

Community Investment Coalition (CIC) newsletter, June 2017

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Campaign update

Before the General Election, I drafted [a blog post](#) summarising the commitments CIC would like all parties to adopt to strategically tackle financial exclusion. We welcome the new ministerial responsibility for Financial Inclusion added to the Minister for Pensions role as a sign that the Government has finally listened to many voices calling for a co-ordinated approach across government to tackling financial exclusion. The Queen's Speech also [included measures](#) to **make logbook loans fairer for consumers** (see below for more). CIC campaigned for changes to logbook loans, which are yet another form of high-cost and opaque credit with potential for consumer detriment.

CIC will write to all relevant ministers and shadow ministers to highlight the importance of financial inclusion in tackling inequality in the UK.

We also published a [blog](#) by Kent Hudson, who runs CIC's sister campaign in France. Sadly, despite good work on the ground proving that data disclosure can make a difference to access to finance for small businesses, the pilot has ended.

The Boston Globe [reported earlier this year that](#) Santander was downgraded under the US Community Reinvestment Act for failing to invest adequately in local non-profits, affordable housing and community programmes. US banks are required to make such investments in communities where they take deposits and Santander's \$905,000 investment in the Boston Area was deemed 'very poor' by regulators.

We would like to welcome a number of new subscribers to the newsletter. Anita Blessing is undertaking a Marie Curie European Fellowship entitled Reinvest, Financing Affordable Housing Under Localism. This is investigating the governance arrangements that help connect affordable rental

housing projects to finance in European and US cities (including London). As part of research in the US, Anita is looking at how the 1977 Community Reinvestment Act (CRA) motivates certain types of banks to finance affordable housing projects.

Tyler Girard is researching a Phd at Western University, Canada on 'The Evolution and Promotion of 'Financial Inclusion' in the International Community'.

Professor Jerry Buckland is Professor of International Development Studies at the University of Winnipeg, also in Canada. Jerry is an expert on financial exclusion in Canada. His book '[Hard choices](#)' provides some interesting parallels to financial exclusion in the UK.

We are always happy to participate and support any research that helps us to understand and tackle financial exclusion in the UK and elsewhere.

Jennifer Tankard, Director CIC

News

Following the tragic events at Grenfell Tower, Philip Hammond and Mark Carney's appearances at Mansion House were delayed a number of days.

Bank of England Governor Carney [focused first](#) on **the impact leaving the European Union may have on inflation, wages and employment**, stating that the BoE would wait to see the direction of travel along these metrics before taking action to minimise the impact of Brexit on households.

He then pointed to the **macrosystemic risks of artificial global trade imbalances**, and the specific risk to the UK financial system of a mounting current account deficit associated alongside weak investment and growth in consumer credit. One solution would be the redistributive effect of a **global liberalisation of services**, driven by more standardised global regulation and trade rules. Along these lines, Carney also warned against the EU repatriating Euro clearing from London after Brexit.

Chancellor Hammond ruled out tax rises or borrowing to fund public services, instead targeting economic growth through a National Productivity Investment Fund and other measures to induce economic investment, asking Britain **"to lead a global crusade for liberalisation of services"**.

Despite voting against it this month, the Bank of England is showing signs of movement in terms of raising interest rates ([Sky](#)). Departing Monetary Policy Committee member Kristin Forbes made called for the rise and Chief Economist Andy Haldane said he would consider voting for it later this year ([BBC](#)). Governor Mark Carney initially said 'now is not the time', but [later stated](#) some change 'might be necessary' if business investment continues.

The Bank of England is in the difficult position of making calls on policy priorities that some may be uncomfortable with it making, between jobs, inflation and growth. The Telegraph outlines the **implications this may have for the central bank's continuing independence** ([Telegraph, £](#)).

This comes at the same time that Bank of England warns that personal lending has grown more than 10% in the past year, far outstripping growth of incomes. Its half-yearly [Financial Stability Report](#) suggests that some lenders may have become complacent about their lending. The

report highlights that rapidly growing consumer borrowing via credit cards, personal loans and car finance has grown by more than 10% in the past year, far outstripping the growth of incomes.

A Centre for Responsible Credit [blog showed](#) that, **though consumer credit debt makes up only 15% of household debt, it accounts for around half of the total interest repayments.** The debt-to-income ratio is much higher for lower income households. This creates an economic drag which could worsen should the Bank of England move on interest rates.

