

# Do people in communities have fair access to finance?

## Banking and access to cash

- Around 1.4 million people in the UK do not have a bank account.<sup>1</sup>
- People who were basic bank account holders were more likely to find accessing free cash difficult (8% said so) than those with standard current accounts (4%). Among those who had a basic bank account with a bank that restricts access to cash to its own machines, 12% found accessing cash for free difficult.<sup>2</sup>
- More than 1.8 million social housing tenants are unable to access basic financial services online because they are unable to complete automated checks.<sup>3</sup>

## Insurance

- Over a fifth (5.41 million) of households in the UK has no insurance protections in place.<sup>4</sup>
- 42% claim that they cannot afford to take out cover.<sup>5</sup>
- 8% of low-income Britons admitted that they undervalued their home contents to keep insurance premiums down.<sup>6</sup>
- 56% of the poorest households in the UK did not have home contents insurance in 2009 compared with 52% in 1999/2000, a rise of 4 percentage points. For the richest households, the corresponding proportion was 11%.<sup>7</sup>
- Around two-thirds of households in the rented sector (63% of social renters and 65% of private renters) do not have home contents insurance compared with 8% of owner occupiers.<sup>8</sup>

## Debt and poverty

- In 2013, consumer debt was three times the level in 1993, reaching £158 billion.<sup>9</sup>
- As many as two million people are engaged with a debt repayment plan.<sup>10</sup>
- 'In 2010/11, 16 per cent of people (9.8 million) were in households in the UK with incomes below 60 per cent of contemporary median net disposable household income Before Housing Costs (BHC), and 21 per cent (13.0 million) After Housing Costs (AHC)'.<sup>11</sup>
- In 2011, the number UK households in fuel poverty (defined as needing to spend 10% or more of their income on fuel to keep their home in a 'satisfactory' condition) was estimated at around 4.5 million, representing around 17 per cent of all UK households.<sup>12</sup>
- The aggregate fuel poverty gap (which represents the difference between the modelled fuel bill for each household, and the reasonable cost threshold for the household) has increased in real terms since 2010 by 22 million to £1.05 billion. The average gap (total gap divided by the number of households in fuel poverty) has also increased by £24 to £438 largely reflecting the increase in energy prices.<sup>13</sup>
- Paying for fuel on pre-payment meters is more costly than direct debit payment. In 2008 it was estimated that prepayment customers paid an average of £359 per year more than a person paying by direct debit.<sup>14</sup> About one third of people with the lowest incomes used direct debit to pay gas and electricity bills while 80% of people in the highest income households did so.<sup>15</sup>
- The average household was paying 23.8% of their average monthly income in interest repayments in 2012.<sup>16</sup> One fifth of households with an annual income of less than £13,500 spent more than 30% of their income paying their debts and 41% said they had debts that equated to 60% or more of their income.<sup>17</sup>
- In 2010, 12,000 clients of Wonga had unsecured debts of £18,000, which increased to 36,000 people with an average debt of £43,000 in 2011.<sup>18</sup>

- 8.8 million people would benefit from debt advice but many people are ashamed, in denial or simply unaware of free debt advice services, meaning that only one in six seek help and one in five do not recognise they are in debt.<sup>19</sup>
- It is estimated that 314,500 people are too poor to go bankrupt and are at risk of becoming trapped in debt.<sup>20</sup>
- Looking at the over-indebted population as a whole, Money Advice Service research found that the majority is of working age with 58% in work and 48% living in privately-owned homes. 75% are under the age of 45.

## Savings

- More than eight million households now have no savings at all.<sup>21</sup>
- 13 million people do not have enough savings to support them for one month if they were to experience a 25 per cent fall reduction to income.<sup>22</sup>
- 59% of households in 2009/10 had savings of less than £5,000. Those who had unsecured credit had lower than average savings.<sup>23</sup>
- Households where the head of the household was employed in routine occupations had lower savings (£2,100 was the median average) than people in other occupations. Those working for larger employers and in higher managerial occupations had a median average of £14,300.<sup>24</sup>
- Residents wanted to save as it gave them some security and reduced the need to rely on high cost credit but they had little surplus income to save. Where they did, it was usually in very small sums and they needed a safe savings account that they could pay small sums into and, for those who were Muslim, did not carry interest.<sup>25</sup>

## Who is affected most?

- While there is a perception that debt is caused by individual's overspending the evidence from people in debt indicates that job loss or pay cuts are the most prevalent reason. 49% of survey respondents perceived overspending as the reason for being in debt but this was the case for only 10% of debtors. In contrast, pay cuts or job loss were the reason for 48% of people being in debt where 29% of people perceived this to be the reason.<sup>26 27</sup>
- Reasons for debt among CAB clients were unforeseen changes in circumstance or unrealistic repayment plans.<sup>28</sup> In more detail, reasons were commonly low income, over-commitment, illness or disability and job loss. Other reasons were irresponsible lending, poor financial skills and big increases in the cost of living particularly petrol, energy, water and council tax.<sup>29</sup>
- A 1999 study found that socio economic factors had the most influence on whether a person was financially excluded. These included being on income-related benefits, low household income and the length of time since the householder had been in work. In addition, renting your home, being a single person but not a pensioner, being a member of the Pakistani or Bangladeshi communities and having left school before the age of 16 were also influential factors.<sup>30</sup>
- Those who are vulnerable to debt are benefit-dependent households and those with lower to medium incomes as well as households with the lowest incomes and little or no savings and who rely on credit.<sup>31 32</sup>

