banking but the decision to close a bank branch is ‘never taken lightly’, and banks are working in partnership with the Post Office to ‘make face-to-face banking available’. However, as covered in [a following item](#), **post office services, including closures, are coming under parliamentary scrutiny**.

**Matthew Lynn in the Telegraph (£)** advocated against keeping branches open, describing the accelerating trend as the inevitable march of progress and efficiency, and something to be welcomed.

The case brought by businesses against the Government’s 2013 decision to charge separate rates for ATMs located in shops has reached the Upper Tribunal and the Courts Service ([Sun](#)). **If the ruling goes in the Government’s favour, many shops will be forced to either discontinue free ATMs or begin charging for withdrawals.**

**The Treasury Select Committee called on banks to act against contactless fraud** ([Times](#)). According to Financial Fraud Action UK, payment card fraud **totalled** £618.0 million in 2016, with banks preventing a further £982.4 million (£6.10 in every £10 of attempted fraud). The FCA told the Committee they would be considering ways of dealing with the problem ([City AM](#), [Guardian](#)).

A third of Europeans would be happy to transition to a cashless society ([Bloomberg](#)).

**The Bank Referral Scheme, designed by the Treasury to improve competition in small business lending, is now under review after a disappointing first few months** ([Times](#), [£](#)). Professor Russel Griggs, who oversaw the Government’s Access to Banking Protocol designed to stem the tide of branch closures, has been drafted in to investigate whether the nine designated banks have been referring rejected customers to three alternative lending platforms, as directed.

**Three projects have been successful in winning support from the Money Advice Service’s 2017/18 Innovation Grants programme**, aimed at piloting ideas to improve money advice.

- Mencap Liverpool’s ‘Easy Money’ aims to develop and deliver a financial literacy workshop programme for people who have a mild learning disability or Autistic Spectrum Disorder
- Citizens Advice Manchester’s ‘Money Advice and Casework Development Project’ targets young people via social messenger services to deliver money advice and as a keeping-in-touch system
- The Mary Ward Legal Centre hopes to build the financial health of their clients who have English as a second language

The Insolvency service announced [they have completed](#) their refresh of guidance on personal and company liquidation.

**Mark Carney, Governor of the Bank of England, called for dynamic, responsive global regulation with consistent international rules** ([Reuters](#)). As covered in [February's newsletter](#), FCA chief Andrew Bailey previously endorsed international uniformity in regulation in a Berlin speech. The Bank for International Settlements asked for more international coordination between central banks in the event of another global meltdown ([Reuters](#)). An international law firm and a think tank have jointly called for coordinated regulation between the EU and the UK post-Brexit ([City AM](#)).

The leading Democratic candidate for the Governorship of New Jersey, USA, is [advocating for a state-owned bank](#) as a mechanism for financing infrastructure more cheaply, assisting local banks with liquidity and capital requirements and serving as a rainy day public fund for the state.

## Parliamentary activity

**One of the final actions of this Parliament was to debate post office closures.** A crowded field of contributors from both sides of the chamber [voiced concerns](#) over the provision of post office services and emphasised their importance to their local communities. When Parliamentary Under-Secretary of State for BEIS, Margot James, took the floor to defend the Government's record, the debate grew more heated with the accusation from Labour members that the Government had not been doing enough to protect and develop these services. **The minister promised to write to Stella Creasy (Labour) about steps the Post Office would be taking to work more closely with credit unions,** contingent on a common banking platform. The debate closed before the minister could speak about banking services.

**Rachel Reeves, a member of the Treasury Select Committee, brought legislation before Parliament that would introduce a cap on fees for unauthorised overdrafts similar to the cap on monthly charges to payday lenders.** Towards the end of 2016, the FCA called for input on the issues as part of [an investigation](#) into high-cost credit. This followed what was widely seen as a conspicuous failure on the part of the Competitions and Markets Authority to reform overdraft charges through a review of retail bank practices. Because of the general election, the bill will not pass this Parliament, however Reeves will continue to pursue it, if re-elected ([Guardian](#)).

**Andrew Tyrie, Chair of the Treasury Select Committee, will stand down at the general election.** During his 20 years in Parliament, Tyrie 'forged reputation as a fierce interrogator, with victims including Cameron, Osborne and bankers' ([Guardian](#)). Tyrie also chaired the Parliamentary Commission on Banking Standards which examined options for reform after the 2008 banking crash. The final report of the Commission recommended the **voluntary disclosure of bank lending data,** something that has formed [a cornerstone of CIC's campaign work](#).

