Community Investment Coalition (CIC) campaign update, April 2016

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Campaign update

The Community Investment Coalition is settling into its new home at Responsible Finance. My new contact details are at the end of the email. Our big news this month is the launch of CIC's animation on disclosure of bank lending data. This aims to quickly and easily convey the importance of the responsible finance sector and the need for transparency to improve access to finance. Please do share the animation through any networks that you have. It is available on you-tube here.

I had a constructive meeting with the British Bankers Association (BBA) this month. We discussed on-going work to ensure the bank lending data is accessible and useful to different organisations, such as Local Enterprise Partnerships (LEPs). The BBA remains committed to managing the data disclosure framework.

News

ACCA (the Association of Chartered Certified Accountants), the global body for professional accountants, warned this week that over-indebtedness is reaching 'massive' levels among the most vulnerable groups in UK society. The membership organisation says that education for the next generation and a new, ethical marketplace for lending are required to halt massive growth in debt among self-employed, low earners and students.

Their new report, **'Britain's debt: how much is too much?**' warns that a significant increase in consumer credit since the financial crisis, rising numbers of both self-employed people and students – two of the most vulnerable groups – and a downward trajectory for savings are some of the factors behind the rise in the UK's debt to 'critical' levels.

The report contains a range of recommendations designed to help combat Britain's ballooning debt addiction including measures to help students.

Anthony Walters, head of policy for ACCA UK believes that the current changes in how people access finance provide an opportunity to act – and says that digital innovations give an opportunity to:

"introduce a new, ethical lending market that puts responsible lending and the needs of borrowers, particularly those from vulnerable groups, ahead of profitability.

"By improving education and harnessing the power of FinTech, we can reduce the reliance on bad credit among the most vulnerable groups and create a more manageable level of personal debt in this country, along with a more ethical financial marketplace that incentivises a savings culture."

The report (40pp pdf) is available here.

Barclays, HSBC and RBS are expected to close around 400 bank branches in 2016, with some of these branches the "last bank in the town." Around 200 of HSBC's branches may close; Barclays and RBS are expected to close around 100 branches each. **Derek French**, director of The **Campaign for Community Banking**, said "*the bank closures will accelerate the death of the British high street,"* adding that "*this will particularly have a knock on impact on local businesses and the elderly.*"

Figure from the Campaign for Community Banking show that banks closed 512 branches in 2014, and 681 in 2015; of these 124 were the last bank in town in 2014 and 177 in 2015. Of the 179 branch closures that have been announced so far this year, 48 are the last bank to have remained in town.

The **Access to Banking Protocol**, introduced in May 2015 after agreement between the banking industry and government, did impose obligations on banks to engage with communities about provision, post-closures. Post office outlets are the industry's and government's only physical alternative but the Campaign for Community Banking describe implementation as unsatisfactory.

The Campaign for Community Banking suggest neutral shared use branches (community banks and banking centres), as *"an operationally proven alternative to the post office 'solution' which could offer a cost effective way to sustain a branch presence in larger bankless communities, extend coverage and, elsewhere, to significantly reduce banks' operating costs whilst affording opportunities to improve the government's objectives to open up retail banking competition."*

Banks' move to further automate processes and encourage customers to use digital services is expected to lead to significant banking job cuts, which could exacerbate the closure of branches. A report by Citigroup, covered in the FT, has forecast that the growth of fintech will lead to nearly 2m banking job cuts over the next decade.

The **Finance Innovation Lab** have announced the 17 innovators who have won a place on the Lab's 2016 Fellowship programme, whom they describe as "**the pioneers of a new financial system – one that works for people and planet."**

The Fellows, who are all building financial businesses that put people and planet first, will benefit from a six-month programme of business coaching, action learning and leadership development. Their projects include a mutual approach to financing and managing affordable rented housing and an online platform allowing individual social investors to refinance community lending.

The Cohort have been selected for their potential to scale their businesses, change the narrative on finance or prove that alternative business models in finance are possible and profitable." They are named here.

