Community Investment Coalition

Community Investment Coalition (CIC) newsletter, September 2018

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Campaign update

I hope you all had wonderful summers and are ready to get back to the swing of things this autumn.
The demise of Wonga was cause for celebration at the end of August (although we must lament those whose jobs are now at risk). The exploitative lender came to epitomise the UK's household debt crisis, and its collapse is an opportunity for the Government to support the growth of ethical lenders to fill the void in the provision of affordable credit. We have written a blog, 'Woe for Wonga' which was published this week.

Fair by Design launched its campaign arm last week. The movement is dedicated to reshaping essential services so they don't cost more to low income consumers, and has produced a roadmap for tackling the Poverty Premium.

We attended the launch of ResPublica's new report 'Credit Emancipation: How salary-linked lending can help turn around disadvantaged places' this month at an event at Parliament. The report argues that improving aggregate credit scores at the local authority level can improve individual wellbeing, workforce productivity and wider economic development and place-making. You can read more about this below.

We are organising a round table in partnership with Professor Monder Ram of Aston University and Dr Steve Walker, ART Business Loans, to explore access to finance for ethnic minority firms. The event will take place at lunchtime on 25th October at Aston University's Martin Luther King Centre, a short walk from Birmingham New Street Station. We released some research on ethnicity and financial exclusion earlier this year, available here. Please let us know if you would like us to add you to the guest list.

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

This is Money reported this month that the wave of home repossessions which blighted thousands of homeowners in the 1990s housing crash and in the global financial crisis could be set to return. A cocktail of financial pressures is said to be pushing increasing numbers of families to the brink, unable to meet their mortgage repayments. The number of repossessions and mortgage accounts in arrears has fallen steadily in the past five years on the back of record low interest rates, but industry insiders warn the trend will reverse before the year is out. A key trigger for the anticipated rise in arrears is the conversion of state benefit 'support for mortgage interest' to a loan. Jackie Bennett, mortgage expert at industry association **UK Finance**, said:

"There has been a disappointing uptake of the support for mortgage interest loan.
"Though the Department for Work and Pensions suggests only a couple of thousand borrowers are particularly at risk, we argue that all those who have not taken the loan are vulnerable.
"Worryingly, 61,000 people have actively declined to take the loan. Some will have made alternative arrangements but others will have stuck their head in the sand."

LINK released figures that showed that between the end of January and the start of July 2018 the number of free-to-use ATMs fell from 54,500 to 53,200 as operators close down unprofitable machines. The PSR had earmarked 2,365 machines that it wanted kept open because they are more than half a mile from the nearest alternative free ATM. However, 76 of those closed in just six months, along with 1,200 others. The closures come after banks reduced the fees they would pay operators for each transaction, making some machines no longer economic to run.

LINK's latest figures show the following protected ATM closures between 1 February 2018 and 1 July 2018:

- 12 that were not accessible to the public (e.g. in a private business premises)
- 43 where a Post Office offering free cash withdrawal is available within 1km
- 21 that require further investigation or are targeted for replacement

The **Association of Convenience Stores** (ACS) responded to say that the figures reinforce the need for the Payment Systems Regulator (PSR) to closely monitor the impact that cuts in ATM interchange fees are having on access to the free to use ATM network which is essential to local shops, their customers and surrounding businesses, especially in rural areas. It welcomed the moves by the PSR to develop a specific direction that will hold LINK to its commitment to ensure financial inclusion.

The Times reported that local banks are retreating from business lending as companies looking for finance can't find a local relationship manager and call centres block the way. UK Finance figures show that the outstanding balance of loans and overdrafts to small businesses by major lenders fell by 6.9% to £87.2bn across the country between the final quarters of 2015 and 2017. It found specifically that small business lending in Huddersfield has fallen by 27.5% in just two years. A common refrain in Huddersfield's business community is that the major banks have retreated from the area; branches remain, but lending experts who understand businesses are much thinner on the ground. It said more business owners are relying on re-mortgaging a home, borrowing from friends and family or finding a wealthy individual to back ventures. The article notes that businesses are increasingly turning to alternative finance providers, such as responsible finance provider Business Enterprise Fund; a social enterprise that offers finance and access to a business mentor.

