

Community Investment Coalition (CIC) newsletter, August 2016



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Campaign update

A major new **report on household debt** was launched this week. The report, '[Britain in the Red](#)', was written by Damon Gibbons from the Centre for Responsible Credit (CfRC), which is a CIC partner and funded by the TUC and UNISON. The report finds that more than a million families with a household income below £30,000 are in extreme debt, and ongoing wage stagnation is making the problem worse. There is more information about this report below. Next month CIC will launch new research looking specifically at the problems of household debt in Leicestershire. Follow us on twitter to see the report when it comes out.

We issued a [press release](#) in response to the Competition and Markets Authority's (CMA) final report of their **investigation into retail banking**. Consumer groups and challenger banks were united in seeing the investigation as a missed opportunity to make the banking sector more consumer focused.

Is **access to finance for SMEs** still a problem? Evidence given to the Business, Innovation and Skills (BIS) Committee inquiry into access to finance showed mixed views. However, evidence from CIC partner, Responsible Finance, shows that small and micro businesses are still struggling to access the finance they need. You can read my blog on this issue [here](#).

Following the rebranding of CDFA (Community Finance Development Association) earlier this year, **Responsible Finance** is launching in Cardiff, Wales on 12th October. More details are below in the events section. Do let us know if you would like to attend.

News

The **British Bankers Association** [announced](#) the release of an updated **Standards of Lending Practice document**. The guidelines set in place the expected consumer protections throughout the product lifecycle for loans, credit cards and current account overdrafts.

Business Banking Insight have a [new website](#) that visitors can use to assess, compare and review various business lenders.

In response to the **Bank of England's** Money and Credit [statistics](#), **StepChange Debt Charity** [emphasised](#) the high level of unsecured debt. **Head of Policy Peter Tutton** said:

We've seen in the past how increased consumer borrowing leads to more people falling into serious financial hardship and problem debt. With households less financially resilient than before the economic crisis and the Financial Conduct Authority (FCA) warning over problems such as persistent credit card debt, the government needs to look at measures that will better protect people from falling into difficulty in the first place and ensure better protection for people who struggle with problem debt.

A [video](#) has been released by the **European Microfinance Centre** explaining the **European Code of Good Conduct for Microcredit Provision**, which addresses information management, governance, risk management, reporting, and consumer and investor relations.

The Prime Minister convened the first meeting of [a new roundtable](#) for SMEs, accompanying the announcement with this statement:

Britain's 5.4 million small and medium sized businesses provide people with jobs, put food on families' tables and underpin the strength of our economy. They are a fundamental part of my vision of building a country that works for everyone, not just the privileged few.

The UK and South Korea [are establishing](#) a **FinTech bridge**, which will enable easier mutual investment, scaling and sharing of regulatory strategy.

The Co-operative Party published [an article](#) highlighting the trend of local councils finding ways of developing their local economy without waiting on assistance from central government. The example of **Preston** was highlighted, including the development of co-operatives and a local credit union as part of kick-starting inclusive local economic activity.

Letters written on June 16 by the UK's financial regulators to **Andrew Tyrie, Chair of the Treasury Select Committee**, regarding regulation of crowdfunding, have been published.

- [Letter](#) from **Andrew Bailey, then Deputy Governor of Prudential Regulation at the Bank of England**

- [Letter](#) from Tracey McDermott, then Chief Executive of the FCA

The Money Charity [released](#) their **Money Statistics** for August. They reveal that, between March and May this year, the number of people unemployed for over 12 months fell by 301 per day. However, over Q2 there were 247 individual insolvencies per day, up 6.9% on the previous quarter and up 22.4% on the same period a year ago.

The House of Commons Library released regional and national [economic indicators](#) on the following variables:

- GVA per head
- Economic growth since 2010
- Forecast economic growth to 2025
- Employment
- Unemployment
- Average earnings
- Employment in manufacturing
- Employment in the public sector
- Average house prices and annual change
- Government spending per head
- Median income tax paid
- Number of businesses and new businesses since 2010

A new initiative was launched by **Scottish Autism** promoting autism-friendly banking with [six short videos](#) aimed at people with autism wanting to access banking services.