Kelly Tolhurst (Conservative) brought [a debate on the Breathing Space Scheme](#) to the House of Commons. **The idea of a debt-suspension scheme garnered cross-party support, with positive comments from Conservative, Labour, Liberal Democrat and SNP members** on the value of such a scheme in tackling a broad range of issues connected to problem debt including mental health and job insecurity. Yvonne Fovargue (Labour), herself formerly a debt advisor with Citizens Advice, branded the proposed 28-day freeze period ‘insufficient’ and ‘completely unacceptable’ calling for twelve months, or a minimum of six months, to provide adequate time to communicate with creditors. Closing the debate, Economic Secretary to the Treasury Simon Kirby was positive but non-committal, mentioning steps the Government had already taken around household debt, and the possible cost to the public purse of such a scheme.

Philip Hollobone (Conservative) asked Dame Caroline Spelman (Conservative), representing the Church Commissioners, **if the Church of England will take steps to support initiatives which provide indebted households with financial breathing space**. Dame Spelman answered:

*The Church of England supports the Breathing Space campaign of The Children’s Society and StepChange. The Church has considerable experience of supporting people in financial difficulty and has for the last four years been actively promoting credit unions and financial education within its school and church networks.*

*Additionally, as part of the Just Finance Foundation, LifeSavers is a national, financial education programme for primary schools, equipping children with the knowledge, skills and attitudes to manage money well and prepare them for the opportunities and challenges that money brings in life. More information can be found here:*

<https://justfinancefoundation.org.uk/act/lifesavers/>

In a debate about encouraging growth outside London and the South East, Rachel Reeves (Labour) pointed out that if towns and cities in our economy – including those in the north of England – are to flourish, we need banks and building societies that support them, [asking](#):

***Does the Chancellor agree that those banks and building societies should keep their branches open?***

Chancellor Philip Hammond responded:

*Of course we want there to be a viable branch banking network across the country, but we must recognise that the nature of banking is changing. More and more of us are using online digital banking, and that is bound to be reflected in the configuration of the branch networks that the banks operate.*

Andrew Stephenson (Conservative) asked the Chancellor of the Exchequer, what recent discussions he has had with sectoral representatives on steps to increase levels of bank lending to small businesses. Simon Kirby responded with [a link](#) to the record of ministerial meetings.

## Reports and research

The Fairbanking Foundation released an upbeat analysis of UK banking culture in [their 2017 ratings report](#). According to the report, **banks have regained a sense of purpose since the financial crash and are more focused on consumer outcomes**. The change is driven primarily by the advent and increasingly rapid adoption of FinTech, with a shift in regulatory culture, the embracing of behavioural insight, and more market competition also driving change.

Rising inflation and subdued pay growth mean **UK families are facing the tightest squeeze on spending power for two-and-a-half years**, according to [April's Household Finance Index](#), released by Markit.

The Money Charity's [April Statistics](#) highlight a number of key stats, including a number related to the **headline stats on household savings and debt** that emerged last month:

- 3.3% – The rate of saving in the last quarter of 2016, the lowest rate since the '60s
- 70p – The interest someone on the average salary would receive if they saved 3.3% of their income in an average savings account for a year
- 3.78% – The proportion of income the average household is spending on debt interest
- £1.4 billion – The rise in total consumer credit lending in February (£50 million a day)
- 2.7% – The rise in rents in the year to February
- 2.3% – The rate of inflation in February

## Events

Leeds Beckett University, in collaboration with Doing Social, are [hosting](#) **'Building an Inclusive Economy: Co-creation and Community-led Innovation'** on 27<sup>th</sup> April, looking at bottom-up solutions for a fair and inclusive economy.

**CIC partner Local Trust is running [a series of workshops](#) around the UK this spring**, on everything from exploring different approaches to delivery and working with local partners, through to setting up community managed land and assets, increasing opportunities for skills and employment and organising large scale events that reach the whole community. Event dates and locations of remaining workshops:

- [Sheffield](#), Saturday 6<sup>th</sup> May
- [Birmingham](#), Saturday 13<sup>th</sup> May
- [Chester-le-Street, Durham](#), Tuesday 16<sup>th</sup> May
- [London](#), Saturday 27<sup>th</sup> May

To book a place, email Priti at [priti.shah@localtrust.org.uk](mailto:priti.shah@localtrust.org.uk), or call 020 3588 0578.

Birmingham University's Centre on Household Assets and Savings Management (CHASM) [is hosting](#) **'Responsible lending – insights from Australia'** on [23<sup>rd</sup> May](#) (Birmingham, 14:00-16:30) and [24<sup>th</sup> May](#)

(London, 09:30-12:00), in collaboration with the Universities of Coventry and Warwick. Two leading experts on responsible lending from Australia will be visiting the UK to share lessons on how the for-profit and not-for-profit financial services sectors can improve levels of responsibility in relation to lending.

The **CHASM [Annual Conference](#)** takes place on 21<sup>st</sup> June (13:00-16:30). It will investigate financial decision-making for older people.

The **BBA is running its annual retail banking conference** on 29<sup>th</sup> June 2017. See the programme and book tickets [here](#).