

# Community Investment Coalition (CIC) newsletter, January 2017

## Contents

-  **Campaign update**
-  **News**
-  **Parliamentary activity**
-  **Reports and research**
-  **Events**



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## Campaign update

We mentioned in December's newsletter that Lord Sharkey had hosted a round table in the House of Lords to discuss '**Bank Lending Data: Three years on, what have we learnt**'. The notes of the event [are now available](#) on the CIC website. One of the decisions of the round table was to set up an expert working group to explore the detail of the bank lending data and what further improvements are required to make it more useful in supporting financial inclusion work. Membership of the group will include representatives from the BBA, FSB, universities and FinTechs.

This week, **Public Bank Wales Action Group** held an event in Cardiff on 25th January to strengthen support for its **proposals for a publicly owned bank for Wales**. The group has held numerous meetings over the months to discuss establishing a publicly owned bank for Wales and now seeks to broaden and strengthen support for its aims by inviting those with a range of expertise and interest in this field to contribute. The group includes one of the world's leading experts on public banking, Ellen Brown. Other collaborators include Arian Cymru, Cartrefi Cymru, Coops and Mutuals Wales, Responsible Finance, Robert Owen Community Banking, Wales Council for Voluntary Action, Wales Co-Operative Centre. You can read some of Ellen Brown's excellent articles about public banking and other financial issues [here](#).

Two of our sister organisations – **Responsible Finance** and the **Centre for Responsible Credit** – have opened registration for their annual conferences. See [the events section](#) below for more details.

Jennifer attended the **New City Agenda's event on "Open Banking: Making the Revolution work for customers"**. This saw the launch of a [report](#) by Faith Reynolds that flagged the opportunities 'open banking' will deliver to consumers, in terms of opening up access to new products and services, but confirmed the need to protect and educate consumers against the associated risks.

Theodora attended an event held by the **APPG on Fair Business Banking focused on creating a level playing field for financial disputes between small businesses and banks**. The APPG aims to address the unfair and criminal treatment of SMEs by banks and will soon be launching an inquiry into dispute resolution options for businesses. The group has expressed interest in the responsible finance sector being involved to help shape a fairer financial services system for SMEs.

John attended a CSFI event to launch [the report](#) '**Reaching the poor: The intractable nature of financial exclusion in the UK**' authored by CSFI fellow Christine Allison. The report takes stock of the progress made on financial inclusion by successive governments through policy initiatives like basic bank accounts and the potential for technological innovation. It also highlights the persistence of financial exclusion and factors that may exacerbate it in the coming years.

## News

Chairman of the Treasury Select Committee **Andrew Tyrie** [warned banks](#) the committee would investigate resulting public detriment if the 39 members of the Link cash machine network fail to reach an agreement in ongoing talks to maintain the current level of free access. Paul McNamara, head of NoteMachine, a major supplier of ATMs, warned that around a quarter of the 70,000 machine free-to-use network would be lost if current proposals move forward.

**The Post Office** [reached an agreement](#) with banks to supply a significant proportion of banking services to personal and small business customers. Business minister Margot James described the development as "the biggest expansion in branch banking services in a generation". The Post Office's 11,600 branches will now offer cash, cheque, debit and credit card services to customers of all the main banks and several smaller lenders, covering an estimated 99pc of all personal banking customers and 75pc of business customers. This move strengthens the Post Office's recently stated claim to become one of the UK's biggest financial services providers by the end of the decade.

The Competition and Markets Authority (CMA) accepted that **Bacs Payment Schemes Ltd (Bacs)** [has committed to delivering the improvements required by the CMA retail banking market investigation](#) within a year. It is hoped that further assurance to customers that all their payments will be switched from their old account to their new one will help encourage more than the 3% of personal and 4% of business customers who currently switch to a different bank in any given year.