Parliamentary activity

Greg Clark, BEIS Secretary announced that the ministers in the **Department for Business, Energy and Industrial Strategy** would have their remit divided by geographic region, in addition to thematically-divided responsibilities for policy. The remit of **Margot James** is of particular interest to **CIC** and stakeholders in financial inclusion. The allocations are as follows:

Regional allocation	Areas of responsibility
Greg Clark – Secretary of State for Business, Energy and Industrial Strategy	
<ul style="list-style-type: none"> • UK-wide 	<ul style="list-style-type: none"> • overall departmental responsibility • developing and delivering a comprehensive industrial strategy and leading the government’s relationship with business • ensuring that the country has secure energy supplies that are reliable, affordable and clean • ensuring the UK remains at the leading edge of science, research and innovation

	<ul style="list-style-type: none"> tackling climate change
<p><u>Nick Hurd</u> – Minister of State for Climate Change and Industry</p>	
<ul style="list-style-type: none"> <u>Devolved nation – Wales</u> Leeds City Region Humber York and North Yorkshire Sheffield City Region D2N2 (Derbyshire and Nottinghamshire) Greater Lincolnshire Leicester and Leicestershire London 	<ul style="list-style-type: none"> climate change carbon budgets international climate change, including International Climate Fund climate science and innovation green economy, including the Green Investment Bank industry and enterprise advanced manufacturing materials automotive
<p><u>Baroness Neville-Rolfe</u> – Minister of State for Energy and Intellectual Property</p>	
<ul style="list-style-type: none"> <u>Devolved nation – Scotland</u> Cumbria Lancashire Swindon and Wiltshire Dorset Buckinghamshire Thames Valley Thames Valley Berkshire Northamptonshire South East Midlands Hertfordshire 	<ul style="list-style-type: none"> energy nuclear oil and gas, including shale gas low carbon generation security of supply electricity and gas wholesale markets and networks energy efficiency and heat, including fuel poverty smart meters and smart systems international energy energy security, including resilience and emergency planning intellectual property EU single market Lords lead on all BEIS issues
<p><u>Jo Johnson</u> – Minister of State for Universities and Science</p>	
<ul style="list-style-type: none"> Greater Cambridge and Greater Peterborough New Anglia South East Coast to Capital (area from South London to the coast of Brighton) Greater Manchester Solent 	<ul style="list-style-type: none"> higher education science and research life sciences agri-tech industrial strategy innovation space

<ul style="list-style-type: none"> • Enterprise M3 (M3 Corridor) • Cheshire and Warrington 	
<p>Margot James – Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility</p>	
<ul style="list-style-type: none"> • Greater Birmingham and Solihull • Black Country • Coventry and Warwickshire • Stoke-on-Trent and Staffordshire • Worcestershire • Gloucestershire • Liverpool City Region 	<ul style="list-style-type: none"> • small business (including the Small Business Commissioner, Groceries Code Adjudicator, Pubs Code Adjudicator) • enterprise and British Business Bank • retail sector • consumer and competition (including energy retail markets, competition law and Companies House) • deregulation and regulatory reform • labour markets including trade union and employment law • corporate governance • local growth • Insolvency service • Land Registry • Ordnance Survey • postal affairs • Royal Mail • EU structural funds • national minimum wage
<p>Jesse Norman – Parliamentary Under Secretary of State, Minister for Industry and Energy</p>	
<ul style="list-style-type: none"> • <u>Devolved nation – Northern Ireland</u> • Tees Valley • North Eastern • The Marches • Oxfordshire • West of England • Heart of the South West • Cornwall and the Isles of Scilly 	<ul style="list-style-type: none"> • industrial policy (supporting the Minister for Climate Change and Industry) • technology • infrastructure/construction • aerospace • professional services • rail supply chain • energy policy (supporting the Minister for Energy and Intellectual Property) • nuclear • oil and gas, including shale gas

In relation to the creation of the new **Department for Business, Energy and Industrial Strategy**, the **Business Innovation and Skills Select Committee** opened [an inquiry](#) into industrial strategy. **Iain Wright**, Chair of the committee, said:

I am pleased that the new Prime Minister agrees that a modern innovative and competitive economy needs an industrial strategy. But we on the committee want to explore what this means in practice. Will this be a return to 'picking winners' by the Government? Is it just a rebranding of existing policies? Or is the Government going to make a genuinely new offer to support key industries right across the country?

Complementary to the inquiry a [Cabinet Committee for Economy and Industrial Strategy](#) has been established, the first meeting of which will be chaired by **Prime Minister Theresa May**.

