

# Community Investment Coalition (CIC) newsletter, October 2016

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## Campaign update

One of CIC's key campaign goals is for all UK financial institutions to disclose information concerning their activities in defined geographical areas as a way of creating transparency about the availability and delivery of financial services. This transparency will help to identify communities that are 'underserved' by financial institutions and so more vulnerable to financial exclusion. It will allow targeted intervention to tackle the lack of appropriate financial services whilst revealing market opportunities for those financial service companies with appropriate products and services. Although successful in securing a voluntary framework for disclosure of bank lending, we continue to campaign for improvements to the quality of data released and for access to more data sets to fully understand patterns of access to finance.

This month, CIC released [a report](#) entitled '**The Distribution of Consumer Debt in Leicester**', by the Centre for Responsible Credit, funded by Local Trust. The report demonstrates the potential for bank lending data to enable higher quality insight into debt levels – particularly concerning over-indebtedness – and highlights why and what more data is needed to further improve on mapping over-indebtedness and identifying underserved communities. You can also read my [blog](#) post on the research.

Commenting on the research, the Bishop of Leicester, the Rt Rev. Martyn Snow, said:

*This report highlights serious national issues but also helpfully gives us a local perspective. The Church is committed to working with and among the most vulnerable in our society. The Diocese of Leicester has held a Poverty Commission, listened to peoples' stories and is active in partnership both strategically and locally to address issues raised.*

On **12<sup>th</sup> December** we are hosting a round table on bank lending data in the House of Lords, looking at what we have learnt from the data three years on from disclosure. Invitations will go out shortly.

CIC partner, Responsible Finance, held an **event in Wales** to promote the impact of the responsible finance sector on the Welsh economy. You can read my blog [here](#).

## News

[As reported](#) by MoneySavingExpert, **FCA data showed the number of complaints about current accounts fell by 10% in the first half of 2016**. Overall, there remained over 2 million new complaints between January and June 2016, with the total redress to consumers who were mis-sold products totalling almost £2 billion.

An FCA report released later in the month [found](#) that **56% of customers who did complain did not receive a fair outcome**. In 99% of cases where banks followed the proper complaint procedures, a fair outcome was reached. The problem was that banks only followed official complaint procedures in one fifth of cases.

Chairman of the Treasury Select Committee **Andrew Tyrie** [called on the FCA to finalise a date for publication](#) of the results of an ongoing investigation into Royal Bank of Scotland's Global Restructuring Group (GRG). The call followed [the emergence of a whistleblower](#) who **claimed the GRG had purposefully run down viable small businesses during the financial crisis** to shrink its balance sheet and increase profits.

The FCA has been investigating this issue since 2013, and is [reviewing the findings](#) of that investigation. The so-called 'dash-for-cash' scandal has led some forecasters to [predict](#) a fine of around £500 million to be levied as early as this year.

**Santander** [will be teaming up](#) with crowd-funding platform **Crowdfunder** to distribute a **£200,000 loan fund to social enterprises and community projects in the UK**. The coalition between a major bank and a crowd-funding platform marks [the first such partnership](#) in the UK.

Cabinet Secretary for Communities and Children in Wales, Carl Sargeant, has approved [funding](#) of up to £321,289 to Citizens Advice Cymru to enable them to continue to provide face to face money advice.

In addition to parliamentary questions asked on the subject (mentioned below), the Money Advice Service [emphasised](#) the need for **'breathing space' debt freezing legislation**, highlighting the Debt Arrangement Scheme (DAS) in Scotland as a positive example of this type of arrangement in action.

[News came](#) from the Office for Civil Society in the Department for Culture, Media and Sport of a **new Inclusive Economy Unit**. The unit will not take on any new policy roles (or staff), but will work in partnership with governmental departments to:

- Encourage better use of private investment and support markets that deliver social impact as well as financial returns
- Improve delivery of public services: increasing social impact while bringing value for money in the commissioning of public services
- Encourage responsible business, from social enterprise startups to companies that aim at 'profit with purpose'

The new Department for Business, Energy and Industrial Strategy unveiled a **briefing explaining the 'Industrial Strategy' approach**, adopted to stimulate economic activity in the United Kingdom. Read it [here](#). CIC partner Responsible Finance [submitted evidence](#) to the BIS Select Committee's inquiry on industrial strategy, highlighting the role of responsible finance providers in supporting local economic growth.

**LEP (Local Enterprise Partnerships) Network** submitted to the Government's consultation on industrial strategy. A summary of their submission can be found [here](#).

