Community Investment Coalition (CIC) newsletter, June 2018

Contents

Campaign update

On 5th June in New York City, a coalition of community, worker rights, economic justice, and environmental groups descended upon Wall Street to launch their campaign for the creation of a public bank. They want the city to divest from the Wall Street banks that are financing environmental and economic devastation, and invest in sustainable, community-led development. They want it to deposit public money with a bank that belongs to New Yorkers, expressly chartered to serve the public interest. In similar vein, on Monday we took part in an insightful webinar hosted by the Greater London Mutual and the RSA to discuss its progress on creating a bank for Londoners, ran by Londoners. To find out more and to join the movement for Co-operative banking, you can register your interest in GLM or a local bank for your region. You can also read our latest blog, published today, on reclaiming ownership of financial services.

The Government's surprise decision to make a u-turn on the logbook loan bill was highlighted this month by a debate in Parliament. The Bill was included in the Queen's Speech and the Law Commission was tasked with drafting the text, which was published last December. Its decision came just as the FCA was releasing its High Cost Credit Consultations. We made detailed representations on the issue in 2014 and believe it essential that action is taken to prevent this type of lending creating consumer detriment.

CIC partner, Responsible Finance launched its leadership development programme last week. The programme is designed to develop the next generation of industry heads and will provide a tailored approach to building the skills and capabilities of aspiring leaders. It will be beneficial to anyone working in alternative finance, so please get in touch if you would like more information or to register.

Our CIC assistant, Eleanor Pughe, attended The University of Birmingham's Centre on Household Assets and Savings Management Annual Conference on Tuesday. It hosted a fascinating line-up of speakers discussing financial wellbeing and working age people. The Money Advice Trust's Jane Tully spoke about the real cost of self-employment, and the disparities between the people who are in 'privileged' self-employment and 'precarious' self-employment. Carl Packman from the Financial Health Exchange at Toynbee Hall spoke about a road map for financial control, and called for businesses, such as utility companies, to offer flexibility in payments, similar to the 'Supported Rent Flexibility' pilot. Below in the 'Parliamentary activity' section you can read a debate that took place last week in parliament on insecure work and the gig economy.

We were delighted to attend The Charity Bank's annual impact awards on Tuesday evening and meet some of the incredible charities they lend to and support. Well done to Action Homeless and to Tim Morfin of Transforming Lives for Good (TLG) for winning well-deserved awards. We wish Ed Siegel good luck in his new role as Charity Bank's Chief Executive, which he will embark on at the end of July.

If you would like to find out more about us and our campaign you can find lots of useful resources on our website, or follow us on twitter (@BankingBetter).

Jennifer Tankard

Campaign Director

News

Which? reported this month that in the past three years nearly 3,000 bank branches have either been closed or are earmarked for closure by the end of 2018. The number of closures has accelerated this year in an alarming trend set to leave many people without proper access to services. Scotland is the worst hit, with 368 branches due to have shut by the end of 2018.

The **Association of Convenience Stores** responded to say that the closures highlight the essential services provided by local shops. Convenience stores play an important role in providing ATMs where banks have abandoned local areas. However, it is becoming more difficult for retailers to be able to provide access to ATMs because of reduced payments to ATM operators and increasing business rates bills. Cash is an essential method of payment for customers in convenience stores, with research showing 76% of customers pay in cash.

In light of bank branch closures and the FCA Financial Lives report (see below in 'Reports and Research'), the **Financial Times** released an article on the future of the bank branch: 'The bank branch that looks nothing like a bank'. It talked about the unconventional new flagship Halifax branch at Tottenham Court Road. Unlike a conventional bank branch, it is dotted with breakout areas and laden with Scandinavian style furniture. Its in-house café hosts free seminars on subjects including how Help to Buy works, allowing people to meet face to face with bank staff and ask questions about financial products. Halifax commented that such events could be rolled out to other branches. Despite this, the Financial Times believes without parliamentary or regulatory intervention, further branch closures are the most likely outcome.