In August the **Competition and Markets Authority** announced that it was now compulsory for banks to publish information on how likely people would be to recommend their bank – as well as its online and mobile banking, branch and overdraft services – to friends, relatives or other businesses. The results come from an independent survey of thousands of personal and small business customers, and must be prominently displayed in banks' branches, as well as on their websites and apps. This will make it easier for people to find out if another bank has a better offer and has been introduced to drive up competition between banks. It is hoped that this will lead to a better overall quality of service.

The new measure is one of a number being required by the Competition and Markets Authority (CMA) following its in-depth investigation of the sector. The CMA also requested the Financial Conduct Authority (FCA) build on this by making banks release further information on their performance and services to drive up standards, and make it easier for people to judge whether they are with the best bank for them.

Triodos Bank revealed in its latest Annual Impact Investing survey that socially responsible investing is expected to grow by 173% to reach £48bn by 2027. It found that a fifth (19%) of UK investors are planning to invest in an SRI fund in the coming years, rising to almost half (47%) of investors aged 18-34. As this new generation of socially conscious millennial investors see increases in their incomes, the research predicts a 'tipping point' of accelerated growth from 2023.

On the fifth anniversary of its launch, the **Current Account Switch Service** (CASS) has been deemed a failure. The service aimed to end the dominance of the five big retail banks, however official figures show that 69,235 people used the service in July, down more than 17% on the same month last year. CASS — operated by the New Payment System Operation (NPSO) — allows bank customers to move their accounts to a different provider within seven working days, with banks obliged to handle rearranging direct debits. Figures from the Competition and Markets Authority suggest that the five biggest banks still account for more than 80% of current accounts.

In the US, the Department of the Treasury's **Community Development Financial Institutions Fund** (CDFI Fund) announced grants and loans to 302 organisations totally $20.2 million. Among these are four cooperatives de ahorro y credito in Puerto Rico, for the first time in the Fund's history.

Parliamentary Activity

House of Commons

Poverty Premium

Lord Hodgson (Con) asked the Government what assessment they have made of the implications of the decline in the use of cash for the "poverty premium" payable by the most financially disadvantaged.
He focused his remarks on the group of people who are in too stressed a personal financial position to take advantage of modern technology.
He said the assertion that non-cash transactions are cheaper than cash payments is wrong; non-cash transactions are generally agreed to cost about 0.25% to fulfil, compared to 0.15% for cash.

He spoke about schemes, such as with rent or utility bills, that offer financial incentives to pay by direct debit. Families on low incomes have to budget carefully and may be uneasy about agreeing to a direct debit mandate that allows a deduction on an agreed date without reference to the account holder. If a direct debit is refused and has to be re-presented, the bank will make a further charge to the account holder of between £10 and £20. He said that one can argue that the poorest members of society are paying £500 to £600 more than those who can sign a direct debit.

2.7 million people in the UK are entirely reliant on cash, and 1.35 million people have household incomes less than £15,000 per annum. Any inability to sign direct debits or standing orders by these groups is likely to make a significant reduction in their disposable incomes.

Lord Empey (UUP) continued by arguing that those on zero-hour contracts are paid sporadically and therefore also struggle to set up direct-debts. Lord Empey also commented on housing benefits by implying that rent should be paid to the landlord not the tenant as it is often a more effective way of protecting those in the private rental market.

Lord Bird (Cross-Bencher) contributed to the debate by arguing that the UK had to take an innovative approach to reduce poverty rates, following the examples of other nations such as Brazil with its family allowance system.

Lord Sharkey (Lib Dem) remarked that the issues around the poverty premium were likely to increase as the gap widened between household income and household expenditure, intensifying due to slow wage rises and growing inflation. He then commented on the necessity of maintaining free access to cash for those in deprived areas.

Lord Davies of Oldham (Lab) suggested that the universal credit scheme was "engineered" to guarantee that people were plunged into poverty.

