Responsible Finance Response to the Access to Banking Services Review: Call for Evidence

July 2026

About Responsible Finance

Responsible Finance is the UK trade association for Community Development Finance Institutions (CDFIs). We believe in a fair financial system where investment flows into communities to create positive economic, social, and environmental impact. To enable this, we lead a strong responsible finance sector so communities have access to finance to transform lives.

About CDFIs

Responsible finance providers are locally rooted, mission-driven lenders that offer affordable credit and personalised support to people, businesses, and social enterprises that are unable to access suitable finance from mainstream providers. As not-for-profit social enterprises, they play a vital role in tackling financial exclusion and expanding economic opportunity in underserved communities across the UK.

Executive Summary

The Access to Banking Services Review provides an important opportunity to consider how financial inclusion can be maintained as access to traditional banking services changes. While access to banking remains important, financial inclusion also depends on access to affordable credit, trusted advice, and locally-based support.

As a vital part of the UK's financial ecosystem, CDFIs play a key role in supporting underserved groups, which is increasingly important as banks reduce local provision. The Review presents an opportunity to recognise the value of community finance and support investment into CDFIs to ensure individuals, businesses, and communities who might otherwise be excluded can continue to access the finance and support they need to thrive.

Our response

Responsible Finance welcomes the Access to Banking Services Review and the opportunity it presents to assess the real-world impacts of declining face-to-face banking services on households, small businesses, and communities. The Review is right to focus on vulnerable consumers, older or younger customers, digitally excluded people, and SMEs and cash-intensive businesses as more likely to be reliant on in-person support, as well as communities facing economic disadvantage. The evidence gathered through this process should inform a future financial services ecosystem that is inclusive, locally responsive, and meets the needs of individuals and businesses across the UK.

Access to banking is essential, but only part of financial inclusion

We agree that access to in-person banking services remains vital for many consumers, community organisations, and SMEs. However, access to banking should not be considered in isolation. **Banking inclusion and credit inclusion go hand-in-hand.** Access to a bank account is not enough if people cannot also access affordable finance when they need it. A truly inclusive financial system must therefore ensure both access to banking services and access to affordable credit.

For millions of people, financial exclusion begins not when a local branch closes, but when they are unable to access safe and affordable finance. CDFIs operate in a market where "being poor costs more" and where many consumers face limited options when unexpected expenses arise. Around 16–17 million people are underserved by the credit market and 3.2 million were declined credit between 2022 and 2024, with higher decline rates among minority ethnic communities. For example, when a household faces a sudden cost such as a boiler repair, they may have no savings, limited access to mainstream credit, and few affordable alternatives. For many of these individuals, a lack of affordable credit options can leave them vulnerable to high-cost lenders or even illegal loan sharks. Whereas greater access to affordable credit supports continued employment and education, reduces financial stress, improves wellbeing, and reduces the social costs of debt and exclusion.

In parallel, many small businesses struggle to access suitable finance as banks have withdrawn from local markets and reduced relationship-based lending. This has created space for higher-cost forms of business lending to emerge, underlining the need for affordable, locally delivered alternatives. The UK's economic growth is being stifled by a £65bn SME credit gap, highlighting the importance of ensuring that businesses can access the finance they need to start, sustain and grow.

CDFIs step in to provide responsible, affordable credit alongside tailored support, providing almost £130m in lending to financially excluded households in 2025, helping borrowers save up to £52m compared with high-cost lenders. The Review therefore presents an opportunity to recognise the close relationship between banking inclusion and credit inclusion, and to consider the broader local financial infrastructure required to support financially excluded communities.

The value of face-to-face services is the value of relationships

The Review asks what services remain essential and which groups continue to require in-person provision. In our view, the most important feature of face-to-face banking is not simply the transaction itself but the trusted relationship and personalised support it enables.

In recent years, many lenders have moved towards more centralised, data-driven lending. While digital services provide convenience for many customers, they cannot always replicate the nuanced understanding, trust, and flexibility that come from local knowledge and direct engagement. CDFIs combine access to affordable credit with in-person, tailored support, taking account of individual circumstances and local economic conditions. This is particularly important for customers who are vulnerable, financially or digitally excluded, older or younger, or who require support to navigate financial decisions, as well as entrepreneurs, microbusinesses, and cash-intensive businesses.

As banking services become increasingly remote and automated, there remains a clear need for trusted, locally delivered financial support to help people navigate financial decisions and access suitable products.

CDFIs demonstrate the power of relationship-based finance

The responsible finance sector provides holistic, flexible support that helps build long-term financial resilience. CDFIs are open and transparent about the cost of borrowing and only lend to those who can afford to repay, helping customers secure the right loan and achieve the best possible outcome.

Rather than relying solely on credit scores or standardised risk models, CDFIs take the time to understand applicants' circumstances and provide tailored support to meet their individual needs, with decisions made by people, for people. This enables a more holistic assessment of applications, taking into account the wider local context and circumstances. This includes understanding the purpose and impact of a loan, local market conditions, and a borrower or business owner's skills and capacity to bounce back following financial or operational challenges.