The perils of relying on a single payment method (amid the increased threat to the UKs free-cash network) were demonstrated on 1st June when the **Visa Payment System** crashed, leaving many people unable to purchase items and complete transactions. Even shoppers not using Visa were unable to make purchases because the network provides payment systems for a range of shops and financial institutions.

Nicky Morgan MP, Chair of the Treasury Committee, wrote to the Chief Executive of Visa Europe, Charlotte Hogg, to ask what went wrong and what they will do to prevent a repeat of the incident. Its response can be read here.

The latest **household debt statistics** were released, showing that in Q4 2017 the debt-to-income ratio increased to 133%. Growth in household debt levels has accelerated since early 2016. It peaked in Q1 2008 at 148% of household disposable income.

Power to Change opened applications to its Bright Ideas Fund on Tuesday, inviting community businesses from across the UK to apply for one to one advice, peer learning and small development grants. It will be awarding up to £700,000 through the project. The fund is open to community groups who have an idea for a community-run business, such as a community-run shop or pub. The fund has awarded almost £1.3m to 89 new community businesses across England since it launched in October 2016.

In the US, **Next City** published an article 'Why You Should Still Care about the Community Reinvestment Act' (CRA). It talks about the progress in the industry since the CRA came in in 1977. The Act was originally passed to eliminate the practice of 'redlining,' or denying services to residents of a certain geographic area based on the economic and social conditions of that location. Redlining is now illegal, however many of the broader disparities the Act was meant to address remain the same or have worsened. The article states that whilst the Act provides a strong framework for change, it is capable of doing more.

Critics of the CRA say that is failing to keep pace with technological advancements. Regulatory changes allowing interstate banking and the rise of online banking have necessitated a new look at banking services and the concept of the assessment area. Many online banks are able to defy the previous notion of assessment areas.

The article also states that the CRA needs an update to:

- Capture how banks evaluate the needs of the citizens they serve
- Ensure banks receive feedback directly from the community
- Ensure banks respond meaningfully to feedback
- Allow banks to have the flexibility to be more innovative in their approach, without compromising their financial integrity

Earlier this year, the Treasury Department announced its recommendations for modernizing the Act. They included several proposals including updating the definition of the assessment area and enacting additional performance incentives to increase community lending activities that foster economic development. If enacted, changes like these will make the CRA a more effective tool to both prepare communities to receive an influx of capital and to increase investments in activities that will support a better quality of life for all residents.

Public accountants **Novograndac & Company LLP** wrote an article on the Treasury recommendations for CRA modernisation. The Office of the Comptroller of the Currency has made modernising the CRA a top priority. Its recommendations include:

Assessment Areas – the report advocates for a framework that includes where a bank is physically present, Lower-middle-income communities outside of where the bank has its physical footprint, and in areas where the bank accepts deposits and does substantial business.

Examination Clarity and Flexibility – At the moment banks find it hard to support activities that they know may not qualify for consideration, meaning communities miss out when banks don't know if an activity will be considered until they are examined years after decisions have been made. Policy guidance is often unclear or applied inconsistently. Treasury recommends expanding the range of CRA-eligible activities. It recommends that the service test should reflect the effects of technological innovation.

Treasury also recommends making better use of lending-data to clarify performance benchmarks and simplify evaluation.

Parliamentary Activity

This month the Government published a call for evidence response to its consultation on the **Breathing Space Scheme**, summarising the submissions received to the call for evidence. The next stage will be to consult on a single policy proposal later this summer.

House of Commons

Written Questions & Answers

Jeremy Stone asked the Chancellor of the Exchequer whether they plan to evaluate the effectiveness of the RBS mobile banking service as a result of the closure of RBS branches, and if he will make a statement.

