# Community Investment Coalition (CIC) newsletter,

# May 2019

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## Campaign update

This month there has been a lot of focus in the news and in parliament on the issue of access to cash. Last week in parliament there was a debate on financial exclusion and access to cash, led by Seema Malhotra MP. She noted that the bigger picture of the access to cash debate is about inclusive economic growth and flexibility, security and choice in personal and family finance. Gareth Thomas MP said that we must accept there is significant market failure in the provision of financial services and proposed that banks publish their lending data down to postcode level. This is a key campaign goal of the CIC and would allow us to track areas that are not being supported by the bigger players so we can make targeted interventions through the provision of affordable credit.

Elsewhere, the Personal Finance Research Centre (PRFC) at the University of Bristol released its landmark report *Mapping the availability of cash: a case study of Bristol's financial infrastructure*. It showed that in Bristol, 16 of the city's ATMs changed from free to fee-charging between October 2018 and March 2019. Over two thirds of these were in deprived areas, illustrating the fact that traditional banks are no longer providing infrastructure in these communities. The recent *Access to Cash Review* final report found that poverty is the biggest indicator of cash dependency, which highlights the need to retain free access in these deprived areas. The PFRC report states the importance of taking and area and needs-based approach to ensure fair access to cash and echoes the calls from others for urgent action to be taken to guarantee the future of the UK's cash infrastructure for those who still depend on it.

***Jennifer Tankard***
***Campaign Director***

## News

More than 1,250 free cash machines switched to fee-charging in March alone, reported **Which?**. The free cash point network showed around 2.5% losses in a single month and further declines have been announced by Cardtronics and NoteMachine, the two largest cashpoint operators in the UK. Moreover, according to an article by the **BBC,** free-to-use cash machines are rapidly disappearing and it is expected that 13% of the free ATMs will be close in the next few months. The closure measures are based on the declining use of cash on everyday transactions. However, studies show that people still rely on cash and access needs to be protected. Which? is currently petitioning the government to intervene and appoint a regulator to guarantee access to cash.

The **BBC** reported that poorer people are the most affected by the decline in cash points and bank branches. Homeless people, market traders, small shops in the food industry and traditional cash-based businesses are also being severely affected by the decline.

According to data compiled by **Quartz,** poor people face higher charges of having to pay for cash withdraws fees. The article by Quartz says that according to Link, people with incomes of less than £10,000 a year are more likely to use cash while people in poor and/or areas don't have access to many ATMs, and often limited to use cash machines that charges fees, compared with people in richer areas with the same amount of ATMs.

**The government** announced the creation of the Joint Authorities Cash Strategy (JACS) Group to protect access to cash. The government also pledged to keep 1p and 2p coins in circulation and said that there will be no change to the current coins and notes. Philip Hammond confirmed the government's pledge to protect 3,500 rural cash machines, highlighting the government's commitment to act on the Access to Cash Review.

The Post Office network is on the brink of collapse with more than 2,500 branches facing closure, reported **iNews.** Increasing financial pressures are forcing the downsizing of the network, leaving people in remote and rural communities at risk of isolation and financial exclusion.

The Consumer Finance Association (CFA) said complaints against payday lenders reached a five year high, reported **BBC News.** According to the Financial Ombudsman Service, there were nearly 40,000 new complaints last year compared to 17,000 complaints brought the previous year, most of them related to customer's affordability.

In April, London's debt advice partnership Capitalise was relaunched as Debt Free London, announced **Toynbee Hall**. The rebranded partnership is looking to help more Londoners out of debt, making the service easier to find and use. Since its creation in 2006, Capitalise has helped over 250,000 people.

The Cabinet Office Fairness Group published its joint Public Statement on improving fairness in debt collection practices across central and local government, reported **Citizens Advice**. It outlines how government, the money advice sector and the debt collection industry will work together to support vulnerable people.

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Wagestream, a start-up seeking to bring to an end to payday loans, received £40m in new cash from backers including early investor in Wonga, reported **The Telegraph.** The start-up gives workers access to their wages at any time during the month in exchange for a small fee, giving them more flexibility to manage their salary and access money when needed.

