Community Investment Coalition (CIC) newsletter,

June 2019

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The Community Investment Coalition: a 6-year campaign to promote the importance of data to tackle financial exclusion

The Community Investment Coalition was launched 6 years ago to raise the importance of access to finance in low income communities; the impact of the Community Reinvestment Act (CRA) in the USA in tackling this issue; and to explore whether a UK version of the CRA could support economic development in low income communities.

Over the last 6 years we were fortunate to receive funding and support from the Barrow Cadbury Trust, CCLA, and CDF legacy funds. A combination of some of these funds coming to an end, together with much of the access to finance agenda moving on, means that we have decided to end the campaign. We believe there is significant momentum around this agenda to ensure that other organisations and campaign groups continue to raise these issues.

CIC has made a considerable difference, not only in working with others to secure the release of bank lending data, but generally on key issues around financial exclusion. More detail on what we have delivered is set out below.

The Community Investment Coalition (CIC) was created in 2013 to campaign for a re-shaping of the provision of affordable financial services in deprived communities. Its aim was to reduce reliance on high cost credit, support innovation and competition in financial services markets and give people the financial tools they need to participate in the economy.

With the mission of promoting access to affordable finance for families, businesses and communities, the CIC has campaigned for:

- Increased transparency and public accountability of financial services providers to support consumer choice and allow effective intervention in under-served markets.

- Increased diversity of providers and choice for consumers in the financial services sector, with more providers offering a wider range of fair and affordable products.
- More innovation in the financial services sector so that affordable financial products are delivered accessibly to all communities.

Reflecting on the campaign, we would like to share some key learnings.

While securing data release can play a significant role in providing the evidence for the need for public policy interventions, the quality and consistency of data sets are as important as the availability of that data.

We were pleased that a number of academics, think tanks, new entrants to the financial services markets and some local authorities have made use of the data. However, it was intended that the data would also help organisations, including local government and regional economic partners to drive local economic development. Unfortunately, due to the erosion of policy functions in the public sector, the capacity to use the data for this purpose has been limited.

Finally, our campaign was built on creating alliances, research, knowledge sharing and dialogue. Partnerships have been key to the campaign success, and we have always worked hard to build relationships. Any successful campaign relies on these connections.

I would like to thank all of you for your engagement and support over the last few years. Access to finance and economic development in low income communities still require significant progress to ensure everyone in the UK benefits from economic opportunity and I am sure many of you will continue to do good work to address these issues.

Jennifer

The Community Investment Coalition: a review of activity

- **CIC's campaign for data disclosure took a major step forward** with the first release of lending data through the voluntary framework agreed by the British Bankers Association (BBB - now called UK Finance), Council of Mortgage Lenders (CML) and HM Treasury in December 2013. Later, in 2014 the BBB released the second and third tranches of lending data and Birmingham City Council produced 'A guide to using personal lending data at a neighbourhood level'. Find out more here.

- CIC held numerous meetings with government officials, MPs and ministers, and submitted consultation responses advocating for policy change. CIC submitted evidence to the following consultations:
    - The BIS Select Committee's investigation into the UK High Street on bank branch closures in local communities.
    - The Banking Standards Review consultation.
    - European Commission: 'Adapting the Europe 2020 Strategy: the growth strategy for a post-crisis Europe'.
    - HM Treasury: 'British Credit Unions at 50'.

- The Financial Conduct Authority and Competitions and Market Authority: ‘Proposals for a price cap on high-cost short term credit’.
- The Law Commission’s consultation on Log Book Loans.
- The European Union’s Green Paper on ‘Retail financial services: better products, more choice, and greater opportunities for consumers and businesses’.
- Innovation and Skills Committee’s inquiry on Access to finance.
- CIC gave evidence to the United Nations Environment Programme’s inquiry on human rights and the design of a sustainable financial system. The final report references our evidence and is available here.

• CIC hosted 9 round tables and workshops about:
  - The importance of data disclosure for financial inclusion.
  - Banking on communities: how local authorities can make local finance work for local people’ at the Local Government Association (LGA) Finance Conference.
  - ‘Can innovation in financial services tackle financial exclusion?’
  - Data disclosure and financial exclusion in partnership with the Centre for Responsible Credit.
  - ‘Financial wellbeing - what role for employers in the workplace’, with the Money Charity and Open University in the House of Lords.
  - Bank lending data in the House of Lords.
  - Using data to tackle financial exclusion in Scotland, in partnership with Social Investment Scotland in the Scottish Parliament.
  - ‘Inclusive access to finance for enterprise’ with Professor Monder Ram of Aston University and Dr Steve Walker of ART Business Loans.
  - ‘Tackling financial exclusion and access to affordable credit in Scotland’ supported by Carnegie UK Trust and Scotcash in the Scottish Parliament.