The Minister of State, Department for International Development, Lord Bates (Con) acknowledged the complexity surrounding the issue especially around direct debit mandates.
The minister stated that the number of people in absolute poverty was at a record low. Nonetheless, he admitted, there was a sense of isolation felt by those individuals who are unfamiliar with the digital payment services. The Government, he contended, sought to tackle this by publishing the digital strategy in 2017, which emphasised the Government's commitment to increasing people’s access to the internet.

The minister also welcomed the establishment of the Digital Skills Partnership which aims to deliver four million training opportunities for digital skills.

Lord Bates continued by raising the issue of access to credit and stated that the Government was committed to facilitating sustainable financial services to give consumers a greater choice in accessing credit. Regarding food banks, the minister stated that it was not unique to the UK, but an international phenomenon and that civil society was helping in reducing it.

The minister concluded by recognising the impact that the rise of digital payments had on the country. He reiterated the commitment to working closely with industry and regulators to ensure the entire country reaps the rewards.

Household Debt

Danielle Rowley (Lab) and **Matthew Pennycook** (Lab) [asked]() what plans the economic secretary has to tackle household debt.

The Economic Secretary to the Treasury (John Glen) responded that the Government is taking a proactive approach to supporting boroughs and enabling them to manage their money well and help those in problem debt.

Danielle Rowley (Lab) said that one in eight workers is living in poverty, and the average worker is earning £25 a week less than they were 10 years ago. Many of her constituents who are working all the hours they can find still have to come to her office for food bank referrals and debt advice. She asked if the Minister accepts that the rhetoric is talking down the people who are working as much as they can but still living in poverty?

John Glen did not accept this and said that this Government are committed to doing all they can for hard-working people. This is why it has raised the national living wage.

Matthew Pennycook asked what more the Government will do to clamp down on predatory lending.

John Glen replied that the primary responsibility for rogue lending lies with the Financial Conduct Authority, and its report at the end of May brought in a number of measures, including a cap on rent to own. He accepted that more can be done. He said he is working with the Under-Secretary of State for Work and Pensions, Guy Opperman, on the financial inclusion forum to look at the expansion of alternative affordable forms of credit.

Charlie Elphicke (Con) urged the Minister to take firm action against loan sharks, payday lenders, rent-to-own outfits such as BrightHouse, rip-off bank overdraft fees and exploitative doorstep lenders.

John Glen assured this. He also met representatives of Scotcash and the credit unions over the recess to see what alternative supplies of affordable credit are available.

Sir Vince Cable (Lib Dem) said that British families are currently spending considerably more than their disposable income and, as a consequence, debt levels in relation to income are rising back to crisis levels. At the same time, France and Germany have big savings surpluses. He asked which is the most sustainable of the two options?

John Glen responded that real household disposable income is up by 4.6% since 2010.

Jonathan Reynolds (Lab/Co-op) said that the Government may say that it is taking action on household debt, but the fact is that it relies on that excessive debt for economic growth. The Office for Budget Responsibility says that nine tenths of all GDP growth last year is attributable to household consumption, which is being fuelled by unsustainable levels of debt. He said that instead the Government should raise investment, both public and private, which in the UK is well below the average for a developed country. He asked if will we see any such proposals from the Government in the forthcoming Budget.

John Glen said that the Chancellor has set out in successive Budgets its commitment to invest in the economy with the national productivity plan.

Kirsty Blackman (SNP) said that the OBR predicts that unsecured household debt will reach 47% of income by 2021. The last peak was 45% in 2007. Families are using credit to pay for essential items. The people who are going to food banks are often in work, because work is not paying. She asked what the Treasury is going to do, and if Ministers will admit that austerity has created this.

John Glen replied that the Government is creating the conditions for growth and raising the national living wage. When he visited Glasgow just a few weeks ago, he said it was encouraging to see the constructive way that the 1st Class Credit Union and Sharon MacPherson of Scotcash are working with the poorest to help them when they are in difficulty.

HM Treasury

The Treasury announced that its Bank Referral Scheme has sourced over £15 million of funding for small businesses who were rejected for finance by their bank. The scheme requires Britain's biggest banks to pass on the details of businesses they have turned down for loans to online credit brokers. The brokers then help those businesses to source funding from alternative, and often smaller, lenders. It said that the amount of funding secured through the scheme has quadrupled since last year.