[Anil Kashyap](#) and [Michael Saunders](#) have been appointed to the Bank of England's Financial Policy Committee and Monetary Policy Committee, respectively. [Katharine Braddick](#) has been appointed to the role of Director General, Financial Services at HM Treasury.

**Bank of England officials delivered two speeches** at the New York Federal Reserve's conference 'Reforming Culture and Behaviour in the Financial Services Industry: Expanding the Dialogue'. Deputy Governor Minouche Shafik [advocated](#) for hard regulations to be complemented by **'aspirational standards'** which encourage behavioural change. Executive Director James Proudman [spoke about](#) the rationale behind the **senior manager's regime**.

In a speech to the Westminster Business Forum, **FCA Chief Economist Peter Andrews spoke about his point of view of culture in banking** and how to address it and encourage it to improve. Read the transcript [here](#).

## Parliamentary activity

**The Lords Select Committee on Financial Exclusion** met three times in October. The first session focused on the question **'How does financial exclusion affect the young?'**, and featured the following contributors across two sittings:

- Jon Boagey, Associate Director, National Youth Agency
- Louise Macdonald OBE, Director, Young Scot
- Sarah Milan, Director, Rees Foundation
- Alison Garnham, Chief Executive, Child Poverty Action Group
- Sumi Rabindrakumar, Research Officer, Gingerbread

The second hearing focused on topics including **public financial guidance and the welfare advice sector, including the 'Help to Save' scheme**. The following participants gave evidence:

- Francis McGee, Director of External Affairs, StepChange Debt Charity
- Caroline Rookes CBE, Chief Executive, The Money Advice Service

The third session included the following:

- Cllr John Fuller, Vice-Chairman of the LGA's Resources Board and Leader of South Norfolk District Council
- David Orr, Chief Executive, National Housing Federation
- Joe Lane, Senior Policy Researcher, Citizens Advice
- Sian Williams, Head of National Services, Toynbee Hall

Audio transcripts of the sessions can be found [here](#), with written transcripts available in due course.

**The Treasury Select Committee** invited the following three speakers to give evidence on the widely criticised Competitions and Markets Authority's Retail Banking Review:

- Peter Vicary-Smith, chief executive officer, Which?
- Mark Mullen, chief executive officer, Atom Bank
- David McCreadie, managing director, Tesco Bank

Watch a video of the discussion [here](#) and read a City AM summary [here](#).

Asked by Gareth Thomas of Labour whether there will be **further rounds of the Regional Growth Fund**, Margot James, Parliamentary Under-Secretary for BEIS, answered:

*Following the 2015 Spending Review **no future rounds are proposed**. The economic context has changed since 2011 when the first round of the Regional Growth Fund (RGF) was launched. The economy has recovered significantly and the employment rate has now reached record levels. The RGF is already achieving its task to deliver jobs and sustainable private sector led growth to areas previously dependent on the public sector.*

In the House of Commons, Chi Onwurah of Labour asked [a comprehensive question](#) of the Chancellor of the Exchequer:

*What discussions has his Department had with the (a) Department for Business, Energy and Industrial Strategy, (b) Cabinet Office, (c) Department for Culture, Media and Sport, (d) Financial Conduct Authority, (e) Information Commissioner's Office, (f) European Commission and (g) European Banking Authority on open banking and their responsibilities in protecting customers' interests?*

Economic Secretary to the Treasury Simon Kirby answered:

*Details of ministerial and permanent secretary meetings with external organisations on departmental business are published on a quarterly basis and are available at: <https://www.gov.uk/government/collections/hmt-ministers-meetings-hospitality-gifts-and-overseas-travel>*

*The Competition and Markets Authority (CMA) published the final report of its market investigation into retail banking on 9 August 2016. As part of this the CMA requires the nine largest UK banks to develop and adopt an open banking standard for application programming interfaces (APIs) to allow access to customer account information, as set out in the revised Payment Services Directive (PSDII) which will come into force in January 2018. These nine banks are required to deliver open data APIs and midata APIs by Q1 2017, and deliver the full open API banking standard by early 2018. Data protection and cyber security are key considerations in PSDII, and the Government will be consulting on the transposition of this directive shortly.*

[Another question](#) from Chi Onwurah asked the Chancellor what assessment his Department has made of the implications of online and mobile applications which require automated access to a user's banking details for **(a) accessibility of banking, (b) digital inclusion, (c) users' banking security and (d) consumer rights**. Simon Kirby answered:

*The Competition and Markets Authority recognised the potential of FinTech and open banking in its retail banking market investigation by requiring the nine largest UK banks to develop and adopt an **open banking standard for application programming interfaces (APIs)** to allow access to customer account information as set out in the revised Payment Services Directive (PSDII) which comes into force in January 2018.*

*Harnessing the potential of open banking means that customers will be able to more easily access high quality, low cost banking services, and improve digital engagement with financial services by helping customers better understand where they could get a better deal. PSDII will set out requirements for enhanced security and consumer protections for online and mobile applications accessing users' banking details from January 2018. **The Government will be consulting on the transposition of this directive shortly.***

Yvonne Fovargue of Labour asked the Chancellor of the Exchequer **three questions relating to high-cost, short-term credit**:

1. How many high-cost, short-term credit firms have (a) been fully authorised and (b) had their authorisation denied by the Financial Conduct Authority?
2. What estimate has his Department made of the number of people employed in the UK by the high-cost, short-term credit sector?
3. What has been the change in the (a) volume and (b) value of high-cost, short-term loans since January 2015?
4. How many high-cost, short-term credit firms are operating with interim permissions?

Simon Kirby answered that the questions had been passed on to the FCA and a copy of the reply will be placed in the Library of the House. View the reply [here](#).

Labour's Helen Goodman asked the Chancellor about the implications for his department from the Children's Society's recent report, 'Damage of Debt'; and about introducing a **statutory breathing space scheme for families in debt**. Simon Kirby [replied](#):

*The Government noted the report with interest and is grateful for the important work that The Children's Society does. The Government is committed to supporting individuals in problem debt.*

***The Government is exploring whether some form of "breathing space" would be a useful and viable addition to the range of formal and informal debt solutions available to consumers and creditors. Officials in HM Treasury and the Insolvency Service have been asked to discuss this issue with stakeholders and the Government will report back this autumn.***

Grant Shapps of the Conservatives **asked the Chancellor what support he is providing to Fintech** after the vote to leave the EU. Simon Kirby [replied](#):

*The Government is... continuing to implement a range of our previously announced policies which are designed to reduce barriers to entry for FinTechs, help industry accelerate the development of key FinTech initiatives and ease access to foreign markets.*

*In July, we launched our second FinTech Bridge with the Republic of Korea – increasing the opportunities for trade and investment between our two nations on FinTech, and deepening regulatory and Government collaboration.*

*I will be meeting with the sector this month to discuss what they are looking for out of the European negotiations, and what more the Government can do in the short and medium term to support the sector.*

Suella Fernandes, Conservative, initiated [a short debate](#) on financial literacy with Employment Minister Damian Hinds, who emphasised building local partnerships and close cooperation with local mental health organisations.

In the House of Lords, Lord Sharkey, Lord Young of Cookham and other peers [discussed](#) high-cost credit and debt management, mentioning recent steps to regulate and fine payday lenders.

## Reports and research

**The Federation of Small Businesses** published [a report](#) on **high street bank branch closures and their effect on small businesses**. Key issues arise from inconsistent service provision, inadequate digital alternatives (and lack of digital knowledge) and lack of awareness of the [access to baking protocol](#).

Price comparison website uSwitch [found](#) that **one in four people had suffered from current account fraud**, which is increasingly common due to the number of people using current accounts to hold savings.

[Reviewing rules](#) introduced in 2013 on **packaged bank accounts**, designed to ensure customers understood whether their product was right for them, **the FCA found that more needs to be done to ensure complaints are handled properly**. Jonathan Davidson, Executive Director of Supervision – Retail and Authorisations, said, “We expect these products to be sold fairly and for customers to have the information they need to make an informed choice. And customers should not have to complain to the Ombudsman to get a fair outcome if things go wrong.”

[Research](#) released by Middlesex University and the University of Liverpool on the voluntary Living Wage in SMEs found that offering the living wage is “[good for bosses and workers](#)”.

**Founder of Public Banking Institute, Ellen Brown**, authored [an article](#) entitled ‘Prop. 51 Versus a State-Owned Bank: How California Can Save \$10 Billion on a \$9 Billion Loan’, which sheds light on some alternative funding options for governmental projects based on **the example of North Dakota’s own state-owned, state-run bank**.

## Events

**Responsible Finance ’17 conference and awards** 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.

**Dr Mohamed El-Erian** will be delivering [a talk](#) entitled **Economic Prospects, Developments and the role of Central Banks** as part of the New City Agenda programme. It is on **Wednesday November 23<sup>rd</sup>** at 9.30am in Committee Room 14 of the House of Commons.