In the **House of Lords**, **Lord Sharkey** followed up on an earlier written answer from the Treasury to ask which Muslim organisations affected by the withdrawal of banking services they continue “to work closely with...to better understand their experiences and encourage dialogue with the banking sector”; how that working closely manifests itself; and what is their assessment of the outcomes of that close working

Commercial Secretary to the Treasury, Lord O’Neill of Gatley, replied:

Officials have discussed the issue of access to banking with individual Muslim organisations as well as representative groups such as the Muslim Charities Forum and Bond. A Government-NGO Working Group will shortly be convened to examine the specific challenges faced in getting aid into hard-to-reach communities.

The Government remains concerned about the growth of de-risking and the implications it has for NGOs, economic growth, financial inclusion and financial stability. We put the issue on the G20 agenda in 2015 and, closer to home, we have encouraged the banking sector to produce new guidance to help those affected by de-risking to open a UK bank account, by setting out what information banks will require in order to comply with relevant regulation and the questions they will need to ask. We have encouraged those affected, if they believe they have been treated unfairly or unreasonably, to consider referring the case to the Financial Ombudsman Service and to use the Business Account Finder provided by MoneyFacts to locate an alternative account provider.

Welsh Assembly Member Russel George (Welsh Conservatives) [asked](#) the **Cabinet Secretary for Economy and Infrastructure**:

Following his recent announcement of a new economic strategy for Wales since the EU Referendum results, will the Minister outline the terms, targets and timetables for this economic strategy?

To which the cabinet secretary **Ken Skates (Labour)** replied:

I am in the process of talking to businesses and other key partners about the priorities that will need to feature in a new economic development strategy – to frame our approach to delivering more and better jobs closer to home, through a stronger and fairer economy.

In the **Northern Ireland Assembly**, **Ulster Unionist MLA Jo-Anne Dobson** asked the economy minister how he is helping Local Councils to promote and boost social enterprises within their areas.

Economy Minister Simon Hamilton (DUP) replied:

The transfer of functions from DETI to the 11 Councils took place in April 2015 with a £3.01m budget relating to enterprise awareness, start a business activity and social entrepreneurship... The Department also funds Social Enterprise NI, to design, manage and deliver a Social Economy Work Programme (SEWP)... In addition, the Department, along with Invest NI and the Department for Communities, has also been responsible for establishing the Social Enterprise Hubs across eleven locations as part of the Delivering Social Change Initiative... Finally social enterprises who meet Invest NI eligibility criteria can access Invest NI support through a wide range of financial and non-financial programmes.

The full transcript of the session can be found in ASMX format [here](#).

Reports and research

The **Competition & Markets Authority** published the final report of their **retail banking market investigation** ([full](#) and [summarised](#) versions). After 3 years and many millions spent from the public purse, the final report and remedies put forward have been largely condemned as lightweight and a missed opportunity to effect real change in banking practices, though the push towards open-API banking is a welcome development.

See selected responses here: [CIC press release](#) | [challenger banks](#) | [Financial Services Consumer Panel](#) | [Rachel Reeves MP](#) | [StepChange Debt Charity](#) | [Innovate Finance](#) | [New Economics Foundation](#) | [Which?](#) | [British Banking Association](#)

The **Money Advice Service (MAS)** [published](#) their annual report and accounts up to 31st March 2016, which includes statistics on how the MAS have measured up to their KPIS agreed with the **Financial Conduct Authority**.

The [annual report and accounts](#) from the **British Business Bank** showed strong results in its first 17 months of operation, as they accumulated a total stock of finance of £7.5 billion backing small-medium businesses.

However, a pre-EU referendum survey of over 1000 businesses by the **British Chambers of Commerce and Bibby Financial Services** [showed](#) that British businesses were still heavily reliant on traditional credit streams and lacked awareness of alternative options. The key findings were:

- 47.7% of firms have applied for finance in the past 12 months
- The four types of lending firms were most familiar with were bank overdrafts (92.8%), bank loans (88.2%), commercial credit cards (86.1%) and leasing/hire purchase facilities (86.0%)
- The four types of lending firms were least familiar with were mezzanine finance (18.8%), angel finance (38.9%), peer-to-peer funding (41.6%) and trade finance (46.1%)

- Of the firms that were successful in securing finance but rejected the terms offered, 54% did so because the interest rate offered was too high, and 39% said the collateral required was too high

New research from **Citizens Advice** into the relationship between excessive debt and social mobility uncovered that people with mental health issues are [twice as likely](#) to be in arrears.