Treasury Committee

Rt Hon Nicky Morgan MP (Con) warned that the regulator's intervention on ATM closures may be "too little, too late" as figures were released by LINK (above, in 'News') showing one protected ATM closes every day. The Payment Systems Regulator announced that it will take regulatory action to require LINK to set out more explicitly how it will maintain the broad geographic spread of free-to-use ATMs across the UK. Rt Hon. Nicky Morgan MP, Chair of the Treasury Committee, said:

"When LINK launched its consultation on the future level of its interchange fee last year, I warned that it was difficult to see how it could guarantee the reach of free-to-use ATMs.
"Today's figures show that, even before the interchange fee changes took effect, one protected ATM closed every other day. These protected ATMs will represent the only feasible means of accessing cash for many people, so this is a worrying trend.
"The PSR is rightly concerned by the closures, but I fear its regulatory intervention may be too little, too late. It must ensure that LINK is held to its commitment to maintain the broad geographic spread of free-to-use ATMs.
"The Committee has been clear that this is a major test of what is a relatively new regulator, but the banks, the ATM deployers, and LINK itself also have a duty to ensure consumers don't lose out."

Debt collection: Regulation

Sandy Martin (Lab) asked the Secretary of State for Justice whether his Department has plans to introduce independent regulation for the bailiff industry in order to prevent the use of aggressive and intimidating behaviour.

Lucy Frazer responded that the Government intends to launch a call for evidence in the Autumn to evaluate the enforcement agent reforms introduced by the Tribunals, Court and Enforcement Act 2007. Evidence received from the call for evidence will be used to inform its assessment of the current regulation of the industry and options for further reform.

Cash Dispensing: Fees and Charges

Dr Matthew Offord (Con) asked the Chancellor of the Exchequer, what assessment his Department has made of the level of coverage of free to use automated transaction machines throughout the UK.

John Glen answered that the Government recognises that widespread free access to cash remains extremely important to the day-to-day lives of many consumers and businesses in the UK. Government has been engaging and will continue to engage with the regulators and industry, including LINK, to ensure that it is maintained.

The Government established the Payment Systems Regulator (PSR) in 2015 with a statutory objective to ensure that the UK's payment systems work in the interests of their users. As part of this, the PSR is monitoring developments within ATM provision.

The PSR has undertaken work to understand the impact on the provision of free-to-use ATMs that a reduction in interchange fees may have and a summary of the findings can be found on their website. The Government has therefore not conducted its own assessment on the level of coverage of free-to-use ATMs across the UK.

The PSR has also set out three requirements of LINK: that LINK must maintain the current geographical spread of ATMs; that any changes made to interchange fees must be incremental to allow LINK to monitor the impact and take action if the impact is not as expected; and for a greater focus on LINK's financial inclusion programme, to continue to fill gaps in the network.
He said that to ensure the provision of ATMs in rural, isolated or vulnerable areas, LINK announced it will enhance its financial inclusion plan to include in the programme all ATMs that are a kilometre or further from the next other free-to-use ATM.

Additionally, LINK has recently decided to cancel its third interchange fee reduction, due in January 2020, and put on hold its fourth reduction, due in January 2021, pending a further review next year. The PSR has welcomed these adjustments to future interchange rates, having stated that LINK must carefully review its decisions on interchange fees to reflect changing market conditions.
He said that the PSR has committed to using its powers to act should LINK behave in a way that conflicts with its statutory objectives.

ATM Charges

Kate Hollern (Lab) also asked whether the Chancellor of the Exchequer has made an assessment of the potential merits of introducing legislative proposals to remove ATM charges.

John Glen responded to say that to ensure the provision of ATMs in rural, isolated or vulnerable areas, LINK announced it will enhance its financial inclusion plan to include in the programme all ATMs that are a kilometre or further from the next other free-to-use ATM. Around 80% of the ATM network is free-to-use and 97% of all ATM transactions are conducted on free-to-use ATMs.

The Government has made no formal assessment of the effects of banning ATM charges, but is closely monitoring developments within the UK's ATM network, as is the Payment Systems Regulator (PSR).