• In June 2014, **the Community Investment Coalition launched its Community Banking Charter**. It championed a fresh approach to banking in the UK to ensure that every household, adult and business has access to basic financial tools.

You can access the Community Banking Charter here.

- In Autumn 2014, CIC, together with Citi Community Development, Unity Trust Bank and Big Society Capital, commissioned Coventry and Newcastle Universities to undertake research looking at lending data. **The report – 'Tackling Financial Exclusion: Data Disclosure and Area-Based Lending Data'** provides a mapping of lending per head for postcode sectors against local authority boundaries.
  Read the executive-summary or the full report here.

- CIC published numerous blogs, articles and press releases, some of which are listed below:
  - The importance of data transparency in tackling financial exclusion. You can read the article at the New Start Magazine here.
  - The commitments CIC would like all parties to adopt to strategically tackle financial exclusion. You can find it here.
  - The response to Lord Holmes' blog on Politics Home on the potential for FinTech to improve financial inclusion.
  - A blog about the impact of the responsible finance personal lending sector.
  - The blog 'Opportunity Zones in the US: A Tool for Community Development.'
  - The blog 'Penny for your thoughts? ATMs & the future of cash'
  - CIC released a briefing on Data Disclosure by UK Finance. You can find it here.

- CIC carried out a review of literature on BAME exclusion from financial services. CIC also released a blog on the issue

- **CIC released its 2018 manifesto**: You can access the document here.

- CIC contributed to the following reports:
  - **Financial Inclusion Commission's report** 'Improving the financial health of the nation', which calls for financial inclusion to be a higher public policy priority.
  - **The Centre for Social Justice's report** 'Future Finance'.

- CIC signed the following petitions:
  - Petition calling for the Financial Conduct Authority (FCA) to regulate the high cost-lending sector.
  - CIC signed a letter calling on all UK political parties to commit to open government and the Open Government Partnership.

- **CIC released a report entitled** 'The Distribution of Consumer Debt in Leicester', by Damon Gibbon at the Centre for Responsible Credit, funded by Local Trust.

- **CIC launched the animation on disclosure of bank lending data,** to highlight the importance of the responsible finance sector and the need for transparency to improve access to finance.

Community Investment Coalition

You can find it on our website here and on YouTube here.

- CIC participated in several events to promote the campaign. For instance, the Centre for Responsible Credit's annual conference, the launch of Carnegie UK Trust's £1million fund to support affordable lending to financially excluded households, and the Financial Health Exchange's conference, amongst others.

News

The Public Bank for Wales Action Group, working with the Community Savings Bank Association, wants to fill gaps left by the departing high street banks, by creating Banc Cambria, a community bank for Wales, reported **the BBC.** Banc Cambria would act as a standard bank with branches across Wales, offering current accounts, business accounts and mortgages, among other services, but it would be owned by its members. The project is hoping to get the support of the Welsh government to move on to the next step and find suitable investors.

Fintech companies in the UK are now expanding their services to older and traditionally excluded customers in response to the impact of bank branch closures, reported the **Financial Times.** Monzo and Starling have started to enable customers to make cash deposits though a partnership with the Post Office, and Revolut is simplifying its customer contract to attract new customers.

To counter the loss of bank branches in towns people are now using WhatsApp "change exchange" to replace banking services, reported the **BBC**. By connecting through the messaging application people and businesses swap notes for coins. It is proving to be a handy alternative to using the Post Office.

The FCA announced the implementation of a package of measures to make overdrafts simpler, fairer and cheaper, reported **The Guardian.** One of the main changes is that banks will no longer be able to charge higher fees for unauthorised overdrafts than for arranged overdrafts. According to the regulator, the charges are excessive and are often 10 times higher than payday loans fees.

In this regard, **The Sun** reported that in 2017, banks made £2.4bn from people who went into arrears. Vulnerable customers were the most affected with more than 50% of unarranged overdraft fees coming from 1.5% of customers.

