

Community Investment Coalition (CIC) newsletter,

March 2019

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Campaign update

We had an inspiring day last week at the Centre for Responsible Credit's conference 'Creating trust in financial services'. The day kicked off with Damon Gibbons speaking about trust in service and product provision. He discussed the terms that lenders put into contracts and how they are primarily based upon the lender's preferred cash flow, rather than whether the repayments are something they think the consumer can meet. He said that we need to work together to make sure products are better designed, and not just designed to take advantage. In this vein, later in the day we heard from Gemma Glass at [Optivo Housing Association](#) about the [Rent Flex pilot](#), and [Moneyline](#) about their product innovation. Moneyline is designing and piloting loans with repayments that fit around modern cash flows. Responsible finance providers like Moneyline need more investment in innovation, as well as capital to on-lend.

John Glen, Economic Secretary to the Treasury, also spoke at the conference, as well as highlights from Heather Kennedy ([New Economics Foundation](#)), Joe Lane ([Citizens Advice](#)) and Kelly Read-Parish ([Credit Kudos](#)). The next conference was announced for Thursday 26th March 2020, so be sure to put the date in your diaries.

CIC partner Responsible Finance also held its [annual conference](#) this month in Liverpool. Thought leaders and practitioners from across the sector discussed the economic landscape and future of the industry and learnt about the latest innovations and best practice. Attendees had the opportunity to listen to the experiences and views of organisations such as the [Finance Innovation Lab](#), [UK Finance](#), [ABCUL](#), [IPPR North](#) and the [Just Finance Foundation](#). The Economic Secretary to the Treasury, [John Glen](#) also addressed the conference via video. He reiterated the government's commitment and support for the sector. A variety of workshops took place throughout the conference focused on topics such as the latest fintech developments, impact measurement and the Sustainable Development Goals and the government's 2018 budget announcements.

The centrepiece of the conference was the Citi Microentrepreneurship Awards and dinner. The awards recognise the economic, environmental and social impacts generated by responsible finance providers and their clients, and champion the outstanding microentrepreneurs who are creating jobs, services and prosperity in their communities. You can find more about the winners [here](#).

Elsewhere this month, two important reports were released: [The Alison Rose Review](#) of Female Entrepreneurship, which found that up to £250 billion of new value could be added to the UK economy if women started and scaled new businesses at the same rate as UK men; and The final report from the [Access to Cash review](#), which stated that we need to start considering cash to be a core part of Britain's national infrastructure, not just as a commercial issue. You can read more about both of these reports below in the 'reports' section.

We have previously mentioned Clifford Rosenthal's great book '**Democratising Finance: Origins of the Community Development Financial Institutions Movement**'. This reflects on the origins of the movement since Benjamin Franklin's endowment of revolving loans funds in 1790 and the future of the sector in the USA given the current political environment. I was lucky enough to have the opportunity to interview Clifford for the Responsible Finance podcast series. You can listen to the interview (and many others) [here](#).

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

The UK's cash payments system could collapse in two years, [reported The Daily Telegraph](#). The industry warned that the decline in the use of cash and the rapid trend towards digital payments is putting at risk the businesses involved in the cash infrastructure in the UK, which could become commercially unviable in two to five years. The news follows the latest report from the Access to Cash Review that revealed the UK's cash system is on the verge of collapse, and the UK is not prepared to step into a cashless society.

The BBC [reported](#) that people are adapting to the use of new technologies and more businesses are going cashless as some find it more time efficient and say that it improves their financial management. However, 8 million people in the UK still rely on cash, including rural communities where Internet and mobile connectivity affect digital payments.

Consumers aged over 55 and people on low incomes are at risk of being left behind by banks, [reported The Guardian](#). The latest research from management consulting company Accenture also found that only 10% of UK consumers visited a bank branch at least once a week – falling to 7% of

people aged over 55. However, the study warns banks to adapt products and services to help consumers to use mobile banking.

The **FCA** [confirmed](#) the introduction of a rent-to-own price cap. The cap will be introduced from the 1st of April this year and is expected to save consumers in the UK up to £22.7 million a year. The policy statement confirms the following measures: setting a total cap of 100%; requirement on firms to benchmark prices; and, preventing firms increasing their prices for insurance premiums.

