LEEDS STUDY

Financial exclusion: its impact on individuals, disadvantaged communities and the city economy

A report by Dr Karl Dayson of Community Finance Solutions at the University of Salford, with Jane Dawson of Community Consultants

"My mother died and I was left on my own to look after my sister. I had to give up my job and could not pay my overdraft. It has changed everything - I don't have any money and I just sit here trying to figure everything out. I did not even know I could get child benefit for my sister." Leeds resident on the experience of being in debt.

December 2004

FOREWORD

Leeds is a prosperous city. It is not only prosperous in its own right but acts as a generator for wealth, which goes well beyond its immediate boundaries. Leeds image as a prosperous city is well documented and commentators from around the country pay tribute to the success Leeds has enjoyed in recent decades.

However, increasingly over the years, Leeds has become recognised as a two-speed city. Much of the city is prosperous but significant pockets of poverty are to be found in many areas. Over 20% of electoral wards in Leeds are recognised as being amongst the most deprived in the whole of England. This manifests itself in many different ways: neighbourhoods facing poor housing and poverty, higher crime rates and generally run down environments. Services enjoyed by the vast majority of the citizens of Leeds are not taken for granted in these deprived communities at the heart of the city.

A city which only looks at the good headlines and fails to recognise its weaknesses, cannot be regarded as one which is inclusive and embodies the aspirations of all its citizens. There are many examples of work being undertaken by the Council, which illustrate the overall prosperity of the city of Leeds. The research on which this report is based concentrates on those parts of the city, which do not normally find themselves at the forefront of our promotional activities.

We believe that commissioning this research was a brave step. It has uncovered evidence of the extent of deprivation and the absence of access to financial services for many of our citizens. It has highlighted the impact of this on people's lives. It shows that there is considerable work to be done in providing the kinds of services to these communities which are taken for granted by most of the population.

In uncovering the significant difficulties which many of our communities face we are also exposing ourselves to the need to take action. The research embodied in this report must only be the beginning. The task ahead is to work with all our partners to try to ensure that the communities affected by financial exclusion are provided with services which meet their particular needs and, in so doing, assist in the process of narrowing the gap.

Councillor Andrew Carter
Chair, Leeds Economy Partnership
December 2004

Table of contents

Executive summary

This report examines the extent of financial exclusion in Leeds and explores ways in which this can be addressed.

Financial exclusion is the means by which individuals are unable and/or unwilling to access mainstream financial providers (i.e. high street banks and building societies). Consequently the financially excluded rely on range of informal solutions and 'sub-prime' providers. This has three negative effects:

1. Inability to access many services that now operate entirely beyond a cash based economy.
2. The banking sector is highly regulated with extensive consumer safeguards. Unfortunately similar protection is not always available when using subprime providers.
3. Most perniciously, the cost of credit varies enormously with APR[1] rates from around 14% for a bank loan, to upwards of 177% for a small cash loan from a doorstep lender.[2]

Annual cost to local economy

Although financial exclusion occurs to individuals and is therefore classified as a personal finance issue, its impact is felt across the wider economy. The research estimates that the use of doorstep lenders as opposed to more affordable credit is costing the Leeds economy between £3 to 9.5 million per annum. This money, which is only interest repayments, disproportionately affects the financially poorest households and communities. It reduces families' disposable income, which in turn reduces their children's life chances, and thus cuts the amount spent with local shops and businesses. In addition to undermining existing micro-entrepreneurs, the lost money reduces the capacity of potential entrepreneurs to start businesses. This latent entrepreneurship is highlighted in the report, with 20% of those surveyed in deprived communities interested in affordable loans for business start-ups.

---

[1] APR – Annual Percentage Rate, is the financial indicator used to measure the average interest over the course of a year. It is based on the assumption that the borrower will maintain regular payments.

[2] HM Treasury Report, December 2004, "Promoting Financial Inclusion" reported high APR rates. Information below extracted from the report:

- A typical loan from a home collected credit company for £200 might attract a charge of £94, which is repaid over 30 weeks at £10 a week - **309% APR**
- Pawnbrokers charge interest each month (7-12%) for the length of the loan. A loan of £200 over 4 months, at 7% interest a month would equate to a charge of £56 - **110% APR**
- CAB in Merseyside highlighted costs of a sale and buyback scheme. A £45 "loan" against the clients TV/video would require a payment of £56.25 within 28 days to recover the equipment - **1355% APR**

What is the nature of financial exclusion in Leeds?
To assess the extent of financial exclusion in Leeds a survey of 410 households in the most disadvantaged parts of the city was undertaken. The results indicated that those with lower incomes were most likely to be financially excluded, in particular, lone parents, families with children, and workless households. Across the sample two in three (67%) had an income of below £200pw and 35% had an income of below £120 pw. Furthermore, 67% received one or more income replacement benefits. A total of 45% of households received housing benefit and 46% Council tax benefit. A quarter of 'working' households received Working Tax Credit.

The picture that emerged from the survey was one where most people were just managing to get by (53%) but 9% were getting into difficulties with managing their money. A total of 17% had some difficulty with paying their fuel bills. Therefore it was unsurprising that 40% were worried about getting into debt, with over a third having fallen into debt in the past two years. The main reasons for falling behind with bills were that income was insufficient to cover outgoings, unemployment, or a short time working. However, errors in housing benefit calculations or billing accounted for some debts.

With regards to accessing mainstream financial products, 16% had tried to open a bank account and been refused, with 8% having this happen in the past two years. The main reason cited was a lack of the required identification. In addition only 32% had a cheque book and cheque guarantee card. Although 70% had a bank account this is well below the national average of 94%. Of those with an account 23% had a new basic bank account, which provides rudimentary banking services.

Other under-used financial products included insurance, with over half the sample (57%) saying that they did not have contents insurance, mainly because they could not afford it or that they did not have anything they considered being of value. In addition, almost half (48%, rising to 63% of social housing tenants) paid their fuel by 'payment card', key or coin meter. This means their charges are higher than paying by direct debit. Less than one in five (18%) respondents paid their fuel bills by direct debit.

The survey clearly indicates that financial exclusion is affecting a significant minority of the population within Leeds. Compounding this was only limited evidence of any strategic savings: only 13% were able to draw on savings in the case of an emergency. Instead a range of informal short-term savings methods were identified with keeping cash in an envelope or in a jam jar being the most popular. However, ease of access may result in these savings being accessed for immediate consumption and carry considerable security concerns.

On access to credit, 45% had some form of borrowing and 15% had a loan with doorstep lenders, rising to 38% of lone parents and 27% of couples with children.

Perhaps because of this there was widespread interest in different types of financial services: almost a third (29%) were interested in advice on money matters; 36% were interested in somewhere local where they could save small amounts of money; a similar proportion (34%) interested in affordable credit. 27% wanted a means to pay utility bills by direct debit rather than be beholden to their key meter.

Although financial exclusion is present in Leeds the results are broadly in line with similar surveys in other comparative cities. However, Leeds has organisational advantages, which if strategically utilised could have a significant impact on financial exclusion. Leeds has the largest 'live and work' credit union in England, one of the largest CAB offices outside of London, and a thriving private sector financial community. In addition a new loan fund for micro and small business entrepreneurs was due to be launched in late 2004 by the Partnership Investment Fund (PIF).

Nevertheless, gaps in provision still exist, in particular:

- loans for those currently using moneylenders but are too high risk for a credit union as currently structured
- advice for those with modest incomes but high debts, proportionate to their disposable income
- advice services for micro-entrepreneurs in disadvantaged communities
- informal but effective financial education
- The concentration of debt related services may exclude some ethnic minority/faith communities where there is an emphasis on avoiding debt.
- Links to other policy areas such as crime, health, and education, require further sophistication and the construction of more formal delivery partnerships

Recommendations

Overall there was a lack of strategic co-ordination among existing agencies on the most effective way to address financial exclusion. Any future partnership must also include organisations that are required to take a holistic policy driven approach. If a financial inclusion policy in the city is to be delivered, Leeds City Credit Union, and the other smaller credit unions, will have a vital role to play. If they are to take on this responsibility they will require specific funding to reach the most disadvantaged neighbourhoods. Consequently it would be preferable to target resources at developing products for the financially excluded rather than investing in a massive expansion in credit unions branches. This does not mean that branches are not required, but it should be accepted that they will require at least five years revenue support before each branch could begin to be self-sustaining.

Therefore it is recommended that a not-for-profit loan fund should be established. The management of this fund would either be undertaken by Leeds City Credit Union or an appropriate charity. The fund would make loans at a slighter higher interest rate than legal maximum permitted for credit unions. The loans would only be made in those cases where making a conventional credit union loan is deemed too risky. Once a client demonstrates the capacity to repay this first loan, they would be able to utilise their positive credit performance to gain access to a credit union loan. This encourages good financial behaviour by customers. It also ensures that the business of the credit union is not undermined by engaging in social policy issues.

In addition, closer relationships for the delivery of financial advice and education need to be fostered. It is recommended that a charity (either an existing entity or a newly created one) is used to develop and deliver a co-ordinated strategy for financial inclusion. This will incorporate greater funding for financial advice for the financially excluded to be delivered by both the Citizen's Advice Bureau and the credit unions. The charity will also promote greater financial knowledge throughout the city and develop partnerships to improve financial education. It would also be responsible for developing partnerships with mainstream financial providers, including referrals to/from the credit union/loan fund.

As the leading financial services centre outside of London, tackling financial exclusion would demonstrate how a partnership involving the financial sector delivers genuine benefits to all the residents of Leeds. This 'Community Banking Partnership' (CBP)[3] is an initiative that could genuinely claim to improve the local economy and the lives of some of the city's most disadvantaged citizens.

The CBP approach is a customer focussed 'one stop shop' service, combining existing community finance provision by credit unions, money advice and financial literacy agencies, and mainstream financial institutions. New services would also be developed to deliver affordable banking to the poorest people in the community. Services would be delivered either through credit union shop front premises or through other outlets including credit union collection points in neighbourhood locations, advice agencies, outreach surgeries in the community, and via housing associations, bank and local post office partners. Establishing a CBP in Leeds would require a specially designed organisational structure, involving all the main partners. Further details of the CBP approach are contained in section 10.5 of the full report.

3 The proposed Community Banking Partnership (CBP) approach is being developed by Community Finance Solutions (CFS) in partnership with the National Association of Credit Union Workers (NACUW) and the New Economics Foundation (nef).

Summary of Key Findings

- A survey of a representative sample of 410 residents living in the seven most disadvantaged wards in Leeds was conducted in January 2004 to provide baseline information to inform the feasibility study looking at establishing a Community Development Finance Initiative.

- Incomes were generally low. 52% of households surveyed were 'workless' and 44% of non-pensioner households were workless

- Only 5% of respondents who gave a figure for their income said their household income was above £480 per week. Two in three of those giving a response to this question (67%) had an income of below £200pw and 35% had an income of below £120 pw

- Two in three respondents (67%) received one or more income replacement benefits. A total of 45% of households received housing benefit and 46% Council tax benefit. A quarter of 'working' households received Working Tax Credit.

- The picture that emerged from the survey was one where most people were just managing to get by (53%) but 9% were getting into difficulties with managing their money. A total of 17% had some difficulty paying their fuel bills.

- A total of 48% of the sample, rising to 63% of social housing tenants, paid their fuel by 'payment card', key or coin meter. This means their charges are higher than paying by direct debit. Less than one in five (18%) respondents paid their fuel bills by direct debit.

- There was worry about getting into debt: 16% of respondents were very worried and 24% were fairly worried.

- One in three respondents (34%) had got into debt or fallen behind with at least one payment in the past two years: 15% of those surveyed had outstanding debts at the time of the survey.

- The main reasons for falling behind with bills were that income was insufficient to cover outgoings, unemployment, or a short time working. However, errors in housing benefit calculations or billing accounted for some debts.

- Over half the sample (57%) said they did not have contents insurance, mainly because they could not afford it or that they did not have anything they considered being of value. (N.B. household insurance is generally expensive or unavailable in disadvantaged communities.)

- When an emergency financial need arose more than half of respondents (60%) said they would ask family or friends and 13% said they would draw on savings. However, 13% said they did not know where they would go, though mentioned the Social Fund, and 2% the Credit Union.

- Only 14% had been anywhere for advice about financial matters in the past couple of years.

- Throughout the survey, it was clear that lone parents faced particular problems with managing money and access to finance.

- Small numbers of respondents (4%) saved in schemes such as Christmas clubs organised by shops, 2% saved in other informal schemes, 10% said they asked relatives to look after money for them and 29% kept money in a jar or envelope.

- 30% of respondents said they had heard of Leeds City Credit Union. Awareness was highest in Seacroft and Richmond Hill. Awareness was lower among Asian and Black respondents than amongst White respondents. Awareness was higher than average amongst lone parents.

- 6% of respondents said they were members of the Credit Union rising to 9% of social housing tenants and 12% of lone parents.

- 15% of respondents with children at school said there was a School Savings Club at their child's school. 41% would like there to be such a club at school.

- 70% of respondents had a bank account and only 32% had a cheque book and cheque guarantee card. The main reason for not having a bank account was a perceived lack of need because they collected their benefits or pension from the post office in cash with nothing left over to save.

- 16% had tried to open a bank account and been refused, with 8% having this happen in the past two years. The main reason was a lack of the required identification.

- One in three respondents (36%) had heard of a basic bank account and 23% of those with a bank account said this was the type they had.

- 30% of respondents did not have a cheque guarantee card, a credit card or debit card so could only make purchases with cash. This ranged from 40% of private tenants to 34% of social housing tenants and 14% of owner-occupiers.

- Half the sample (52%) had some form of credit or borrowings at the time of the survey (39%). 15% had a mortgage and 45% had some credit or borrowings (excluding mortgages). In general people on lower incomes or those who rented their home were more likely to use expensive forms of credit such as licensed lenders or catalogues. Many people did not know what rate of interest they were paying. However, some respondents value the fact that some lenders called at the door and lent small amounts of money where small weekly repayments were made.

- Overall, 15% had a loan or credit with a licensed lender and made small weekly repayments, rising to 38% of lone parents and 27% of couples with children.

- The level of borrowings (excluding mortgages) ranged considerably from under £50 to more than £30,000. However, it is not easy to say the extent to which a particular level of credit is a 'problem' loan. A problem loan can be defined as one that the borrower cannot afford to repay and is not necessarily correlated to the size of the loan. Of those who had borrowings or loans, 22% were for less than £250 corresponding to 10% of the complete sample. 5% of the sample had borrowings of over £5000. On average owners occupiers had higher levels of borrowing than those in rented accommodation.

- 9% of respondents had asked for credit within the past couple of years and been refused.

- A total of 50% said they knew what the term APR (Annual Percentage Rate) meant 8% said they did not know what interest meant.