Also this month, **The FCA** announced a new set of rules to stop retailers from excessively charging customers with Buy Now Pay Later (BNPL) products. The measures are designed to reduce the harm experienced by customers who buy products using BNPL credit offers and will save consumers around £40-60m a year. The new rules will come into force next November and mean:

- Firms cannot charge backdated interest on amounts of money that have been repaid by the consumer during the BNPL offer period.
- Firms have to provide better information to consumers about BNPL offers. The information should be more balanced and appropriately reflect the risks as well as the benefits of the product.
- Firms must give prompts to consumers, to remind them when the offer period is about to end, so that consumers are more likely to repay the credit before they incur interest.

The banking and financial services industry has announced its commitment to supporting free access to cash, reported **The Sunday Post.** According to **UK Finance**, the plan of action comes after the Access to Cash Review described the cash system as 'on the verge of collapse'. **Finextra** reported that UK Finance will engage with consumer representatives, local authority representatives and market participants over the summer to develop an approach, identify gaps in cash provision and define the industry's commitments to customers and communities in regards to free access to cash provision.

The government announced the introduction of a new Breathing Space scheme to protect individuals in problem debt by freezing interest payments and halting enforcement action from creditors. The new scheme will introduce a 60 day Breathing Space from 2021. People with disabilities and mental health issues will see further protections.

Parliamentary Activity

House of Commons

Debates

Consumer Access: Financial Services

Nicky Morgan (Con) opened the debate summarising the conclusions of the Treasury Committee's report "Consumers' access to financial services" published last month: First, financial exclusion or vulnerability can affect us all at some point in our lives. Second, the Post Office alone is not a solution to banks closing their branches. Third, a legal duty of care for financial services providers towards their customers is needed if the Financial Conduct Authority cannot make firms act in their customers' interests at all times. Fourth, at present the Equalities and Human Rights Commission does not have the resources to enforce financial services firms to comply with the Equality Act 2010, and therefore the Financial Conduct Authority should be given the power to do so. She highlighted the importance of financial inclusion and why it should be a matter of concern.

Jim Shannon (DUP) highlighted that the regulators at the FCA and FOS need to do more to protect the most vulnerable people, to which **Nicky Morgan** (Con) said that both institutions are facing challenges and need to be aware of the important role they play in financial inclusion but the matter is broader and needs a wider response. She said that the Post Office is not a replacement for a rapidly declining branch network and banks need to have a duty of care, so the matter is addressed properly.

Marion Fellows (SNP), **Annaliese Dodds** (Lab/Co-op) and **Robert Jenrick** (The Exchequer Secretary to the Treasury) discussed the impact of limited access to cash in rural and isolated communities, the mental health impacts of financial exclusion, the policy processes and legislation being undertaken in this area and the government's commitment to safeguarding access to cash in the digital era.

Local Bank Closures

Douglas Ross (Con) opened the debate saying that in the UK, bank branches have reduced from 11,365 in 2007 to just 7,207 10 years later. In Scotland, between 2010 and 2018, a significant number of branches closed. RBS reduced its branch network by 70%, Clydesdale bank by 53% and Santander by 42%. Moreover, Which? estimates that there are 130 communities in Scotland alone that are described as cash deserts. That means they do not have access to a local bank branch or an ATM.

The chamber discussed the alternatives to the rapid closure of bank branches in the UK and how to guarantee that people have access to cash in rural and isolated communities, as well as how to help those who don't have access to digital platforms or experience any vulnerability.

Stephen Kerr (Con), **John Lamont** (Con), **Liz Saville Roberts** (PC), **Patricia Gibson** (SNP), **Annaliese Dodds** (Lab/Co-op) and **Paul Masterton** (Con) among others, discussed the procedures that banks undertake before deciding to close a branch, how the limited access to cash in certain communities is affecting people and businesses and its impact on security. They also discussed the role of post offices and the financial viability of the network.

John Glen (Con) reassured the government is working to upgrade the quality of the consultation and engagement from banks to minimise the impact of branch closures. For instance, the access to banking standards has been signed voluntarily by high street banks, committing them to work with

customers and communities to minimise the impact of branch closures. He
also highlighted the successful negotiation between banks and the Post Office, which will enable 99% of personal customers and 95% of small and medium-sized enterprise customers to continue to carry out their everyday banking at one of the UK's 11,500 post office branches.

Universal Credit and debt

Ruth George (Lab) introduced the debate saying that the impact of Universal Credit is not only felt by individual but at a society level and the system is currently pushing vulnerable people into debt by imposing a five-week wait period for payments. She said that about 440,000 households on universal credit are repaying at least one other debt for benefit overpayments, social fund loans or other advances. People are being pushed into debt and more universal credit recipients are now using foodbanks and high-cost debt, which are significant reason for the increase in depression and anxiety.

