

# Community Investment Coalition (CIC) newsletter, September 2016



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## Campaign update

CIC submitted a case study to the British Banking Association (BBA) **review of bank branch closure protocol**. The account depicted the closure of the final bank branch in Dulverton, and demonstrated both the inadequacy of existing requirements and a lack of will on the part of banks to adhere to guidelines. CIC recommended that the review process address:

- Early notification of proposed branch closures to local communities, authorities and community representatives
- Better and more inclusive discussions with communities about alternative arrangements and more willingness to listen and consider community views

We attended a Centre for Social Justice Roundtable on the topic of **back banking structures for Universal Credit** which could support responsible salary finance-style credit for those in this system.

At an event hosted in Birmingham by New Start Magazine, the New Economics Foundation and Centre for Local Economic Strategies, CIC took part in discussions focused on **bringing 'alternative' local economics into the mainstream** of economic policy thinking. Read [here](#) for more about ongoing research in cities around the UK.

**The Law Commission** published [recommendations](#) for legislative changes to logbook loans (through which borrowers can use their vehicle as security). They recommend greater protection for borrowers and for third parties who purchase the vehicle second-hand. CIC submitted detailed evidence to the Law Commission's review highlighting the potential for logbook loans to push people into debt.

## News

HM Treasury is [holding consultations](#) on the **definition of financial advice**. The consultation period closes on November 15<sup>th</sup>.

The Key Fund have [launched](#) the **Northern Impact Fund**, a £5.5 million fund for start-up social enterprises across the Midlands, North East, North West and Yorkshire and the Humber.

**Birmingham City Council's Financial Inclusion Partnership** launched [a financial advice market](#) at the end of June. "Birmingham Money is a joint venture between Advance Credit Union, City Save Credit Union and Money Line, based in the Community Hub, at Bull Ring Indoor Market, Edgbaston Street."

The Financial Ombudsman released **statistics on complaints** made to individual financial services businesses during the first half of 2016. View the latest stats [here](#).

David French announced the **end of the [Community Banking Campaign](#)**. In a statement, he thanked all for support during the campaign and referenced aspects of the Access to Banking Protocol, agreed with government in February 2015, which have not been delivered, namely:

- *an improved, standardised and uniform delivery of alternative transactional banking through post office outlets for personal, non-personal and small business bank customers; and*
- *exploration of shared service provision options in addition to the post office (such as the neutral shared branching model we have extensively researched)*

The CCBS website will be taken down very shortly and media enquiries will be referred to the press offices of Age UK and the Federation of Small Businesses. For continuity, the individuals principally concerned with the issue going forward are David Steele at Age UK and Ben Baruch at the FSB. Collection and analysis of branch closure statistics and case studies has now ceased.

Results from the BBA review into this issue are being prepared at the moment. **CIC's submission**, detailing the closure of a National Westminster Bank in Dulverton, can be found [here](#).

Citizens Advice monitoring is showing that, while payday lending is decreasing, other forms of high-cost credit are on the increase. This includes logbook loans, rent-to-own and guarantor loans. The charity called for the FCA to extend the cap on high-cost payday lending to other forms of credit.

The FCA reinforced the Senior Managers' and Certification Regime, [adding rules](#) to make **senior managers more accountable for the culture in their organisation** (reported in [the Guardian](#)). The FCA and PRA also [opened a consultation](#) on enforcing the 'duty of responsibility' on senior managers in regulated firms.

**Jonathan Davidson, Director of Supervision – retail and authorisations at the FCA**, spoke at the Future of Lending Conference on his view of a ‘dynamic consumer lending market’. The transcript of the speech can be found [here](#).

Welsh economy secretary Ken Skates announced the new [Wales Business Fund](#), which is backed by Welsh Government and the European Regional Development Fund. **£136 million of funding will be on offer to Welsh-based businesses over the next seven years.** It is the largest EU fund to be launched in Wales since the referendum.

The initiative will be administered by Finance Wales and supported by a Development Bank for Wales, and is intended to be up-and-running by the second half of next year.

A further £2.3 million of EU funding will form the core of [a £4 million fund for social enterprises](#) to be managed by the Wales Council for Voluntary Action.

Scottish First Minister Nicola Sturgeon announced a three-year, **£500 million investment fund for Scottish businesses.** [The scheme](#) is aimed at early-stage, high-growth potential companies with “some loans, of up to £5 million available to small and medium sized firms who would otherwise be unable to grow because of a lack of investment finance”.

Small Businesses Minister Margot James [announced](#) the launch of the **21<sup>st</sup> Enterprise Capital Fund**. The British Business Bank will provide £24 million of the £40 million to be invested in ‘scale-up’ businesses.

The British Business Bank [also celebrated](#) the **Start Up Loans programme reaching the £250 million milestone**, calculated to have returned £3 to the economy for every £1 lent.

The Money Advice Service praised the Scottish Government for [pledging to invest in junior savers](#) and encourage more financial literacy in children.

The FCA [ordered](#) payday lender CFO Lending to pay back **£34 million** in redress to 91,000 customers because of “unfair practices”.

**Household debt as a percentage of disposable income** [remains at a steady 140%](#), though this is expected to rise going into 2017 and beyond.

**High street banking statistics for July**, released by the British Banking Association, show continued growth in household debt. **Despite Brexit, consumer credit returned annual growth of 6%.**

## Parliamentary activity

During an evidence session for the **House of Lords Financial Exclusion Committee**, the Money Advice Trust called for '[a whole-society approach](#)' to tackling financial exclusion, with a more co-ordinated, over-arching strategy.