- There was a considerable level of interest in services, which could possibly make up a Community Finance Institution (CFI). Many of these services are available but are either not delivered universally or awareness needs to be raised:

    - advice on welfare benefits (32% very or fairly interested)
    - advice about money matters (29%)
    - advice about managing debts (22%)
    - somewhere local where you could take out credit or loan at a reasonable rate of interest (34%)
    - somewhere local where you could save small amounts of money (36%)
    - a local service where you could cash a cheque (30%)
    - a service for paying bills by direct debit (27%) that is cheaper than paying by key meter
    - a savings account for children (28%)
    - more knowledge and information about financial matters in general (31%)
    - loans for business start up (20%)

There was limited support for courses or sessions to help or support with managing money or money matters: 7% very interested and 15% fairly interested.

Supplementing the survey were a series of semi-structured interviews with stakeholders who had an interest in financial inclusion matters.

- The interviews confirmed the findings of the survey. There was widespread indebtedness throughout the most disadvantaged locations within Leeds
- The concentration on tackling indebtedness results in services being aimed at those well served by financial institutions. Many of the poorest households have limited debts but these make up a greater proportion of their disposable income.
- The concentration of debt related services may exclude some ethnic minority/faith communities where there is an emphasis on avoiding debt.
- Services are not aimed at prevention and there were few examples of universal and accredited money management information
- Money advice services were understaffed and under-resourced. This resulted in uneven service provision.
- The lack of integrated policy and resources fostered a culture of parochialism whereby agencies are concerned with their own survival, rather than developing a co-ordinated approach to financial inclusion
- There is minimal financial education available for adults and this is under utilised partially because it is provided by formal educational establishments
- Leeds is well placed to tackle financial exclusion as it has the largest 'live and work' credit union in England, one of the largest CAB offices outside of London, and a thriving private sector financial community
- If the Leeds City Credit Union is to be more effective in addressing financial exclusion it will require additional support. Its current funding is insufficient to both run a successful financial institution and perform a social inclusion role.
- There was no economic justification for a massive expansion in credit union branches throughout Leeds unless the expansion is adequately funded for at least five years
- The local economy is being held back by financial exclusion, as potential entrepreneurs who are looking to borrow first need to resolve their personal financial difficulties. In addition, local money foregone in high interest repayments cannot be spent at local enterprises.
- It is estimated that sub-prime lenders are costing the Leeds economy between £3 to £9.5 million per annum
- A new loan fund for micro and small business entrepreneurs will be launched in the autumn of 2004 by the Partnership Investment Fund (PIF)
- There have been few conversations between the regional micro-finance loan (PIF) and the agencies committed to financial inclusion.
- Understanding of the impact of financial exclusion on other policy arrears, particularly the local economy, health, and education, required further sophistication.
- Stakeholders were committed to tackling financial exclusion and wanted to work in partnership but need enabling resources.
- However, there was a lack of co-ordination among agencies on the best way to address financial exclusion.

- From the users perspective there were many cultural, ethnicity, class, and faith based, barriers to accessing services.
- There was a acceptance by agencies that financial inclusion required a properly resourced long-term strategy connected to the work of neighbourhood renewal.
- The research identified the following key gaps:
    - loans for those currently using moneylenders but are too high risk for a credit unions as currently structured
    - advice for those with modest incomes but high debts, proportion to their disposable income
    - advice services for micro-entrepreneurs in disadvantaged communities
    - a need for informal but effective financial education
    - a need for a review of money laundering rules
- There were numerous approaches to financial inclusion being tested in the UK, but due to the success of Leeds City Credit Union, elements of most of these were unnecessary or inappropriate in Leeds. However, due to the extent of the problem doing nothing is not an option.
- The report rejected the concept of a freestanding CDFI in Leeds as this proposal would take no account of existing provision and fail to draw on these strengths.
- Local agencies need to be enhanced to enable a successful financial inclusion strategy. Initiatives could include greater, but targeted, finance for the CAB, greater co-operation on product development between the credit unions, and a promotional campaign aimed at recruiting credit union members.
- To assist the development of Leeds City Credit Union a dedicated freephone should be placed in all one-stop shops linking them to the credit union's call centre.
- A promotion of PIF is required, along with the development of a closer relationship between it and the credit unions within a Community Banking Partnership (CBP).
- Need for a financial inclusion strategy implemented by a partnership, and accompanying protocols between agencies, including better networking and signposting
- Leeds City Credit Union to be granted more resources to roll-out its programme of school savings banks
- The concept of a back office service has been rejected as a similar facility already exists at Leeds Credit Union
- It is recommended that a Community Banking Partnership (CBP) style approach is adopted
- The CBP is a coalition between stakeholders committed to addressing financial exclusion. Organisationally it will require two new entities: a community reinvestment trust loan fund, and a charity. Both these entities would work alongside existing credit unions.
- Operational control of the CBP could rest with Leeds City Credit Union, though this should not preclude the engagement of the other credit unions
- The community reinvestment trust should operate in a complementary and supplementary way to the credit union. Thus it should only make loans to clients

that are considered too high a risk for the credit union or for activities deemed outside the credit union's legal parameters.

- The charity should ensure the delivery of the financial education and advice element of the CBP. It would also be responsible for developing partnerships with mainstream financial providers, such as referrals to/from the credit union/community reinvestment trust and the promotion of financial information to the general public.

Glossary of terms

Association of British Credit Unions Limited
The largest trade body for credit unions

Community Finance Initiatives (CFIs)
This is a general umbrella term to describe community finance schemes ranging from a financial institution such as a Community Reinvestment Trust to a finance centre offering financial literacy training or money and debt advice etc. They are run for community benefit and are not for profit organisations.

Community Development Finance Association (CDFA)
The trade association for Community Development Finance Institutions (CDFIs).

Community Development Finance Institutions (CDFIs)
CDFIs are sustainable, independent financial institutions that provide capital and support to enable individuals or organisations to develop and create wealth in disadvantaged communities or under-served markets. The term is used to describe financial service providers where their mission specifically requires them to achieve social objectives. CDFIs principally focus on financial services for businesses or social economy organisations rather than for personal use. The primary activity of a CDFI is lending and investing in community revitalisation.

Community Reinvestment Trusts (CRTs)
These are not for profit organisations that provide loans and other financial services to men and women, small businesses and community enterprises in communities in the UK in which there is a lack of investment. These are independent community organisations aiming for long term sustainability. Some are predominantly for business lending whilst others offer personal and business lending on the premise that the self-employed rarely distinguish between the two (e.g. Portsmouth Area Regeneration Trust (PART) and Salford Money Line (SML). This is one form of CDFI.

Credit Unions
These are co-operative savings and loan institutions, where members with a common bond save in the form of shares, which are then re-lent to members. They are usually focused on personal rather than business lending.

Guarantee Fund Schemes/Residents Savings and Loans Scheme
This links savings and borrowings, providing access to low interest loans. An initial lump sum deposit is made by a housing association with a financial institution (usually a building society). This fund is used to enhance the interest on residents' individual savings and acts as a form of collateral against which residents can borrow.

Mainstream Financial Institutions
This term refers to banks and building societies registered 'deposit takers' with the Bank of England.

1 Introduction

This report completes the first stage in the possible development of a financial inclusion strategy for Leeds. The City Council's Development Department commissioned the research, with engagement from other interested stakeholders.

The initial justification was the rise of high interest lending organisation aimed at the financial excluded and the potential effect this has on the local economy. The Development Department were concerned that loan repayments negatively affected individual borrowers, local disadvantaged communities, and the wider economy. The actual impact in Leeds was unknown and policy and decisions makers were reliant on anecdotal evidence or limited national data.

It was acknowledged that a number of financial inclusion initiatives were being tested but the effectiveness of these was unknown. Moreover, there was growing national political interest in financial inclusion, including an Early Day Motion by John Battle MP (Leeds West). Consequently it was felt that it would be prudent economic and political management if Leeds City Council examined the extent of financial exclusion in Leeds and assessed potential solutions.

The findings outlined below have been partially informed by a national pilot project being established by Community Finance Solutions (CFS) at the University of Salford. Under this programme there are four financial inclusion loan funds in operation (Salford, Portsmouth, Blackburn, and Derby) and another five in development. The intention of the programme is to tackle financial exclusion through the evolution of the aforementioned projects. Such a methodology is not wedded to a particular model or approach, rather it seeks to replicate what works and adjust proposed solutions to local conditions. The focus of the project in Leeds is to outline a strategy for financial inclusion which incorporates the existing local strength of Leeds City Credit Union and includes improving financial literacy.

1.1 Objectives of the research

1) **Researching the extent, scale and affect of financial exclusion**

This focused on the seven most disadvantaged wards in Leeds. The aim was to address both the extent of individual exclusion and its effect on the broader micro-economy. To gather this information required the implementation of various methodologies, including surveys and semi-structured interviews.

2) **Feasibility study of alternative community based credit/savings systems**

Following the assessment of the extent of financial exclusion, the second part of the research focused the various approaches to address the issue. These included an expanded role for Leeds City Credit Union, the role of school savings banks, the involvement of mainstream financial providers, and assessing various other financial models and the challenges they faced.

1.2 Study methodology

To fulfil the objectives laid out in the work brief; a number of different processes have been employed.

1. The wider policy framework – this involved a literature review and assessment of the current policy environment. Most of the research on Community Development Finance Institutions (CDFIs) is relatively new and an academic body of evidence is indevelopment. Consequently most of the works cited were be commissioned research, usually by government agencies. For the policy literature government documents have predominately been utilised. Collectively this literature provides a background to the research, an indication of the comparative position of Leeds with regards to financial exclusion, and details of various methods of accessible loan/savings schemes.
2. A survey of residents, - Community Consultants worked with Community Finance Solutions to carry out a survey of households in the city. The total number of responses was 410. Responses were obtained from the seven most disadvantaged wards to provide a sample that roughly matches the profile of the target population as a whole. The same questionnaire was used for each interview which allowed the results to be aggregated. A copy of questions and further details regarding the methodology are contained in Appendices A and B.
3. Semi-structured interviews, - during both phases of the work it was necessary to interview key stakeholders, community leaders, and current providers of services. CFS worked with the Development Department of Leeds City Council to draw up a shortlist of interviewees. See Appendix D for list of interviewees.
4. Economic modelling, - drawing data from the surveys alongside that secured from debt advice services, CFS sought to provide an approximate measure of the economic effect of increased use of sub-prime lenders[4]. The local data was filtered through national information to provide a fair estimate of the additional cost involved.

1.2.1 Researching the extent, scale and effect of financial exclusion

As outlined above this part of the research was predominantly survey based, supplemented by semi-structured interviews, and economic modelling.

1.2.2 Feasibility study of alternative community based credit/savings systems

The second part of the research was mainly reliant on semi-structured interviews and meetings with key stakeholders, supported by desk-based research.

[4] Subprime lenders are organisations that offer services beyond the 'High Street' financial institutions. The lenders target higher risk borrowers and risk is offset by higher interest rates. Examples of subprime lenders include doorstop lenders, cash chequing agencies, and pawnbrokers.

1.2.2.1 Options and Challenges

CFS drew on its considerable experience of utilising other community finance interventions to identify good practice and the modes of operation used elsewhere. Details of likely local challenges were drawn from the semi-structured interviews with key stakeholders and current providers. Collectively this should provide a comprehensive analysis of the barriers and the interventions necessary to lift them.

1.2.2.2 Support and Training

There are two aspects to support: that necessary to ensure a development occurs; and the likely market for a service. CFS believes that both must be in place if a community finance initiative is to have any effect on financial exclusion. The market aspect was drawn from the survey findings. Specific questions were asked about what type of service respondents would like to see implemented and whether they would access such a service. Although not perfect, this should provide a reasonable guide to need. To reach market, the support of enabling agencies is crucial. Collectively this information should provide a realistic assessment of the desire and need for new interventions.

1.2.2.3 Credit Unions

To fulfil the requirement to assess the feasibility of opening credit union branch offices, CFS drew on its own experience and the local knowledge of Leeds City Credit Union.

1.2.2.4 School Savings Clubs

To examine whether school savings clubs could be established alongside general financial education. Interviews with Education Leeds were sought to fulfil this requirement.

All research conducted by CFS was undertaken within British Sociological Association guidelines and ethics statements. Information surrendered by respondents is treated confidentially and quotes are anonymous.

2 Explaining financial exclusion and policy interventions

2.1 Defining financial exclusion

The most comprehensive analysis of financial exclusion was undertaken by Kempson et al. (2000) in their work for the Financial Services Authority (FSA). They argued that financial exclusion was initially perceived as a geographic issue (Pratt, Leyshon, and Thrift 1996a,b) related to the closure of bank branches in specific low-income communities where little or no financial services were available. The Kempson et al. (2000) work broadened the definition to include:

- exclusion by risk assessment and product design
- exclusion through the cost of service relative to income
- exclusion by ignorance (people external to the audience targeted by marketing promotions)
- self-exclusion by people who believe they will be refused financial services, or may not wish to engage with financial institutions.

Regan & Paxton (2003) preferred to describe financial exclusion in terms of 'depth and breadth'. For example opening a bank account doesn't necessarily increase inclusion if the account holder is unaware how to utilise the service. Although useful for understanding the links between different elements of financial exclusion, this definition does not distinguish between financial inclusion and financial capability. Practically such an approach is too open-ended, meaning policy makers can never 'solve' financial exclusion or indeed effectively measure 'success'.

2.2 Evidence of financial exclusion

Research by Bridges and Disney (2002) into credit usage among low-income households supports the concept of financial exclusion outlined above by Kempson et al (2000). They found that 49% of lone parents use mail order schemes and informal arrangements, as opposed to credit and store cards. Of the total sample 4.21% use moneylenders , among lone parents it was 5.13%. Lone parents have lower debts with moneylenders than couples with children (£208.83 compared to £730.13 respectively) but had greater difficulty maintaining payments (28.91% compared to 23.53%). Furthermore 40% of lone parents and 30% of low income couples were behind on utility and service bills. They also found that households deferred repayment of utility and rent/mortgage bills and instead repaid other lenders. Though these lenders charge higher interest rates, they are prioritised because of their more aggressive collection policies and the view among borrowers that utility and local authority or Registered Social Landlord officials are more 'sympathetic'. Financial exclusion can also be reinforced by firms, such as the fuel companies transferring lower income customers to prepayment meters, with 2 million households on gas prepayment meters, and 3.7 million having similar arrangements with electricity suppliers (OFGEM 2003).

Finally propensity to default *'depend both on adverse characteristics, but also on access to credit in the first place. Thus, very 'high risk' households may be unable to obtain credit on which to default*' (Bridges and Disney 2002:19). The strongest correlation to default being receipt of housing and welfare benefits, except pensions, and housing costs. Moreover, lone parents with large numbers of children are more likely to default.