Peter Aldous (Con) said that jobcentres, citizens advice bureaux and councils have stepped up to the plate and really worked hard to get the new system working fairly and properly. He highlighted that more needs to be done to ensure that debt does not unnecessarily build up, for which changes must be made in these five areas:

1. consider abolishing the five-week wait for universal credit;
2. address the lack of transitional protection for former recipients which is pushing claimants into debt;
3. adapt universal credit to address the needs of those on zero-hours contracts;
4. universal credit payments need to be individual as single payment arrangements are putting the victims of domestic violence at added risk;
5. the Department for Work and Pensions must give more support to Citizens Advice when assistance is required with client journals.

Drew Hendry (SNP), **Grahame Morris** (Lab), **Jim Shannon** (DUP), **Ivonne Fovargue** (Lab), **Alok Sharma** (Minister of Employment) and others discussed the impact of debt in universal credit recipients, how accumulated debt is affecting local councils in terms of administrative costs, and what options are available to reform the five-week waiting period to prevent more people falling into debt.

Breathing Space Scheme

John Glen (Con) introduced the debate by making a statement on supporting people in problem debt. He highlighted that problem debt can lead to family breakdown, stress and mental health issues. He mentioned that the government has reformed the regulation of consumer credit and widened access to professional debt advice and is helping to build individual financial capability. He announced the introduction of a breathing space scheme and a statutory debt repayment plan. He explained that the scheme is composed of two parts: the breathing space which will provide debtors with a 60-day period in which interest and charges on their debts are frozen and enforcement action from creditors is paused; and the statutory debt repayment plan which is a debt solution that will extend the breathing space protections to debtors who commit to fully repaying their debts in a manageable timeline.

Jonathan Reynolds (Lab/Co-op) asked why the 60-day period was chosen as optimal and if all debts will be covered including public sector debts like council tax arrears and benefit overpayments.

John Glen (Con) said that the period was decided after listening to the consultation responses and to the experience in Scotland. He said that the scheme is broad and covers public sector debts and arrears.

Kirsty Blackman (SNP), **Fiona Bruce** (Con), **Jack Dromey** (Lab), **Nick Smith** (Lab) and **Heidi Allen** (Ind) welcomed the announcement and discussed its implementation and scope of action. They discussed the importance of financial education, debt advice and the problem debt coming from universal credit.

Written Questions

Cash Dispensing:

Emma Reynolds (Con) asked the Chancellor of the Exchequer, how many free to use ATMs are located in Wolverhampton North East Constituency; and how many free to use ATMs there were in that constituency in (a) 2010 and (b) 2015.

Jim Cunningham (Lab) asked the Chancellor of the Exchequer, what estimate his Department has made of the number of free-to-use ATMs that have been converted to pay-to-use machines in each of the last five years. He also asked what steps his Department is taking to ensure that everyone has access to free-to-use ATMs. Finally he asked him what steps his Department is taking to invest in technological improvements to the UK's ATM network.

John Glen (Con) answered that the information on ATM numbers by Parliamentary Constituency for recent periods is publicly available on the LINK website. Data on the total stock of ATMs in the UK and how this has changed each year since 1998 – including the split between free-to-use and pay-to-use ATMs – is also available online. Furthermore, LINK publish monthly data on their Financial Inclusion Programme, and the numbers of free-to-use ATMs 1 kilometre or further from the next nearest free-to-use ATM.

He highlighted that the government is engaging with the regulators and industry. He said that in 2015, the government established the Payment Systems Regulator (PSR), with a statutory objective to ensure that the UK's payment systems work in the interests of their users. As a result, the PSR is closely monitoring developments within ATM provision, and has used its powers to ensure LINK meets its commitment on maintaining the broad geographical spread of free-to-use ATMs.

Regarding the investments for technological improvement Mr. Glen said that the industry continues to develop a range of ways to safeguard access to cash, from investment in ATMs and cashback from retailers, to shared business banking hubs. He mentioned that the government is supporting further industry collaboration to promote innovative ways of managing, accessing and depositing cash, and mentioned that the government has invested heavily in maintaining a stable network of Post Office branches, with investment of around £2 billion since 2010.

Council Tax: Debt Collection

Bambos Charalambous (Lab) asked the Secretary of State for Housing, Communities and Local Government, whether he has plans to widen his Department's review into council tax collection to include how local authorities collect council tax debt under The Council Tax (Administration and Enforcement) Regulations 1992.