John Glen responded that the Treasury does not make assessments of branch closures or alternative banking methods. However, he said the Government believes it is important the impact of branch closures on communities is understood, considered and mitigated where possible. It supports the Access to Banking Standard, and the Post Office's Banking Framework Agreement.

Paul Sweeney asked the Chancellor whether his department plans to instruct the Payment Systems Regulator (PSR) to intervene in the event that LINK's Financial Inclusion Programme does not protect access to ATMs in areas that face financial exclusion, and whether the department has made an assessment of the adequacy of the provision of free to use ATMs in parliamentary constituencies.

John Glen responded that the **Payment Systems Regulator** (PSR) has a statutory objective to ensure the UK's payment systems work in the interests of their users. As part of this it is monitoring developments with ATM provision. It recently commissioned work to understand the impact on the provision of free-to-use ATMs that a reduction in interchange fees may have. A summary is on its website. It has set out three requirements of LINK:

1. LINK must maintain the current geographical spread of ATMs
2. Changes to interchange fees must be incremental to allow LINK to monitor the impact
3. There must be a greater focus on LINKs financial inclusion programme

Paul Sweeney also asked the Secretary of State for Scotland what representations he has made to RBS to ensuring the maintenance of free access to money for people in communities affected by that bank's programme of branch closures.

David Mundell responded that he has met with RBS to discuss its recent announcements, and decisions on closing branches and the format of provision of service are taken by management and the Government does not intervene. He went on to say that the Government is committed to widespread access to cash.

Ian Mearns asked what plans the Department for Work and Pensions has to introduce a minimum protected income within the Universal Credit system to ensure that claimants are not left in poverty after any deductions are taken from their monthly award.

Alok Sharma responded that the maximum rate of deductions cannot normally exceed 40% of the Universal Credit standard allowance. If a claimant is in financial difficulty as a result of the level of deductions being made they can contact the Department to request that a reduction in deductions be considered.

In January 2018, of all Universal Credit Full Service awards:

(a) 6% had a total deduction amount (either to a third party, for an advance, or for a fraud penalty) which equalled 40% of the standard allowance.

(b) Less than 0.5% had a total deduction amount which exceeded 40 per cent of the standard allowance. In these cases, a priority order is applied so that deductions for rent or fuel costs are applied first, in order to protect claimant welfare.

Ian Blackford asked the Chancellor of the Exchequer what specific plans he has to tackle the rise of debt for young people which take account of the relatively higher level of debt than in previous generations.

John Glen responded that the number of under 25s holding a financial liability has fallen since 2010, from 26% to 22%. Despite this the Government is taking a proactive approach to ensure that young people with debt are supported.

It reformed consumer credit regulation in 2014, giving the Financial Conduct Authority robust regulatory powers to protect consumers. The Government is also setting up a new Single Financial Guidance Body, which will provide consumers with a single point of contact for help with all financial matters, and commission high-quality, free to user debt advice.

The Government's Money Advice Service is spending over £56m to provide debt advice to at least 530,000 people this year. The Government is also introducing a six-week breathing space alongside a statutory debt repayment plan. Together, he said, they will provide over-indebted people with protection from creditor action so they can seek debt advice and enter into a sustainable debt solution.

Debates

Logbook Loans

On 12th June a debate was held to consider protection from logbook loans. On the 14th May, the plug was pulled on a Bill to reform logbook loans. The matter has now been referred to the FCA.

Yvonne Fovargue (Lab) stated that logbook loans were from a different age and change had cross-party support. She said that the loans were particularly dangerous for vulnerable groups and highlighted research by Citizens Advice which showed that people with these loans had twice as many debts as those without.

Logbook loans allow borrowers to use their car or van as security for the loan. She stated that people who use logbook loans are often unable to get access to finance from anywhere else, and are reliant on these types of loans. She criticised the advertising, which she said misled people. She also stated: *"Someone who buys a car that, unbeknown to them is subject to a logbook loan can have it repossessed because the original owner did not keep up repayments".*

Fovargue stated that while the Bill, which would no longer be introduced as the matter had been referred to the FCA, was not perfect but it had the support of StepChange, Citizens Advice and the Money Advice Trust.