2.3 Why financial exclusion is occurring?

There is little doubt that the increasing interest in financial exclusion is partially related to the exponential growth in personal credit. By August 2004 household debt passed £1 trillion, a rise of 25% since September 2002. Research by the Institute of Fiscal Studies (IFS) found that 10% of the population with the biggest debts are at least £4,248 in the red. More worryingly amongst the poorest fifth of the population (earning less than £8,730) debts averaged £3,337. In contrast of those with more than £5,000 in savings investments only 36% were in debt. Perhaps unsurprisingly calls to the national debtline have risen from 60,000 in 1996 to 150,000 in 2002, with the biggest shift in enquiries being from negative equity then to credit card debts today. What is unknown is the impact of this unprecedented rise in debt during an economic or housing market slowdown.

With so much credit available it has become easier to identify those that are considered financial excluded, a matter to which the banks are acutely sensitive. This was evident in the publication of two reports entitled 'Banking Without Branches' by Kempson and Jones (2000) and 'The Contribution of British Building Societies to Financial Inclusion' by Marshall et al. (1999), commissioned by the British Bankers Association and the Building Societies Association, respectively.

The Kempson and Jones research examined bank and building society branch closures since 1988 and the effect on the communities. They found that the elderly were more reliant on branches, while younger people *"…were heavy users of banking services but had, by and large, arranged their finances in ways that did not necessitate frequent branch visits."* (2000:5). They argued that branch closure did not adversely affect the majority of the population. For those geographically isolated, other options including shared branches, community banks and using the post office as an agency. They also found that there was "considerable customer resistance" to telephone or electronic banking.

The work of Marshall et al (1999) included a comparison of bank and building society closures. They found that banks were more likely to close branches in socially disadvantaged areas. The new mortgage banks, it was found, were the most aggressive on branch closures. The report also revealed a degree of frustration towards the government's political opposition to branch closures. Nor was this opinion restricted to the banks as many of the more commercial building societies felt they had no responsibility towards tackling financial exclusion.

'The problem the Government has got is that there is a large section of the population that is nearly un-bankable. Nobody wants them because they are not profitable. …The Government should provide welfare, not building societies.' (A quote from a building society chief executive 1999:19)

This acceptance of even the simplest form of financial exclusion is as a result of the changes that are occurring in the financial sector. The main driver in this change is the concept of 'shareholder value'. This positions the shareholder at the centre of decision making, rather than the long-term stability of the organisation or even the customer. Companies must ensure they maximise return on invested capital in the shortest possible time to allow dividends to continue growing.

An example of this trend is that financial institutions increasingly offer homogenous products and target their services at people with a good credit rating. The latter is assessed by using strict criteria, which include fixed monthly income, stability of employment, and minimum length of employment. As a consequence the poorest people are increasingly `excluded` through the type of products and services offered. For example, a low-income customer may only want to borrow £500, but the amount is too small for the bank manager to consider processing a loan and the customer may lack sufficient security to be granted an overdraft.

Consequently financial service providers seek to attract high-income and high expenditure customers, while withdrawing their products for those in the opposite category. The commercial logic of this position is undeniable: it costs the same to process a cheque of £10,000 as it does £10, yet the interest earned overnight in affecting a transfer between accounts justifies the former but not the latter. This cherry picking is prevalent among the newer banking entrants, such as the supermarkets who begin from a low cost base with no existing unwanted clients. Concurrently banks are reducing costs through closure of unprofitable branches and opening of telephone call centres and internet banking services.

There is little a community can do to resolve this matter as the clearing banks primary duty is to their shareholders and they face increasing competition from international, supermarket, and most importantly internet banks. This rivalry is destined to intensify and cause even more exclusion as conventional high street banks are forced to reinvent themselves as electronic banks. This will aggravate the existing inequalities in access and usage of financial services.

As the mainstream sector withdraws from disadvantaged communities, moneylenders replace them. However, as both Rowlinson (1994) and Dayson et al (1999) discovered, moneylenders are not an unappealing option to many current and potential clients. Culturally moneylenders have been the preferred option for many working class families as the mainstream lenders were historically viewed as exclusive middle class institutions.

Moneylenders also offered services that people want: flexibility, accessibility, convenience and social interaction. However, their critics claim they are manipulative and expensive, both of which can be an effective deterrent upon their usage and an issue of concern for those committed to tackle poverty.

Support for this analysis was evident in Palmer and Mayo (2002) research on sub-prime lenders. They found that these organisations loaned £16 billion in 2001. Of this, moneylenders, such as Provident, London Scottish Bank, Shopacheck, and Morses, had £3.3 billion share of the market. This longstanding form of small credit has been supplemented in recent years by non-status lenders who provide credit to those with impaired or a low credit rating. Additionally a new form of pawnbrokers, (Cash Converters, BrightHouse) have arisen who buy products from clients and sell back at a higher price within a given period, thereby avoiding the Consumer Credit Act (CCA 1974) . The exposure of UK consumers to these lenders has meant Britain is perceived as a 'safe-haven' for sub-prime lenders. In France BrightHouse (formerly known as Crazy Georges) were declared illegal and not permitted to trade. Furthermore under the CCA 1974 there have been only 29 cases against lenders charging extortionate credit and only 2 of these were found guilty. By comparison in Germany there are 100,000 cases against moneylenders each year, as unlike Britain, extortionate is double the market average interest rate.

Financial exclusion also extends to the business community with micro-enterprises in disadvantaged communities most at risk (Collard et al 2001). The Bank of England's (2002) annual review found that fewer self-employed people in disadvantaged communities had personal accounts than those in other areas. Of those with accounts fewer had separate business accounts. Additionally businesses in disadvantaged communities were less likely to produce business accounts. Perhaps unsurprisingly the lower incomes earned by businesses in disadvantaged areas made it more difficult to borrow money, and with less individual savings it was harder to raise start-up capital for new ventures (BoE 2002, Collard et al 2001). Structurally the Small Firms Loan Guarantee Scheme (SFLGS) was under utilised in disadvantaged communities. As typical micro-enterprises in these communities, such as retail, transport and other service sector business, were originally unable to access the SFLGS. While the minimum guarantee offered (£30,000) was invariably larger than the micro-enterprises (BoE 2002).

2.4 Responses to financial exclusion

With the election of the Labour Government in 1997 the national policy context changed and its priorities were shifted towards tackling social exclusion. Policy was developed through a range of Policy Action Teams. Two of these reports discuss Community Development Finance Institutions (CDFIs): PAT 14 on personal finance and PAT 3 on enterprise.

PAT 14 examined access to personal finance and found a direct link between financial exclusion and deprivation. The policy approach to these problems was summarised by Melanie Johnson:

> *"The way forward lies in developing new and alternative means to deliver and provide access to financial services as well as ensuring that existing services can reach the whole community."* (H.M. Treasury 1999b:Forward)

As a result, recommendations included more freedom and an increased role for credit union.

To date credit union development has been patchy and currently serves less than 1% of the population. Among the causes for this alleged 'failure' of credit unions to expand are:-

- they are constrained by the 1979 Credit Unions Act (PAT 14)
- there is too much emphasis on the common bond by the Registry of Friendly Societies (Fuller 1998)
- a lack of professionalism, with no paid employees or computerised systems (Jones 1999): can a trust relationship exist without professionalism or professional volunteers?
- too small to be effective (Dayson et al 1999)
- common bonds are too focused on disadvantaged communities: the poorest people have to save before they can borrow, and these areas have a small and less qualified pool of possible volunteers
- the top-down creation of credit unions by local authorities is out of step with credit union philosophy
- an unrealistic expectation is imposed on credit unions by policy makers
- a failure to understand cultural differences results in unfair comparison with American and Irish credit union development.

Rather than address these matters directly, policy has sought to overcome them by scaling-up credit unions and their support structure. Firstly the Credit Union Taskforce report (1998) recommended the relaxation of legislation and regulation and the creation of a Central Services Organisation (CSO). PAT 14 hoped that the CSO, in combination with higher quality regulation by the FSA, would increase the profile of, and public confidence in, credit unions. However, the CSO was unable to secure funding and has now been sidelined.

Rather, the main emphasis since the publication of PAT 14 has been the supply of Basic Bank Accounts. These are 'no frills' accounts offered by all the banks that are open to everybody. In Paxton & Regan (2003) review of progress on financial inclusion they argued that Basic Bank Accounts were widely available although there were still difficulties regarding appropriate identification and the awareness of basic bank accounts by individual bank branches was imperfect.

PAT 3 focused on enterprise and access to finance. It found that access to finance is more difficult in disadvantaged communities because of the limited amount of personal equity in those localities, which makes them more reliant on external finance. This is aggravated by a more precarious local economy, the proportionally high cost of making small loans, and `cultural distance`, making banks seem unapproachable and uninterested. This is a particular problem for women as they often begin with lower income and assets. The report argues that CDFIs can *"strengthen the social and economic fabric of disadvantaged communities"* and *"act as a bridge between a disadvantaged community and the mainstream economy"* (p14).

In relation to social enterprise, PAT 3 suggests that:-

- support for social enterprises is patchy
- there is an inability to evaluate or understand what is "success"
- the markets they operate in are weak and fragmented
- local and regional government provide too little support (e.g. through SRB)
- the potential for housing association involvement is under-employed
- social enterprises have difficulties accessing mainstream funding.

PAT 3`s strategy for tackling the shortage of finance in disadvantaged communities accepted that although banks are the main source of external finance, market based solutions alone could not address all market failures. It suggests that public resources should concentrate on loans rather than grants, and proposes that to help achieve this objective Community Finance Initiatives (CFIs) can:

> *"… play a valuable role, by acting as additional sources of credit in the community, focussed on market segments that are not commercial but which offer high social returns"* (H.M. Treasury 1999b:10).

2.4.1 Post Policy Action Team interventions

With respect to credit unions, secondary legislation was introduced relaxing the rules regarding the maximum amount that could be held in an account by minors, and these changes were supplemented by seven others in July 2002. These covered borrowing from external sources; differentiation in dividend rates; charge fees; flexible common bonds; regulate use of the title "Credit Union"; change the minimum coverage requirements for fidelity bonds; and multiply accounts (H.M. Treasury 2001b:1).

These legislative alterations have accompanied a tightening of the regulatory framework for credit unions, with regulation being undertaken by the FSA; a tightening of liquidity rules; and a 100% share protection scheme similar to that operated by banks and building societies. These structural changes form part of ABCUL's[5] declared desire to improve the quality and regard of the service delivered by credit unions. Part of this process has

[5] ABCUL = Association of British Credit Unions Limited.

been the introduction of the 'PEARLS' financial monitoring system for credit unions. The scheme, which is funded by Barclays, is being piloted in ten locations, and seeks to measure a credit union's protection, effective financial structure, asset quality, rates of return and costs, liquidity and signs of growth (Ethical Performance Best Practice 2002). Leeds City Credit Union has adopted the PEARLS monitoring system as part of the second phase of rolling out this programme.

In addition to credit unions the government has introduced a Post Office Card Account (POCA) for those who are unable or unwilling to access a bank account. This enables cash withdrawals at post offices but does not offer an overdraft facility (New Start 2002). Concern remains about overloading expectations on the banks and that the POCA is about saving the Post Office rather than tackling financial exclusion (English 2000).

The support for credit unions and POCA are part of the government's drive to encourage the savings habit. Collard et al (2001) demonstrated that the post office was a trusted intermediary among disadvantaged communities and that the financially excluded would be willing to place savings with them. Alongside these initiatives a number of building societies have entered into partnerships with housing associations to offer savings and loans accounts (Newcombe 2002). Although relatively easy to create, the first of these schemes, the New Horizons project in Cambridge, has thus far had a chequered record with success in drawing savings accompanied by high arrears levels on some loan products (Dayson 2004 forthcoming). The government are also piloting Savings Gateway's schemes in which those on low-income employment will receive £1 from the state for every £1 they invested, up to a maximum of £25 per annum. A review of the Savings Gateway (Kempson et al 2003) indicated that it had proved to be 'successful' with a 25% take-up among the eligible group.

Alongside the Savings Gateway pilots was a financial literacy initiative operated by the DFES. These projects sought to maximise interest in basic financial literacy among housing association tenants; entitled Community Finance Learning Initiatives (CFLIs). The performance of these have been more mixed, with those linked to a Savings Gateway pilot proving more effective. Generally the participating housing associations believed that the incentive of the Savings Gateway encouraged users to access learning opportunities.

In national policy terms Savings Gateway are considered part of the emerging area of 'asset based welfare', which stresses the importance of initial capital injections to engender social change. The forthcoming Child Trust Fund (CTF), which will offer all households a fixed sum for long-term investment at the birth of their children. It is hoped that the CTF will be most beneficial in lower income households, however to maximise the benefit there will be a need investment in financial literacy.

In 2000 the Bank of England produced a report on finance for small businesses in disadvantaged areas. Apart from endorsing CFIs, the report's key finding was that although the funding of enterprise in disadvantaged communities was similar to national averages, the margins charged by banks were 'significantly higher': 4.12% as compared to 2.71% (Bank of England 2000:v). These figures were later adjusted to 3.8% and 3.5% respectively, and the corresponding figures for 2001 were 3.7% and 2.5% (BoE 2002). The Bank of England argues that this is due to 'a differential in assessed risk'. The report argued that while bankable business could and should be served by mainstream providers, a combination of community loan funds, micro-credit schemes and social banks should serve near-bankable, marginal and social enterprises. In defining a role for CDFIs in disadvantaged communities, the bank endorsed above-market interest rates as it deterred those who could attract mainstream finance. Additionally CDFIs fulfilled a previously identified need for relationship banking and higher charges were an unavoidable function of multiple smaller loans. This process avoided the arbitrary selection process and credit rationing practised by the banks. Within their communities CDFIs can be more flexible, quicker and behave more mutually. The report concludes by promoting greater partnership between CFIs and banks, and more co-ordination of initiatives on a regional basis with RDAs and SBS working to prevent duplication and fragmentation. This process is already underway with a more regional coordinated strategy to the allocation of the Phoenix Fund to CDFIs.

After a short hiatus the policy debate around financial exclusion has reawakened with the announcement of a Financial Inclusion Taskforce and a Financial Inclusion Fund within July 2004 Comprehensive Spending Review (H.M.Treasury 2000). Though fuller details are not available until later in the year the Treasury did declare that '*the supply of free face-to-face money advice falls far short of demand'*, and that it *'wishes to see a significant increase in capacity over the Spending Review period. The Government will invite proposals to expand the provision of advice from potential providers and will also pilot different models of debt outreach.'* (Section 5.27). In addition they announced a lowering of the repayment rate for the Small Firms Budgeting Loans and that *'further work will also be taken forward with the private, voluntary and community sectors to develop models to make more affordable loans available.'* (Section 5.24). Furthermore*, 'the Government wants to explore mechanisms that allow profitable loans to be made available to those on low incomes at a much lower rate of interest. The Government, therefore, intends to work in partnership with the private and voluntary and community sectors to develop models which make more affordable loans available. Any pilots will be evaluated to ensure that the loans enhance people's ability to manage their finances responsibly'* (Section 5.26).