As a result of an FCA investigation, **HSBC** [has voluntarily agreed](#) to set up a redress scheme for customers who may have been overcharged for the cost of debt collection between 2003 and 2009. The scheme applies to customers of HFC Bank Ltd (HFC) and John Lewis Financial Services Limited (JLFS), now part of HSBC Bank Plc.

The Office for National Statistics' [inflation figures](#) for December showed a rise of 1.6%. Reacting to the news, the Money Advice Trust [predicted](#) a "slow but powerful squeeze on household budgets" ahead.

Charges levied on people with mental health problems by GPs to fill in ‘crucial’ debt help forms [are to be reviewed](#) after an intervention from the Prime Minister. The move follows a campaign by the Money and Mental Health Policy Institute.

The consultation period of the FCA’s review of the cap on high-cost short-term credit charges [concludes](#) on February 15<sup>th</sup>.

Bank of England Governor, Mark Carney, gave a [speech on FinTech](#) and the potential for it to significantly increase financial inclusion at a conference on ‘Digitising finance, financial inclusion and financial literacy’.

## Parliamentary activity

Sir David Crausby, Labour, [asked the Treasury](#) what steps the Government is taking **to improve access to basic bank accounts**. Economic Secretary to the Treasury, Simon Kirby, answered:

*Since September 2016, the nine largest personal current account providers in the UK have been legally required to offer fee-free basic bank accounts to customers who do not have a bank account or who are ineligible for a bank’s standard current account. The Financial Conduct Authority is the body responsible for monitoring and enforcing firms’ compliance with these requirements.*

*The Government continues to monitor firms’ wider commitments on basic bank accounts, including that the accounts should be visible to potential customers alongside other personal current accounts, and that applications for basic bank accounts can be accepted through the same channels the firm uses for other personal current accounts.*

*Firms also report data on basic bank accounts to the Treasury. The first publication of this data, in December 2016, showed that nearly half a million people had opened a new fee-free basic bank account in the first half of 2016. Subsequently, firms also committed to stop charging fees on basic bank accounts that were opened before the relevant standards came into force. The Government welcomes this development, and the efforts made across the industry to improve basic bank accounts for all.*

*The publication, and further information on basic bank accounts, [is available online](#).*

Sir David also asked the Secretary of State for Work and Pensions about **how the £38 million allocated to the expansion project for credit unions will be spent** and over what time period that will take place. Parliamentary Under-Secretary Richard Harrington [responded](#):

*The Contract was scheduled to end in December 2016. The Association of British Credit Unions Ltd (ABCUL) has provided a proposal to extend the delivery timeline (interim extension to February 2017). To the end of December 2016, £30.8.m has been spent.*

There were two written questions in the House of Commons regarding household indebtedness. Dr Matthew Offord, Conservative, asked what recent estimate the Treasury had made of the average level of personal debt. Simon Kirby, answered:

*Since 2007, UK households have reduced debt relative to income by the second largest amount in the G7. The household debt-to-income ratio was 144% in Q3 2016, down from a high of 160% in Q1 2008. Almost three quarters of household debt is secured against housing. Unsecured debt as a share of household income is now 40% (Q3 2016), down from its peak of 44% before the financial crisis (Q1 2007).*

Andrew Rosindell asked Dame Caroline Spelman, representing the Church Commissioners, what work the Church of England is undertaking to tackle indebtedness. Dame Spelman replied:

*Many local churches across the country are closely involved in tackling indebtedness in their community. In September 2014 of the 1,812 clergy who responded to a Church Urban Fund social action survey, 22% said their church offered debt or money advice. This includes 306 Christians Against Poverty (CAP) debt centres and over 140 Community Money Advice centres, many of them run and/or hosted by Anglican churches. The report can be found here: [www.cuf.org.uk/church-in-action-2015](http://www.cuf.org.uk/church-in-action-2015)*

*At national level, the Archbishop of Canterbury's Just Finance Foundation has been set up by the Church of England and Church Urban Fund in order to implement his vision of a more just financial system. The JFF works with credit unions, churches, employers, schools and other community organisations to help strengthen the financial resilience of communities through financial education and improved access to responsible credit and savings opportunities and free debt advice services. Following successful pilots, the Just Finance Network and LifeSavers (school savings club) programme are being rolled out nationally.*

On the 17th January, Chancellor Philip Hammond and Economic Secretary to the Treasury Simon Kirby faced a number of questions on UK debt and banking.