House of Lords

Rising Debt and Lower Incomes

Lord Taylor of Warwick (Non-affiliated) asked the Government what assessment it has made of rising levels of debt among lower income households in recent years, and what plans it has made to address this issue.

Lord Bates (Con) responded that Household debt as a proportion of income is down significantly from its pre-crisis peak; from 160% in Q1 2008 to 140% in Q1 2018. He said the Government is working to support those on lower incomes by putting in measures to improve living standards and making it easier to access help with financial matters. The National Living Wage has increased the earnings of the lowest paid full time worker by over £2,000 since 2016, and real household disposable income per person is now 3.4% higher than the start of 2010. The Government is also setting up a new Single Financial Guidance Body.

However, he said it recognises that some people can fall into problem debt. He said this is why the Government-commissioned Money Advice Service is spending over £56m to provide debt advice to at least 530,000 people this year, and it is introducing a breathing space scheme to provide people with unmanageable debt protection from creditor action so they can seek debt advice and enter into a sustainable debt solution.

Debt Advice Services

Lord Haskel (Lab) asked the Government what assessment it has made of demand for debt advice services and what steps it is taking to reduce the level of household debt.

The Minister of State, Department for International Development (Lord Bates) said the Government recognises that demand for debt advice is currently higher than supply which is why it is increasing the funding for publicly funded debt advice. He said that although the level of household debt in relation to income is significantly down since the financial crisis, it realises that some people struggle with debt which is why it is creating a breathing-space scheme.

Lord Haskel noted that recently there have been reports of the rise in the number of people seeking debt advice and seeking loans to pay basic household bills. Many of these people are in work. National Debtline, the IPPR, McKinsey, and now the National Audit Office say that the cause is exploitative and precarious terms of employment, which enables low-value jobs, instead of encouraging productivity and investment in skills and trades. He said that there was a time when they spoke of work being a way out of poverty, but that under this Government it seems that the opposite is true. He asked how will the Government make employment the answer and not the cause of this rise in household debt?

Lord Bates did not accept this comment. He said that the evidence does not point to it. Over 3 million more people are in work in this country, and there has been one of the largest increases for the lowest-paid in this country through the introduction of the national living wage. As a result of basic tax thresholds being raised, the typical taxpayer in full-time work is £1,000 better off. That is not to diminish in any sense the fact that there is a serious problem with personal debt in this country. It is about 16.5% less than its pre-crisis levels when inflation is taken into account.

The Lord Bishop of Southwark said that with the demise of Wonga does the minister wish to take this opportunity to endorse the work of the many credit unions which are a channel for such sound advice?

Lord Bates answered that the Government has provided significant additional funding to the credit unions. He said that Wonga, which is in administration at present, is not a matter directly for Government. The Financial Conduct Authority has issued advice that those who have loans with Wonga should continue to service those debts to avoid getting into further potential debt in the future.

Lord Forsyth (Con) of Drumlean asked are we surprised that debt problems are growing when our daytime television is filled with ads for gambling and loans at exorbitant APRs?

Lord Bates said that these are causes for concern. That is why it introduced a £2-limit on fixed-odds betting terminals, put a cap on payday loans, abolished surcharges on credit and debit cards, and why it is currently undertaking a review though the FCA into high-cost credit.

Baroness Smith of Newnham (Lib Dem) said that in light of the comments this morning by Lord Skidelsky- that the next crisis is a case of not "if" but "when"—what are the Government doing to create resilience so that there are provisions in place to ensure that if another crisis comes, household debt will not rise further, and that such advice will be in place ahead of time?

Lord Bates said that the Government is increasing the funding that goes into making financial advice available to people to prevent them getting into debt. It has taken action against illegal money lending by imposing a levy on the consumer credit industry; it must fund the illegal lending teams that clamp down on loan sharks. A lot needs to be done, but it needs constant vigilance in this area because of the problems of the past.

Lord Anderson of Swansea (Lab) spoke about the increased support from public funds for debt counselling agencies. He asked is the minister satisfied with the contribution from those companies that press individuals and vulnerable households to take out more debt.

Lord Bates replied that they are regulated through the Financial Conduct Authority, which is one reason why a review into high-cost credit is currently under way, looking particularly at the rent-to-buy model, which I know is of particular concern to many people. It recognises that that is an important element of it, and we are taking action on that.