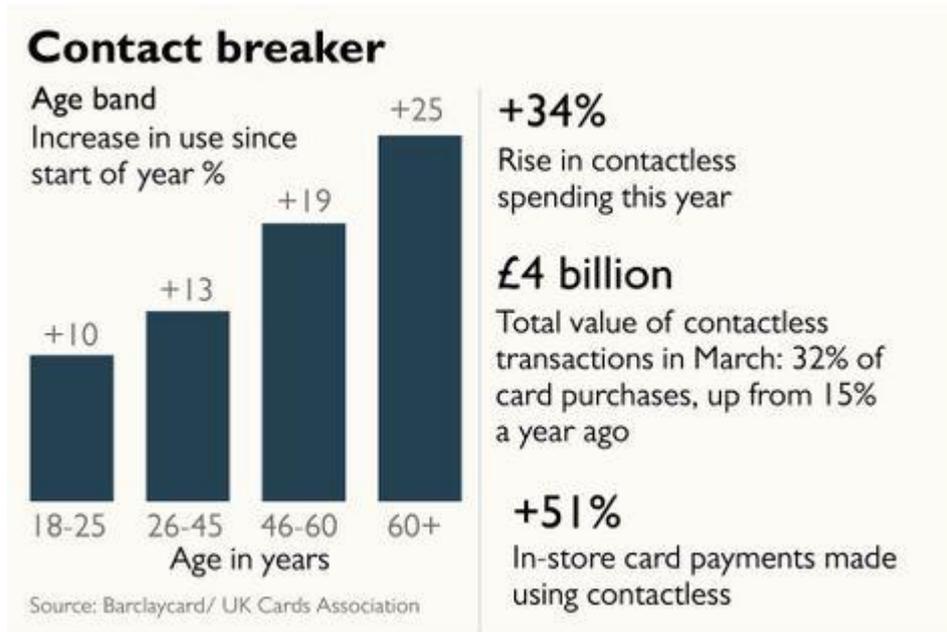
The Money Advice Service [released guidance](#) on **spotting a family member or friend getting into debt problems.** The advice highlights 8 tell-tale signs and encourages use of the service's '[Debt test tool](#)' to work out the best option going forward.

Avoka [blogged for the BBA](#) on the need for **banks to focus more on the digital customer experience and convenience**, whether that is through a direct interface with the bank or a third party. The number of banking transactions carried out through digital apps rose by 57% last year among the 38% of UK adults who make use of mobile banking apps ([Telegraph](#), [City AM](#)), as highlighted in a BBA report on digital banking [below](#).

The Financial Times **sung the praises of the humble ATM twice this month.** calling it 'the true star of financial innovation' ([FT, £](#)) and outlining its continued usefulness in the digital age ([FT, £](#)). Contrary to popular perception, the rise in contactless payments has not led to a corresponding drop in the demand for cash.

The same can't be said for blockchain, with the technology coming under increasing scrutiny and serious doubts being voiced as to whether it will fulfil the potential for which it has been feted. ([FT, £](#))

[The Times \(£\)](#) published the below graph charting the **increase in contactless spending** in recent years, which is increasing fastest amongst older age brackets. **The number of card payments in general [has doubled](#) in the past decade.**



The FCA was forced to deny claims that it is considering raising the price ceilings on payday loans, after claims from lender Quick Loans.

Parliamentary activity

Parliament is sitting again after the general election. **The Queen's Speech included a Financial Guidance and Claims Bill that will establish a new Single Financial Guidance Body** that will replace the three existing providers of publicly funded guidance. The move aims to provide a more joined-up service that will provide guidance more effectively in terms of debt, money and pensions. The body's activities are to be funded through existing levies on pension schemes and the financial services industry.

The Bill will also strengthen the regulation of Claims Management Companies by transferring the regulatory responsibility to the Financial Conduct Authority, and ensuring the FCA has the necessary powers to implement a robust regulatory regime, including a duty to cap fees.

The Queen's Speech also [included measures](#) to **make logbook loans fairer for consumers**. Lenders will have to obtain a court order before attempting to repossess goods, borrowers will have more recourse to appeal against repossession when in financial difficulty and regulatory costs associated with the loans will be reduced.

There was no sign of the much-debated breathing space scheme in the Queen's Speech. It will likely resurface as the Financial Guidance Bill is debated in Parliament and in fact Frank Field (Labour) has already raised the issue in the new Parliament, [asking when the Government plans to bring forward legislative proposals](#) on the breathing space mechanism for families in debt. The new Economic

Secretary to the Treasury, Stephen Barclay, confirmed the Government intended to follow through on their manifesto commitment, answering:

The government fully supports the principles of better debt management and lower levels of problem debt. This government has a manifesto commitment to introduce a statutory breathing space that would give heavily indebted consumers a period of respite from enforcement action, and further interest and charges for a period of up to six weeks. Where appropriate, they will be offered a statutory repayment plan to help them pay back their debts in a sustainable way. We will outline further information in due course.