The UK's rate of **personal insolvencies** has dropped by 18% with towns in the North and Scotland showing the greatest improvement in 2015, according to **Experian**.

The average number of personal insolvencies in every 10,000 households across the country fell to 24 last year, down from 28 in 2014.

Skegness was the most improved area in the UK, as personal insolvencies fell to 37 in every 10,000 households, down 38% from 60 in 2014. Scotland had four of the top eight improving areas.

Looking at the fourth quarter of last year – October to December – the UK's personal debt situation continued to be more positive than the same period in 2014.

More details including the tables of Top 25 towns by highest insolvency rate and Top 25 biggest improvers from 2014 to 2015 are on the Experian website.

The **Bank of England**'s latest **credit conditions** survey has revealed that the annual growth rate of consumer credit hit 9.3 per cent in February, the highest pace since December 2005. Car finance and personal loans were behind the growth, and the Bank of England said the increase in non-credit card loans is likely to reflect *"both an increase in demand from borrowers and an increase in supply from credit providers."*

The 2016 Q1 survey was conducted between 22 February and 11 March 2016 and published on 13 April. Lenders reported that default rates on secured loans to households fell in 2016 Q1, and were expected to fall slightly in Q2. Default rates on credit card lending to households remained unchanged in Q1, but default rates on other unsecured lending products increased by 17.5%, having fallen significantly in the previous quarter.

The April **Money Statistics** figures from **The Money Charity** have been published, and include UK Personal Debt figures:

People in the UK owed £1.465 trillion at the end of February 2016. This is up from £1.43 trillion at the end of February 2015 – an extra £684.39 per UK adult.

The average total debt per household – including mortgages – was £54,261 in February. The revised figure for January was £54,094.

According to the **Office for Budget Responsibility**'s July 2015 forecast, household debt is predicted to reach £2.551 trillion in Q1 2021. This makes the average household debt £94,481 (assuming that the number of households in the UK remained the same between now and Q1 2021).

Outstanding consumer credit lending was £180.7 billion at the end of February 2016. This is up from £171.1 billion at the end of February 2015, and is an increase of £190.47 for every adult in the UK.

Per household, that's an average consumer credit debt of £6,693 in February up from a revised £6,656 in January – or £356 extra per household over the year.

Total credit card debt in February 2016 was £63.82bn. Per household this is £2,364.

Read the figures in full here.

JPMorgan Chase & Co. have launched **PRO Neighborhoods**, a *"$125 million, five-year initiative to identify and support solutions for creating economic opportunity in disadvantaged neighborhoods around the country"* (the country concerned being the USA).

In a press release the firm said that the initiative will invest in *"collaborative partnerships and innovative financial solutions to revitalize neighborhoods by growing small businesses, creating health and social service facilities, improving access to affordable housing and collecting better data to study changing neighborhood demographics."*

Building on a $33m pilot programme, the initiative will include responsible finance providers (Community Development Finance Institutions) as one of its three areas of focus, providing them with *"necessary capital that encourages them to work together so they can pool resources and expand lending activities for building health and education facilities, opening retail centers and supporting community services in area neighborhoods."*

CDFIs are expected to use investment from JPMorgan Chase to leverage additional capital to bring projects to scale; and new investments into CDFIs are due to be announced in October, 2016.

The **World Economic Forum** has completed a series of interviews as part of its **"Role of Financial Services in Society"** initiative, which aims to consider the impact of accelerated growth in technology-enabled innovation on the risk profile of the financial system.

The 20 page report, published this month describes regaining stability and public trust as a core challenge of the financial sector, which has been further complicated by the impact and deployment of financial and technological innovation.

