IN BRIEF: FINANCIAL EXCLUSION

Financial services play a key role in most people's lives. The vast majority rely on bank accounts to pay their bills and receive their salaries. Products such as mortgages and pensions enable them to purchase their homes and save for their retirement. Yet, a minority lack access to even the most basic financial products and services, incurring significant costs as a result.

Key facts

- 4 per cent of all UK households have no bank account of any kind and 1 in 10 do not have a current account[1]
- At least 800,000 children live in households without bank accounts[2]
- It has been estimated that people on low incomes pay a 'poverty premium' of around £1,000 a year in accessing basic financial services and utilities[3]
- In 2002, 57 per cent of over-indebted households had annual incomes of less than £7,500[4]
- 7.8 million people in the UK are unable to access mainstream credit[5]
- Low income consumers pay an average of £129 a month, equivalent to 11 per cent of their income, on servicing high-cost borrowing[6]
- A quarter of applications for Social Fund loans are turned down; one in four of rejected applicants borrow from doorstep lenders and loan sharks[7]
- 60 per cent of adults among the poorest 20 per cent of households would like to save at least £10 a month but are unable to do so[8]
- 3 million households in social housing lack contents insurance, while they are twice as likely to be burgled as people living in privately owned properties[9]
- Between 1995 and 2003, around 3,000 bank and building society branches closed in areas with high concentrations of low income households[10]

What is financial exclusion?

The term 'financial exclusion' is used in different ways, but is most often defined as a broad concept describing a lack of access to, and use of, a range of financial services. Transact use the following definition to define financial inclusion:

A state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively. It is achieved by financial literacy and financial capability on the part of the consumer, and access on the part of financial product, services and advice suppliers.[11]

Financially excluded people typically exhibit one or more of the following characteristics:

- A lack of a bank account and the financial services that come with it
- A reliance on alternative forms of credit such as doorstep lenders and pawnbrokers
- A lack of other key financial products such as insurance, savings products and pensions

Those who are unable to access basic financial services pay more to manage their money, find it difficult to plan for the future and are more likely to become over-indebted. In the words of the Treasury Select Committee:

Too many people cannot gain access to appropriate financial products and services at present: they struggle to obtain affordable credit or helpful financial advice and face barriers in opening and operating bank accounts. Financial exclusion blights the lives of many millions of people; it increases the costs they bear for basic services; it makes them vulnerable to illegal or high-cost lending; it reinforces social exclusion.[12]

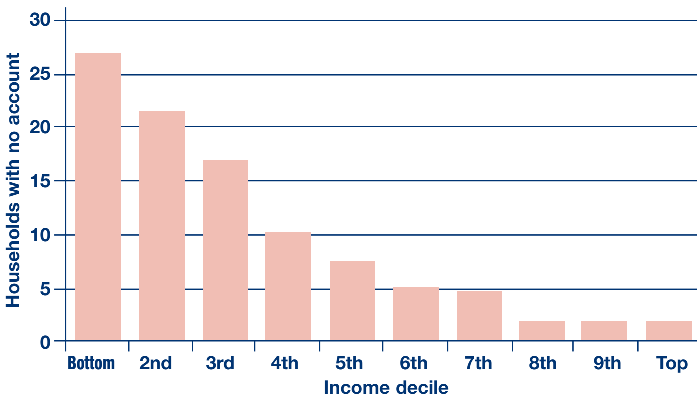
Who is financially excluded?

Financial exclusion can be the result of a number of factors including financial products that do not meet the needs of low income consumers, high interest rates and other charges, lack of information, self-exclusion, disability, geographical factors and cultural barriers.[13] As research conducted for the Financial Services Authority in 2000 found:

Those most likely to be on the margins of financial services include people who are unemployed, unable to work through sickness or disability, single pensioners and lone parents. It is also much more common in African-Caribbean, Pakistani and Bangladeshi households.[14]

However, it is most closely associated with poverty and low income:

- Around two-thirds of households with no bank account have an annual income of under £14,500[15]
- 10 per cent of those with weekly incomes below £100 do not have a bank account, compared with 2 per cent of those with incomes of £500-£600[16]
- People on benefits borrow an estimated £330 million a year on home credit, paying £140 million in interest[17]