And in the US, according to an article by **The Guardian,** Congress introduced the Savings for the Future Act. The new bill will create new options for retirement savings for employees, with tax relief for employers to offset some of their minimum contributions. It will also create an emergency savings account that people can access to help respond to unforeseen financial challenges.

## Parliamentary Activity

### *House of Commons*

#### *Debates*

**Financial Exclusion: Access to Cash**

**Seema Malhotra** (Lab/Co-op) introduced the debate thanking organisations working for financial inclusion in the UK, the Access to Cash review, the RSA, Responsible Finance, UK Finance, Citizens Advice, the Money Advice Service, the Financial Inclusion Commission, among others for their work and contributions for the debate. She highlighted the complexity of financial inclusion and the need for a joined-up plan between the industry and the government that looks at the cost and effectiveness of the cash infrastructure, programmes for digital inclusion and incentives to diversify services based on customer needs.

The chamber discussed the importance of free access to cash and financial services, the possibilities to support cash infrastructure, including ATMs and bank branches and digital services, and how to make digital solutions and open banking services more accessible. They also discussed the role of credit unions and financial co-operatives in supporting financial inclusion, and how their work can be supported through fit for purpose and adequate regulation.

**Gareth Thomas** (Lab) stressed the importance of promoting alternative sources of lending and having fit-for-purpose regulation. He said that banks should have a bigger responsibility in tackling financial exclusion, and they should be mandated to publish lending data down to the postcode level to see which communities are being left out by traditional lenders.

**John Glen** (Con) responded to the discussion by saying that maintaining access to banking and cash is as equally important as ensuring that the benefits of new technology are felt by all. Therefore, the government's digital strategy commits to enabling people to access the opportunities of the internet, while also working alongside regulators and the industry to guarantee access to cash and an efficient and stable infrastructure. He also briefly touched on the need to ensure the correct governance is in place at credit unions before any regulatory reforms can be made.

**Debt collection letters**

**Normal Lamb** (LD) introduced the debate highlighting the terrible consequences that debt collection letters have on vulnerable people and people with mental health problems. The link between debt and mental health is striking. He mentioned that people with mental health problems are three times more likely to be in problem debt as those without mental health problems. Half of adults in problem debt have a mental health problem. Research by Money and Mental Health found that in England each year, more than 100,000 people in problem debt attempt to take their own life and more than 420,000 people in debt consider suicide.

The chamber discussed the problem of intimidation from bailiffs in the debt collection process and the need for the government to regulate debt collection practices to protect people in vulnerable conditions, including the communication channels used to enforce debt collection. Intimidatory language in letters can be a source of extreme distress and anxiety for people in problem debt, for which the Money and Mental Health Policy Institute presented a petition, signed by over 6,000 people, to call for prescribed content in debt collection letters.

**John Glen** (Con) said that the government's vision is for a well-functioning and sustainable consumer credit market that can responsibly meet the needs of all consumers. Therefore, the government reformed the regulation of the consumer credit market by transferring regulatory responsibility from the Office of Fair Trading to the Financial Conduct Authority. He highlighted that the information requirements in the 1974 Act aim to protect consumers by reducing the information asymmetry between firms and customers. The government is currently undertaking a programme of work to review the 1974 Credit Act after the FCA's recommendations, which includes the wording and language used in debt collection letters and its impact on mental health.

***Written Questions***

**David Drew** (Lab) asked the Chancellor of the Exchequer, what plans he has to support the (a) development and (b) governance of credit unions.
**John Glen** (Con) said that the government is committed to supporting credit unions. He mentioned that in the Autumn Budget 2018, the Chancellor announced a two-year pilot of a new prize-linked savings scheme offered through credit unions. This will support the credit union sector through increased membership, awareness and deposits, as well as encouraging participants to build up savings to help them cope with financial shocks. Also, the Chancellor announced a new £2 million challenge fund to promote innovative solutions from the UK's Fintech sector to address challenges faced by social and community lenders, including credit unions.

**Catherine West** (Lab) asked the Chancellor of the Exchequer, what steps he is taking to ensure the continued provision of free cash withdrawals at ATMs.
**David Drew** (Con) asked the Chancellor of the Exchequer, what steps he is taking to ensure that remote rural areas have access to free to use cash machines.
**Chi Onwurah** (Lab) asked the Chancellor of the Exchequer what steps he is taking to ensure that reductions in the interchange rate do not result in free ATMs becoming pay ATMs.