The report includes "alternative sources of finance" as one of six sources of technology-driven risk, but comments that "*substitutes to capital available from traditional financial institutions…have obvious financial inclusion benefits,"* but *"do and can serve as an alternative asset type for investors."*

It describes technology enabled innovation as an opportunity to enhance the stability of the financial services sector, with technology helping to increase access to the financial system and creating new financial products which are *"better suited for members of the un/underbanked community,"* but added that there's an *"urgent need both for the private sector and financial supervisors to collaborate and identify actions that can be taken to understand how best to maximize societal utility from these opportunities."*

The Financial Conduct Authority (FCA)'s tougher regulation of the consumer credit industry has led to over 1400 consumer credit companies leaving the industry. In a speech at the Credit Summit on 7 April, Tracey McDermott, Acting Chief Executive of the FCA, described some of the changes made in the past two years since regulation of consumer credit passed to the FCA.

During this time, the FCA has completed its thematic reviews into how payday lenders and other high-cost short-term credit providers collect debt and treat borrowers in financial difficulty. Tracey McDermott's speech is available to read here.

Tracey McDermott has announced that she is to leave the organisation on 1 July 2016 when Andrew Bailey will take up the CEO role.

This month the FCA also published its business plan for 2016/17 which outlines seven priority themes as it explains how the organisation will *"protect consumers, enhance market integrity and promote competition."* These priorities are Pensions; Financial crime and Anti-Money Laundering; Wholesale financial markets; Advice; Innovation and technology; Firms' culture and governance; and Treatment of existing customers.

The Chancellor has written to Rt Hon. Andrew Tyrie MP, **Chairman of the Treasury Committee**, to give the House of Commons the power, on the recommendation of the Treasury Committee, to decide whether a candidate for **Chief Executive of the FCA** should be appointed. The appointment will be made on a renewable, 5-year term set out in statute (this would not apply to Andrew Bailey but would apply to his successor).

A copy of the Chancellor's letter is available here (pdf). Commenting on the correspondence, Rt Hon. Andrew Tyrie MP, Chairman of the Treasury Committee, said:

"The FCA needs demonstrably independent leadership. Parliament's, and the Committee's, influence over the appointment and dismissal of the Chief Executive of the FCA has been greatly strengthened by the arrangements set out in the Chancellor's letter. Parliament will now be better placed to safeguard the FCA from interference—or the perception of interference—by the Treasury or Treasury Ministers."

The number of single parents approaching **StepChange Debt Charity** for help has doubled over the last four years and they are now the fastest growing group among its clients, new figures reveal. The charity says that although just **one in 14 UK households** is headed by single parents, they now represent **one in five** of its clients.

Over 60,000 single parents approached the charity for debt advice last year. The charity's figures show that single parents are more likely to be on lower incomes, in part time work and live in rented accommodation. Previous research by the charity has highlighted how low incomes and insecure work are increasingly leaving people vulnerable to debt, and such problems appear particularly acute for single parents.

More about the figures on the StepChange website.

The Money Advice Trust, the charity that runs **National Debtline** and **Business Debtline,** will be celebrating its 25th year in 2016, and has published its revised vision:

People across the UK tackle their debts and manage their money with confidence.

and mission statement:

Supporting people and small businesses to deal with their debts, training the free advice sector to help them, and improving the UK's money and debt environment.

Reports

A new **Social Market Foundation (SMF)** report, *Fixing Family Finances*, examines the problem of financial capability in Great Britain at a household level and assesses whether social and family ties can be used to reduce the impact of individuals' low financial capability.

The research, supported by Santander, shows that while most individuals (95%) live in 'mixed capability households – where people with low financial capability can rely on partners with higher capability to help when making financial decisions – there are more than half a million households in Britain where everyone has low financial capability.

The report finds that these households are more likely to delay or make poor financial decisions over borrowing and investment, and things like choice of utility provider. As a result they are often paying over the odds for household services and missing out on the best deals.

Fixing Family Finances argues that the financial capability of these households should be of particular concern to policymakers as they are almost solely found towards the bottom of the income distribution, with the majority of these households in receipt of out of work benefits.

The report recommends a number of schemes which could boost financial skills and confidence among Britain's low capability households and improve competition and growth.