Source: Family Resources Survey 2002-03

Relationship between having a bank account and income level

Financial exclusion tends to be concentrated among certain groups of people:

- About half of unbanked households are single people living alone, compared with 30 per cent of the population as a whole[18]
- A further fifth are lone parents, roughly double the proportion among the population as a whole[19]
- Around 60 per cent of unbanked households rent accommodation from a local authority or housing association[20]

It also tends to be geographically focused, with large numbers of financially excluded people living in areas of high deprivation, which often means they also lack access to other key services. The highest concentrations of financially excluded people are found in parts of East and South East London, Middlesbrough, Manchester, Bradford, Birmingham, Glasgow and Liverpool.

- 35 per cent of people living in deprived areas lack bank accounts[21]
- 68 per cent of financially disengaged people live in the 10 per cent most financially excluded postcode areas[22]
- 25 per cent of financially disengaged people live in the 3 per cent most financially excluded postcode areas[23]

However, despite its close association with low income, financial exclusion does not just affect the poorest. Those on annual incomes of £10,000 - £20,000 are significantly less likely to have a bank account, as well as those on incomes below £10,000. As Which? states:

'.....it is quite true that the most vulnerable consumers in society are the most affected by financial exclusion and its associated disadvantages. However, we take the view that exclusion affects a much wider population of consumers on lower-median incomes.'[24]

The costs of financial exclusion

Financial exclusion is closely associated with poverty and social exclusion and imposes significant costs on individuals. It often means paying more for basic financial transactions. For example, those without bank accounts incur fees, often of 10 per cent or more, for cashing cheques. Some services, such as contract mobile phones, are not available at all to those without bank accounts.

Having a bank account is also a pre-requisite for many jobs and the Government is increasingly designing policy to encourage people to open one. Exclusion from mainstream credit forces people to resort to expensive sources of credit such as doorstep lenders and illegal loan sharks. Those without insurance or savings are more vulnerable to risks such as theft, unexpected costs and redundancy. Financial exclusion also prevents people from building up assets.

- People without direct debit facilities pay an extra £70 a year for their energy bills[25]
- The average APR charged by home credit providers is 177 per cent, while loan sharks can charge over 1,000 per cent[26]
- A quarter of all withdrawals from fee-charging ATMs are for £20 or less and the average charge for a withdrawal is £1.50[27]

Key developments

In 1994, the Personal Finance Resource Centre at Bristol University used quantitative and qualitative data to identify, for the first time, the characteristics of households without bank or building society accounts. Since then, interest has grown, as the links between financial exclusion, poverty and social exclusion have become clearer, and policy has placed increasing emphasis on individuals to take responsibility for their financial circumstances, for example through pension reform and direct payment of welfare benefits. Some of the key policy developments in recent years are set out below.

The Social Exclusion Unit

Following the establishment of the Social Exclusion Unit in 1997, a policy action team (PAT 14) was established to report on the scope for widening access to financial services. Based on research published by the Joseph Rowntree Foundation,[28] its report, published in 1998, estimated that 1.5 million low income households used no financial services at all and that a further 4 million used only one or two products. It made a number of recommendations to address this including:

- A strong emphasis on increasing the use of basic bank accounts[29]
- The establishment of a central services organisation and changes to the regulatory regime to accelerate the growth of credit unions

- An expansion of insurance with rent schemes for social housing tenants
- Reform of the Social Fund and wider access to debt counselling services

The Financial Inclusion Fund

In 2004, the Government's Child Poverty Review highlighted financial exclusion as a significant contributor to child poverty.[30] Later that year, alongside the Pre-Budget Report, the Treasury published *Promoting financial inclusion*, a strategy document that focused on three key priorities:

- Increasing access to banking services
- Improving access to affordable credit
- Increasing the supply of free face-to-face money advice

A £120 million Financial Inclusion Fund was announced to support the strategy and a Financial Inclusion Taskforce, under the chairmanship of Brian Pomeroy, was established to oversee progress.