Citizens Advice welcomed the measure and called it “a win for people paying over the odds”. The charity [reported](#) helping approximately 5,000 people a year with rent-to-own problems. Last year’s research from Citizens Advice found that if a cap was enforced, people signed up to a rent-to-own agreement could save £62 million over the payment period on 245,000 products.

The FCA announced it will be stepping up its monitoring of high cost credit firms to protect consumers, [reported Reuters](#). **The FCA** wrote a [letter](#) to providers raising its concerns on insufficient affordability checks, constant refinancing to customers not able to keep up with payments and bad practices like unethical financial advising.

Jonathan Davidson, Executive Director of Supervision, Retail and Authorisations at the **FCA** gave a [speech](#) at the Credit Summit in London in which he discussed the letter. He highlighted that despite the changes on the consumer credit sector, the FCA’s focus on affordability, business models and culture won’t change. Moreover, he highlighted that the regulator will be working in the high cost credit sector on relending and affordability.

The number of Wonga compensation claims has hit 40,000, after an initial estimation of regulators at 10,500, **Reuters** [reported](#). Grant Thornton, Wonga’s administrator, sent a [letter](#) to MP Nicky Morgan saying that *“the total number of redress claims is currently more than four times the number you referred to in your press statement on 26 February and we can expect this to increase”*. The chair of the Treasury Committee said that *“the issue raises questions about whether the coverage of the Financial Services Compensation Scheme should be widened.”*

Greg Stevens, Chief Executive of the Consumer Credit Trade Association said that the credit industry is forcing cash-strapped families to borrow from illegal loan sharks or friends and family, [reported The Telegraph](#). According to the Trade Association, the measures introduced by the government are insufficient and do not address problem debt correctly. Tighter regulations are not only affecting high-cost credit lenders but also more conventional lenders, for which it is expected the market to shrink 10% this year.

Research by the Money and Mental Health Policy Institute found that people with mental health issues are three and a half times more likely to be in problem debt than people without such conditions, **BBC News** [reported](#). The study revealed that an estimated of 1.5 million people were struggling with mental health and debt problems at the same time.

Parliamentary Activity

House of Commons

Oral Answers

Household debt

John Cryer (Lab) [asked](#) the Economic Secretary to the Treasury, **John Glen** (Con) how sustainable current household debt is now that it is higher than it has ever been and has increased by nearly £1,000 in the past year alone.

John Glen (Con) said that that is why the government is concerned that the establishment of a single financial guidance body should happen quickly this year. Around £56 million is spent on debt advice to 530,000 people, and the government is taking this area very seriously.

Universal credit: Debt

Heidi Allen (Ind) [asked](#) the Secretary of State for Work and Pensions what assessment she had made of the effect of the five-week wait to receive universal credit on claimant's levels of debt.

Amber Rudd (Con) said that people are entitled to an advance of up to 100% and about 60% of claimants request it for which no one must wait five weeks to receive the first part of their benefits.

Heidi Allen (Ind) mentioned that the five-week wait is driving some people to food banks and the government needs to recognise it. The four-week assessment period is severely affecting people with no financial resilience for which the government needs to identify the most vulnerable claimants and help them through this period.

Clydesdale Bank and SMEs

Angela Crawley (SNP) [asked](#) the Economic Secretary to the Treasury if he will make a statement on Clydesdale Bank's treatment of small and medium-sized enterprises.

John Glen (Con) stated that the government is committed to ensure the access to credit that small businesses require to grow and prosper, for which several changes have been introduced to restore public trust in financial services. He highlighted that it would be inappropriate for him to intervene on individual cases but that where there has been inappropriate treatment of SMEs by their bank, it is vital that those businesses can resolve their disputes and obtain fair redress.

The House discussed access to finance for SMEs, the dispute resolution mechanisms and what lending approaches and opportunities they have, especially for businesses in rural areas facing bank branches closures.

Small Business Support

Ben Bradley (Con), **Stephen Metcalfe** (Con) and **Henry Smith** (Con), [asked](#) the Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy, **Kelly Tolhurst** what steps has the government taken to support small businesses.

Kelly Tolhurst (Con) said that the government is launching an independent review, led by the Prince's Trust, to understand how they can better support SMEs. Moreover, the government's strategy is to ensure that at least £1 in every £3 the Department spends is done with small businesses by 2022. In the budget they set up a £1.6 billion package to support the sustainable transformation of high-streets, which includes funding.

