Community Investment Coalition (CIC) newsletter,

December 2018

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Campaign update

Last week our partner Responsible Finance held a round table at the Scottish Parliament with Carnegie UK Trust and Scotcash to discuss tackling financial exclusion and access to affordable credit in Scotland. The evening was hosted by Richard Leonard MSP, leader of the Scottish Labour Party and economy spokesperson. Aileen Campbell MSP, Cabinet Secretary for Communities and Local government also spoke, along with Andy Wightman MSP, Scottish Greens Communities Spokesperson, Very Reverend John Chalmers, Chair of Carnegie UK Trust's Affordable Credit Action Group, and myself. We look forward to continuing to engage with the Scottish Government on these issues and thank everyone who attended for making it a lively and constructive debate.

The event was covered in **Third Force News**, which spoke about the series of economic challenges that the most disadvantaged citizens in the UK are facing and the need to ensure that everyone has access to affordable credit. This is even more pressing in light of the news last week that average UK workers are earning a third less than in 2008. Research by the **Trades Union Congress** (TUC) found that the average worker has lost £11,800 in real earnings since 2008, with the figure for the North West standing at £14,000. It is calling on the government to step up and tackle the UKs cost of living crisis.

Elsewhere, Amigo Loans, which provides loans for those with poor credit scores as long as they are guaranteed by a friend or family member, has seen its share prices jump 66% after an increase in its customer numbers. It has attributed this rise to the collapse of Wonga, as individuals are being forced to seek out new sources of credit. The guarantor loans market is growing because of the restrictions now placed on payday loans firms. Last February, Citizens Advice reported a 40% rise in the number of people it helped with guarantor loan issues. Too often guarantors are unaware of the risks they face should the borrower get into difficulty. You can read more about this below. We will continue to monitor this trend in 2019.

Jennifer Tankard

Campaign Director

News

The FCA announced a new package of measures to reform the way banks charge for overdrafts and extend protections for other high cost credit products. The proposal is part of the organisation's high-cost credit review and aims to end high prices for unarranged overdrafts and protect consumers using home-collected credit, catalogue credit and store cards. The regulator is also consulting on further measures on buy now pay later offers. It also released its finalised guidance for helping tenants find alternatives to high-cost credit and what this means for social housing landlords.

Amigo Loans cashed in on the collapse of controversial payday lender Wonga, reported **The Telegraph.** Amigo Loans lends up to £10,000 to vulnerable customers with poor credit ratings and a bad credit history, provided payments are guaranteed by friends or family, has benefited as more customers are turning to them. The firm reports that pre-tax profits over the first half jumped by 66% after an increase in customer numbers.

Loan Sharks target people with disabilities, health problems or who are out of work. They take advantage of people's desperation and need to be stopped, says an article by **The Mirror.** According to the article, with an industry value of about £700m, it is estimated that 310,000 families are using these loans.

According to the **Money and Mental Health Policy Institute** around 100,000 people in problem debt attempt suicide every year, reported **iNews.** Over 420,000 people in problem debt in England considered taking their own life in 2017, and they are more likely to consider suicide than people who are not in problem debt, says the charity. Currently in the UK 14% of the adult population is facing debt difficulties.

In this regard, an article by **The Express** reported that the Policy Institute has launched a campaign to change the law regarding debt collection methods. Martin Lewis, chair of the initiative highlighted that *"You are up to four times more likely to be in debt crisis if you have a mental health problem than average, and financial problems can substantially extend the time it takes for someone to recover from conditions like clinical depression."*

BAE pension fund launched a lending programme to transform the way SMEs access finance, reported the **Financial Times.** The £200m programme looks to lend to small businesses through the online platform ThinCats which offers a peer-to-peer lender option, lending between £100,000 and £15m for three to five years at interest rates from 5% to 14%. The pension fund is hoping to influence other funds to get involved in SME lending to fill the gap as traditional high-street banks' investment retrenches.