Matthew Oakley, senior researcher and research author, commented:

> *"This report shows that many of us rely on friends and family to help make the right financial decisions. However there are over half a million households who are unable to do that and, as a result, are losing out on huge sums of money.*
>
> *"It is not just individuals and families that suffer due to poor financial capability – a lack of informed consumer engagement is stifling competition and lowering innovation, productivity and growth across the economy. The government needs to use initiatives like Active Consumer Week to engage those with low financial capability, help remove social barriers to discussing finances and boost competition."*

The report is available here.

The World Bank Group and the Committee on Payments and Market Infrastructures have published ***Seven guiding principles to help countries increase financial inclusion*** in a new report, *Payment aspects of financial inclusion* this month.

The report is premised on two key points: "(i) efficient, accessible and safe retail payment systems and services are critical for greater financial inclusion; and (ii) a transaction account is an essential financial service in its own right and can also serve as a gateway to other financial services." It was first issued in September 2015 as a consultation document and is now issued with changes to *"strengthen the analysis and sharpen the message."*

An overview of **Individual Voluntary Arrangements** (IVAs), has been published in a Commons briefing paper. It includes information about who is eligible to start an IVA; the IVA process; and the advantages and disadvantages of an IVA. This Paper applies only to England, Wales and Northern Ireland. Scotland has its own law on personal insolvency, including the option of a Protected Trust Deed (instead of an IVA).

The **Center for Financial Inclusion** have published a new report, A Change in Behavior: Innovations in Financial Capability. The report assesses the global landscape of financial capability innovations, with special focus on India and Mexico, and is accompanied by a ***Catalogue of Innovations*** which provides a look at dozens of specific financial capability solutions.

Jennifer Tankard participated in an "Innovations in Financial Capability" webinar on 19 April to mark the launch of the report.

The full report (47 pp) and an abridged version (17 pp) are available to download in pdf format, here.

Parliamentary Activity

In a **National Living Wage** debate in the House of Commons on 18 April, **Holly Lynch (Halifax) (Lab)** asked the Government:

…to reflect on their offer to young people. Citizens Advice recently published a report stating that young people from varied socioeconomic backgrounds are starting their adult lives with a significant and sometimes crippling amount of *personal debt*. Further figures from the Office for National Statistics confirm that as a result of lower pay, under-25s are being sucked into debt. According to the latest figures, 16 to 24-year-olds have the highest level of debt compared with income. It is double the debt level for the population as a whole. Would it not make sense to give that group a helping hand, and extend the national living wage to under-25s?

In a **Banks: Unbanked and Underbanked** debate in the House of Lords on 11 April, **Lord Holmes of Richmond** asked Her Majesty's Government what steps they are intending to take to address the issue of the unbanked and underbanked in the United Kingdom.

Lord Ashton of Hyde (Con): My Lords, improving access to banking services is central to the Government's agenda. This is why the nine largest personal current account providers in the UK already offer basic bank accounts that are truly fee-free. Basic bank accounts help people who are unbanked or who may be ineligible for a standard current account to access basic banking services. In addition, the nine banks will be legally required to offer basic bank accounts from September 2016.

Lord Holmes of Richmond (Con): My Lords, on an individual basis this is about empowerment; on a business basis, this is about unleashing currently frustrated economic growth. What will the Government do to ensure that the unbanked and underbanked are a priority across Whitehall, and will they do everything they can to benefit from all that digital and FinTech offer?

Lord Ashton of Hyde: My Lords, the Government committed in the Budget this year to publish basic bank account market share data for the first time this autumn, which will show how the banks are meeting their commitments. This will enable government departments to look at how this is progressing and what more they can do. My noble friend is also right to highlight FinTech and the digital sector, as there are many opportunities for technology to support inclusion. I am pleased to say that my honourable friend the Economic Secretary to the Treasury today announced a package of measures to further support UK FinTech, and we will announce further measures in the not-too-distant future.