The Financial Inclusion Fund has been allocated in the following ways:

- £47.5 million has been provided to increase the supply of face-to-face money advice in a programme managed by the DTI
- A further £6 million has been allocated to the Legal Services Commission to pilot methods of money advice outreach
- A £36 million Growth Fund, administered by DWP, has been set up to support credit unions and other third sector lenders (an additional £6 million has subsequently been made available through the Fund to support third sector lending)
- £5.4 million has been allocated to DWP to launch the *Now let's talk money* campaign which aims to increase access to financial services by working with trusted intermediaries
- The Financial Inclusion Taskforce has a budget of £3 million to spend on research

The Treasury Select Committee

In November 2006, the Treasury Select Committee published three reports following a wide-ranging inquiry into financial inclusion.[31] Among its recommendations, the Committee called on the Treasury to publish a long term financial inclusion strategy, alongside the 2007 Comprehensive Spending Review (CSR). It also recommended:

- Stronger action to promote access to affordable credit
- Further measures to overcome problems with basic bank accounts and to find a successor to the Post Office Card Account
- A systematic approach to increasing the supply of generic financial advice
- Stronger action to promote savings and increase the use of insurance with rent schemes

The Government, the Financial Services Authority and the Banking Code Standards Board published their responses to the Committee's reports on 4 April 2007. In October 2007, the Committee published a follow up report, focusing on saving.[32]

Next steps

In March 2007, the Treasury published *Financial inclusion: the way forward*, this set out the Government's strategy for tackling financial exclusion in the period 2008-11, after which it will be mainstreamed into departmental plans, identifying three main goals:

- Everyone should be able to manage their money effectively and securely, through having access to a bank account, and the confidence and capability to get the most from it
- Everyone should be able to plan for the future with a reasonable degree of certainty. Therefore affordable credit, savings accounts and simple insurance products should be available to all who need them
- Everyone should have the information, support and confidence they need to prevent avoidable financial difficulty, and to know where to turn if they do find themselves in financial distress

A new ministerial working group has been set up to oversee financial inclusion policy and develop an action plan to be published in late 2007. The 2007 Pre-Budget report announced £130 million in funding for the Financial Inclusion Fund over the period 2008-11. The Financial Inclusion Taskforce will also continue its work during this period and will be given an expanded remit.

Initiatives

The increase in policy interest in recent years has been matched by an upsurge in financial exclusion initiatives, particularly among voluntary sector organisations, many of them with the support of the financial services industry.

- *Financial skills for life* is a partnership between Citizens Advice and Prudential plc, delivering financial education to clients in citizens advice bureaux
- In partnership with insurance broker Jardine Lloyd Thompson Tenant Risks, the National Housing Federation has launched *My home*, an affordable home contents product for housing association tenants
- The *Sheffield Investment Bond* enables local people and businesses to invest in bonds that fund advice and affordable loans, while guaranteeing a small return on their investment

Key policy themes

As interest in financial exclusion has grown, a number of key policy themes have emerged.

Universal Banking

The most widely recognised manifestation of financial exclusion is not having a bank account. 'Unbanked' people are charged much higher fees for basic transactions and their access to other products and services is often limited. Following the PAT 14 report, policy attention has focused on two key products:

- **Basic bank accounts** include a number of features such as direct debits, 24 hour cash withdrawals and facilities to receive income and benefit payments. However, they do not offer credit or debit cards and overdraft facilities are limited.
- **The Post Office Card Account (POCA)** was introduced in 2003 to support the move to direct payments by DWP. Its functionality is limited; it can only be used to collect benefits, tax credits and state pension payments, money can only be withdrawn from a Post Office counter and there are no overdraft or direct debit facilities.

In 2003, 'universal banking' was launched, with the major high street banks and the Nationwide making basic bank account products accessible through post offices. In December the following year, the Government and the banks agreed to work towards a 'shared goal' of halving the number of adults in households without a bank account, with significant progress to be made within two years.