The Exchequer Secretary to the Treasury, **Robert Jenrick**, stated that the Government had examined the Bills of Sale Act (the legislation that underpinned logbook loans). He said the Bill had many problems, which was why the Government wished not to progress with it. However, he said that the FCA will use its tools to assess whether further action is required, including new rules that are necessary to protect consumers. Alongside this, he outlined further measures of how the Government will protect borrowers and referred to the £27m that is provided every year through MAS to co-ordinate financial education in schools and to improve the public's financial capability.

Insecure Work and the Gig Economy

On 20th June the Commons held a debate on insecure work and the gig economy.

Stephanie Peacock (Lab) said that work in the UK is becoming increasingly insecure. A changing economy over the past decade has led to a boom in new jobs, which has combined to create a worrying picture of employment rights across the economy. Often under the pretence of offering flexibility, employers have exploited working practices to maximise profit at the expense of workers. The experience of being trapped in a low-paid job with no guaranteed hours, wages or security of employment, and of being unable to plan past this week's rota or pay cheque, with fewer rights and lower pay than colleagues, is all too familiar for people across the country.

She said that it is notoriously difficult to measure insecure work, but some estimates put the number of people in insecure employment well into the millions. The number of people in zero-hours or agency contracts alone is near the 1 million mark, while nearly 3 million people are underemployed and left seeking more hours than they secure week after week. The balance of power is skewed in favour of employers who use short-term contracts to minimise their responsibilities and maximise their profits at the expense of job security for their employees.

She said that former industrial towns and coalfield areas are disadvantaged communities that have been left behind by the economy and are exploited in this way. Many employees are forced into debt and are unable to pay their bills or buy food, and others are forced to work through physical or mental illness out of fear of losing what employment they have. Research from the GMB trade union shows that, across the country, 61% of insecure workers have gone to work while feeling unwell for fear of losing pay, hours or even their job. The same percentage have suffered mental health issues.

At the same time, Companies' widespread avoidance of the minimum wage, holiday pay and sick leave is estimated to cost the public purse £300 million a year in lost national insurance contributions.

She asked the Prime Minister to:

- Commit to taking action to ensure more and better workplace inspections.
- Ensure that from day one agency workers are afforded the same rights and pay as permanent staff doing the same roles in the same company.
- Address the employment loopholes that unscrupulous employers use to exploit vulnerable workers.

Gillian Keegan (Con) said that the use of flexible work to bolster household income is increasingly common and some people choose that way of working permanently. According to her, 90% of those who are wholly reliant on gig income said that they were satisfied, but she added that we need to listen to the concerns of the 10%. She said that the gig economy can empower people to live in a way that increases choice, allowing them to balance their commitments.

Chris Stephens (SNP) commended the work of Better Than Zero, an organisation organised through the Scottish Trades Union Congress youth committee which exposes rogue employers in Scotland.

He commented that there are 4,504 full-time equivalent posts chasing social security fraud estimated at £1.2 billion. There are 400 workers from the state who are employed to chase minimum wage compliance. He said if the minimum wage compliance unit had 4,504 full-time equivalent posts, would there be 200,000 workers in the United Kingdom not being paid the national minimum wage?

He said the Workers (Definitions and Rights) Bill proposes a number of key measures as solutions for workers in the gig economy. For example, that zero-hour contracts should only be in place where there is a collective agreement with a recognised trade union.

He said there is a case for saying that if people turn up at work and are told that they have to work additional hours or that their shift is cancelled, they should be paid double time so that they are compensated for childcare. He aired his concerns about the Taylor review trying to introduce additional tiers of worker: he said there should only be one definition of a worker.