Lord Mackenzie of Framwellgate (non-affiliated) asked do the Lords agree that more could be done to resolve problems between debtors and creditors by staged payments, for example, and not immediately bringing in bailiffs, which creates enormous trauma and more expense.

Lord Bates noted the incoming breathing space scheme, which is coming forward for consultation soon.

Reports and Research

The pioneering 'Supported Rent Flexibility' pilot which was designed and delivered by Damon Gibbons of the **Centre for Responsible Credit**, **Well Thought Ltd.**, and **Optivo Housing Association** was evaluated in June. The pilot ran from January 2017 to the end of March 2018 and provided a sub-group of Optivo's social housing tenants with the opportunity to set up a personalised schedule of rent payments. This allowed them to under and overpay on their rent at different points in the year. This offer was contingent on tenants engaging with Optivo's Money Matters service and undertaking an annual budgeting exercise to determine the months in which they were most likely to experience expenditure pressures.

The pilot was focused on working age, 'financially squeezed', Optivo tenants in London and the South East. These were eligible for the pilot if they were: (i) not in receipt of full Housing Benefit; (ii) had dependent children, and (iii) either had outstanding rent arrears of up to £500, or had been in arrears at any point in the previous twelve months.

The pilot was designed to test whether providing tenants with the opportunity and support to tailor their rent payments in accordance with their own knowledge of likely pressure points over the year could:

- Make it easier for people to pay their rent, without recourse to credit use and without cuts to living standards;
- Help people to plan ahead, and make it easier for people to save (especially if people reduced their use of credit as a result); and
- Improve their overall well-being (for example, by reducing stress and anxiety about money).

In addition, the pilot tested whether or not providing rent flexibility to tenants could build trust between tenants in financial difficulty and their landlord: and whether this reduced the need for, and intensity of, debt collection activity if they experienced subsequent problems.

The evaluation found that tenants taking up the offer of rent-flex:

- Benefitted from their engagement with Optivo's Money Matters service. This led to increased take-up of welfare benefit payments and other direct financial support. In total, this has been worth in excess of £70,000 to the rent-flex group - an average of just under £1,200 per tenant using the scheme; and
- Reported improvements in their financial behaviours and well-being, as measured against a range of MAS' Adult Outcomes. In particular, itsaw a reduction in the use of credit to meet essential needs, an improvement in living standards, and a reduction in money worries. Some tenants participating in the scheme improved their physical and mental health; their relationships with family and friends, and to a lesser extent their situation at work. There was also a considerable improvement in people taking control of their finances and planning ahead, although – unsurprisingly given the extent of financial difficulty amongst tenants entering the scheme - few have yet managed to start saving.

Although only eleven tenants have currently completed a full twelve months on the scheme, the initial impacts on overall rent payment performance are encouraging:

- Prior to entering onto rent flex, these tenants had combined rent arrears of £3,277 and average arrears of £290. After a full year on rent flex, eight tenants (72%) had paid more than their contractual rent, reducing their arrears. In some cases this improvement in rent payment performance was substantial. As a group, these eight tenants paid a combined amount of £2,983 in excess of their contractual rent – an average of £372;
- Only three rent-flexers that have completed twelve months in the pilot (23%) have increased their arrears, with most of this caused by changed circumstances such as a loss of employment impacting on Housing Benefit entitlement;
- In comparison, rent arrears are much more likely to have increased in the control group. Seventeen members of the control group have now had their rent accounts monitored for a full year. Of these, eleven (64%) have increased their level of arrears by an average of £1348. Only six (35%) of the tenants in the control group have reduced their arrears.

Looking at the wider rent-flex group (regardless of time they have spent in the scheme). Nearly two thirds (63%) of rent-flexers had paid at least the amount set out in their agreements as at 31st March 2018. This compares to just under half (45%) of the control group.

Qualitative interviews with tenants and staff involved in the delivery of the pilot indicate that relationships of trust have been built. Even where tenants using rent-flex experience financial problems due, for example, to changes of circumstance affecting their Housing Benefit entitlement, they are more likely to maintain contact with staff and act on their advice than the control group.