- Basic bank accounts are now offered by 17 mainstream providers
- 4.3 million customers rely on the Post Office Card Account[33]
- Over 1.2 million POCA customers do not have access to a bank account[34]

The latest data shows that there were 2 million adults without access to a bank account in 2005/06, leading the Financial Inclusion Taskforce to conclude that 60 per cent of the progress required to meet the shared goal had been made by September 2005.[35] In March 2007, the Government announced that the Taskforce will work with the banks to analyse data on how basic bank accounts are used and will undertake a banking market study to assess the potential impact on financial inclusion of new technologies and new entrants into the market. Further action will be set out in the Government's action plan, due to be published in late 2007.

Despite this progress, a number of criticisms of the banks' performance in operating basic bank accounts were made in evidence to the Treasury Select Committee, particularly concerning administrative obstacles such as identification requirements, administrative delays and inappropriate literature. In August 2006, the Banking Code Standards Board agreed revisions to its guidelines to address some of these issues. Nevertheless, the Committee stated that 'some banks are not meeting their obligations under the Banking Code'. However, it stopped short of calling for legislation, instead making a number of recommendations to enhance the voluntary approach.

The Committee also criticised the Government's approach to the POCA scheme. Although the scheme is popular, it is expensive and its limited functionality means that POCA holders do not have access to the same level of service as basic bank account customers.[36] This leaves the issue of how to 'migrate' the 4.3 million POCA customers either to basic bank accounts or to a replacement account when the POCA contract expires. The Government has begun the process of tendering for a new account to succeed the POCA in 2010.

Access to affordable credit

Access to credit is a necessity for many on low incomes who typically need to borrow relatively small sums of money and to be able to make frequent, small repayments. However, the design of products and, in some cases, impaired credit histories, mean that they are often excluded from mainstream credit. For some, third sector lenders such as credit unions and community development finance institutions are able to meet their needs. However, capacity among such lenders is limited and the sector is unable to meet demand.

Many are therefore forced to resort to high cost lenders such as doorstep lenders, payday loan companies, pawnbrokers, catalogue credit and illegal loan sharks.

- An estimated 2.3 million people in the UK use home credit and around 600,000 use pawnbrokers[37]
- An estimated 165,000 people in the UK use illegal moneylenders at any one time[38]
- The Competition Commission found that a lack of competition in the market means that home credit customers are being overcharged by up to £100 million a year – the equivalent of £9 per £100 borrowed[39]

In recent years, policy attention has focused on three main areas:

- **Tackling extortionate and illegal lending:** the Consumer Credit Act 2006 included a number of measures to protect consumers and promote a fairer and more competitive credit market. Pilot schemes in Birmingham and Glasgow to tackle illegal money-lending by using specialist enforcement teams are being extended across the country.

- **Boosting third sector credit providers:** the regulatory framework has been improved and the Government is carrying out a review of the legislation governing credit unions and other mutuals. An additional £6 million has been provided, on top of the £36 million originally allocated through the Growth Fund, to encourage the expansion of third sector lending. In March 2007, the Government announced that senior representatives from the banking sector will work with the Financial Inclusion Taskforce to consider how to achieve a nationwide increase in the coverage of third sector lenders.
- **Competition in the home credit industry:** the home credit market is dominated by six lenders who between them account for over 90 per cent of business, with one (Provident Financial) accounting for well over half the market. The Competition Commission held an inquiry into this issue following a 'super complaint' by the National Consumer Council to the Office of Fair Trading. Although it stopped short of placing a cap on interest rates, it has introduced a number of measures to promote competition in the market including requirements for lenders to share data and provide clearer information.

The Social Fund

The Social Fund provides a range of grants and interest free loans to people on low incomes, delivered through Jobcentre Plus offices. In addition to a system of regulated payments, a discretionary scheme provides Community Care Grants, which help people to live independently in the community; Budgeting Loans to help people meet one-off 'lumpy' expenditure; and Crisis Loans to meet the costs of unforeseen emergencies. Loans are interest-free, with repayments often deducted from benefits.

The discretionary scheme has been widely criticised for failing to meet need. A cash-limited budget and strict eligibility criteria mean that large numbers of applications are turned down and in many cases, only partial awards are made. Critics argue that this forces people in need to turn to high cost credit and produces a 'postcode' and 'calendar' lottery. Awareness of the scheme and take up among some groups, particularly older people and some ethnic minorities, is also low.