The following week Gerry Sutcliffe and Chris Pond presented the DTI's report on overindebtedness (Tackling Overindebtedness – Action Plan 2004). This stated that the government had seven strategic priorities:

• increasing levels of financial capability and awareness, so consumers have the confidence and understanding they need to take control of their finances, participating actively and effectively in the credit market;
• ensuring that all consumers – and in particular those on low income – have access to affordable and reasonable credit;
• ensuring all lending is responsible and protecting the most vulnerable consumers;
• encouraging a savings culture in order to avoid future debt;

• ensuring that consumers with problems are identified early, and steps are taken by creditors to help them without resorting to the courts;
• making sure that sufficient, high quality, appropriate, free debt advice and support is available to consumers with debt problems; and
• ensuring that where it is necessary to resort to courts, cases are handled efficiently, speedily and effectively, and without making the debts worse.
Theses strategic priorities were to be delivered through ten priority partnership initiatives, which can be classified as:

• Preventing consumers getting into difficulties, which include developing a national strategy for financial capability, and increasing the availability of affordable credit for those on low incomes, through increased activity in the credit union sector, reviewing the role of the Social Fund and the development of alternative models of affordable credit provision;
• Ensuring consumers can be confident in fair products
• Widening access to the right debt advice. This connected to a DCA consultation on providing non-court options for those with multiple debts.

In summary, with regards to financial inclusion there is strong evidence of initiatives being launched, and until recently this has not been accompanied by a coordinated strategy or delivery approach; though this situation appears to be changing. It is increasingly apparent that addressing financial exclusion will require a holistic approach involving awareness, education, advise on money management, debt counselling, savings and affordable credit.

3 Introduction and profile of sample

A survey of residents in the seven most disadvantaged wards in Leeds was conducted on behalf of Leeds City Council. The purpose of the survey was to make an assessment of the need for a Community Development Finance Initiative. A total of 410 respondents were interviewed across the seven wards as shown in Table 3.1.

Table 3-1: Distribution of sample

	Number	Percentage
Burmantofts	50	12%
City & Holbeck	108	26%
Harehills	87	21%
Hunslet	10	2%
Richmond Hill	65	16%
Seacroft	30	7%
University	60	15%
Base: complete sample	410	100

See Appendices A, B, & C for further information. Throughout the report the term Asian is used to include all those who have ethnic connections with that continent. Although there are considerable differences between the various ethnic groups the indicator has been used for statistical purposes.

3.1 Tenure

Overall, a quarter of the sample (26%) were owner occupiers, with 8% of the sample owning their property outright. Half the sample rented from the local authority (52%), 14% rented from a housing association and 17% from a private landlord (Table 3.2). People in households where no-one was working were more likely than average to live in social housing.

Table 3-2: Tenure of sample

	Total %	Working household %	Workless Household %
Owned outright	18	34	4
Being bought on a mortgage	8	10	6
Rented from local authority	52	39	64
Rented from Housing Assn	4	3	6
Rented from private landlord	17	14	19
Other/not sure	*	-	1
Base: complete sample	410	194	216

Asian respondents were far more likely (64%) than White respondents to be owner occupiers (22%). A total of 16% of Asian respondents were council tenants compared to 58% of White respondents (Table 3.3).

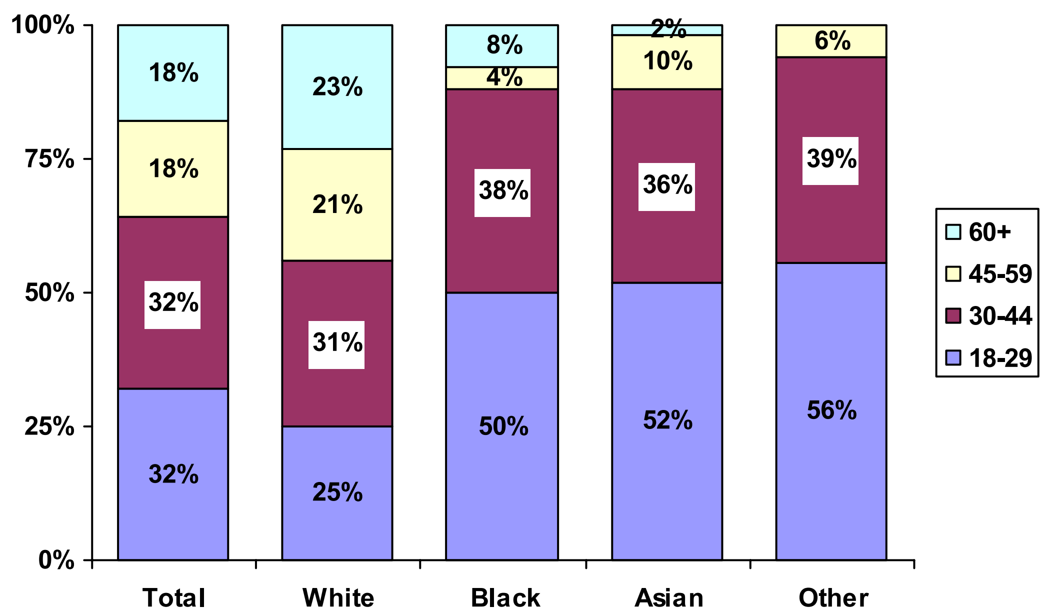
Table 3-3: Tenure by ethnic origin

	Total %	White %	Black %	Asian %	Other %
Owned with mortgage	18	15	-	43	6
Owned outright	8	6	8	21	-
Rented local authority	52	59	50	16	61
Rented Housing Assn	4	4	8	5	6
Rented private landlord	17	15	35	16	28
Other / not sure	*	*	-	-	-
Base: complete sample	410	308	26	58	18

3.2 Gender, age, and ethnic origin

Just over half the sample (52%) were women. The age profile of the sample reflects that of the area as a whole. On average White respondents were older than Black and ethnic minority respondents (Figure 3.1).

Figure 3-1: Age profile by ethnic origin



Base: complete sample (410)

The majority of respondents were White British (75%). Overall, 14% were Asian, 6% Black and 4% from another ethnic group (Table 3.4).

Table 3-4: Ethnic profile of sample

	Number	Percentage
White British	306	75%
White Irish	2	*
Other White	1	*
Mixed race	4	1%
Asian – Indian	4	1%
Asian – Pakistani	34	8%
Asian – Bangladeshi	16	4%
Other Asian	4	1%
Black – African	16	4%
Black – Caribbean	5	1%
Any other Black background	5	1%
Other	13	3%
Base: complete sample	410	100

3.3 Household composition

Almost half the sample households (46%) had children aged 18 or under (Table 3.5). One in five households (22%) had children under 5, 22% children aged 5-10, 22% had children aged 11-16 and 4% children aged 16-17. Respondents living in privately rented accommodation were slightly less likely than owner-occupiers or social housing tenants to have children. Asian households (72%) were the most likely to have children aged under 18.

Table 3-5:Children in household by tenure

	Total %	Owner occupier %	Social Housing %	Rented privately %
Has children under 5	22	22	23	20
Has children 5-10	22	25	23	16
Has children aged 11-16	22	23	22	19
Has children aged 16-17	4	8	4	-
No children under 18	54	54	52	61
Base: complete sample	410	106	232	70

Note: totals sum to more than 100% as people have children in more than one age category

A total of 16% of the sample were lone parents with at least one child aged 16 or under (Table 3.6). A quarter of households (25%) were people living alone, with 31% of those interviewed in privately rented property living alone. Another quarter of households (26%) comprised two people, 19% three people and 7% of households six or more people. One in five of respondents in social housing were lone parents.

Table 3-6: Household type by tenure

	Total %	Owner occupier %	Social Housing %	Rented private %
One adult under 60	16	4	20	21
One adult aged 60 or over	9	6	11	10
Two adults both under 60	13	16	11	17
Two adults at least one over 60	8	13	6	6
Three or more adults aged 16 or over	9	15	6	7
Lone parent at least one child under 16	16	6	21	13
Couple with at least one child under 16	22	33	19	17
Extended family with children	3	3	3	6
Other	0	-	0	1
Family, respondent is child	3	5	3	1
Base: complete sample	410	106	232	70

A total of 22% of respondents said that they had a longstanding illness, disability or infirmity with 15% of respondents saying someone else in their household had a disability (Table 3.7). The proportion of respondents reporting a disability increased with age from 8% of those aged 30 or under to 17% of those aged 31-44, 36% of those aged 45-59 and 39% of those aged 60 or over.

Table 3-7: Longstanding illness, disability or infirmity by age of respondent

	Total %	Under 30 %	31-44 %	45-59 %	60+ %
Self – yes	22	8	17	36	39
Other in household - yes	15	9	14	22	22
Self or other	31	17	27	50	47
Base: complete sample	410	131	133	72	74

3.4 Time in area

There is a mobile element to the population, with 12% of respondents having lived in their area for under a year and 10% for 1-2 years (Table 3.8). However, 37% of respondents have lived in their area for more than 20 years. A slightly higher proportion had been in their home for under a year (18%) with 14% having lived in their current home for 1-2 years. A total of 19% had lived in their current home for more than 20 years.

Table 3-8: Time in area and time in current home

	Time in area %	Time in current home %
Under a year	12	18
1-2 years	10	14
>2 and <5 years	12	21
5-10 years	11	14
11-20 years	18	13
20+ years	37	19
Base: complete sample	410	410

3.5 Income and poverty

Worklessness (includes inactivity, although these concepts do not completely overlap): There was no-one in paid employment (or self employment) in 52% of the households surveyed (Table 2.9). There was no-one working in 82% of lone parent households. By contrast this figure was 30% for households comprising a couple with children. Excluding pensioner households, 44% of households were workless. This is higher than the national average (20% classified as inactive in 2003, Labour Force Survey).

A higher proportion of Asian respondents lived in households where at least one household member was working. This reflects the fact that there are very few pensioner only households in the Asian community and a smaller proportion of lone parents.

Table 3-9: Worklessness: proportion of households where no-one is working

	Base	Percentage of households where no-one is working %
Total	(410)	52
Owner occupiers	(106)	18
Social housing	(232)	65
Privately rented	(70)	59
Under 30	(131)	40
31-44	(133)	47
45-59	(72)	43
60+	(74)	80
Lone parent	(65)	82
Couples with children	(90)	30
White	(308)	57
Black	(26)	54
Asian	(58)	22
Other ethnic group	(18)	56
Disabled or infirm person in household	(129)	68

Income: The survey asked respondents to give their income and 292 did so. These figures need to be treated with caution as people may have given their own income rather than the household income. A higher proportion of working respondents refused to give their income, suggesting that those at the higher end of the income spectrum were more likely to refuse this information. Some of the 'not sure' responses came from households where the respondents was not the householder and they did not know their parents' income or cases a group of adults shared accommodation.

In general incomes were low. Of those who gave a figure, only 5% of respondents said they had a household income of greater than £480 per week (equivalent to £25,000). Only 18% had an income above £300 pw (£15,000 pa). A total of 67% of those giving a figure had an income of below £200 pw and a third (35%) had an income of below £120 pw. However, the true income spread will not be as low as this as a high proportion of those refusing to give this information were in employment. However, the proportion of respondents in receipt of welfare benefits indicates that incomes are low. Not surprisingly, social housing tenants had lower incomes than owner-occupiers. Tenants in privately rented accommodation also had lower incomes than owner-occupiers (Table 3-10).

Table 3-10: Weekly household income by tenure

	Total %	Owner occupier %	Social Housing %	Rented private %
Under £60	8	3	9	9
£60-£119	27	10	31	31
£120-£199	33	23	38	27
£200-£299	14	20	11	16
£300-£479	13	30	10	7
£480+	5	13	1	9
Base: those giving a figure	292	60	175	55

These incomes are far below the national average. The Family Expenditure Survey for 1999/2000 (ONS) gives an average gross income of £482 pw and an average disposable income of £392 per week. It is not possible to calculate an average income for this survey as respondents were asked to put their income into ranges but it is clear from Table 2.10 that almost all respondents had a weekly income below the national average. In this study almost all tenants in social housing (local authority and housing associations) had an income of below £300 per week compared to a national average of 40%. The comparable figure for owner-occupiers was 50%.

Receipt of benefits: Just over a quarter of respondents (26%) said they did not receive any of the benefits listed. It must be remembered that this survey targeted areas where there was a high level of receipt of income support.

A total of 45% of the sample received housing benefit and 46% Council Tax benefit (Table 3.11). More than half the social housing tenants received housing benefit (58%) with 54% of those in privately rented accommodation receiving this benefit. 18% of respondents said someone in their household received a disability or invalidity benefit. Another 8% of households received Job Seekers Allowance and 31% income support (this figure includes pension credit).

The low wages received is demonstrated by the fact that 11% of respondent households and 24% of working households received the Working Tax Credit. This rose to 46% of households where someone was working and there were children aged under 18. Furthermore, Asian households where someone was working were more likely than White households to be receiving Working Tax Credit.

Table 3-11: Receipt of benefits by tenure

	Total	Owner occupier	Social Housing	Rented private
Housing benefit	45	7	59	54
Council tax benefit	46	17	57	50
Job Seekers Allowance	8	-	10	13
Income support	31	9	41	33
Invalidity/incapacity benefit	18	13	20	16
Working Tax Credit	11	22	8	7
Disability tax credit	1	2	2	-
Other - specify	2	2	3	-
None of these	26	44	16	31
Don't know / not sure	7	8	6	6
Base: complete sample	410	106	232	70

Note: columns sum to more than 100% as people might be in receipt of more than one benefit.

Free school meals: More than half of respondents (54%) who had children in the household aged between 5 and 16 said they were eligible for free school meals, ranging from 22% of owner occupiers to 66% of social housing. This equates to 19% of all households.

Employment status: One in five respondents (21%) were working full-time and 11% part-time. A total of 11% of respondents were unemployed and available for work. 17% were retired, 22% looking after their home and 12% were sick or disabled.

There was a wide range of occupations, with 10% of respondents or their partners having someone working in a managerial (mainly retail management), professional or technical occupation. However, many respondents or their partners who were in employment had fairly low skill and low paid occupations such as cleaning (25 people), working in a warehouse (10 people), waiter or bar staff (11 people), driving (9 people), care assistant (7 people) or taxi driver (5 people).