The **National Audit Office** published a report on tackling problem debt. The report aimed to evaluate and conclude on HM Treasury's (HMT) overall approach to over−indebtedness, and how well it brings together Government's and other stakeholders' activities and interventions to meet its objectives. In particular, the report examined:

- Whether HMT has appropriate mechanisms to identify the scale and nature of the problem it is seeking to address and organise Government's response;
- Evidence on the effectiveness and coordination of Government actions to prevent problem debt through improving people's financial capability and regulating consumer credit lending; and
- The extent to which Government as a whole adopts best practice in managing its own debtors, and supports over-indebted people more generally through debt advice and other protections.

The report concluded that HMT is taking a well-intentioned approach to excessive indebtedness. It recognises that this has significant damaging effects in terms of public and economic costs, as well as on individuals, although these are not quantified. It said the effort to provide support across multiple Government actors has become more coherent in recent years.

However, it says, the problem has not stood still. Utility providers and the public sector have emerged as major components of debt problems. The information available in these areas is much less coherent or transparent than commercial debt information. There are also crucial areas, such as debt collection, where public oversight lacks impact.

It concluded that HMT cannot promote improvement in the management of excessive debt as effectively as possible across a wide network without fixing the weak links. It says that there is further to go before value for money is secured.

Citizens Advice responded to the report to say that the Government needs to get a grip on the scale of household debt. In August, Citizens Advice released research estimating households across the UK owe an estimated £18.9 billion to essential service providers and Government.

Since 2014, problems with household bill debts have overtaken consumer credit as the key money problem people bring to the charity. Of the people we helped with household bill debt last year, almost 1 in 3 people (34%) also had a mental health problem.

Household bill debt issues were twice as likely to be related to the way debts are collected than consumer credit debt issues (29% compared to 15%). 42,000 people came to Citizens Advice with 90,000 (89,622) issues in the last year. Gillian Guy, Chief Executive of Citizens Advice, said:

"The finger is now being firmly pointed at Government to get a grip on the scale of household debt. No one has a clear picture of this and we know people we help with these problems tend to be in a more precarious financial position than those with consumer credit debts.
"Unless the Government starts to collect and report annually on the level of household debt, it will be impossible for them to even begin addressing the problems that result from people's financial difficulties.
"Daily, we see the impact that falling behind on essential bills has on people and the NAO's findings around this are concerning.
"The NAO is also right to say the Government is lagging behind industry by persisting with poor collection practices. Our evidence shows aggressive tactics by bailiffs cause huge distress and can even push people further into debt. There needs to be an independent bailiff regulator to address this broken system."

The **Money Advice Trust** has found that 'smaller but trickier' debts are causing problems for households as demand for debt advice rises. Its new report, A Decade in Debt, reveals how the realities of debt problems have changed in the 10 years since the financial crisis – with fewer people seeking advice with credit cards, loans and overdrafts, and more calls about debts on everyday household bills such as council tax, rent and energy arrears.

It found that half of callers to National Debtline are now struggling to repay debt of £5,000 or less – up from just 22 percent in 2008. These smaller levels of debt are proving difficult to repay due to an increase in 'broken budgets' – where the money coming in is simply not enough to cover essential spending. Nearly half of National Debtline callers now have a budget deficit – up from 27 percent in 2009.

Calls to National Debtline rose in the aftermath of the financial crisis to a peak of 305,000 calls in 2010 – and while demand fell in the first part of the current decade as the economy recovered, the number of calls to National Debtline has since risen every year since 2015. The charity is expecting a total of more than 189,000 calls by the end of 2018 – its highest level of demand in the last five years, with webchat and online demand also increasing.

In response to these trends, the Money Advice Trust – the charity that runs National Debtline – has set out recommendations for Government, regulators, creditors and the advice sector, including:

- The introduction of a formal cross-Government strategy to reduce problem debt, bringing together the relevant Government departments, agencies and regulators into a single, coherent approach;
- Ensuring that the Government's planned 'Breathing Space' scheme provides protections for people seeking advice from all types of creditors – including utility companies, local authorities, DWP and HMRC;
- Further action from the Financial Conduct Authority on persistent credit card debt, unauthorised overdrafts and extending its payday loan cost cap to other forms of high-cost credit.