- The Social Fund's gross loans budget is £700 million in 2006/07, with a further £141 million available for Community Care Grants[40]
- Recovery rates for loans are very high; 97 per cent of Budgeting Loans and 92 per cent of Crisis Loans are recovered[41]
- The National Audit Office found that less than half of people on low incomes were aware of the Social Fund and only 14 per cent of those potentially eligible had used it[42]

Reform of the Social Fund was identified as a priority by PAT 14 in 1998 and the then Social Security Select Committee called for radical changes in 2001.[43] Recent years have seen a number of small scale reforms, administrative changes and increases in the Fund's budget, with an additional £210 million announced for the period 2006/07 - 2008/09. Nevertheless, criticism has continued with the National Audit Office highlighting low awareness of the Fund in 2005 and research published in 2006 by the Joseph Rowntree Foundation concluding that it is 'making only a very limited contribution' to reducing poverty.[44]

In October 2006, former Secretary of State for Work and Pensions, Rt Hon David Blunkett MP, called for radical reform in a pamphlet published by the Resolution Foundation.[45] He argued that private investment should be attracted to boost the lending pot available for loans and put forward a number of proposals to link the provision of loans to financial inclusion objectives. In evidence given to the Treasury Select Committee, the Parliamentary Under Secretary of State at DWP, James Plaskitt MP, commented that the Fund 'does not punch its weight in terms of the financial resources the Government puts behind it.' This led the Committee to call on the Department to:

> *'instigate an open debate ….. to ensure that the Social Fund can make a better contribution to improving access to affordable credit and become a more positive source of assistance for people on low incomes.'*[46]

In May 2006, the Work and Pensions Select Committee severely criticised the operational performance of the Fund, calling on DWP to address this 'as a matter of urgency' and recommending it carry out a formal consultation exercise on how it can be improved.[47]

Savings and assets

Savings and assets have an important role to play in promoting financial inclusion, both by providing a financial buffer to cope with unexpected expenditure without resorting to high cost credit, and by acting as a catalyst to encourage people to engage with their financial situation. There is also evidence that assets promote aspiration and self-reliance.

- 55 per cent of people on low incomes have no savings, compared to 33 per cent of the population as a whole[48]
- While nearly a quarter of Britain's wealth is owned by just 1 per cent of the population, the proportion of households with no assets at all doubled to 10 per cent between 1979 and 1996[49]
- Since its launch in April 2005, around 3 million Child Trust Fund accounts have been opened[50]

In recent years, the Government has sought to encourage people to build up assets by promoting a range of simple 'stakeholder' savings and investment products, and by launching the Child Trust Fund, which will give all children a financial asset when they turn 18. It has also piloted the Savings Gateway, a savings account targeted at people on low incomes, under which the Government makes 'matching' contributions to add to the amounts saved by account-holders.

Evidence from the pilot evaluations has been very positive, showing a significant increase in saving among participants. The 2007 Pre-Budget Report announced that the Government is undertaking feasibility work to prepare for rolling out the Savings Gateway on a national basis. In response to criticisms from the Treasury Select Committee that the Government has not attached a high enough priority to savings within its financial inclusion strategy, ministers have indicated that savings will in future come under the remit of the Financial Inclusion Taskforce.

In October 2006, the Farepak Christmas hamper company was placed in administration, depriving more than 100,000 people of over £43 million in savings. The Chairman of the Financial Inclusion Taskforce, Brian Pomeroy, was also appointed by the Treasury to report on why people use Christmas hamper schemes instead of mainstream savings products and consider how their needs could be better met. In response to his report, the Government announced that:

- The DTI will work with the hamper industry to establish a new scheme to ensure that consumers' interests are protected (now BERR)
- £1 million will be made available to the Office of Fair Trading (OFT) to conduct a consumer awareness campaign on Christmas savings schemes and mainstream alternatives
- The OFT will investigate the findings of the report and consider whether a further inquiry is needed

Insurance

People on low incomes often face particular barriers in obtaining insurance, leaving them vulnerable to unexpected costs such as theft, damage from fire or flood and redundancy. This is often due to cost (which is closely associated with risk), payment methods (which rely on people having bank accounts) and low levels of understanding about insurance products.