A total of 13% of respondents or their partners had a skilled manual occupation; 21% had personal or protective service occupations such as school meals assistants, restaurant/bar work or care assistants; 9% had sales occupations, 13% factory, machine minding or driving occupations and 21% unskilled occupations.

Table 3-12: Occupational grouping

	Self %	Partner %
SOC1 Managers and administrators	2	2
SOC2 Professional	3	2
SOC3 Associate technical and professional	6	6
SOC4 Clerical	17	11
SOC5 Skilled manual	9	10
SOC6 Personal and protective services	19	23
SOC7 Sales occupations	12	6
SOC8 Plant and machine minders, drivers	13	11
SOC9 Other unskilled	18	24
Base: in employment	134	105

Car ownership: Car ownership was low in the sample (Table 3.13). Two thirds of the households sampled (68%) did not have a car, far lower than the national average. The figure for Leeds as a whole is 34%. Just over a quarter of households (27%) surveyed had one car and 5% two cars or more cars. Owner-occupiers were more likely to own a car than those who rent their property. Three quarters of households where the respondent was aged over 60 did not have a car.

Table 3-13: Car ownership

	Total %	Owner occupier %	Social Housing %	Rented privately %	60+ %
None	68	42	78	77	77
One	27	49	20	17	22
Two	4	8	2	4	1
Three or more	1	2	0	1	-
Base: complete sample	410	106	232	70	74

4 Savings, managing money and debts

As shown in Sections 3.5, many households were on a low income. This section examines the level of savings and the attitude towards saving, how well they thought they were managing their money and how worried they were about getting into debt.

4.1 Savings

4.1.1 Level of savings

More than a third of the sample (37%) had no savings at all with a further 21% having under £100 (Table 4.1, 4.2). This rose to 81% of lone parents who had no savings at all or had less than £100. Owner-occupiers were more likely to have some savings than other tenures. A total of 17% of owner-occupiers had no savings at all compared with 44% of local authority tenants. Three-quarters of workless households had no savings at all or less than £100.

Table 4-1: Level of savings

	Total %
No savings at all	37
Under £100	21
£101-£500	16
£501-£1000	8
£1001-£5000	5
More than £5000	5
Refused to say	6
Not sure	2
Base: complete sample	410

Note: Judging from the responses to other questions, the majority of those refusing to give the level of their savings probably had savings.

Table 4-2:Proportion of sample with no savings

	Base	Percentage with no savings or less £100 %
Total	(410)	58
Owner occupiers	(106)	32
Social housing	(232)	66
Privately rented	(70)	67
Under 30	(131)	64
31-44	(133)	61
45-59	(72)	53
60+	(74)	46

Lone parent	(65)	82
Couples with children	(90)	53
White	(308)	59
Black	(26)	58
Asian	(58)	49
Disabled or infirm person in household	(129)	62
Working household	(198)	41
Workless household	(212)	74

This level of savings is well below the national average. Nationally, 28% of the population have no savings at all and 21% have savings of less than £1500. However, in this study, 82% either had no savings at all or savings of below £1000 (Family Resources Survey, DWP 2001-2002).

4.1.2 Where people save

Half the sample (50%; Table 4.3) had a bank or building society savings account, although more than a quarter of these accounts had little or no money in them. Owner occupiers (81%) were far more likely than those who rented their home (38%) to have a building society account. Asian respondents (67%) were more likely than White respondents to have a building society savings account. Younger respondents (37% of those aged under 30) were less likely to have a building society savings account than older respondents (58% of those aged 45-59 and 58% of those aged over 60).

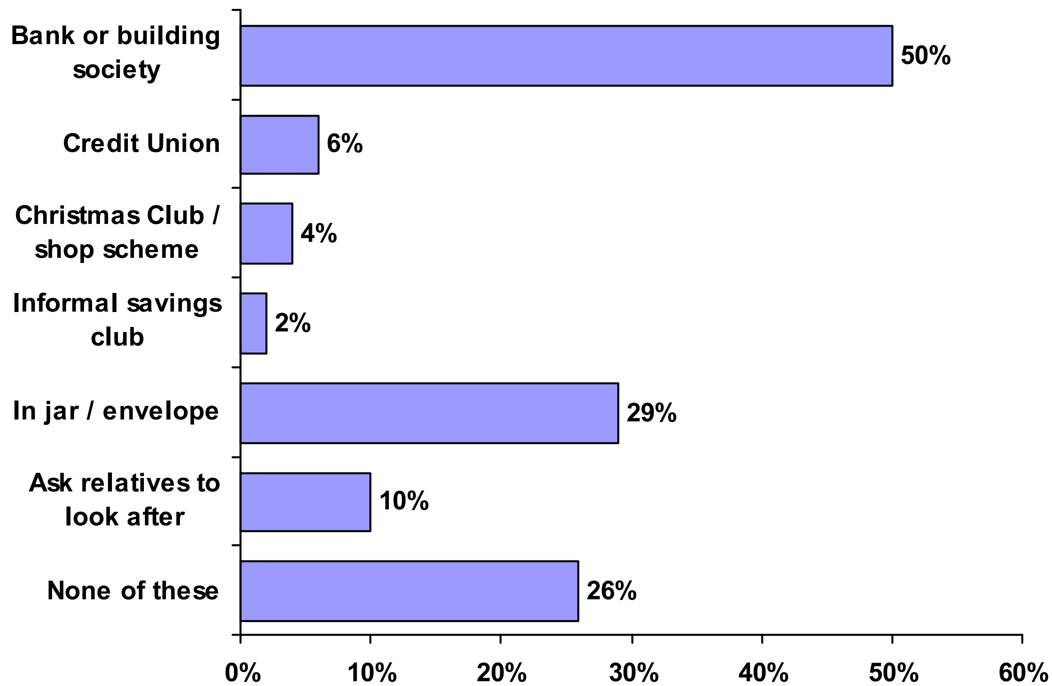
Table 4-3: Proportion of sample with a bank or building society savings account

	Base	Has bank or building society savings account %
Total	(410)	50
Owner occupiers	(106)	81
Social housing	(232)	38
Privately rented	(70)	40
Under 30	(131)	37
31-44	(133)	52
45-59	(72)	58
60+	(74)	58
Lone parent	(65)	38
Couples with children	(90)	49
White	(308)	47
Black	(26)	50
Asian	(58)	67
Disabled or infirm person in household	(129)	40
Working household	(198)	64
Workless household	(212)	36

A total of 6% said they used the Credit Union to save money. The use of the Credit Union is discussed in more detail in section 4.1.4.

A quarter of the sample said they put aside money in an envelope or a jar. Some of this would be saving to pay bills. Small numbers of respondents used informal methods of savings: Christmas Club or similar run by a shop (4%); informally with work colleagues, friends or the committee system (2%); asking a relative to look after money for you (10%). Young people were the most likely to ask a relative to look after money for them. A quarter of the sample use did not use any of these methods for saving.

Figure 4-1: How respondents save money



Base: complete sample (410)

Table 4-4 : Savings method by tenure

	Total %	Owner occupier %	Social Housing %	Rented private %
Bank or building society	50	81	38	40
Credit Union	6	3	8	3
Christmas Club / shop scheme	4	3	4	4
Informal savings club	2	-	2	6
In jar / envelope	29	20	30	39
Ask relatives to look after	10	5	11	13
None of these	26	11	32	29
Base: complete sample	410	106	232	70

4.1.3 Patterns of savings

Respondents were asked to say why they saved (Table 4.5). Overall, just over quarter the sample did not save at all but 40% said they saved to buy things they wanted or needed and 22% saved to pay bills. Overall, 19% of respondents said they saved for the future and 18% saved for emergencies. People aged 45 or over were more likely than younger people to say they saved to pay bills.

Table 4-5: Reasons for saving by tenure

	Total %	Owner occupier %	Social Housing %	Rented private %
Don't save	28	10	35	34
I save money to pay bills	22	25	20	26
I save money to buy things I want or need	40	42	39	36
I tend to put money away for the future	19	38	12	16
I save money for emergencies	18	29	12	21
Not sure	2	2	3	-
Base: complete sample	410	106	232	70

Respondents were then asked how often they paid money into a savings account or saved in other ways, with 41% saying they only paid money into a savings account as and when they could (Tables 4-6 and 4-7). A total of 26% said they saved regularly, at least once a month and 2% said they saved regularly but less often (Table 4-6 and 4-7). Owner-occupiers aged over 30 were the most likely to say they saved regularly.

Table 4-6: How frequently respondents save by tenure

	Total %	Owner occupier %	Social Housing %	Rented private %
Don't save / never	30	11	37	36
Save regularly - at least once a month	26	40	22	19
Save regularly less than once a month	2	3	2	-
I put in money as and when I can	41	46	36	46
I have paid money in but not in past 12 months	1	-	1	-
I have not added money since account was opened	1	-	1	-
Base: complete sample	410	106	232	70

Table 4-7: How frequently respondents save by age

	Total %	18-29 %	30-44 %	45-59 %	60+ %
Don't save / never	30	35	28	28	26
Save regularly - at least once a month	26	23	29	29	23
Save regularly less than once a month	2	2	3	-	1
I put in money as and when I can	41	38	40	40	47
I have paid money in but not in past 12 months	1	-	1	1	1
I have not added money since account was opened	1	2	-	1	-
Base: complete sample	410	131	133	72	74

4.1.4 Leeds City Credit Union

As shown in section 4.1.2, 6% said they saved with a Credit Union. All these respondents were White but covered the complete age range and were from all tenures. Of the 23 respondents, 11 were from Seacroft and 5 from Richmond Hill.

Awareness of the Credit Union

A total of 30% of respondents said they had heard of Leeds City Credit Union (Table 4.8). People aged 45-59 were the most likely to have heard of it (39%) and Asian respondents the least (10%). Social housing tenants (35%) were slightly more likely to have heard of the credit union than owner occupiers (26%) or tenants in privately rented accommodation (20%). Respondents in Seacroft and Richmond Hill were the most likely to have heard of the credit union. Awareness was relatively high amongst lone parents (52%), which reflects the linkage between Sure Start in Seacroft and Leeds City Credit Union.

Table 4-8: Awareness of Leeds City Credit Union

	Base	Heard of Credit Union %
Total	(410)	30
Owner occupiers	(106)	26
Social housing	(232)	35
Privately rented	(70)	20
Under 30	(131)	24
31-44	(133)	32
45-59	(72)	39
60+	(74)	28
Lone parent	(65)	42
Couples with children	(90)	27
White	(308)	36
Black	(26)	23

Asian	(58)	10
Disabled or infirm person in household	(129)	30
Working household	(198)	28
Workless household	(212)	32

A total of 6% of respondents said they were members of the Credit Union, rising to 9% of those in social housing and 12% of lone parents (Table 4.9) said they were members of a credit union. Credit union members said they had found membership very helpful (77%) or quite helpful (19%). (Note that these figures are based on 26 respondents).

Table 4-9: Membership of Leeds City Credit Union

	Base	Membership of Credit Union %
Total	(410)	6
Owner occupiers	(106)	5
Social housing	(232)	9
Privately rented	(70)	1
Under 30	(131)	7
31-44	(133)	6
45-59	(72)	8
60+	(74)	4
Lone parent	(65)	12
Couples with children	(90)	4
White	(308)	7
Black	(26)	4
Asian	(58)	3
Disabled or infirm person in household	(129)	8
Working household	(198)	6
Workless household	(212)	7

4.1.5 School Savings Club

A total of 33% of respondents said they had children who attended school in Leeds. Of these, 15% said there was a School Savings Club at their child's school. Two in three respondents (68%) said there was not and 16% said they were not sure. A total of eight respondents said that their child or children used this Savings Club, representing one in three of those that knew there was a Savings Club at their school. Two in five respondents with a child at a school in Leeds said they would like there to be a School Savings Club at their child's school (41%). See Table 4-10.

Table 4-10: Demand for a Savings Club at their child's school

	Total
School Has Savings Club	15%
Would like there to be a Savings Club	41%
Not interested in Savings Club	21%
Not sure	22%
Base: those with children at a Leeds School	137

4.2 Managing their money

4.2.1 How well people are managing their money

The survey showed a picture of people finding it difficult to get by financially. Overall, 37% of respondents said they were managing well but 53% said they were just getting by and 9% said they were getting into difficulties (Figure 4.2). This means nearly two in three of the sample were either just getting by or getting into difficulties. Owner-occupiers and those in households where someone was in paid employment were managing better than others but only slightly (48% and 43% managing well respectively). Respondents aged over 60 were the most likely to say they were managing well (53%) although their incomes were generally very low. Lone parents more likely than average (14%) to say they were getting into difficulties. Black and Asian respondents were the least likely to say they were managing well and the most likely to say they were just getting by (69%). This may be partially because on average, Asian households were larger (average 4.0 people) than White households (2.6 people).

Figure 4-2: At present how well do you think you are managing your money?