The report presents trends and recommendations relating to different types of debt – including consumer credit, rent and mortgage arrears, council tax debts, energy, water and telecoms arrears and benefit and tax credit overpayments.

The **Social Market Foundation** released a report 'Britain's Family Bank' in which it revealed that British families depend on £53bn of intergenerational support just to get by. It found that 24% of UK adults have received financial support from family members in the last year, with only 7% of these people being given it to by a home. This dispels the popular commentary suggesting that payments from the "bank of mum and dad" are used to get on the property ladder.

The most common reasons for providing support are to help family members meet the daily cost of living and to help family members pay the bills, such as gas and electricity. 38% of recipients reported that they could not cope without family financial help.

Given this increasing but hidden phenomenon, the report recommends that:

- Politicians should break the taboo and open a more honest conversation about how families share their financial resources and what families need to prepare for;
- Financial guidance and advice should be geared around the individual and the family to reflect the reality of how people make decisions;
- New savings schemes should be developed for families, with a fifth (20%) of savers setting money aside for a family member.

ResPublica launched its new report 'Credit Emancipation: How salary-linked lending can help turn around disadvantaged places' this month at an event at Parliament which we attended. The report argues that improving aggregate credit scores at the local authority level can improve individual wellbeing, workforce productivity and wider economic development and place-making.

In addressing how local credit building strategies can help individuals and households take control of their financial lives, it focuses on the role that both public and private sector employers can make in helping to turn around deprived communities. It examines the potential of 'salary-deducted lending' – a scheme where employees can apply for loans to be delivered through their employer's payroll mechanism – as a more affordable option to other sources of credit, such as bank loans, credit cards or payday lenders.

It estimates the potential economic impact and the beneficial effects it can have by:

- Enabling employees to spend less money on high interest repayments, thereby improving their financial situation, allowing them to spend more on local goods and services, and to contribute to savings and other investments, such as pension plans.
- Enabling employees to more effectively manage their own finances, through consolidating debt (from other higher-interest sources) providing more affordable repayment terms and financial education, thereby improving individual wellbeing, mental health, and workforce productivity.
- Upgrading the average credit score of deprived local areas, potentially driving other economic improvements by reducing indebtedness and raising the purchasing power of the UK's most financially challenged communities to boost local economies.
- This report provides a platform for salary-linked lending, savings and financial education as part of a broader set of place-based solutions to help employers and employees make local communities more productive and prosperous.

The **Joseph Rowntree Foundation** carried out analysis which showed that families trapped in poverty will see no Brexit dividend, unless the Government changes course on domestic policies. Its analysis showed that:

- Child poverty is set to increase across the country, and to affect poorer areas of the UK worst. This rise predates the Brexit vote and is driven by domestic decisions about housing, social security and the labour market. However, many of the worst-hit areas are also highly exposed to changes in trade with the EU and any loss of regional funding.
- There are increasingly strong risks of price rises, falls in real wages, lower employment and lower tax revenues as the UK-EU trading relationship becomes incrementally more distant.
- Poverty rates are not predicted to be greatly affected by Brexit; but this depends on future Governments protecting low-income families from the effects of rising inflation by uprating benefits and tax credits to cover rising costs.

Two years on from the vote to leave the EU, it says that it is only right that opportunities are unlocked so more families are not left behind. The UK Government must deliver more affordable housing, better jobs and an improved social security system to meet the expectations of those who voted to leave the EU. The time and energy being spent on Brexit must not reduce the UK's capacity to deliver a country that works for everyone after Brexit.

Events

Inclusive Access to Finance for Enterprise. 25th October 2018 | Aston University | 12:00 – 14:00. To register please contact e.pughe@responsiblefinance.org.uk

Should Banks Have A Duty of Care To Their Customers? Organised by the New City Agenda with Christopher Woolard (FCA) and Sue Lewis (Financial Services Consumer Panel) on Tuesday 16th October at 9am in Committee Room 10, House of Commons.
To register please contact dominic.lindley@newcityagenda.co.uk