Ellie Reeves (Lab) said that 2006 and 2016, there was a 49.8% increase in self-employment in London. She said that this does not indicate an upsurge in entrepreneurial spirit, but it is a symptom of an ever more insecure workforce.

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy, **Andrew Griffiths**, responded to the debate. He said the Government has made a commitment to seek to enhance rights and protections in the modern workplace. He said the gig economy and agency working offer great opportunities and new ways in which to participate in the labour market. Its detailed response to the Taylor review was published on 7 February. In that response, it committed to take forward 52 of the 53 recommendations.

It has consulted on state enforcement to ensure that vulnerable workers get their holiday and sick pay; it has asked the Low Pay Commission to consider higher minimum wage rates for workers on zero-hours contracts; it is providing agency workers with a clear breakdown of who pays them, and of any costs or charges that are deducted from their wages; it is ensuring that all workers get an up-front statement of terms and conditions from day one; it is making it easier for flexible workers to accrue employment rights, by extending the permissible breaks in continuous service; and it is creating a right to request a stable contract for all workers. To progress that work it recently completed four consultations on employment status, agency workers, transparency and enforcement.

Scottish Parliament

Debates

Impact of Bank Closures

On 12th June a debate was held at Scottish Parliament to discuss the impact of bank branch closures.

Witnesses

First session

- Thomas Docherty, Public Affairs Manager, Which?
- Professor Russel Griggs OBE

Second session

- Sir Mark Boleat, Chairman, LINK Scheme
- Mary Buffee, Head of Consumer Affairs, LINK Scheme

Thomas Docherty, Public Affairs Manager at **Which?** told the committee that there lacked a proper study on the rate of closures and suggested a full investigation should be done.

Older and more vulnerable customers were most affected; he noted and questioned how the needs of those who did not use online banking were serviced. He commented that the lack of robust evidence also came down to the point that the most vulnerable often did not give feedback.

On alternatives to banks and how they might plug the gap within a local community, Professor Griggs discussed the challenges of Post Offices and how they varied in size and delivery. The banks could do a lot more to make banking at a post office simpler, he asserted. Mobile banking units seemed to work well for those who wanted to use them, he added. In his opinion the biggest issue was communicating to people that they could bank at a post office.

He said that there is a duty on banks to provide people with these public financial services and recommended a thorough review of all aspects of these issues.

ATMs

Docherty suggested that ATM machines could carry out more functions, such as paying in money, and recommended that LINK could do more in this area. He pressed the importance of people requiring access to free to use cash machines.

Following a question on how integral ATMs were to businesses, Griggs asserted that there was a need to move to a more sophisticated network of ATM machines that allowed business transactions and praised RBS for pledging to keep ATMs operating.

On how to protect vulnerable customers, especially in remote areas, Docherty said that he would like to see an end to the PSR and Financial Conduct Authority (FCA) working in silo with a robust joint piece of work detailing the impacts of the closures. Rural areas as well as financially challenged urban areas are the most at risk, he stated. He also stated that the PSR needed to challenge LINK on its decisions and that the FCA needed to do more in this area.

Future of banks

Griggs went on to surmise that he felt that banks in the future would go back to being much more advice centres as opposed to the location for transactions.

Impact on communities

Convenience, connectivity and confidence were the three key reasons why people liked to bank in person, Docherty asserted. Debacles like the recent TSB issues had done nothing to help move their customers online, he added.

Docherty noted that there are around 200 communities that are 'cash deserts' in the UK, and 130 of these are in Scotland. He welcomed the EHRC taking notice on the impact of bank closures and noted that the FCA should be asked whether they had done enough to address the concerns on the impact of 'cash deserts' on vulnerable people.

Rural communities

ATMs in remote areas need to be guaranteed, Docherty continued, and stated that financial inclusion was at the heart of this debate. He said that digital and physical connectivity was key.

He went on to explain that there was a huge impact on tourism and how tourists could access money which in turn would support local economies. He added that they had struggled to get a full understanding from Link as to which cash points were at risk.