Representatives from the Bank of Scotland and Lloyds Banking Group visited the Moray Community to discuss bank closures, reported **The Press and Journal.** With a population of 8,000, Moray has lost 40% of is banks in recent years and is now fighting the closures. The Bank of Scotland explained that banking trends are changing, and permanent bank branches are not needed as much due to reductions in customers. However, the community argued that the region is ready to receive an influx of armed forces personnel, so it makes no sense for the branches to be closed.

In America, the CDFI industry is betting on new reforms to the Community Reinvestment Act's (CRA) regulatory framework, reported the **Opportunity Finance Network.** The CRA is a United States federal law created to incentivise banks and saving associations to help meet the needs of borrowers in all segments of society. By the 19th November, 1,284 submissions were posted on the Office of Controller of the Currency's (OCC) website after requesting advice from organisations in the sector.

The OCC, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC) will review all the recommendations received and hopes to propose a new CRA regulations framework in 2019.

A new mandate for cross-European collaboration has been agreed between Responsible Finance and The Microfinance Centre**.** The relationship involves sharing learning on financial exclusion issues. It seeks to strengthen both organisations and their members, expanding the availability of innovative and ethical finance for microbusinesses, social enterprises and SMEs.

Parliamentary Activity

House of Commons

Written Answers

Credit: Interest rates

Stephen Twigg (Lab) asked the Chancellor of the Exchequer what estimate he had made of the number of public sector workers using payday loan companies.

John Glen (Con) answered that since 1st April 2014 responsibility for this was transferred to the FCA. According to FCA figures from a feedback statement in 2017, the price cap on the cost of payday loans has been effective and led to savings of about £150m for 760,000 people. He concluded by saying that the government does not have data on the number of public sector workers using payday loans companies.

Credit Unions

Gareth Thomas (Lab) asked John Glen what further steps he plans to take to support credit unions.

John Glen (Con) answered that the government remains committed to supporting credit unions, which provide vital services to local communities.

In the Autumn Budget, the Chancellor announced a package of measures to support the social and community lending sector, including credit unions.

This included a prize-linked savings scheme for credit unions, simplifying regulation to make it easier for Registered Social Landlords to refer to credit unions, and a challenge fund to create technological solutions for credit unions and Community Development Finance Institutions.

Debates

Affordable Credit for People on Low Incomes

Frank Field (Ind) opened the debate and argued that more needs to be done to guarantee access to affordable credit for people on low incomes. He said at Christmas time more lenders target vulnerable people.

Jim Shannon (DUP) suggested the need for viable alternatives to payday loans like credit unions. He highlighted that even though credit unions and alternative lenders were part of the solutions, wider measures needed to be taken.

Stella Creasy (Lab) called for new legislation to tackle the problem.

John Glen (Con) argued that the government aimed to have a well-functioning and sustainable credit market and measure were being taken. He mentioned that the FCA were consulting on new rules and guidance specifically for home-collected credit firms.

ATM Closures

Ged Killien (Lab) argued that ATM closures in towns, high-streets and rural communities, after changes to the interchange fee rate by LINK, are as high as 250 per month. He mentioned that reinstallation costs for ATMs are between £7,000 or £10,000, which means that replacing closed ATMs is very difficult.

He said that the LINK financial inclusion programme, is reliant on communities or operators reporting vulnerable ATMs to LINK and nominating them for extra funding, which they did not always do. He called for a regulator to have the powers to take a rounded view and implement effective measures that would ensure access to cash is protected.

He also said that the distance between ATMs in isolated and rural communities is a concern.

Ruth Smeeth (Lab) highlighted that in many communities there is no access to digital platforms. For these communities, contactless payments or online banking services are not an option.

Glen Killien (Lab) responded that it is not just a matter of the number of ATMs but that the whole banking infrastructure is insufficient. Therefore, the government needs to intervene.

Kirstene Hair (Con) argued that people in rural areas are more likely to rely on cash and it is having a major impact on rural high streets. No access to ATMs creates barriers for consumers and disincentivises shoppers. LINK needs to commit and ensure that the ATM networks in rural areas are protected. There must be an adequate process to identify vulnerable areas and act on it.