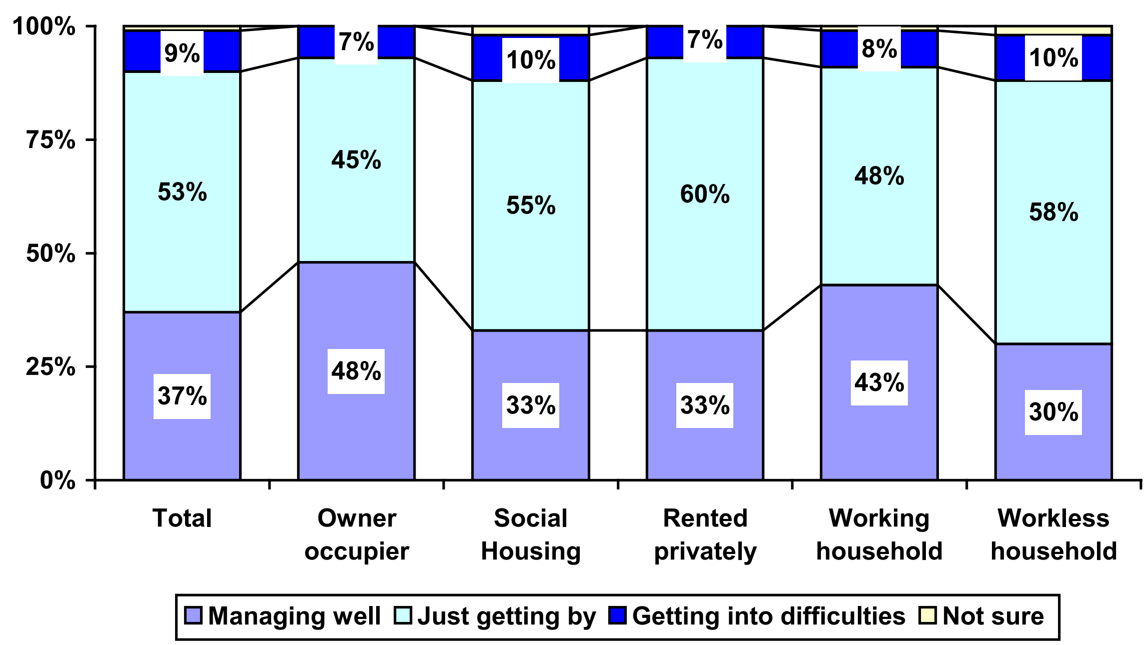


Table 4-11: How well respondents were managing their money

	Base	Managing well	Just getting by	Getting into difficulties
Total	(410)	37	53	9
Owner occupiers	(106)	48	45	7
Social housing	(232)	33	55	10
Privately rented	(70)	33	60	7
Under 30	(131)	35	56	8
31-44	(133)	30	57	11
45-59	(72)	35	54	11
60+	(74)	53	42	4
Lone parent	(65)	31	54	14
Couples with children	(90)	29	60	10
White	(308)	41	49	9
Black	(26)	15	69	12
Asian	(58)	21	69	9
Disabled or infirm person in household	(129)	33	53	13
Working household	(198)	43	48	8
Workless household	(212)	30	58	10

4.2.2 Paying fuel bills

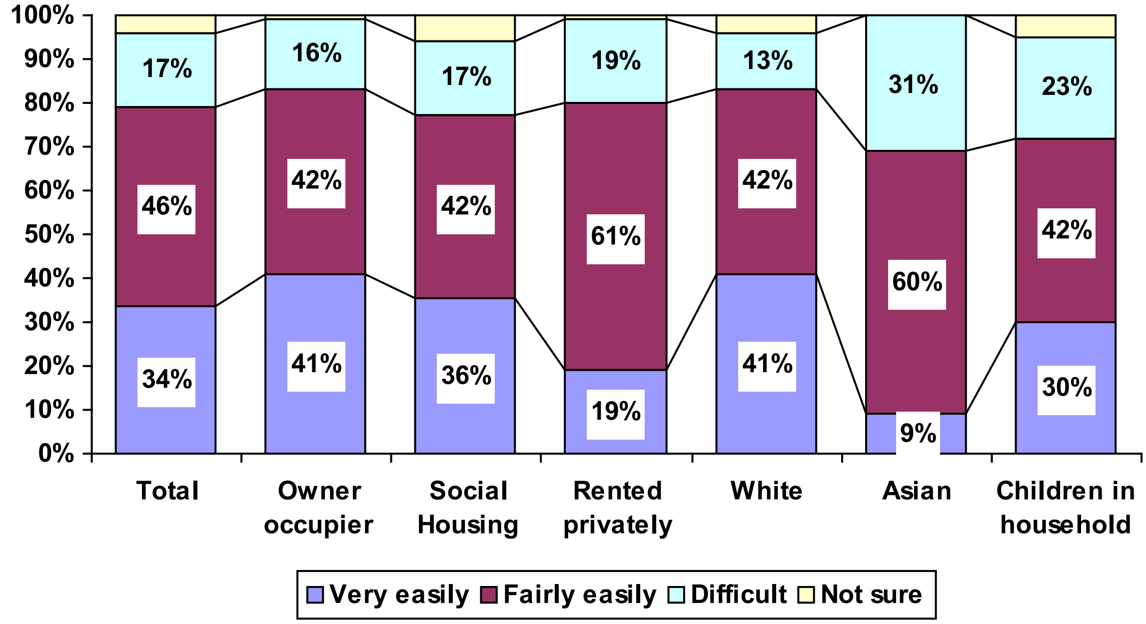
A total of 17% of respondents said they were having some difficulty with managing to pay their fuel bills (Figure 4.3, Table 4.12). Overall, 3% said they managed very easily and 46% fairly easily. A total of 16% said they had some difficulty and 1% said they found it very difficult. Lone parents, Black and Asian households and people with children were the most likely to report difficulties.

Table 4-12: Proportion who are having difficulties paying their fuel bills

	Base	Have some difficulty or very difficult %
Total	(410)	17
Owner occupiers	(106)	16
Social housing	(232)	17
Privately rented	(70)	19
Under 30	(131)	20
31-44	(133)	19
45-59	(72)	17
60+	(74)	7
Lone parent	(65)	23
Couples with children	(90)	28
White	(308)	13

Black Asian	(26) (58)	23 31
Disabled or infirm person in household	(129)	18
Working household Workless household	(198) (212)	14 19

Figure 4-3: How well would you say you manage your fuel bills?



People who paid their fuel bills by direct debit were less likely than all others to say they were having difficulties with paying their fuel bills. However, it is likely to be 'better off' people who pay by this method.

When asked how they paid their fuel bills, 30% said cash and 5% by cheque. Just under one in five (18%) paid by direct debit or standing order. Respondents in households where at least one person was in paid employment (27%) and owner occupiers (31%) were far more likely than others to pay by this method.

A total of 41% paid their fuel bills by a card which they charged up and 7% used a key or token meter and 2% a coin meter. These people therefore pay their bills in cash. Overall, 48% used a pre-payment method which is more expensive, although people like this method as they cannot run up debts. Table 4 – 14 shows that those people who have the lowest incomes (with the exception of those aged over 60) tend to use the more expensive methods of paying for fuel.

Table 4-13: How respondents pay their fuel bills

	Total %
Card meter or card that you 'charge' up	41
Key/ token meter	7
Coin meter	2
Cash	30
Cheque	5
Direct debit	18
Other	4
Not sure	3
Base: complete sample	410

Note: sums to more than 100% as people used different methods for different bills, for example some people paid for electricity by key meter and for gas with a paypoint card.

Table 4-14: Proportion of sample with key meter, coin meter or payment card

	Base	Pay with card, key meter or coin meter %
Total	(410)	48
Owner occupiers	(106)	22
Social housing	(232)	63
Privately rented	(70)	39
Under 30	(131)	48
31-44	(133)	54
45-59	(72)	58
60+	(74)	28
Lone parent	(65)	71
Couples with children	(90)	49
White	(308)	54
Black	(26)	50
Asian	(58)	14
Disabled or infirm person in household	(129)	55
Working household	(198)	39
Workless household	(212)	57

A survey conducted for Peabody Trust also found that half the tenants used relatively expensive prepaid methods for paying for their fuel, which compares with 63% of social housing tenants in this study.

4.2.3 Concern and experience about getting into debt

Overall, 19% of respondents were very worried and 24% fairly worried about getting into debt (Figure 4 – 4). Respondents in social housing, women, households with a sick or disabled person and lone parents were the most likely to be worried about getting into debt (Table 4 – 15). A total of 47% of those who had no savings or less than £100 savings in were worried about getting into debt.

Figure 4-4: At present how worried are you about getting into debt?

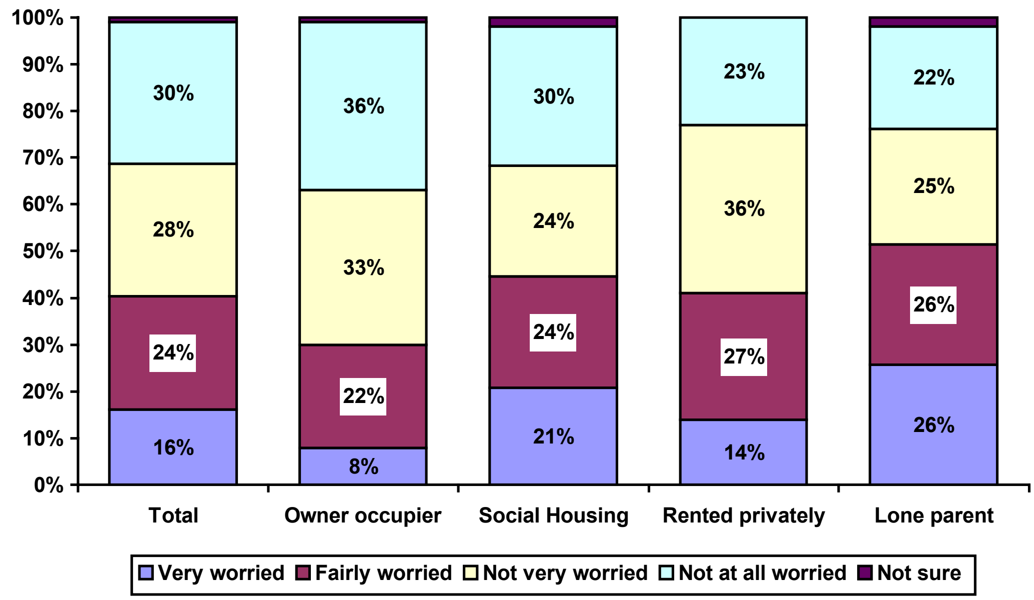
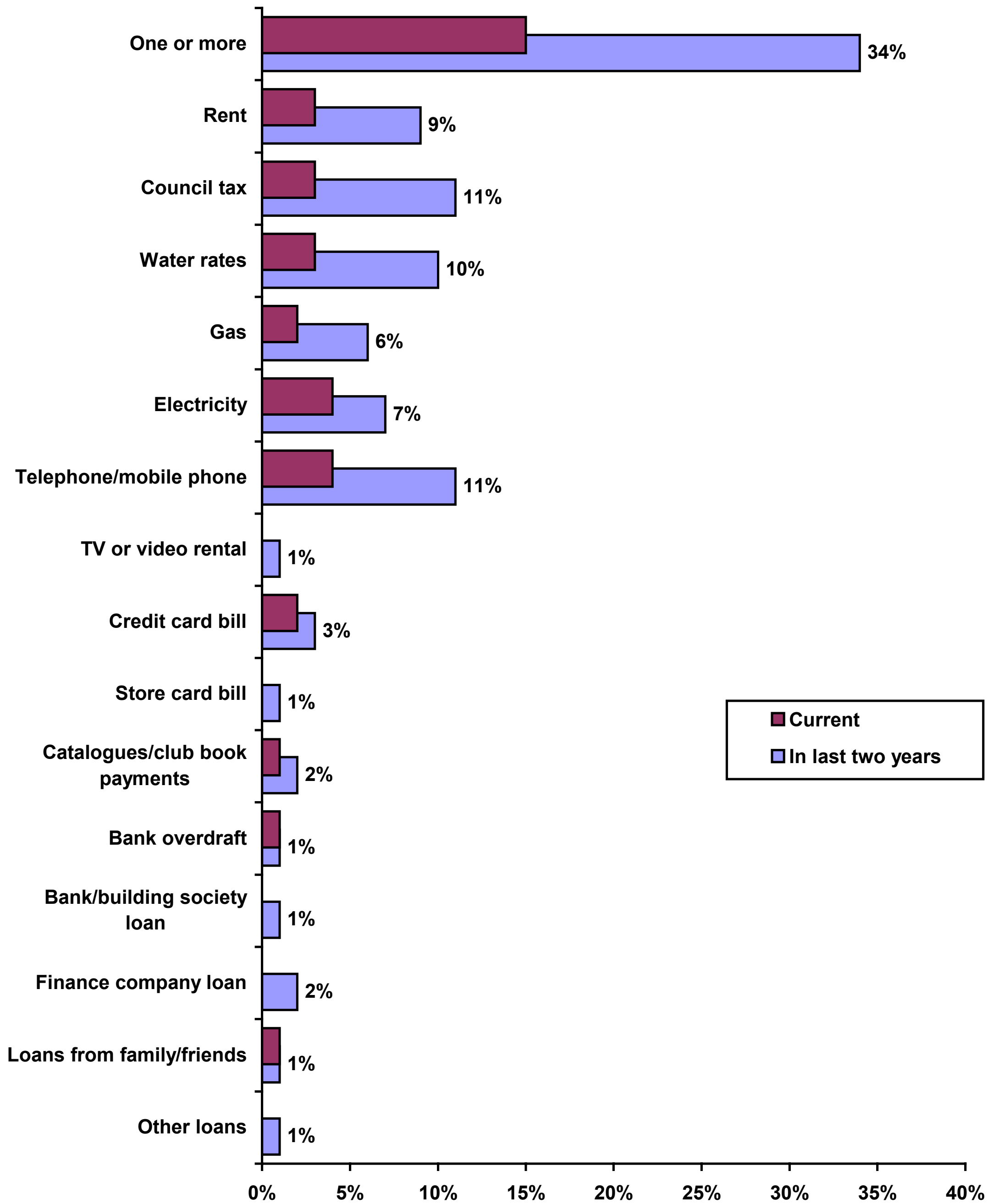


Table 4-15: Proportion of sample worried about getting into debt

	Base	Very or fairly worried about getting into debt %
Total	(410)	40
Owner occupiers	(106)	30
Social housing	(232)	44
Privately rented	(70)	41
Under 30	(131)	43
31-44	(133)	45
45-59	(72)	50
60+	(74)	16
Lone parent	(65)	52
Couples with children	(90)	43
White	(308)	41
Black	(26)	54
Asian	(58)	31
Disabled or infirm person in household	(129)	47
Working household	(198)	38
Workless household	(212)	42

Respondents were asked to say which, if any, bills they had fallen behind with in the past two years and then to say which, if any, were current (Table 4 – 16, Figure 4 – 5). One in three respondents (34%) had fallen behind with one or more bill in the past two years and 15% had outstanding bills at the time of the interview.

Figure 4-5: Debts in past two years and current debts – proportion of sample having fallen behind with each kind of bill



Base: complete sample (410)

Table 4-16: Proportion of sample who have fallen behind with one or more payments

	Base	Behind in past two years %	Behind now %
Total	(410)	34	15
Owner occupiers	(106)	26	10
Social housing	(232)	36	16
Privately rented	(70)	43	17
Under 30	(131)	47	19
31-44	(133)	42	21
45-59	(72)	38	10
60+	(74)	5	1
Lone parent	(65)	51	29
Couples with children	(90)	47	19
White	(308)	36	15
Black	(26)	38	19
Asian	(58)	31	10
Disabled or infirm person in household	(129)	33	16
Working household	(198)	37	15
Workless household	(212)	32	15

A total of 9% of respondents had fallen behind with their rent and 3% were behind with their rent at the time of interview. This ranged from 12% of social housing tenants to 9% of those renting from a private landlord. Two respondents said they had fallen behind with mortgage payments.

One in ten respondents (11%) had fallen behind with Council Tax rising to 15% of owner-occupiers. One in ten respondents (10%) had also fallen behind with their water rates, rising to 26% of lone parents. People on full housing benefit do not have to pay rent or Council Tax but they still have to pay water rates. Other debts are shown in Figure 4 – 5.

Few people aged over 60 (5%) had fallen behind with their bills but 41% of those aged under 60 had fallen behind in the last two years and 22% of this age group had current bills outstanding. Almost a half of households (47%) where the respondents was aged under 60 and was claiming one or more benefits had fallen behind in the past two years. Households with children under 18 (44%) were far more likely to have been in debt than those with no children 26%).