Griggs pointed to a lot of things that could be done to service ATMs in rural areas and noted that many small businesses would be happy to allocate a day a week for their cash to be collected and pay for further flexibility on this.

Second session

With a focus on the availability of cash being integral for smaller businesses, **Sir Mark Boleat**, Chairman of the **LINK Scheme**, illustrated that LINK was much more focused on supplying cash to individuals as opposed to businesses and suggested that the issues for small businesses lay with the banks.

Boleat stated that small grocer shops were the ideal location to place an ATM. He noted that a common method for storekeepers was 'merchant fill' where they refilled the ATM machine with their own cash.

On their definition of a rural area, Sir Mark noted that LINK did not have a definition for a rural area. **Buffee** clarified that availability of other cash machines in the area defined whether they would stay.

Considering their financial inclusion programme and how to make free cash machines available to the financially vulnerable, Buffee explained their policy to ensure that all communities had access to a free to use cash machine within a kilometre. They assured the committee that they were very proactive on their financial inclusion programme.

Buffee explained their system of classifying 'protected' machines where their rates would not change from July 2018, and said that their Board was committed to not closing any machine that people solely relied on. While grocers would be the main location to house an ATM machine, the committee were told, any store with a shop front would qualify to have one.

Link wanted to achieve the wide geographical spread of ATMs, Sir Mark asserted but he noted that this must reflect the declining use of cash.

The likely range of ATM closures in Scotland was estimated between zero and ten per cent, Sir Mark stated. The panel were criticised for not providing more Scottish specific figures.

Reports and Research

The **Financial Conduct Authority** (FCA) published the latest analysis from its Financial Lives Survey. The report revealed urban-rural differences in how consumers experience financial services. It found that in rural areas, where there is greater reliance on bank branches, a higher proportion of people have difficulty getting to a bank and tend not to be able to use online banking. However, people in rural areas are more likely to be satisfied with their overall financial circumstances. By contrast, people living in urban areas are less likely to be satisfied with their overall financial position, are more likely to use high-cost loans and on average have higher levels of unsecured debt.

The report shows a number of differences in how people in different parts of the UK experience financial services, including:

- 13% of people in rural areas aged 55 and over, or who are younger and have a long-term health condition, have difficulty getting to a bank. This compares to 9% in urban areas.
- Of UK adults who never use the internet, 70% live in rural areas, and the take up of mobile banking in rural areas (23%) is nearly half that in urban areas (45%).
- There is a higher concentration of adults with high-cost loans in urban areas than in rural areas.
- Adults' average unsecured debt is £3,600 in urban areas compared with £2,510 in rural locations.

It also found:

- 1 in 10 of the adult population have no savings. There is a clear North-South divide, with more people in the North having no savings.
- The highest proportion of adults with characteristics of potential vulnerability are found in the North West (55%).

The **FCA** also released a progress report on its strategic review of retail banking business models. It looked at the sources of competitive advantage that have helped the major banks retain their market shares. Early analysis has shown that a key component of competitive advantage has been the combination of personal current accounts (PCAs) and large branch networks bringing the following benefits:

- Large number of customers holding balances in PCAs paying no interest and in savings accounts which pay lower interest rates than other providers
- Significant additional income from fees and charges on PCAs, particularly overdraft charges
- The ability to cross-sell lending products to PCA customers
- The ability to cross-sell business current accounts BCAs and associated business savings balances, which also pay no/low interest

Major banks generate a positive contribution to profits from the majority of PCA customers. This comes from overdraft charges and funding benefits on balances; banks get more funding benefit from customers with larger balances, but unarranged overdraft charges are more likely to be incurred by vulnerable customers. The update sets out the work the FCA has done to date and how it plans to develop it in the next phase of its work.