- Philip Boswell of the SNP asked about the dangers of likely watering down of the Dodd-Frank Act and whether additional ring-fencing of US banks would be needed in the UK. Kirby answered that PRA and FCA regulations are adequate and extend to all banks operating in the UK.
- Stuart Andrew, Conservative, asked about access to banking for carers. Kirby stated that the Government would follow closely conversations on the issue between Andrew, the FCA and the BBA.
- Clive Efford of Labour asked the Chancellor what recent assessment he has made of the effect of high levels of household debt on the economy. Hammond responded by highlighting improvements in the level household debt-to-income since 2008, but concern over the drop in the savings ratio and the risk from a rise in interest rates or a drop in the value of the pound.

Dr Lisa Cameron, SNP, speaking as chair of the all-party disability group, asked if parliamentary time could be used to discuss equitable access to affordable credit for vulnerable people, particularly those with disabilities. Leader of the House, David Lidington, could not offer an immediate debate but stated "I think that the banking industry has a social responsibility to ensure that its services are

accessible to people with disabilities, to people on low incomes and to others who often find it quite difficult to get access to conventional banking. That perhaps needs something of a cultural shift."

In the Scottish Parliament, Gordon MacDonald of the SNP **asked the Scottish Government for its position on the closure of RBS branches**, expected by summer 2017, and the impact that these may have on vulnerable members of affected communities. Paul Wheelhouse, Minister for Community Safety and Legal Affairs, [answered](#):

*The Royal Bank of Scotland's' decision to close further branches, including the Juniper Green branch in Mr MacDonald's constituency, will have an undoubted impact on the local community. The Scottish Government is of the firm view that it is essential that banking services are available and accessible to all members of our communities and that, in light of such closures, appropriate alternative access arrangements are in place.*

## Reports and research

**Unsecured debt** [has hit a new peak](#) of £13,000 per household, according to the Trades Union Congress. Debt-to-income is approaching pre-crisis levels.

The Confederation of British Industry and PwC [surveyed](#) British financial services to find a **4th consecutive quarter of declining optimism and nervousness about Brexit**. Most firms foresaw the main impact of the coming uncertainty being more focus on dialogue with the regulator. In relation to CIC's [ongoing campaign on data disclosure](#), financial services firms see the main potential of FinTech investment over the next 3 years to be in: process automation (82%), data analytics (68%) and digital transformation (58%).

The BBA released [a report on industry trends](#) in banking, which estimated 40,000 downloads of banking apps and 11 million log-ins per day in 2015, a **25% and 50% rise on the previous year, respectively**.

## Events

**Registration for Responsible Finance 2017 Conference (including the Citi Microfinance Awards) is now open.** The event will take place on March 28<sup>th</sup>-29<sup>th</sup> in the Marriot Hotel in Cardiff. [The conference](#), will provide the banking, alternative lending and community sectors with an opportunity to explore emerging trends and develop strategies that allow fair and affordable finance for people, businesses and communities. [The awards ceremony](#), delivered in partnership with the Citi Foundation, celebrates the economic and social impact responsible finance providers have made over the last year.

**The Centre for Responsible Credit is holding** [its annual conference](#) on February 28<sup>th</sup> at the Foundry, London. The event will look at the Financial Conduct Authority consulting on its approach to credit regulation, arrangements for the successor body to the Money Advice Service, rapid technological change within financial services and the squeeze on household incomes.

The RSA [will be investigating](#) inclusive growth in Bristol at 4pm on Friday 24<sup>th</sup> February.