Jim Shannon (DUP) argued that businesses try to find a location with easy access to a bank branch. This means that rural areas are at risk of isolation as businesses could start relocating to be nearer a bank branch. Therefore, protection for access to cash should go beyond protection of ATMs and the whole cash nexus should be protected. For instance, the proposition from Which? to place a duty on the Payment Systems Regulator to protect access to cash and to ensure the sustainability of the UK's cash infrastructure.

Douglas Ross (Con) highlighted that banks are not clear about their intentions as they are closing branches and ATMs in rural areas while opening new ones in wealthy areas. Communities are being widely affected in Scotland and that is affecting business and tourism.

Hugh Gaffney (Lab) argued that businesses and high streets are facing a crisis due to the closure of ATMs and bank branches. Therefore, supporting Labour's five-point plan to support and save Britain's high streets, outlined by the Shadow Secretary of State for Business, Energy and Industrial Strategy is necessary. The five points are:

- To ban ATM charges and stop bank closures and stop Post Office closures
- To improve local bus services and provide free bus travel for under-25s
- To deliver free public wi-fi in town centres
- To establish a register of landlords of empty shops in each local authority area
- To introduce annual revaluations of business rates, ensure a fair appeals system and review the business rates system to bring it into the 21st century.

John Glen (Con) highlighted that the UK has one of the most extensive ATM networks in the world, of which 82% is free of charge. He said that it must be recognised that people are moving away from cash towards digital payment, and ATM usage is forecasted to decline. He said that the government has invested heavily in supporting and maintaining the Post Office network to support access to cash and it offers a viable alternative for communities. Moreover, in the budget announced last Autumn, the Chancellor announced the government's plan to help local high streets to evolve and adapt to changing consumer demands. It included £675 million for the future high streets fund to support local areas' plans to make their high streets and town centres fit for the future.

Oral Answers

Credit Unions

Gareth Tomas (Lab) [asked](#) when will the government bring forward proposals to allow well-funded credit unions to provide low-cost credit cards and low-cost car loans, and to invest in other social programmes such as energy co-operatives and housing schemes?

John Glen (Con) answered that following the Budget, the government has a series of measures to assist credit unions to expand their role in delivering affordable credit across communities. There is a scheme of work over the next three months to pilot interest-free loans and prize-linked saving schemes, to help credit unions to grow as they have been doing in recent years.

Bank Branch Closures

Ruth George (Lab) asked what is the Chancellor doing to use the government's shareholding of the RBS to exert public pressure on RBS and ensure that banking services are accessible to all.

John Glen (Con) answered that the government holds a 62.3% shareholding, but it does not run the bank. Decisions on the branch network are a matter for the bank.

Inquiries

Justice Committee to investigate the enforcement of debt by bailiffs

After reforms were introduced in 2014 to protect debtors from the aggressive pursuit of their debt from bailiffs, debt advice charities suggest that they've only had limited effect and there are widespread conduct problems with enforcement agents in England and Wales.

The Justice Committee launched an inquiry into the enforcement of debt by bailiffs, which will run alongside a consultation by the Ministry of Justice and will focus on High Court and Civil Enforcement Officers, who collect debts such as council tax, parking fines and utility bills.

The inquiry, closing on 17th February 2019, seeks to answer the following questions:

- What was the impact of the 2014 enforcement agent reforms introduced by the Tribunals, Courts and Enforcement Act 2007?
- Why has there been an increase in complaints regarding enforcement agents?
- Is the fee structure working to encourage enforcement agents and debtors to settle at an early stage and to minimise the financial impact on debtors?
- Does the current system of self-regulation work as intended, and if not, should enforcement agents be regulated by an independent regulator?

Papers - House of Commons Library

The House of Commons has released a report assessing the impact of ATM closures on towns and communities. There is a common concern that the ATM network might contract due to the decline in cash transactions and bank branches closures. However, cash remains vital to businesses and local communities and its provision should be guaranteed.