11% of respondents had fallen behind with telephone or mobile phone bills. This rose to 15% pf those aged under 30 and 20% of those in privately rented accommodation.

Nationally, 6% were in arrears with one or more consumer credit payments and 9% were in arrears with one or more household bill payments (mortgage, rent, utilities etc.). In this study the proportion with arrears with consumer credit was similar (5%) but those with arrears for household payments was higher at 12%.

All respondents who had fallen behind with one or more bills were asked why it was that they had been unable to make the payment. Respondents were shown a check list of possible reasons (Table 4 – 17). The most frequently cited reasons were that their income was insufficient to meet all their expenses and unemployment, redundancy or short time working. A total of 7% of all respondents had fallen behind with bills in the past two years for this latter reason. While one in ten of those who had fallen behind with bills said it was due to errors or delays in sorting our benefit payments.

Table 4-17: Reasons for not being able to pay all bills

	Total
Income is just not enough to cover my expenses	50%
Unemployment, redundancy, short time working	21%
Family break up; partner left me with debts	12%
Ill health	12%
Became pregnant, had a child	4%
Errors in Housing Benefit, Council tax	10%
Other	9%
Not sure / refused to say	6%
Base: all who have fallen behind with bills	139

Other reasons were varied and included forgetting to pay, ignoring the bill, the errors being the company's fault, going abroad, not knowing Council Tax needed to be paid. One person said it was difficult now she was working because previously the rent had been paid and now she was finding it hard to pay. Two people commented that it was just too easy to build up big bills on their mobile phone. One respondent said that they had refused to pay their rent until repairs were carried out and another had lost their smart card for fuel.

The survey asked what effect, if any, being in debt had had on their lifestyle or family life. Almost half of those who had fallen behind with payments said it had not really affected them at all. This could have been because the debts were small, they had been repaid quickly or that the unpaid bill was due to an error on behalf of the company or the Council.

Other respondents talked of increased stress and worry or depression. Some people mentioned increased arguments within the family and falling out with friends. Responses are listed in Table 4 – 18.

Table 4-18: Effect of debts on lifestyle or family life

	Number giving response
None	58
None really, reschedule payments	4
Stress, worrying about the debt	23
Had to cut back spending	18
Got depression / depression made worse	9
No social life	5
We argue more	4
It is hard to cope with	3
Anger	2
Lack of support	2
Despair / devastating	2
Took a long time to pay it all back	2
Fallen out with family	1
Lost friends	1
Have to work more hours	1
Had to take out a loan	1
A shock	1
Have to rely on friends	1
Adverse affect on my credit rating	1
Cannot get another phone	1
Base: those falling behind with bill payments in last 2 yrs	1

Some of the comments made are listed below:

"There was a family break up so there was only one wage – it was a shock to find myself in debt"

"There were arguments, going without things, despair."

"Anger – I could get no help with the rent rebate. I was told to give up work and claim income support so the rent would be paid. I had no social life and I have had to really cut back, even cut back spending on the kids."

"It has affected everything - I never have any money left to do anything."

"I can't buy my daughter the things I would like to."

"I feel down, get depressed."

"I suffer from depression - made it worse."

"It makes me feel inadequate, makes me feel worthless - because I can't cope it makes me feel useless."

"I was sick at the time and my husband found it hard to cope."

"I had to borrow some money to pay of the bill - it was a bad effect - very worrying"

"It has had quite a big effect on my life, I had no money to spend and went into a deep depression."

"It was devastating, we had our gas cut off. The worst was a letter saying we were facing eviction after we filled all the forms in."

"My mother died and I was left on my own to look after my sister. I had to give up my job and could not pay my overdraft. It has changed everything - I don't have any money and I just sit here trying to figure everything out. I did not even know I could get child benefit for my sister."

"It is a constant worry - they can be quite nasty and they are never wrong."

"It was worrying I have to support 5 children."

"Sleepless nights, stress - not enough explanation (arrears were rent, Council Tax and water rates); no help to prove they were wrong. If you are working, it's hard to get help with advice - good advice."

"We argue more with each other, me and my partner."

"I have fallen out with friends over it."

"It is a lot to pay out each week and I always worry how I am going to do it."

"I've got to work more hours and cannot be at home as much with the children."

"It just upsets me when they do it (Council) - when you get a bill for £400 and they want it in a week"

"It was a bit worrying and I had to give up smoking to pay it."

"I cannot get another phone and it puts my credit rating down."

4.2.4 Household insurance - contents

Only just over a third of respondents (39%) said they had contents insurance. A higher proportion of owner occupiers (72%) had contents insurance but this fell to only 30% of social housing tenants and 19% of those with a private landlord (Table 4 – 19). Overall, 57% said they did not have contents insurance and 5% were not sure. These were mainly cases where the respondent was not the householder.

When asked why they did not have contents insurance most respondents said that it was too expensive (55% of those without insurance). Others said they just did not bother (19%), that they had not got round to it (10%), they did not need it (6%) or that they had nothing worth insuring (3%). Some respondents commented that their area was a 'high rated' area for insurance premiums (Table 4 – 20)

Table 4-19: Proportion who do *not* have contents insurance

	Base	Does **NOT** have contents insurance %
Total	(410)	57
Owner occupiers	(106)	26
Social housing	(232)	65
Privately rented	(70)	74
Under 30	(131)	64
31-44	(133)	59
45-59	(72)	41
60+	(74)	46
Lone parent	(65)	69
Couples with children	(90)	64
White	(308)	52
Black	(26)	77
Asian	(58)	67
Disabled or infirm person in household	(129)	57
Working household	(198)	41
Workless household	(212)	72

Table 4-20: Reasons for not having contents insurance

	Total
Too expensive, can't afford it	55%
Just don't bother, no real reasons	19%
No got round to it	10%
No need for it	6%
I don't have much, nothing valuable	3%
Landlord deals with it - furnished property	2%
Leaving here soon	1%
I am in process of doing it	1%
Cannot get insurance on this estate	1%
Just moved in so no time yet	*
No insurance men coming to door now - have to have bank account	*

Would not pay a claim so fell out with them, not bothered again	*
Wanted to arrange it through rent office but had arrears	*
Do not understand the insurance forms	*
Keep forgetting to get on Council scheme	*
Partner has a criminal record	*
Base: all without household insurance	233

Relatively few of those without contents insurance said that they had tried to get insurance. No respondents said they had been refused insurance, it was just the premiums were too high so they did not take it out.

4.2.5 Action to be taken in an emergency

Respondents were asked what they would do if they had an emergency and needed money in a hurry (Table 4 – 21). One in eight respondents (13%) said they did not know what they would do. As less than half the respondents had any savings, drawing on savings was not an option in an emergency for many respondents (13%).

More than half the sample (60%) said they would ask family or friends for help, with people aged under 44 being more likely than older respondents to say this. Older respondents were more likely to say they would draw on their savings.

A total of 5% of respondents said they would take out a Social Fund loan, 8% said they would take out a bank loan or overdraft, and 4% take out a loan from another source and 2% said they would sell something. Seven respondents said they would take out a credit union loan. Few respondents said they would use their credit card.

Overall, a higher proportion of Asian respondents (71%) said they would ask family or friends but this reflects the younger age profile of the Asian sample.

Table 4-21: What respondents would do if they needed money in an emergency by age

	Total	18-29	30-44	45-59	60+
Ask family or friends	60	78	61	47	36
Draw on savings	13	8	6	21	28
Take out a bank loan or overdraft	8	8	7	7	8
Ask for a Social Fund loan	5	5	5	11	3
Take out loan other source	4	4	6	3	3
Other	2	1	3	1	3
Take out Credit Union loan	2	1	2	3	3
Use my credit card	1	2	3	-	-
Sell something	1	-	2	3	-
Don't know	13	8	14	11	19
Base: complete sample	410	131	133	72	74

Note: some respondents gave more than one response

4.2.6 Money advice

A total of 14% of respondents said they had been somewhere for financial advice in the past couple of years. People had been to a variety of places for advice (see Table 4 – 22) with 5% mentioning a bank and 3% the CAB. It is disturbing how few people sought any form of advice despite the issues highlighted above.

Table 4-22: Where respondents had been for financial or money advice in the past couple of years

	Total
No, nowhere	86
Bank	5
CAB	3
DSS (social)	2
Family / friends	1
Building Society	1
Other	1
Financial advisor	1
Social worker	1
Other advice centre in this area	*
Credit union	*
Don't know	*
Solicitor	*
Base: complete sample	410

Table 4-23: Proportion of sample who have been for financial or money advice in the past couple of years

	Base	All been for money advice %
Total	(410)	14
Owner occupiers	(106)	14
Social housing	(232)	12
Privately rented	(70)	19
Under 30	(131)	17
31-44	(133)	16
45-59	(72)	15
60+	(74)	4
Lone parent	(65)	14
Couples with children	(90)	13
White	(308)	14
Black	(26)	23
Asian	(58)	9

Disabled or infirm person in household	(129)	12
Working household	(198)	18
Workless household	(212)	10

The majority of these respondents had found the advice helpful (49% very helpful, 31% helpful). Seven respondents said the organisation was unhelpful. The reasons for finding the advice unhelpful are listed below:

- *"Did not show interest in my problems"*
- *"Just told me to see someone else (solicitor)"*
- *"Took a long time to say they could not help me"*
- *"Told me system was 'messed up' and I should go on benefit"*
- *"The information given was wrong - said I could not apply for course funding and I could"*
- *"The advisor was a foreigner - did not know what they were saying"*
- *"Told me to get rid of my telly and to have light and heating on for only 1hour per day; if the advisor had been a man I would have hit him"*

5 Access to banking services and credit

The survey looked at respondents' access to bank accounts and various types of credit.

5.1 Bank accounts

5.1.1 Ownership of a bank account

A total of 70% of respondents said that they had a bank or building society current account. However, only 32% of the sample had an account with a cheque book and a cheque guarantee card (Table 5 – 1).

Table 5-1: Access to bank accounts

	Base	Has current account %	Has cheque book and cheque guarantee card %	No current account %
Total	(410)	70	32	30
Owner occupiers	(106)	86	53	14
Social housing	(232)	66	25	34
Privately rented	(70)	60	26	40
Under 30	(131)	79	32	21
31-44	(133)	67	28	33
45-59	(72)	67	33	33
60+	(74)	61	39	38
Lone parent	(65)	63	22	37
Couples with children	(90)	74	30	26
White	(308)	66	32	34
Black	(26)	88	31	12
Asian	(58)	84	36	16
Disabled or infirm person in household	(129)	64	26	36
Working household	(198)	85	43	14
Workless household	(212)	55	22	45

Not surprisingly a higher proportion of owner occupiers (86%) had a bank account, than social housing tenants (66%). People aged over 60 were the least likely to have a bank account (61%).

Nationally, 88% of people have a current account (Family Resources Survey 2001/2002, Department of Work and Pensions). However, ownership of bank accounts was lower amongst low-income groups falling to only 70% of those with an income of below £200 pw. In this survey area only 57% of respondents with an income of below £200pw had a bank account. A study of social housing tenants conducted by the Charities Aid Foundation for Peabody Trust found a similar proportion of tenants (68%) had a current account. These findings suggest that the level of bank account ownership by social housing tenants in this survey is typical.

When compared with other similar surveys conducted over the past few years by Salford University, the proportion of social housing tenants with a bank account in this study was slightly higher, but the proportion with a cheque guarantee card is lower, suggesting that a higher proportion of people on low incomes are taking out a basic bank account which does not give a guarantee card.

5.1.2 Not having an account and being refused an account

The main reasons for not having a bank account were that people had no money to put into an account (51% of those without an account). These were mainly people on benefits or a state pension who were 'paid' in cash. Others said they did not want an account or that there was no need for them to have an account.

Table 5-2: Reasons for not having a bank account

	Total
I have no money / little money to put in	51
No bank in this area	2
No point - benefits received in cash	26
No point - paid in cash	7
Afraid I might get overdrawn	3
Concerned there may be too many charges	2
Religious or ethical reasons	1
Tried to open but was refused	3
Have a savings account instead	1
None of these / don't want an account	16
Base: those without a bank account	124

A total of 16% of respondents had tried to open an account and been refused, with 8% saying this was within the last two years. Overall, 18% of social housing tenants had been refused an account compared with 8% of owner-occupiers. 6% of owner-occupiers had been refused an account in the past two years compared with 9% of social housing tenants. Black and 'other ethnic origin' respondents were more likely than average to have been refused an account although the numbers of respondents in these groups is small.

Table 5-3: Proportion of respondents who have been refused a bank account

	Base	Ever %	In past 2 yrs %
Total	(410)	16	9
Owner occupiers	(106)	8	6
Social housing	(232)	18	9
Privately rented	(70)	21	14
Under 30	(131)	18	15
31-44	(133)	22	10
45-59	(72)	11	6
60+	(74)	5	-
Lone parent	(65)	22	11
Couples with children	(90)	20	13
White	(308)	17	8
Black	(26)	27	15
Asian	(58)	5	5
Disabled or infirm person in household	(129)	15	6
Working household	(198)	14	10
Workless household	(212)	18	8

The main reason for not being able to open an account was a lack of identification. Reasons for being refused an account are show below in Table 5-4.

Table 5-4: Reasons for being refused a bank account

	Ever Number	Last 2 years Number
Don't know - did not say	13	5
No ID	21	14
Previous bad credit history	4	3
No job, unemployed	3	-
Had to have a minimum amount	3	-
Had debts	3	2
Have a CCJ	2	1
No British Passport	2	2
Not working	2	1
Already had another account	2	1
Could not speak English	2	2
Spelling mistake on name I put on application compared with my passport	1	1
Had an overdraft / to do with an overdraft	1	1
Thought I was a risk	1	-
Need to have another bank to prove who you are	1	1
Not lived here long enough - no credit history - use wife's account	1	1
Bankrupt	1	1
Because I had had a card stolen	1	-
House is Blacklisted	1	1
I would not have my pension paid in directly - but another bank let me have an account	1	-
Base: been refused an account	65	36

5.1.3 Awareness of a basic bank account

Recently, banks have set up what are called 'basic' bank accounts where people can deposit money and arrange for direct debits to pay bills. They are not issued with a cheque guarantee card. The government is anxious that more people have bank accounts as they would like benefits to be paid directly into an account rather than by cash at a post office.

Awareness of this was modest, 36% overall (Table 5 – 5). Though this is a higher proportion than found in other surveys conducted by Salford University. Awareness was higher than average amongst those in social or privately rented accommodation. A total of 45% of lone parents had heard of this type of bank account.