Rishi Sunak (Con) replied that his Department is engaging with local authorities and the debt advice sector to improve council tax collection, and to ensure council tax debt collection practices are fair, efficient and compassionate to those in genuine hardship. They intend to publish updated guidance on good collection practices, before considering the scope for further reforms.

House of Lords

Debates

Banks: Cash Withdrawals

Baroness Bryan of Partick (Lab) asked the government what steps they are taking to ensure that banks provide free withdrawals from current accounts at cash machines.

Lord Young of Cookham (Con) responded that the government-established Payment Systems Regulator regulates LINK, the scheme that runs the UK's largest ATM network. The regulator is using its powers to hold LINK to account over LINK's public commitments to maintain the broad geographic spread of free ATMs across the UK. The UK has one of the most extensive free-to-use ATM networks in the world. Around 80% of the UK's ATM estate is free to use and 97% of transactions occur on free-to-use ATMs.

Lord Sharkey (LD) said that on 1 April LINK promised to address the problem by increasing payments to operators. It also said that if that did not fix the problem in two months, it could directly commission free-to-use ATMs in these deprived areas. He asked if the increased payments worked and if LINK commissioned any free-to-use machines in these 924 deprived areas.

Lord Young of Cookham (Con) responded that that the company has tried to ensure the viability of free-to-use ATMs in deprived areas by increasing the transaction fee that the ATM owner gets to £2.75 per transaction, against the standard fee of 25.9p. LINK's policy is that where it has to shrink the estate, it does so by removing ATMs that are close to another one—73% are within five minutes' walk of another one—but maintaining free-to-use ATMs in remote or deprived areas.

Written Questions

Cash Dispensing

Lord Sharkey (Lab) asked the government for each of the last 24 months for which data is available, (1) what was the total stock of ATMs and how many of those were free to use; (2) how many free to use ATMs have been closed; (3) how many of those closures were in areas of economic deprivation; and (4) how many were one mile or more from the nearest remaining free to use ATMs.

Lord Young of Cookham (Con) said that in 2015, the government established the Payment Systems Regulator (PSR), with a statutory objective to ensure that the UK's payment systems work in the interests of their users. As a result, the PSR is closely monitoring developments within ATM provision, and has used its powers to ensure LINK meets its commitment on maintaining the broad geographical spread of free-to-use ATMs. He also highlighted that data on the total stock of ATMs in the UK and how this has changed each year since 1998, including the split between free-to-use and pay-to-use ATMs, is publicly available on the LINK website.

Reports and Research

June 2019's Money statistics from the **Money Charity:**

- Average total debt per UK household in April 2019: £59,713
- Average credit card debt per household in April 2019: £2,653
- Personal Debt in the UK at the end of April 2019: £1.637bn
- According to the Office for Budget Responsibility's March 2019 forecast, household debt is forecast to reach £2.425 trillion in 2023/24.
- At the end of April 2019, outstanding consumer credit lending was £217bn, increasing by £278 million on the revised total for the previous month.

The **Financial Stability Board (FSB),** the organisation in charge of coordinating at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies, published a report on the **evaluation of the effects of financial regulatory reforms on small and medium-sized enterprise (SME) financing.** The report finds that there is significant heterogeneity across jurisdictions in the type of banks that provide SME finance, however, it highlights that in the UK small lenders, development banks, public banks and community-based banks have an important market share.

It also finds that FinTech platforms, including P2P and marketplace lending, are growing significantly in the UK, and contributed to around 6% of total new loans issued in the UK to SMEs in 2017, corresponding to almost 30% with respect to those SMEs (micro firms) with an annual turnover of less than £2 million.

The report also highlights the main public sector policies to support SME financing, including those implemented in the UK such as loan or securitisation guarantee schemes and schemes that allow banks to pledge SME loans as collateral to obtain central bank funding.

Events

4th ESG Responsible Investments & Sustainable Finance Forum Series 2019 | 1st October 2019 |Berlin. Organised by the Global Sustain Group in cooperation with Investment Bank Berlin (IBB), the Forum for Responsible Investment (FNG) and International Bankers Forum (IBF), the event provides an international dialogue and communication platform for the responsible finance, sustainable banking and investment industry to connect and discuss the new trends, opportunities and challenges. Find more information here.

Global SME Finance Forum 2019 | 7th - 9th October 2019 | Amsterdam.
The conference will examine the different ways in which the real sector has entered the SME finance space, and the various ways in which financiers are coping with the "new kids on the block." The action-packed event will include interactive sessions, study visits to high performing institutions, a B2B marketplace, fintech expos, and ample networking opportunities. Learn more and register here.