- Half of the poorest 20 per cent of households are uninsured, whereas only one in five households on average incomes are uninsured[51]
- Only half of the poorest 10 per cent of households have home contents insurance, compared to 78 per cent of the population as a whole[52]
- No progress was made in reducing the proportion of low income households without contents insurance in the five years up to 2004/05[53]

PAT 14 called for targets to be set to encourage the development of insurance with rent schemes, which allow social housing tenants to pay their insurance premiums alongside their rent. However, the Treasury Select Committee found that no such targets have been set and the ABI has indicated that schemes are available in only around half of local authorities.[54] The Committee therefore called on the Government to fulfil PAT 14's recommendation by setting a 'stretching' target. In March 2007, the Government announced that it will work with the ABI and the Financial Inclusion Taskforce to consider how to make access to insurance a key element of financial inclusion policy.

ATM charges

96 per cent of withdrawals from ATMs (automatic teller machines) are made free of charge.[55] However, the number of fee-paying ATMs has increased significantly in recent years, particularly in disadvantaged areas. For example, Chapeltown in Leeds, one of the most deprived areas in the country, has 10 fee-charging ATMs but no free machines.[56] Having to pay fees to make withdrawals has a significant impact on people on low incomes. As they are less likely to have products such as debit and credit cards, they are more reliant on cash and tend to withdraw relatively small sums of money.

- The proportion of fee-paying machines has increased from around 2 per cent in 2000 to over 40 per cent in 2006[57]
- Although accounting for less than 4 per cent of total cash withdrawals, it is estimated that consumers paid around £140 million in cash machine charges in 2004[58]
- 1,701 areas within the most deprived quartile have no free cash machine or access to one within a kilometre[59]

Following concerns expressed by the Treasury Select Committee,[60] an ATM Taskforce was established by the Treasury under the chairmanship of John McFall MP in 2005. In December 2006, the Taskforce announced that 600 new free ATMs will be installed in low income areas as part of the LINK network.[61]

Access to financial advice

As consumer debt has increased in recent years, demand for debt advice has grown, with services such as Citizens Advice, National Debtline and the Consumer Credit Counselling Service reporting that they are unable to meet demand. To address this, £47.5 million has been committed from the Financial Inclusion Fund to fund an expansion in face-to-face debt advice available through citizens advice bureaux and other advice agencies. An additional £6 million has been made available to the Legal Services Commission to pilot the provision of advice for the most hard to reach groups. Amid concern about the long term future of this funding, the Government has committed to 'ongoing support for the provision of money advice in the next spending period'.[62]

- Around 7 per cent of households may be over-indebted, with the highest ratios of debt to income concentrated among those on low incomes[63]
- Since it was set up in 1987, National Debtline has helped almost 400,000 clients and aims to reach an annual capacity of 230,000 clients by the end of 2009
- East Lancashire Moneyline report that 40 per cent of people approaching them for a loan would be better served by advice on managing their existing commitments rather than consolidating their credit[64]

The Treasury Select Committee also highlighted the important role of generic financial advice in promoting financial inclusion. By making advice available before people reach crisis point, it could prevent them from falling into debt and encourage them to purchase the right financial products. In January 2007, the Treasury announced a feasibility study, headed by Otto Thoresen, Chief Executive of AEGON UK, to explore how to develop a national approach to generic financial advice.