Cross-subsidisation in the personal current account market was described by Andrew Tyrie, the then chairman of the Treasury select committee, as "not just misleading, it is a con-trick" in 2016. According to a BBC report, free current accounts are nothing more than a brilliant marketing ploy, and are often the most expensive option. Banks make an estimated £177 of revenue per annum per customer.

The **Institute for Fiscal Studies** released a report 'Living standards, poverty and inequality in the UK: 2018'. It examines changes in the distribution of household incomes in the UK, and the determinants and consequences of recent trends.

Its key findings include:

Living Standards

- Since the beginning of the economic recovery, real median household income has grown at 1.6% per year on average. This is slower than the 2.0% rate seen in the four decades before the recession.
- Weak earnings growth has slowed average income growth – real median employee earnings are still 2-3% below their 2007-2008 level.
- Data from 2017-18 indicates little growth in real earnings, and forecasts show allow average income growth is likely to continue over the next few years.

Income inequality

- In the first 5 years of the recovery, incomes increased fastest around the middle of the income distribution. This was partly due to reductions in benefits for poorer households and slow earnings growth for high earners.
- Overall, income inequality is substantially higher than it was in the 1960s, but roughly unchanged from the 1990s. The top 1% have received an increasing share of total income.
- Forecasts show that inequality will be increased by planned benefit cuts falling on lower-income households.

Poverty

- Absolute poverty has decreased from 22% in 2011-12 to 19% in 2016-17.
- Relative income poverty has increased slightly in recent years.
- Increases in employment have driven reductions in absolute child poverty.
- Since 2002-03, average housing costs have risen four times faster for children in low-income families than those with middle incomes.

Poverty among working-age adults in poor health

- People aged 25-54 with long-standing mental health problems have particularly poor labour market outcomes.
- People with mental health conditions are particularly likely to have low living standards.

Joseph Rowntree Foundation responded that the research shows the National Living Wage alone is not enough to end poverty in the UK. It says the report shows that the most effective way to support people on low incomes is to allow them to keep more of what they earn.

"By increasing Universal Credit work allowances to their original level, the Government can boost the incomes of 2.5 million families. This would also prevent 310,000 people from being pushed into poverty."

According a report by the **Centre for Social Justice**, the wages of 10 million low paid workers have stalled for two decades and face pressure for a decade to come. It warns the global economic competition, automation, the shift to the gig economy and a widening regional divide will see further pressure placed on the incomes of those earning between £10,000 and £15,000. The report quoted research from the Social Mobility Commission that found only 1 in 6 low paid workers will progress permanently out of low pay.

The **Resolution Foundation** released a report 'London Stalling: Half a century of living standards in London.' It found that whilst London's economy has grown faster than the rest of the country since the financial crisis, productivity has not. All of London's productivity growth has been driven by increases in employment and hours. A pronounced pay squeeze has taken place in this time. For those entering work for the first time, starting pay has been low. It also found the city in the most unequal place in the UK in terms of both income and wealth inequality.

Ofgem published its annual report on the way vulnerable energy customers are treated. The report paints a mixed picture across suppliers, showing that they are making real progress in some areas but falling short in others. Last year, 6 million vulnerable electricity consumers and nearly 4.8 million gas consumers were registered on their supplier's Priority Services Register, an annual increase of around a third. Progress was also made in stopping the practice of disconnecting customers' electricity and gas for not paying their bills. Last year only 17 people were disconnected, compared to 210 in 2016.

However, the regulator noted concerns about suppliers who too readily resorted to installing prepayment meters by force for customers who are in debt, and not as a last resort. The warrants issued by the local magistrate allow them to go into a customers' home with locksmiths and a dog handler if necessary. This can be traumatic for the customer. They are also a good sign that suppliers are not spotting debt early enough and working with customers to help them pay it off through a repayment plan.

Ofgem plans to consult with stakeholders in the coming months on the strategy for the next five years to make sure that those in vulnerable situations continue to be empowered and supported.