By looking beyond the numbers, CDFIs can help customers make more informed decisions. Many provide or facilitate wider support and local signposting alongside lending, including to grant programmes, as well as business support and mentoring. Many also offer accessible, direct communication, often in person – for example, most enterprise lenders have local offices – so customers can ask questions, discuss concerns, and receive guidance whenever they need it. This can help create more conversational rather than transactional interactions, enabling customers to engage in an ongoing dialogue about their needs, circumstances and options, and access support tailored to their needs.

This wraparound support benefits beyond lending itself. In 2025, CDFIs helped customers identify nearly £2bn in unclaimed benefits, demonstrating that locally-rooted, relationship-based finance delivers benefits that extend much further than credit provision. By combining affordable finance and comprehensive support, CDFIs strengthen local financial inclusion and help ensure the people, businesses, and communities that are often underserved by mainstream markets can access financial services and opportunities.

Our recommendations

It is vital that CDFIs receive the support they need to ensure people, businesses, and communities continue to have access to trusted, local financial support as the banking landscape evolves. To support financial inclusion, Responsible Finance recommends the following interventions:

1. **Explicitly recognise CDFIs and assess their role within the Review and its outputs** by ensuring the Review's analysis, conclusions, and recommendations consider not only access to banking services, but also the wider financial inclusion ecosystem. In particular, the Review should acknowledge that CDFIs form an established part of that ecosystem, providing responsible, relationship-based finance and support to individuals, businesses, and social enterprises that are unable to access mainstream finance by reflecting:

    a. The close relationship between banking inclusion and credit inclusion, and that financial inclusion extends beyond access to banking services to include access to affordable credit;

    b. The broader local financial infrastructure required to support financially excluded communities, and the role that relationship-based finance plays in supporting vulnerable consumers, financially excluded communities, and underserved SMEs;

    c. The contribution CDFIs provide as a proven source of responsible, locally-rooted finance and support, helping people, businesses, and social enterprises access finance when mainstream lenders cannot.

2. **Ensure CDFIs can sustain and expand their face-to-face services, other personalised support, and local presence for underserved households and businesses as a vital part of the UK's financial ecosystem** – so they can continue tackling financial exclusion while supporting economic growth – through the following sector support:

    a. **Improve referrals from banks to CDFIs** to address that just 2% of CDFIs' business customers in 2025 came via bank referrals, yet 88% of the businesses CDFIs lent to had previously been declined by a bank, by:

   i. **Encouraging long-term, large-scale bank-CDFI partnerships**;

   ii. **Reforming the Bank Referral Scheme** to ensure that every viable business is efficiently routed to the most appropriate lenders, with CDFIs included as key partners.

b. **Scale personal lending by developing funding solutions via:**

   i. **A funding structure enabled by state-backed guarantee,** like the British Business Bank's Community ENABLE Funding programme for CDFIs lending to small businesses. A similar solution for personal lending CDFIs would provide a long-term and scalable structure for bank investment to reach more of those in need; or

   ii. **A fund using Dormant Assets from Fair4All Finance** as first loss cover and/or loan guarantees and bank investment to unlock new investment into CDFIs. First-loss funding would unlock investment and deliver social and economic returns by de-risking bank investment.

c. **Expand Community Investment Tax Relief (CITR) to scale CDFI business and social enterprise lending by:**

   i. **Amending CITR regulations to raise the limit that a wholesale CDFI can on-lend to a single retail CDFI** from £2.5m to the lesser of £25m or 25% of funds raised;

   ii. **Improving awareness of CITR through coordinated cross-government promotion** across investment channels, financial institutions, and advisers as well as funding targeted outreach to advisers and investors;

   iii. **Consolidating and clarifying CITR guidance** through a clearer, investor-facing guide and refreshed technical guidance for CDFIs to reduce friction and increase confidence.

d. **Launch a dedicated microlending guarantee or first-loss fund** to address the gap left by the current Growth Guarantee Scheme, which begins at £25,000, making it hard for CDFIs that support microbusinesses to raise funding for lending.

e. **Act quickly on the Government commitment to exploring whether credit broking exemptions should be extended** beyond social landlords to other organisations making fee-free referrals to CDFIs. This would enable local and national charities that support low income and vulnerable communities to steer people away from high-cost and illegal lenders towards safe, affordable credit like CDFIs.

f. **Investigate and address high-cost small business lending by improving transparency, affordability checks, and broker fee disclosure to address that** up to one in four business loan enquiries to CDFIs comes from firms seeking to refinance high-cost debt. Common issues include unaffordable lending, excessive interest rates, poor transparency, and misaligned broker incentives. The Government should investigate the market and consider measures to improve transparency, affordability checks, and broker fee disclosure.

Conclusion

Responsible Finance strongly supports the objectives of the Access to Banking Services Review. While access to face-to-face banking remains important, financial inclusion must be understood more broadly, encompassing access to affordable credit, trusted advice, and locally-rooted support.

As banks continue to reduce local provision, CDFIs play an increasingly important role in helping underserved households, businesses and communities access finance and support. By combining affordable credit with relationship-based lending, they strengthen financial resilience, support local economic growth, and expand opportunity.

CDFIs demonstrate that relationship-based finance continues to deliver significant social and economic value. As the UK adapts to a changing banking landscape, preserving and strengthening alternative sources of locally-based financial support and community finance infrastructure is increasingly important, and essential to ensuring that no community is left behind.