Rachel Reeves (Labour) asked **what steps [the Chancellor] is taking to ensure that household debt remains at a sustainable level**. Barclay answered (link to [first part](#) and [second part](#)):

The Financial Conduct Authority (FCA) has been given strong powers to take action and legislated to cap the cost of payday loans, helping reduce the number of pay-day loans from 4.2 million in the first half of 2014 to 1.8 million a year later.

The Financial Policy Committee details how it intends to monitor and mitigate these risks in its most recent "June 2017 Financial Stability Report". Action has already been taken on loan-to-income ratios and mortgage affordability.

The cabinet reshuffle introduced the role of Parliamentary Under Secretary of State for Pensions and Financial Inclusion (previously it had only been for pensions). Along with pensions-related oversight, Guy Opperman [will be responsible for](#) financial inclusion and guidance, including the Single Financial Guidance Body, Credit Union Expansion Project and Post Office Card Account.

Two forerunners have emerged as candidates to take over from Andrew Tyrie as Chair of the Treasury Select Committee. Labour MPs have pledged to support Nicky Morgan in her bid, in a move to block Jacob Rees-Mogg from capturing the position ([Guardian](#), [Independent](#), [FT, £](#)). All MPs will cast a secret ballot within the next four weeks.

Reports and research

The Social Mobility Commission reports in ['Time for Change'](#) that two decades of government efforts to improve social mobility have failed to deliver enough progress in reducing the gap between Britain's 'haves and have nots'. It warns that without deep-seated reform, social and economic divisions in British society are set to widen with consequences for economic prosperity.

National poverty charity [Turn2us highlighted](#) that **1 in 7 UK workers are self-employed and of those, 80% are living in poverty**. Even when top-earning self-employed are included, the average salary among the group is only £14,655.

Money and Mental Health [released a report](#) **investigating financial stress and work**, including its effect on productivity and measures an employer can take.

Birmingham University's Centre on Household Assets and Savings Management (CHASM) [released its 2017 annual report](#), which details the work of the centre over the past year, including summaries key publications and policy positions connected to financial security, inclusion, capability and personal finance.

Finance & Leasing Association and the UK Cards Association, working with the University of Bristol's Personal Finance Research Centre, [have developed a guide](#) **to working with vulnerable customers applying for credit**. To assist staff in doing so, the report outlines the BRUCE protocol:

- Behaviour and talk – staff should monitor a customer's behaviour and talk for indications of difficulties with:
- Remembering – is the customer exhibiting any problems with their memory or recall?
- Understanding – does the customer grasp or understand the information given to them?
- Communicating – can the customer share and communicate their thoughts, questions, decisions about what they want to do?
- Evaluating – can the customer 'weigh-up' the different options open to them?

A report from the BBA entitled 'The Way We Bank Now' [included some eye-catching statistics](#) around digital banking, with one being that over the past five years customers' activity on banking apps increased by 354%.

Financial Fraud Action [released figures](#) showing that only 3.6p in every £100 spent using contactless technology was fraudulent, compared with 8.3p for every £100 spent overall. Contactless fraud is 0.5% of overall card fraud.

The Financial Ombudsman released its [Annual Review \[PDF\]](#), summarising in statistical form its activity over 2015-2016.

Resolution Foundation research released towards the end of May [showed that](#), although the gap between rich and poor households in the UK has been falling since the financial crash, **the gap between rich and poor local authorities has risen**, with implications for geographic divergence in living standards.

Events

Big Society Capital will be launching their new strategy and Annual Review in London in the evening of Monday July 3. Register [here](#).

CHASM will host two events in the coming weeks:

- Birmingham, Tuesday 4th July (12:30-14:00): [Inheritance tax: what lessons can we learn from the Irish CAT system for our most disliked of taxes?](#) discussing inherited wealth at a time when intergenerational wealth divides are moving closer to the limelight
- Birmingham, Thursday 6th July (12:30-14:00): [Financial Literacy amongst young people – what does the latest data tell us and what more do we need to know?](#) with speakers from the OECD and Money Advice Service

At a free event on June 21 in Manchester, Co-operatives UK will host an event (10:00-16:00) exploring the lessons from Spanish employee-ownership over the past 30 years. [Book your place here.](#)

Social Investment Scotland will be running a series of ‘Buy Social’ Workshops in October and November aimed at social enterprises seeking opportunities to retail directly to consumers. The workshops will cover marketing, pitching and product development. To register interest, get in touch via hello@socialinvestmentscotland.com

The Social Enterprise Awards Scotland [remain open](#), with the deadline to apply Monday 10th July.