The **National Audit Office (NAO)** released a damning report on the roll out of Universal Credit. It concludes that there is no practical alternative to continuing with the roll out of Universal Credit. It believes that economic goal of increasing employment will be impossible to measure, and this along with the extended timescales and cost of running Universal Credit, compared to the benefits it replaces, means it is not value for money now, and its future value for money is unproven.

The report says that the Department of Work and Pensions has often dismissed evidence of claimants' difficulties and hardship, instead of working with partners to establish an evidence base of what is actually happening. It says that the Department has not done enough to protect and support vulnerable claimants, including disabled people and people with health conditions. The NAO recommends the Government does not expand the roll out of Universal Credit to existing claims until it has fixed problems with the system.

Mind responded to the report:

"Changes to sanctions – cutting people's benefits when they're not able to do the things asked of them - means that even those who are severely unwell and at crisis point are still being required to look for work. We know that even the threat of sanctions can have a negative impact on people with mental health problems. They do nothing to help people move back into employment. We've also seen a real lack of support for people who aren't well enough to manage an online claim or monthly payments. While some people with mental health problems are able to manage their money well, for others receiving one payment and being responsible for ensuring rent and bills are paid can be problematic. Taken together these problems are driving too many people into a cycle of debt, housing problems, and deteriorating mental health.

"The Government has to address the serious problems with the system before they begin to move over 1 million people with mental health problems onto Universal Credit next year."

Joseph Rowntree Foundation also responded condemning the major design flaws in the rollout of Universal Credit. It said the system needs an urgent overhaul so that people's essential needs are met without trapping them in long-term poverty.

A new report by **UK Finance** revealed that debit cards have overtaken cash as the most frequently used payment method in the UK. Its latest UK Payment Markets report shows there were 13.2 billion card payments at the end of 2017, compared to 13.1 billion cash payments. Despite this, cash remains the second most frequently used payment method, only just behind debit cards. Around 2.2 million customers mainly used cash for their day-to-day shopping in 2017, although nine out of ten of them had a debit card they could use if they chose, and the majority used other payment methods to pay their regular bills.

Across both digital and credit cards, the number of contactless payments increased by 97% during 2017 to 5.6 billion. 63% of people in the UK now use contactless payments, and no age group or region falls below 50% usage.

Stephen Jones, Chief Executive, UK Finance said:

"The choice of payment options available in the UK is allowing people to choose to pay the way that best suits them. But we're far from becoming a cash-free society and despite the UK transforming to an economy where cash is less important than it once was, it will remain a payment method that continues to be valued and preferred by many."

Which? responded that even though the way we shop and pay for services is changing, for millions of people in the UK cash still plays an essential role and access to it (in the light of bank branch closures and threats to the ATM network) must be maintained.

Events

New City Agenda is holding its next event on 10th July on ‘Banks, Frauds and Accomplices’. Anthony Stansfeld, Thames Valley Police and Crime Commissioner, will discuss the lessons from Operation Hornet, a six year investigation into fraud at HBOS.

Funded by the proceeds of the fraud, Lynden Scourfeld, an HBOS banker and his fellow conspirators had embarked on a spending spree involving yachts in the Mediterranean, villas in Barbados and Majorca, prostitutes, overseas bank accounts, and a general high life. This was at the expense of the shareholders of the bank, and many small and medium-sized companies which were bankrupted and ruined. Hundreds of millions of pounds were lost and livelihoods were destroyed.

On 2nd February 2017, six people including two former employees of HBOS were jailed for a total of 47 years.

In recent weeks, *Project Lord Turnbull*, a report prepared by an employee of Lloyds, has been released into the public domain and contains allegations concerning what HBOS, Lloyds and their senior executives, lawyers, auditors and insolvency practitioners knew about the fraud and what actions they took.

Anthony Stansfeld will use his experience of this landmark fraud case to discuss the implications for the integrity and ethics of our banks and the effectiveness of the regulatory bodies to police them.