**John Glen** (Con) responded that the Payment Systems Regulator (PSR) is monitoring developments in ATM provision. He highlighted that the PSR regulates LINK and has held LINK accountable for preserving the broad geographic spread of the ATM network. He said that the PSR has set out requirements of LINK, including that any cuts to interchange fees must be incremental. Having implemented two of the four planned incremental reductions to the interchange fee, LINK has cancelled the third reduction and put on hold the fourth. He finished saying that LINK has put in place specific arrangements to protect free-to-use ATMs more than 1 kilometre away from the next nearest free-to-use ATM. LINK has also enhanced its Financial Inclusion Programme by tripling the funding available to ATMs in the most deprived areas of the UK.

**Hugh Gaffney** (Lab) asked the Secretary of State for Business, Energy and Industrial Strategy what recent assessment he has made of the sustainability of the Post Office Network.

**Kelly Tolhurst** (Con) responded that the government recognises the important role that post offices play in communities and it is committed to safeguarding the network and protecting existing rural services. She said that the overall number of post offices across the UK remains at its most stable in decades with over 11,500 branches, thanks to significant Government investment of over £2 billion since 2010. She highlighted that while the Government sets the strategic direction for the Post Office, it allows the company the commercial freedom to deliver this strategy as an independent business. Therefore, the operation and management of the Post Office Network are operational matters for Post Office Limited

**Frank Field** (Ind) asked the Chancellor of the Exchequer if he will call a summit with industry representatives with the objective of ensuring the continued provision of free cash withdrawals at ATMs in deprived communities.

**John Glen** (Con) responded that the summary of the Call for Evidence on Cash and Digital Payments in the New Economy set out the government's commitment to supporting digital payments whilst safeguarding access to cash for those who need it. It also highlighted that the Treasury would set up and chair a Joint Authorities Cash Strategy Group. He mentioned that the Payment Systems Regulator (PSR) is closely monitoring developments in ATM provision, including those that are free-to-use. The PSR regulates LINK and has used its powers to hold LINK to account over its commitments to preserve the broad geographic spread of free-to-use ATMs.

## *House of Lords*

### *Debates*

**Financial Guidance and Claims Act 2018 (Naming and Consequential Amendments) Regulations 2019**

The Lords Chamber debate, introduced by **Lord Stevenson of Balmacara** (Lab) aimed to draw attention to statutory instrument 2019/383, on financial services consumer protection. The Chamber discussed the setup of the body by the Financial Guidance and Claims Act 2018, the increasing levels of debt in society and how to protect vulnerable customers from financial exclusion and exploitation. They discussed the Breathing Space and debt management schemes now being implemented and how they fit into the Act.

### *Written Questions*

**Lord Kennedy of Southwark** (Lab) asked the government what assessment they have made of the number of people who have no form of bank account in the UK and the additional costs such people incur to access certain goods and services.
**Lord Young of Cookham** (Con) said that the government takes financial inclusion very seriously and is working to ensure everyone can have access to useful and affordable financial services. He highlighted that the Treasury does not make assessments of the number of people who do not have a bank account or the additional costs. But, in 2017 the FCA published the results of the Financial Lives Survey which found that 1.3 million UK adults were unbanked.

**Lord Taylor of Warwick** (Lab) asked the government what plans they haveto update competition law to allow for shared banking hubs in areas where local bank branches have been closed.
**Lord Young of Cookham** (Con) responded that the government does not intervene on the decision-making process for branch closures. However, the government is committed to supporting access to financial services. He said that the major high street banks have been signed up to the Access to Banking Standard, which commits them to work with customers and communities to minimise the impact of branch closures and put in place alternative banking services. Moreover, the government also supports the Post Office Banking Framework Agreement which enables 99% of the UK's personal and 95% of the UK's small business customers to withdraw money, deposit cash and cheques and check balances at any one of the Post Office's network of 11,500 branches.