Treasury Select Committee

Consumers' access to financial services

The committee heard that vulnerable people are being denied access to financial services despite the law that banks should not discriminate against people when they open bank accounts. The government was called to give more support to vulnerable people who are being discriminated against.

Nicky Morgan (Con) asked Baroness Tyler to summarise the conclusion on financial exclusion as outlined by the Lords Select committee.

Claire Tyler (Baroness Tyler of Enfield) highlighted that the committee made a total of 22 recommendations to the government that included greater coordination across the government and raised questions about the FCA'S duty of care. Small improvements have been made by the FCA and the government in this regard, including the introduction of the financial inclusion policy panel.

She said that those most affected by the poverty premium were those with insecure jobs or who were unemployed for extended periods. The premium was estimated by the University of Bristol to be £500, however, Save the Children argued it was £1,200. The Lords report estimated it was £1,000. In particular, the rent-to-own sector was massively exploiting those groups.

Stewart Hosie (SNP) asked whether it was difficult for people in unstable housing to access bank accounts.

John Bird (Lord Bird) confirmed that this was the case as banks aren't keen to deal with these demographics and must introduce new algorithms to assess people. Moreover, many people do not have a digital footprint. However, he said some progress has been made by banks like Lloyds which now accept a letter from a social worker in place of proof of address for those in unstable housing.

Charlie Elphicke (Ind) queried whether pre-payment meters were still charging people approximately forty per cent more than those with normal meters.

Claire Tyler (Baroness Tyler of Enfield) said that the evidence gathered in the Lords report suggested that it was still a prevalent issue, while **Lord Bird** added that Preston council were looking into what element of the poverty premium was expressed by paying upfront at higher costs.

Charlie Elphicke (Ind) asked how bank closures were affecting access to financial institutions, particularly regarding vulnerable groups in rural areas.

Claire Tyler (Baroness Tyler of Enfield) argued that there should be a public information campaign jointly funded by the government and the post office as people were not aware of basic banking services already available at the Post Office.

Catherine McKinnell (Lab) asked Baroness Tyler to outline the potential control options for helping people with mental health problems.

Claire Tyler (Baroness Tyler of Enfield) suggested 24-hour delays on large payments and family members being granted certain levels of access to accounts if required. She highlighted the need to protect autonomy as much as possible, particularly in episodic sufferers of mental health issues. She said that banks needed to train staff more effectively to spot and assist sufferers. Additionally, some banks had sent pin numbers to blind customers without braille and rang deaf customers, which showed a clear lack of training and consideration.

Rushanara Ali (Lab) asked Lord Bird what the government and banking sector should be doing to help vulnerable people access credit and what could be done to make credit rating agencies more accountable for mistakes that reduce peoples' credit scores.

John Bird (Lord Bird) said that zero interest loans and credit unions were both potential options. Furthermore, he highlighted the Creditworthiness Bill.

Regarding credit scores, **Claire Tyler** (Baroness Tyler of Enfield) said that that there seemed to be almost no accountability and that, therefore, greater transparency was required. To help the most vulnerable, she suggested that payment of rent and council tax should be considered by those companies; though she conceded that would likely require fundamental restructuring of those companies' policies.

Scottish Parliament

Bank Branch Closures

Sandra White (SNP) lead the debate condemning the Bank of Scotland's latest proposed closures. She has been consistently pressuring the bank to reverse its decision. Mrs White said:

"Since 2015 more than 230 bank branches in Scotland have been shut or marked for closure. Research suggests that local branches are closing faster in Scotland than any other part of the UK.

"A continued face-to-face banking service is indispensable for many of our most vulnerable constituents".