Financial capability[65]

Financial capability - having the knowledge, skills and motivation to understand and use financial products – is also closely associated with financial inclusion. A 'baseline survey', published by the Financial Services Authority in March 2006, showed that people in the UK have low levels of financial capability:[66]

- Over 80 per cent of people think that a state pension will be insufficient but only a just over a third of them have made any additional pension provision
- Nearly 1 in 10 people are behind or find it a constant struggle to keep up with their financial commitments
- 70 per cent of people have made no provision for a drop in income, yet 28 per cent say they have experienced a large unexpected fall in income in the last three years and 21 per cent have faced a large unplanned expense

The FSA, which is responsible for co-ordinating the National Strategy for Financial Capability, does not have a statutory objective to promote financial inclusion. Although it is now working with a number of intermediary organisations and targeting vulnerable groups such as adults not in employment, education or training, the Treasury Select Committee criticised the strategy for not reaching financially excluded people and called for it to be more closely co-ordinated with the work of the Financial Inclusion Taskforce.

In January 2007, the Government published a strategy document outlining its plans to improve financial capability. A new action plan will be published in spring 2008. It will be important to co-ordinate policy on financial inclusion and financial capability as these agendas are taken forward.

Sources of further information

- **Association of British Credit Unions Ltd (ABCUL)**
  www.abcul.org
- **Citizen's Advice**
  www.citizensadvice.org.uk
- **Competition Commission**
  www.competition-commission.org.uk
- **Department for Work and Pensions**
  www.dwp.gov.uk
- **Financial Inclusion Taskforce**
  www.financialinclusion-taskforce.org.uk
- **Financial Services Authority**
  www.fsa.gov.uk
- **HM Treasury**
  www.hm-treasury.gov.uk
- **Joseph Rowntree Foundation**
  www.jrf.org.uk
- **National Consumer Council**
  www.ncc.org.uk
- **Personal Finance Research Centre, University of Bristol**
  www.pfrc.bris.ac.uk
- **Services Against Financial Exclusion (SAFE)**
  www.toynbeehall.org.uk
- **Social Exclusion Taskforce**
  www.cabinetoffice.gov.uk/social_exclusion_task_force
- **The Resolution Foundation**
  www.resolutionfoundation.org
- **Transact**
  www.transact.org.uk
- **Treasury Select Committee**
  www.parliament.uk/parliamentary_committees/treasury