The House discussed the impact of bank branch closures on small businesses and the role of the Post Office on delivering the services to support businesses in rural areas.

SMEs in Scotland

Stephen Gethis (SNP) [asked](#) the Minister for Universities, Science, Research and Innovation, **Chris Skidmore** what discussions he has had with the Secretary of State for Scotland on support for small and medium-sized enterprises in Scotland.

Chris Skidmore (Con) said that the government strategy is to make the UK the best place to start and grow a business and they have an ongoing commitment to the British Business Bank, which supported £467 million of finance to more than 3,600 Scottish Business in 2017-2018. He also highlighted that with the support from the British Business Bank 3,200 businesses have received £22 million in funding in recent years and there are 48,000 more businesses in Scotland compared with 2010.

Petitions

Closure of Middleton Crown Post Office

Liz McInnes (Lab) presented a [petition](#) signed by 1,183 residents of Heywood and Middleton, requesting that the House of Commons urges the government and Post Office Ltd to keep Middleton Crown Post Office open at its current location, as it has announced a plan to close 74 Post Offices and to franchise the services to WHSmith, putting jobs, access to the services and the quality of the service at risk.

Closure and relocation of Solihull Post Office

Julian Knight (Con) presented a [petition](#) from the residents of Solihull requesting that the House of Commons urges the Post Office to re-consider the closure of the Solihull Post Office in Mell Square due to its size and accessibility.

Reports and Research

March 2019's [Money Statistics](#) from the **Money Charity**:

- Average credit card debt per household in January 2019: £2,638
- Average total debt per UK household in January 2019: £59,409
- Personal Debt in the UK at the end of January 2019: £1.629 trillion.
- According to the Office for Budget Responsibility's March 2019 forecast, household debt is forecast to reach £2.425 trillion in 2023/24.
- At the end of January 2019, outstanding consumer credit lending was £216.3 billion, increasing by £674 million on the revised total for the previous month.

The **Access to Cash Review** released its final [report](#) on end-to-end cash cycle and the proposed set of actions for policy makers, regulators and commercial entities. The report finds that the UK is not ready to go cashless, as digital payments are not accessible for everyone yet. Access to cash needs to be guaranteed through a stable cash infrastructure. The research finds that around 17% of the UK population – over 8 million adults – would struggle to cope in a cashless society and Britain needs to make a plan to support the infrastructure and prepare, keeping cash viable for the foreseeable future. The government, regulators and the industry need to work together so people are not left behind.

The **Alison Rose Review** [report](#) released earlier this month examined the barriers women in business face and what can be done to overcome them. Commissioned by HM Treasury last September, the review found that one in three entrepreneurs are women with a gender gap equivalent to over one million fewer female entrepreneurs in the UK. The review identifies eight initiatives that target different stages of setting up a new business, which have a direct and indirect impact on female entrepreneurs.

Events

How to make regional mutual banking a reality | 2nd April 2019 | House of Commons, London. Tony Greenham, leader of community banking will be discussing what this new model looks like, why more regional banks are needed and how this should be accomplished. Find out more [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](#).

CHASM Seminar: The Missing Billions: Measuring Top Incomes in the UK | 1st May 2019 | University of Birmingham. Dr Andy Summer, Department of Law, London School of Economics and Political Science will present his research on the missing sources in the current data used to measure top

incomes in the UK and how it casts on the prevailing narrative that UK income inequality has stabilised or fallen since the last financial crisis. Find out more [here](#).

CHASM Seminar: Payday Denied: Exploring the lived experience of declined payday loan applicants | 21st May 2019 | University of Birmingham. Dr Lindsey Appleyard, Assistant Professor, Coventry University will present the research on the impact of the 2015 cap on the cost of High-Cost, Short-Term Credit (HCSTC), as well as other rules governing the high cost credit industry at a similar time. Find out more [here](#).

4th ESG Responsible Investments & Sustainable Finance Forum Series 2019 | 21st May and 1st October 2019 | Frankfurt and Berlin. Organised by the Global Sustain Group in cooperation with Investment Bank Berlin (IBB), the Forum for Responsible Investment (FNG) and International Bankers Forum (IBF), the forum provides an international dialogue and communication platform for the responsible finance, sustainable banking and investment industry to connect and discuss the new trends, opportunities and challenges. Find more information [here](#).

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](#)

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