The debate continued with further contributions the above and from **Lord Foulkes of Cumnock (Lab), Lord Geddes (Con), Lord Tunnicliffe (Lab) and The Lord Bishop of Durham.** It is transcribed in Hansard here.

During the **Budget Resolutions and Economic Situation** debate in the House of Commons, **Rishi Sunak (Richmond (Yorks)) (Con)** spoke:

…for growing SMEs, there are few more important ingredients for success than solid **access to finance**. Indeed, there are few more important ingredients for our nation's success than growing SMEs. Small and medium-sized businesses account for more than half of private sector employment. They are responsible for three quarters of the jobs created since the recession. They are also delivering social justice—the unemployed are six times more likely to find work with a smaller company.

Those companies need the fuel of deep capital markets to power their growth, but despite improvements, it is still not always easy for SMEs to get the funding they need.

Neil Parish (Tiverton and Honiton) (Con): I agree wholeheartedly with my hon. Friend. Getting enough capital, and venture capital in particular, and allowing small businesses to grow, especially those that traditional banking systems do not necessarily support, is key to stimulating more growth in our economy. I very much welcome his comments.

Seema Kennedy (South Ribble) (Con): Access to finance is still a barrier for some businesses. I was glad to see that the British Business Bank will carry on supporting SMEs through the Help to Grow programme from this spring, supporting at least £200 million of lending, and that the enterprise finance guarantee programme will be extended until 2018.

Events

The Transforming Finance Network's Transforming Finance 2016: Follow the Money event takes place on 11 May in London.

They say *"Whether it's unaffordable housing, small businesses being starved of credit, or the lack of investment in a low carbon economy, finance lies at the root of many of our most pressing problems. It's time to build a better system."*

This event is aimed at campaigners, academics, businesses, policymakers and regulators and the media. Speakers will include **Lord Adair Turner** and **Mariana Mazzucato**, with many more to be announced.

Is it Possible to Build a Common Good with Money? takes place on Thursday 12 May in London, organised by **Together for the Common Good.**

They say: *"The City of London is a formidable generator of wealth, and is the main driver of our national economy. But given its relationship with globalised capital, how accountable is our most ancient democratic city, and how can its inheritance be a blessing to all of London and the country?*

"In the Judeo-Christian traditions, making money is an honourable occupation with a legitimate purpose when it builds the Common Good, the energy and jobs that create the conditions in which everyone prospers. But public trust is low and there is concern even within the financial sector that the vices outweigh the virtues.

"Join us for this special debate and for drinks afterwards in the neo-gothic splendour of St Michael's church, to consider the possibilities for doing good in business while also maintaining a healthy bottom line. "

Entry is free but registration is essential - via Eventbrite here.

Also on **12 May,** Economy for the Common Good organised by the **RSA:** ***"****Can businesses have both endless growth and be fair and sustainable? Is it possible to conceive an economic model that's not tainted by our current financial system? Explore these questions and more at this lunchtime event with economist and writer* ***Christian Felber****. A live podcast will be available on the day."*

The **Financial Health Exchange** (formerly known as Transact) is holding an event on 27 May in Manchester, **Building Financially Healthy Communities**.

They say, *"Households are coming under increasing financial pressure: changes to benefits and tax credits, increasingly irregular and low incomes, and high living costs. These pressures can take a toll on a household's financial health. In such a challenging environment with limited resources, how can we ensure we are providing the right advice, support and services that are able to meet such a wide range of needs? And what approaches have others taken to transform the financial health of their communities, and what have they learned?"*

More details, programme and registration available via Eventbrite here.

The Centre for Responsible Credit (CfRC)'s Annual Conference will take place on 26 July 2016 in Sheffield and *will "reflect on the financial health of Britain today, and develop practical policy proposals and programme responses designed to meet the challenges that we face at both the national and local levels."*

CrFC are now open to proposals to present at the conference, and particularly welcome ideas for sessions focused on the three main work programme themes:

- Improving Credit Regulation
- Getting Britain Out of Debt, and
- Supporting Financially Healthy Lives and Communities.

Further details are here.