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<sup>1</sup> <http://webarchive.nationalarchives.gov.uk/20130102224139/http://www.dwp.gov.uk/docs/credit-union-feasibility-study-report.pdf>

<sup>2</sup> [http://www.link.co.uk/SiteCollectionDocuments/CAB\\_Access\\_to\\_cash.pdf](http://www.link.co.uk/SiteCollectionDocuments/CAB_Access_to_cash.pdf)

<sup>3</sup> <http://www.experian.co.uk/blogs/latest-thinking/2013/11/credit-scoring-boost-for-93-of-social-housing-tenants/>

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- <sup>4</sup>[http://media.shelter.org.uk/home/press\\_releases/over\\_five\\_million\\_households\\_in\\_the\\_uk\\_have\\_no\\_home\\_in\\_surance](http://media.shelter.org.uk/home/press_releases/over_five_million_households_in_the_uk_have_no_home_in_surance)
- <sup>5</sup>[http://media.shelter.org.uk/home/press\\_releases/over\\_five\\_million\\_households\\_in\\_the\\_uk\\_have\\_no\\_home\\_in\\_surance](http://media.shelter.org.uk/home/press_releases/over_five_million_households_in_the_uk_have_no_home_in_surance)
- <sup>6</sup>[http://media.shelter.org.uk/home/press\\_releases/one\\_in\\_three\\_brits\\_without\\_enough\\_cash\\_to\\_cover\\_costs\\_new\\_research\\_shows](http://media.shelter.org.uk/home/press_releases/one_in_three_brits_without_enough_cash_to_cover_costs_new_research_shows)
- <sup>7</sup> <http://www.poverty.org.uk/74/index.shtml>
- <sup>8</sup> <http://www.poverty.org.uk/74/index.shtml>
- <sup>9</sup> <http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/balance.pdf>
- <sup>10</sup> <http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/balance.pdf>
- <sup>11</sup> [http://research.dwp.gov.uk/asd/hbai/hbai2011/pdf\\_files/first\\_release\\_1011.pdf](http://research.dwp.gov.uk/asd/hbai/hbai2011/pdf_files/first_release_1011.pdf)
- <sup>12</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/199833/Fuel\\_Poverty\\_Report\\_2013\\_FINALv2.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/199833/Fuel_Poverty_Report_2013_FINALv2.pdf)
- <sup>13</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/226985/fuel\\_poverty\\_report\\_2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226985/fuel_poverty_report_2013.pdf)
- <sup>14</sup> <http://www.neweconomics.org/publications/entry/community-banking-partnership1>
- <sup>15</sup> [http://www.barnardos.org.uk/a\\_vicious\\_cycle\\_report\\_online.pdf](http://www.barnardos.org.uk/a_vicious_cycle_report_online.pdf)
- <sup>16</sup> <http://www.which.co.uk/news/2012/02/debt-noose-tightening-around-uk-households-280146/>
- <sup>17</sup> [http://www.barnardos.org.uk/a\\_vicious\\_cycle\\_report\\_online.pdf](http://www.barnardos.org.uk/a_vicious_cycle_report_online.pdf)
- <sup>18</sup> <http://www.guardian.co.uk/money/2012/may/20/citizens-advice-wonga-research>
- <sup>19</sup> <https://www.moneyadvice.service.org.uk/files/indebted-lives-the-complexities-of-life-in-debt-november-2013-v3.pdf>
- <sup>20</sup> <http://www.centreforsocialjustice.org.uk/UserStorage/pdf/Pdf%20reports/balance.pdf>
- <sup>21</sup> The Department for Work and Pensions (DWP), *Family Resource Survey 2011/2012*, DWP, 2013, Table 2.8
- <sup>22</sup> Organisation for Economic Co-operation and Development (OECD), *Factbook 2011-12*, London: OECD, 2011
- <sup>23</sup> <http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/c11-963-credit-debt-in-britain-2009-10>
- <sup>24</sup> <http://www.ons.gov.uk/ons/rel/pensions/pension-trends/chapter-10--saving-for-retirement--2011-edition-/index.html>
- <sup>25</sup> [http://www.bridge.bris.ac.uk/pfrc/Reports/Tackling\\_financial\\_exclusion.pdf](http://www.bridge.bris.ac.uk/pfrc/Reports/Tackling_financial_exclusion.pdf)
- <sup>26</sup> <http://www.cccs.co.uk/infographics/causesofdebt.aspx>
- <sup>27</sup> <http://www.cccs.co.uk/Portals/0/Documents/media/reports/statisticsyearbooks/stats-yearbook-2010.pdf>
- <sup>28</sup> [www.citizensadvice.org.uk/pdf\\_the\\_value\\_of\\_debt\\_advice.pdf](http://www.citizensadvice.org.uk/pdf_the_value_of_debt_advice.pdf)
- <sup>29</sup> [http://www.citizensadvice.org.uk/press\\_20090226](http://www.citizensadvice.org.uk/press_20090226)
- <sup>30</sup> <http://www.jrf.org.uk/sites/files/jrf/F369.pdf>

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<sup>31</sup> [http://www.inclusioncentre.org.uk/debt\\_and\\_family\\_17.html](http://www.inclusioncentre.org.uk/debt_and_family_17.html)

<sup>32</sup> <http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/c/11-963-credit-debt-in-britain-2009-10>