**A further evidence sessions for the Financial Exclusion Committee** was held in September, with two panels.

*Panel 1 witnesses:*

- Sir Sherard Cowper-Coles, chair, Financial Inclusion Commission
- Sir Brian Pomeroy CBE, president, Financial Inclusion Commission
- Mr Chris Pond, vice-chair, Financial Inclusion Commission

*Panel 1 topics (transcript [here](#)):*

- Causes
- Wider issues
- Sectoral approach
- Report / attitude of Government
- Financial education
- Legislation
- Basic bank account
- Regulatory regime / MAS
- Measuring outcomes
- Credit Unions

*Panel 2 witnesses:*

- Lucy Malenczuk, senior policy manager, Age UK
- Philip Connolly, policy and communications manager, Disability Rights UK

*Panel 2 topics (transcript [here](#)):*

- Financial exclusion
- Policy Interventions / advice
- Dementia
- Welfare and pension reforms
- Financial services products
- Post Office card account
- Technology
- Committee recommendations

(Click [here](#) for an audio recordings of both panels)

**Parliamentary Under-Secretary of State for BEIS, Margot James**, [answered a question](#) on alternative options for unsuccessful applicants to the **Start Up Loans programme** put to the Secretary of State for BEIS by Labour's Chris Elmore of Labour:

*If an application does not meet the lending criteria an applicant will be signposted to a number of credit reference agencies to obtain a copy of their credit report. Additionally, they will be signposted to other lending organisations and charities that may be able to help them. In addition, individuals and small businesses can access the British Business Bank's Business Finance Guide, which aims to ensure individuals understand the finance options available to them.*

Conservative, **Kwasi Kwarteng**, asked the Ministry of Justice: What restrictions the Government has put in place to prevent threatening and intimidating behaviour on the part of bailiffs.

**The Minister of State for Justice, Sir Oliver Heald**, answered:

*The Government is clear that aggressive enforcement action is not acceptable. In April 2014 reforms were introduced to protect people from threatening and intimidating behaviour by enforcement agents. The reforms introduced, amongst other things, safeguards to prevent the use of force against debtors, mandatory training and a certification process for enforcement agents to ensure that they are the right people for the job.*

Pauline McNeill of Scottish Labour [asked](#) the Scottish Government what steps it can take to encourage alternative finance provision, including the promotion of community development finance initiatives, credit unions and peer-to-peer lending, for low income consumers.

**Angela Constance, Cabinet Secretary for Communities, Social Security and Equalities**, answered:

*The Scottish Government is keen to encourage alternative finance provision... We welcome the work of others in this area, including the Carnegie UK Trust which [published](#) 'Gateway to Affordable Credit: The Report of the Affordable Credit Action Group' earlier in 2016. The report examined the challenges faced by Scotland's credit unions and Community Development Finance Institutions (CDFIs) and set out recommendations to help grow not-for-profit alternative finance providers. The [report](#) of the Credit Union Working Group, 'Scotland's Credit Unions: Investing in Our Future' was published on 10 February 2016.... There are already three CDFIs in Scotland: DSL Finance; Social Investment Scotland; and Scotcash, and discussions have taken place with the Community Development Finance Association to consider how the CDFI model might be developed here.*

In the Northern Ireland Assembly, Ritchie McPhillips of the Social Democratic and Labour Party asked the Minister for the Economy to detail the total amount of funding given to businesses by Invest NI in each of the last five years.

**Economy Minister Simon Hamilton** replied with the following table and comments:

*Invest NI provides offers to companies requesting support to help grow or develop their business or products.*

TABLE 1: INVEST NI SUPPORT OFFERED (2011-12 to 2015-16)

Year                      Direct to Business £m

2011-12	67.48
2012-13	100.43
2013-14	119.24
2014-15	167.37
2015-16	73.36

*Notes: In addition to support offered direct to businesses, in the last five years an additional £163m was offered to External Delivery Organisations or universities, towards projects or initiatives that will benefit businesses across the whole of Northern Ireland.*

## Reports and research

**The Centre for Responsible Credit (CfRC)** has produced [a report](#) with **Fair for You** which analyses the social impact of the community interest company. The report finds that a combination of lower lending costs and good service throughout the customer journey help the customer to better manage their finances overall and achieve better financial wellbeing.

**Social Market Foundation** take stock of the developments in personal current accounts since 2000 in their report, [A Stitch in Time](#). The report goes on to look at the likely effect the recent measures to increase competition introduced by the Competition and Markets Authority.

**Building the Case for Social Investment in Credit Unions** is [a report](#) from Social Finance, Big Society Capital and ABCUL (Association of British Credit Unions Ltd.) which looks at the funding models, operating difficulties and future opportunities of 25 example credit unions.

The most recent SME Finance Monitor [report](#) (Q2 2016) found that **small businesses were maintaining the reluctance to use external finance of 2014 and 2015** despite application success rates increasing 81% in the preceding 18 months.

George Nikolaidis, Senior Economist at EFF, the manufacturers' organisation, says:

*Despite improving business performance indicators and application success rates, there is a still a long way to go before SMEs re-engage with the banking sector. What's particularly striking is that almost three quarters of SMEs are willing to accept a lower growth rate rather than borrow to grow faster.*

## Events

The Living Wage in SMEs project is hosting **The Living Wage: Opportunities, Challenges and Future Practice** in London on **October 7<sup>th</sup>**. The [event](#) will investigate the impact of implementing the living wage on small and medium enterprises, and is the result of a joint initiative between Middlesex University, the University of Liverpool and Barrow Cadbury Trust.

Following the rebranding of CDFA (Community Finance Development Association) earlier this year, **'Responsible Finance' is launching in Wales on October 12<sup>th</sup>**, 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](mailto:eventsadmin@wcva.org.uk) by **October 3<sup>rd</sup>**.

**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.