Reports and Research

In 2018, responsible finance lending to financially-excluded individuals, businesses and social enterprises increased by £19m says Responsible Finance's latest report. The research, called **Responsible Finance: The Industry in 2018,** highlights that:

- Responsible finance providers lent a total of £254 million to 52,121 customers in 2018, an 8% increase on the £235m lent in 2017.
- The providers lent £85 million to 5,310 businesses, creating 4,490 new businesses and creating or saving 10,370 jobs. This was a 27% increase on the £67m lent to UK businesses in 2017.
- £138 million was lent to 475 social enterprises – 112 more social enterprises than in 2017 – creating and saving 4,060 further jobs.

- £26 million was lent in 45,900 loans to individuals (£4m more than in 2017). 23,230 of those taking out loans from a responsible finance personal lender had previously borrowed from a high cost lender.
- £5 million was lent to 430 homeowners, bringing homes up to a decent standard and enabling 220 customers to stay in their own homes.

Alongside the lending figures, the research includes postcode mapping showing how responsible finance loans are made in areas with low bank lending and high levels of deprivation. It also demonstrates how responsible finance providers contribute directly towards reaching the UN Sustainable Development Goals.

Universal Credit might be pushing people into debt and housing problems, revealed a survey from **Unite the Union**. Out of 1,141 people included in the survey, 75% claimed that they had been put into debt, or pushed further into debt by UC with some forced to use foodbanks to survive as well as borrowing from friends and family, while 60% said that they had faced housing problems.

Lian Groves, Head of Community from Unite the Union said: *"evidence from voluntary and community organisations as well as unions and local authorities seems to be ignored as the government presses on with the implementation of Universal Credit.*

"Access to the benefit has been devised for the benefit of administrators not the recipients of Universal Credit. The damage done by forcing people into debt, far from helping people into work, as the government claims, is driving people away from the job market as spiralling debt impacts on people's mental and physical wellbeing."

The microfinance sector in Europe increased its scale in terms of the total volume and the number of microloans disbursed between 2016 and 2017, shows the latest **European Microfinance Survey report.** The survey collected data from 156 MFIs across 28 European Countries. In 2017, the MFIs surveyed disbursed a total of 660,330 loans (+5% compared to 2016) with a total volume of EUR 2.1 billion (+11%).

According to a new report from **The Genesis Initiative,** over a third of SMEs don't secure the funding they need. The report, called 'Improving access to Finance for UK SME's' examines the views of borrowers and lenders and the realities behind the funding gap. It claims to be one of the biggest surveys of SMEs and specialist lenders ever undertaken and analyses what needs to be done in terms of improving access, awareness and building confidence from the borrower's perspective.

UK Finance, with the support of Capco, has released a report analysing the opportunities that the digital era presents for financial inclusion. According to the report, titled 'Financial Inclusion in a Digital Age', there are 4.5 million people in the UK that have never used the internet. The most vulnerable groups are the older population and people with disabilities. The report looks at the challenges and opportunities that the UK faces to ensure the financial inclusion of those in vulnerable circumstances or at the margins of inclusion.

Events

Let´s Talk Good Finance |29th January 2019|Wolverhampton. The event brings together charities, social enterprises and voluntary and community businesses with social investors to network, share information and discuss the latest issues related to social investment. Find more information here.

Business for Good Conference|24th - 25th April 2019|Edinburgh. Presented by an international range of speakers, the conference will explore social impact, the Global Goals, cause marketing, the circular economy, social procurement, collaborative partners and more. It offers an opportunity to discuss and contact different organisations working to have a positive impact on society. Find more information here.

MFC Annual Conference 2019 |29th - 31st May 2019|Istanbul. With an impressive list of speakers, the conference will explore the latest trends and discuss best practice in financial inclusion. It is an opportunity to network and learn from the experiences of different organisations and individuals working in the sector. Find more information here

Responsible Finance Annual Conference | 13th - 14th March 2019 | Liverpool. The event will bring together thought leaders and practitioners to discuss the economic landscape and future of the responsible finance industry. It is the best place to learn about new innovations and best practice in tailored workshops, and network with your peers. To register your interest please contact Luisa at l.mendoza@responsiblefinance.org.uk.