## *Treasury Committee*

### *Reports*

**Consumers' access to financial services**

The Treasury Committee published the report after launching the inquiry on November 2018 to assess: the Financial Conduct Authority (FCA)'s definition of vulnerability and whether it can be practically applied by financial services providers; whether certain groups of consumers are excluded from obtaining a basic level of service from financial services providers; and whether vulnerable consumers pay more for financial services products.

The report highlights the importance of financial inclusion and the government's commitment to protect vulnerable customers. The main findings and recommendations are:

- Access to finance and financial inclusion matters to everyone and they are issues of vital importance to the Treasury Committee.
- Banks should act in their customer's best interest. If the FCA can't enforce this behaviour, the Committee would support a legal duty of care.
- The Competitions and Market Authority (CMA) has said vulnerable people may be more at risk of paying the loyalty penalty. The FCA should make it mandatory for firms to publish the size of their loyalty penalties to consumers so that they are fully informed.
- Preserving the bank branches network preserves financial inclusion.

- The provision of financial services by the Post Office is done at a loss.
  The Government must ensure that the Post Office receives adequate funding from banks for the services it provides on their behalf.
- Free access to cash must be maintained. This includes free-to-use ATMs.
- Banks should follow Monzo's lead on its voluntary block on gambling transactions.

### *Scottish Parliament*

#### *Debates*

**ATMs (Charges)**

The debate was introduced by **Pauline McNeill** (Lab) who asked the First Minister what the Scottish Government's response is to reports that around one in five of Scotland's free-to-use ATMs are expected to introduce charges to customers in the next 12 months.
**Nicola Sturgeon** highlighted the importance of access to cash and that the government has urged the Economic Secretary to the Treasury to appoint a regulator with sole responsibility for cash infrastructure. She also said that they will continue to urge LINK and ATM operators to ensure access to cash.
The MPs debated about the possibility of working across the parties to support a consumer guarantee of free access to cash, the impact of free-to-use ATMs closures and how to protect access to cash in vulnerable communities.

## Reports and Research

May 2019's **Money Statistics** from the **Money Charity:**

- The average total debt per household, including mortgages, was £59,540 and per adult was £31,142, around 113.1% of average earnings. This is up from a revised £31,055 a month earlier.
- Based on March 2019 trends, the UK's total interest payments on personal debt over a 12-month period would have been £50,731 million, an average of £139 million per day. The average annual interest per household would have been £1,850, and per person £968, 3.5% of average earnings.
- Average credit card debt per household in March 2019: £2,655
- 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 March 2019, outstanding consumer credit lending was £216.7 billion.

The latest research from the **Personal Finance Research Centre at the University of Bristol** on Bristol's financial infrastructure has found that there are differences in access to cash between different types of neighbourhoods in the city, with the provision of cash being opposite to the geographical need for it. The most deprived areas are the most affected by closures of free cashpoints and bank branches; over two-thirds of the ATMs which became fee-charging in Bristol between October 2018 and March 2019 were in particularly deprived neighbourhoods. Moreover, a quarter of ATMs in Bristol have no alternative within 250m in the event of their closure or a malfunction, while 49 per cent of fee-charging ATMs have no free alternative within 250m. This may negatively impact those with mobility issues and risks creating inner-city cash deserts.

## Events

**EMN Annual Conference 2019** | 6th June 2019 | Vienna. The conference will provide an opportunity for networking and learning about the microfinance industry. It will allow participants to connect and discuss the future of the industry and will explore how financial technology and artificial intelligence are rapidly transforming the sector. Learn more here.

**New City Agenda: The Payment Systems Regulator - Ensuring access to cash, preventing payment scams and promoting competition** | 17th June 2019 | London. Chris Hemsley (Co-Managing Director of the PSR) will discuss the priorities of the Payment Systems Regulator for the coming year including its work on access to cash, preventing payment scams and promoting competition in payment schemes. Learn more here.

**Open Banking for People and Planet** | 20th June 2019 | London. Open Banking offers huge potential. It could put people in control of their financial data, enabling products and services to better meet our needs – but there are also significant risks around consent, bias, exclusion and exploitation. The Finance Innovation Lab Fellows NestEgg, Bippit and CoGo will explore and discuss how Open Banking can help build a financial system that serves people and planet. Find out more here.

**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.