Footnotes

[1] *Family Resources Survey 2004/05*; Office of National Statistics, 2006
[2] *Financial inclusion: credit, savings, advice and insurance*; Treasury Select Committee, Twelfth Report of Session 2005-06
[3] *The poverty premium: how poor households pay more for essential goods and services*; Save the Children/Family Welfare Association, 2007
[4] *Child Poverty Review*; HM Treasury, 2004
[5] *Home credit: examining whether doorstep credit works well for consumers on low incomes*; National Consumer Council, 2006
[6] *Affordable credit: a model that recognises real needs*; National Consumer Council, 2005
[7] Ibid
[8] *A snapshot of financial inclusion: policy and practice in the UK 2007;* New Policy Institute, 2007
[9] *Widening the safety net*; Demos, 2005
[10] Leyshon, A; Signoretta, P & French, S: *The changing geography of British bank and building society networks, 1995 – 2003*; University of Nottingham, 2006
[11] See www.transact.org.uk
[12] *Financial inclusion: credit, savings, advice and insurance*; Treasury Select Committee, Twelfth Report of Session 2005-06
[13] For example, financial products may not comply with Islamic law which forbids the charging of interest
[14] *In or out? Financial exclusion: a literature and research review*; FSA, 2000
[15] *Promoting financial inclusion*; HM Treasury, 2004
[16] *Family Resources Survey 2004/05*; Office of National Statistics, 2006
[17] *Affordable credit: a model that recognises real needs*; National Consumer Council, 2005
[18] *Promoting financial inclusion*; HM Treasury, 2004
[19] Ibid
[20] Ibid
[21] *Basic bank accounts: the case for a universal service obligation*; New Economics Foundation, 2005
[22] *Promoting financial inclusion*; HM Treasury, 2004
[23] Ibid
[24] *Which?* evidence to the Treasury Select Committee inquiry into financial inclusion
[25] Memorandum submitted by the Fuel Poverty Advisory Group to the Treasury Select Committee inquiry into financial inclusion
[26] *Home credit: examining whether doorstep credit works well for consumers on low incomes*; National Consumer Council, 2006
[27] *Special cash machine report*; Nationwide Building Society, 2005
[28] Kempson, E & Whyley, C: *Understanding and combating financial exclusion*; Joseph Rowntree Foundation, 1998
[29] Although the report opted to take a voluntary approach, the then Economic Secretary to the Treasury, Melanie Johnson MP, suggested that the Government would legislate to compel banks to serve all sections of the community should this prove unsuccessful
[30] *Child Poverty Review*; HM Treasury, 2004
[31] *Financial inclusion: credit, savings, advice and insurance*; Twelfth Report of Session 2005-06; '*Banking the unbanked': banking services, the Post Office Card Account, and financial inclusion*, Thirteenth Report of Session 2005-06; and *Financial Inclusion: the roles of the Government and the FSA, and financial capability*; First Report of Session 2006-07
[32] *Financial inclusion follow-up: saving for all and shorter term saving products;* Treasury Select Committee, Thirteenth report of 2006-07
[33] *'Banking the unbanked': banking services, the Post Office Card Account, and financial inclusion*; Treasury Select Committee, Thirteenth Report of Session 2005-06
[34] *Second annual report on progress towards the shared goal on banking*; Financial Inclusion Taskforce, September 2007
[35] *Financial inclusion: the way forward*; HM Treasury, 2007
[36] The administrative cost of making a payment into a POCA is almost £1, compared to 1p into a bank account, and the annual running costs for the POCA scheme are approximately £200 million; see evidence given to the Treasury Select Committee inquiry into financial inclusion by James Plaskitt MP
[37] *Financial inclusion, the way forward*; HM Treasury, 2007
[38] *Illegal lending in the UK*; DTI, 2006
[39] Competition Commission press release, 27 April 2006
[40] *Annual Report by the Secretary of State for Work and Pensions on the Social Fund 2005/06*; DWP, 2006
[41] *Helping those in financial hardship: the running of the Social Fund*; National Audit Office, 2005
[42] Ibid
[43] *The Social Fund*; Social Security Select Committee, Third Report of 2000-01
[44] Legge et al: *The Social Fund: current role and future direction*; Joseph Rowntree Foundation, 2006
[45] Rt Hon David Blunkett MP: *A ladder out of poverty: from state dependence to self reliance*; Resolution Foundation, 2006
[46] *Financial inclusion: credit, savings advice and insurance*; Treasury Select Committee, Twelfth Report of Session 2005-06
[47] *The Social Fund;* Work and Pensions Select Committee, Sixth report of Session 2006-07
[48] *Financial inclusion: the way forward*; HM Treasury, 2007
[49] Paxton, W: *Wealth distribution - the evidence*; ippr, 2002
[50] HM Treasury press release, 28 September 2007
[51] *Monitoring poverty and social exclusion 2005*; Joseph Rowntree Foundation, 2006
[52] *Widening the safety net*; Demos, 2005
[53] *A snapshot of financial inclusion: policy and practice in the UK 2007;* New Policy Institute, 2007
[54] Evidence given by the ABI to the Treasury Select Committee inquiry into financial inclusion
[55] LINK statistics quoted in *Out of pocket: CAB evidence on the impact of fee-charging cash machines*; Citizens Advice, 2006
[56] *Out of pocket: CAB evidence on the impact of fee-charging cash machines*; Citizens Advice, 2006
[57] Ibid
[58] *Cash machine charges*; Treasury Select Committee, Fifth Report of Session 2004-05
[59] Based on analysis of the Index of Multiple Deprivation; see *Cash machines – meeting consumers needs*; Report of the ATM Working Group, HM Treasury, 2006
[60] *Cash machine charges*; Treasury Select Committee, Fifth Report of Session 2004-05
[61] *Cash machines – meeting consumers needs*; Report of the ATM Working Group, HM Treasury, 2006
[62] *Financial inclusion: the way forward*; HM Treasury, 2007
[63] *Tackling over-indebtedness action plan*; DTI and DWP, 2004
[64] Memorandum submitted by East Lancashire Moneyline to the Treasury Select Committee inquiry into financial inclusion
[65] See separate Resolution Foundation briefing
[66] *Financial capability in the UK: Establishing a baseline*; FSA, 20067