The Payments System Regulator (PSR) released the [final report](#) into their **Market review into the ownership and competitiveness of infrastructure provision**. Generally, the PSR [are leaning](#) towards a wait-and-see approach, as existing measures and anticipated market developments are still taking effect and are expected to continue expanding competition and access. However, three remedies were recommended aimed at (a) increasing competitiveness in procurement, (b) increased interoperability between Bacs and FPS and (c) reforming the shareholder structure of **VocalLink** (which was [recently acquired](#) by Mastercard).

A mid-year [report](#) from the **UK Cards Association** showed that more has been spent using contactless methods in the first half of 2016 (£9.27 billion) than the entirety of 2015 (£7.75 billion).

In an effort to stimulate discussion on how credit suppliers should evaluate whether lending to an individual will be affordable for that individual, the **Financial Conduct Authority (FCA)** released '[Occasional Paper 20: Can we predict which consumer credit users will suffer financial distress?](#)' alongside an accompanying [article](#).

The FCA also [published](#) the final report of their investigation into credit card debt. The report generally found that firms are not incentivised to help customers out of persistent credit card debt, and proposes a set of remedies aimed at promoting more responsible behaviour from consumers, as well as pre-emptive interventions from credit card providers.

The Money Advice Trust [welcomed](#) the recommendations, commending the focus on 'persistent' credit card debt, which is particularly problematic.

Sue Lewis, Chair of the Financial Services Consumer Panel [disagreed](#), however, stating:

We do not agree that the FCA's evidence shows that competition is 'working fairly well for most consumers'... Almost every single remedy entails bombarding consumers with information that they are expected to process and act on, with no evidence they have the capacity to do so... The best way to prevent problem debt is to stop firms lending to people who cannot afford to repay. By looking at affordability separately the FCA has left the job of protecting consumers half done.

A **Joseph Rowntree Foundation** [report](#) into the cost of poverty on UK public services estimated the figure, including knock-on effects, at £78 billion.

StepChange Debt Charity [identified](#) London as the most over-indebted place in the UK, citing low wages and a high cost of living. Including extra costs from housing, unemployment, mental health and relationship breakdown as a result of debt, the total cost to the city is estimated at £1.4 billion per year.

Some data on access to finance by women-led business was [published](#) by the **Department for Business, Energy and Industrial Strategy**.

Events

Following their first event in Manchester on 28th July, **The Centre for Local Economic Strategies and the Webb Memorial Trust** are holding a second launch events in [London](#) on September 7th for their new publication, [Forging a Good Local Society](#).

Public Policy Exchange is hosting an [event](#) titled **Managing the Impact of Welfare Reform: The Role of Local Authorities in Supporting Households** which will take place at the Strand Hotel in London on September 13th and examine recent changes to Universal Credit and the impact of leaving the EU on tax credit and benefit payments.

A Blueprint for a Better Business are hosting a free event at London Business School on the topic of **Purpose and Performance: Exploring the evidence & testing assumptions**. The discussion on September 15th will cover the latest research testing underlying assumptions about people and purpose. Download the flyer [here](#).

The Centre for Responsible Credit Annual Conference will take place at the Mercure St. Paul's Hotel in Sheffield on September 19th. The theme for [the event](#) is **'Building a Financially Healthy Society'** and speakers will include **CIC Director Jennifer Tankard** along with the following:

- Rebecca Long-Bailey MP, Shadow Chief Secretary to the Treasury
- Sir Sherard Cowper-Coles, Chair, Financial Inclusion Commission
- Colin Kinloch, Debt Advice Strategy & Innovation Manager, Money Advice Service
- Peter Tutton, Head of Policy, StepChange

Mind Your Money, Manchester City Council and **Big Lottery** are combining for the [Financial Inclusion Conference for Manchester 2016: Your Mind, Your Money, Your Manchester](#). On September 26th, approximately 150 delegates from social housing providers, debt advice agencies, Manchester City Council, banks, credit unions and support organisations will discuss financial inclusion in Manchester.

Following the rebranding of CDFA (Community Finance Development Association) earlier this year, **'Responsible Finance'** is launching in Wales on October 12th, 5.30-7.00pm. The launch is sponsored by

Jane Hutt AM and will be hosted at the Senedd, Cardiff Bay. The event will introduce the finance providers in Wales that are driving growth and prosperity in local economies. If you are interested in attending, RSVP to eventsadmin@wcva.org.uk by October 3rd.