Table 5-5: Awareness of basic bank account

	Base	Yes – heard of it %
Total	(410)	36
Owner occupiers	(106)	31
Social housing	(232)	37
Privately rented	(70)	39
Under 30	(131)	37
31-44	(133)	41
45-59	(72)	29
60+	(74)	32
Lone parent	(65)	45
Couples with children	(90)	31
White	(308)	38
Black	(26)	46
Asian	(58)	256
Disabled or infirm person in household	(129)	36
Working household	(198)	35
Workless household	(212)	37

A total of 16% of all respondents and almost a quarter (23%) of those with a bank account said they had a 'basic' bank account. This is likely to be an overestimate as some of these people had a chequebook and cheque guarantee card (Table 5 – 6).

Table 5-6: Proportion of account holders who have a basic account.

	Base	Proportion of all respondents %	Proportion of account holders %
Total	(410)	16	23
Owner occupiers	(106)	8	9
Social housing	(232)	18	27
Privately rented	(70)	24	40
Under 30	(131)	20	25
31-44	(133)	20	30
45-59	(72)	13	19
60+	(74)	7	11
Lone parent	(65)	18	29
Couples with children	(90)	17	22
White	(308)	17	26
Black	(26)	35	39
Asian	(58)	10	12
Disabled or infirm person in household	(129)	19	29
Working household	(198)	16	18
Workless household	(212)	17	31

5.2 Using credit

5.2.1 Access to sources of credit

A quarter of respondents (25%; Table 5 – 7) said they had a credit card and 9% had a store card (that is a credit card to use in a specific shop). People working full-time were much more likely to have a credit card than others (54%). Respondents to this survey were only half as likely as people nationally to have a credit card (25% here compared to 52%, 2002), (Kempson et al, 2002). A total of 28% had either a credit card or a store card. This means that almost three quarters of the sample have no access to the easy credit these cards provide. 41% of households where someone was working had a credit or store card compared with 15% of workless households.

Table 5-7: Proportion of sample with a credit card or a store card

	Base	Has credit card %	Has store card %
Total	(410)	25	9
Owner occupiers	(106)	48	20
Social housing	(232)	17	4
Privately rented	(70)	17	9
Under 30	(131)	24	13
31-44	(133)	29	6
45-59	(72)	26	8

60+	(74)	20	8
Lone parent	(65)	15	3
Couples with children	(90)	29	9
White	(308)	23	9
Black	(26)	23	4
Asian	(58)	43	14
Disabled or infirm person in household	(129)	39	9
Working household	(198)	39	14
Workless household	(212)	13	5

5.2.2 Access to debit cards or cheques with guarantee cards

A total of 31% of respondents said they had a debit card such as Switch or Delta ranging from 48% of owner occupiers to 24% of social housing tenants (Table 5 – 8). A third of the sample (32%) had a cheque book with guarantee card ranging from 53% of owner occupiers to 25% of local authority tenants. 57% of households where someone was working had a debit card or cheque guarantee card compared with 27% of workless households Overall, 41% of the sample had either a debit card or a cheque book with guarantee card (many had both). However, this means that more than half the respondents (59%) had neither meaning they can only make purchases by cash.

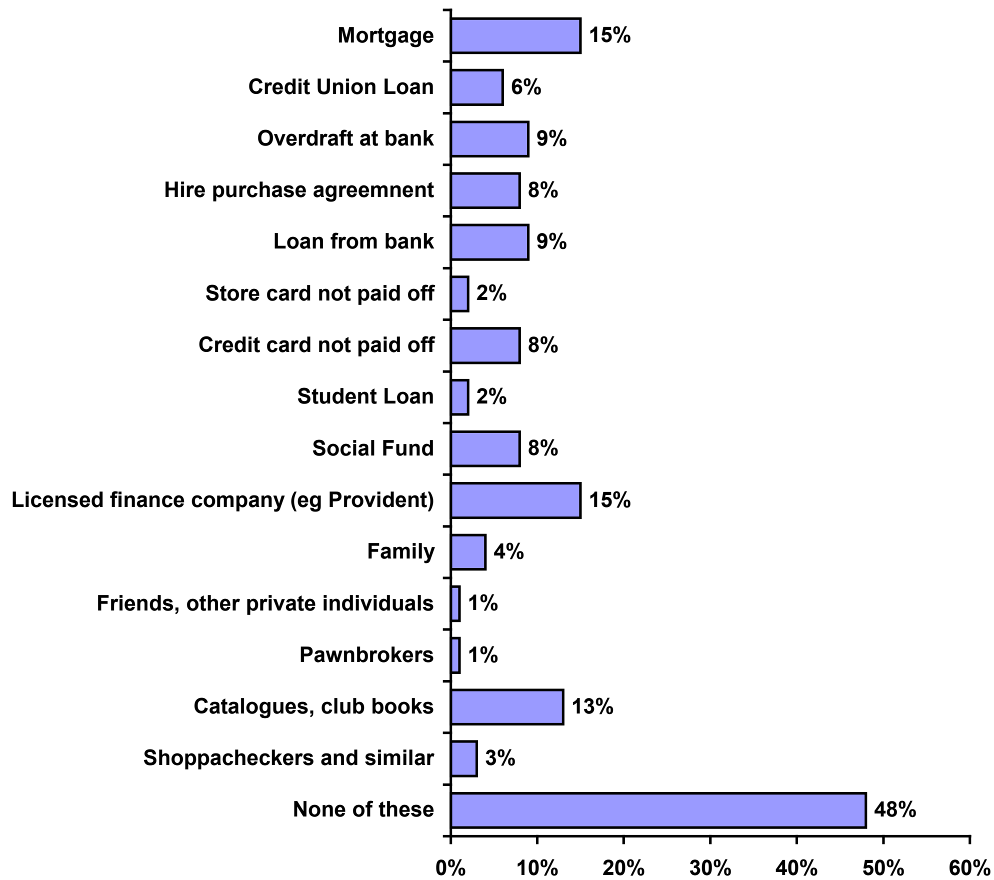
Table 5-8: Credit and debit cards

	Base	Credit card or store card %	Debit card or cheque guarantee card %	Has bank account but no credit cards, debit cards or cheque guarantee card %	No bank account and no cards %
Total	(410)	27	41	24	30
Owner occupiers	(106)	52	61	15	14
Social housing	(232)	19	34	28	34
Privately rented	(70)	20	36	24	40
Under 30	(131)	28	47	31	21
31-44	(133)	29	35	24	33
45-59	(72)	29	43	21	35
60+	(74)	23	43	14	38
Lone parent	(65)	15	25	37	
Couples with children	(90)	32	41	26	
White	(308)	26	39	22	34
Black	(26)	23	46	38	12
Asian	(58)	45	48	27	16
Disabled or infirm person in household	(129)	22	36	25	36
Working household	(198)	41	57	23	14
Workless household	(212)	15	27	25	45

5.2.3 Sources of credit used currently

Figure 5.1 shows the sources of credit used at the time of the survey. The figures are the percentages of the sample that currently have credit from that source. The use of selected forms of credit is shown in Table 5.9. Just half the respondents (52%) had some form of credit or borrowings (Figure 5 – 1). People aged over 60 were less likely to use credit (26%). Owner-occupiers (64%) were the most likely to have some form of credit (as many had mortgages, 55%). A total of 38% of owner-occupiers had some form or credit or borrowings other than a mortgage. A half of social housing tenants currently had some form or credit, as did 41% of respondents in privately rented accommodation. People aged between 30 and 44 were the most likely to have credit.

Figure 5-1: Current sources of credit



Base: complete sample (410)

As has been found in other studies (Kempson et al. 2002) lone parents are far greater users of credit than others and also tend to use expensive forms of credit. More than two-thirds of lone parents (69%) currently had credit, loans or borrowings compared to 49% of couples with children, 43% of single people or couples aged under 60 and 16% of pensioner households. Overall, 45% of respondents had one or more forms of credit or borrowings other than a mortgage (Table 5 – 9). Social housing tenants were the most likely to use credit (49%) compared with 41% of privately renting respondents and 38% of owner-occupiers. 15% of the sample had mortgages, ranging from 9% of those aged under 30 to 22% of those aged 30-44 and 21% of those aged 45-59. Only 5% of those aged 60 or over lived in a household with a mortgage. 7% of the sample had a mortgage and no other forms of credit or borrowings.

The most popular forms of credit were loans from a licensed lender where weekly repayments are made, often on the doorstep (15%) and 13% currently had credit with catalogues or club books.

Table 5-9: Proportion of sample with selected forms of credit, excluding mortgages

	Base	One or more types of credit (other than a mortgage) %	Catalogues %	Licensed lender with small weekly repayments %
Total	(410)	45	13	15
Owner occupiers	(106)	38	13	4
Social housing	(232)	50	16	20
Privately rented	(70)	41	6	13
Under 30	(131)	49	11	19
31-44	(133)	53	17	21
45-59	(72)	49	14	8
60+	(74)	22	9	1
Lone parent	(65)	69	28	38
Couples with children	(90)	49	14	27
White	(308)	53	16	19
Black	(26)	23	-	12
Asian	(58)	22	7	-
Disabled or infirm person in household	(129)	47	16	16
Working household	(198)	51	12	10
Workless household	(212)	40	15	19
No savings at all	(150)	43	15	19
Income below £200 pw	(197)	44	16	18

Owner occupiers were more likely to use 'traditional' forms of credit such as bank loans, overdrafts or HP agreements (Table 5 – 10). People in social housing were far more likely than owner occupiers to use expensive forms of credit such as licensed lenders (20% compared with 4%). People with children were far more likely to use Doorstep lenders or similar companies (27%) compared with 4% of respondents without children.

A study conducted for Peabody trust by the Charities Aid Foundation also found that about half the tenants used some form of credit and that a quarter of the sample used relatively expensive forms of credit such as catalogues and licensed lenders. This study found that 33% of respondents in social housing used these relatively expensive forms of credit suggesting that the findings from this survey are typical of social housing tenants in general.

Table 5-10: Type of credit used by tenure

	Total %	Owner occupier %	Social Housing %	Rented privately %
Mortgage	15	56	-	1
Overdraft at bank	9	9	8	11
Hire purchase agreement	8	9	8	6
Interest free loan from a store	1	2	0	3
Credit card not paid off	8	13	6	6
Store card not paid off	2	5	1	-
Loan from bank	9	15	7	3
Loan from building society	2	5	1	-
Student loan	2	1	2	6
Credit Union loan	3	1	5	-
None of above	65	37	74	77
Licensed finance company - Provident or similar	15	4	20	13
Catalogue or club books	13	13	16	6
Local shops	0	-	-	1
Shopachequers, cashchequers	3	-	4	4
Pawnbrokers	1	-	1	-
Social Fund	8	1	11	7
Loan from family	4	2	3	9
Loan from individuals	1	1	1	-
None of these	69	82	62	73
Base: complete sample	410	106	232	70

5.2.4 Levels of interest paid

In general, respondents were not clear about the amount of interest they paid. Only between a quarter and a half of people with each type of credit or borrowing claimed to know what interest they were paying. Overall, of the 293 instances of credit covered by this question, the interest rate was known by 39% (Table 5 – 11). However, some of these were probably incorrect. For example, some respondents who thought they knew the interest rate of the Provident thought it was under 20%. All those who thought they knew the interest rate for their catalogues thought it was under 5%. Though some respondents, even if they do not know the exact rate do know they are paying a high interest rate (Table 5 – 12).

Table 5-11: Proportion of borrowers knowing the interest rate paid

	Number of respondents with that type of credit	Know interest rate %
Overdraft	37	32
HP agreement	32	28
Credit card	32	56
Store card	7	-
Bank loan	35	31
Building society loan	7	57
Credit union loan	12	33
Licensed lender (such as Provident)	60	60
Catalogues or club books	55	25
Shoppacheckers, cashchequers	12	33
Pawnbrokers	3	33

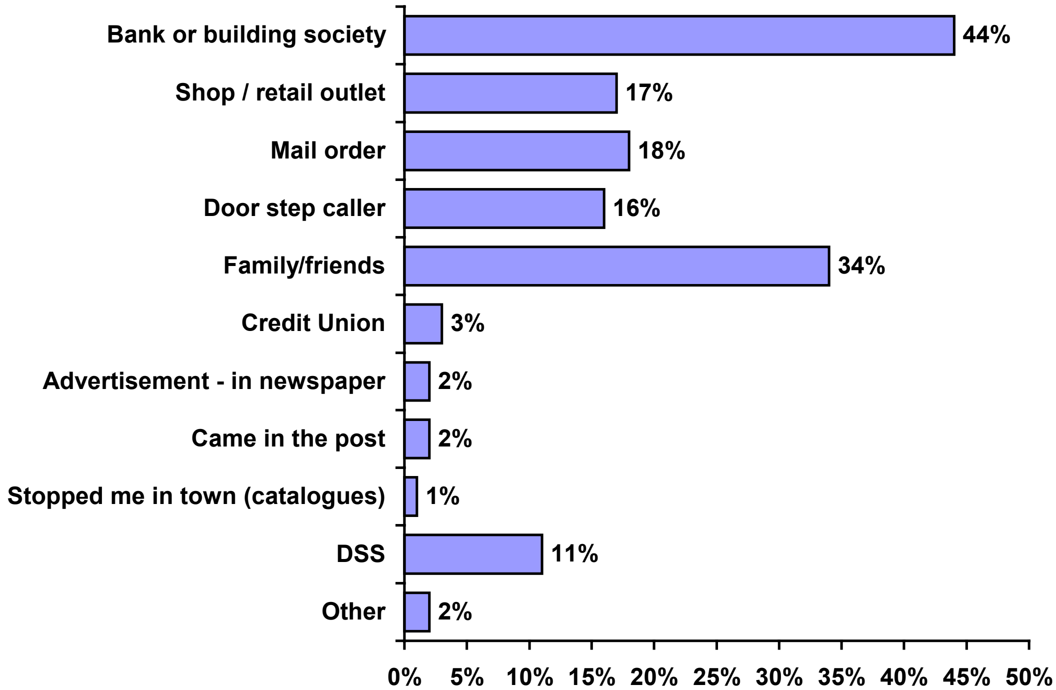
Table 5-12: Interest rates respondents think they are paying

	Number of loans	Number saying they know the rate	0-10%	11-24%	25-49%	50-99%	100 % +
Overdraft	37	12	83%	17%	-		
HP agreement	32	9	33%	33%	33%		
Credit card	32	18	22%	67%	11%		
Store card	7	0	-	-	-		
Bank loan	35	11	45%	45%	9%		
Building society loan	7	4	50%	50%	-		
Credit Union loan	12	4	50%	50%	-		
Licensed lender - such as Provident	60	36	6%	8%	39%	47%	-
Catalogues / club books	55	14	100%	-	-	-	-
Shoppachequers/Cashchequers	12	4	-	-	25%	50%	25%
Pawnbrokers	3	1	-	-	100%	-	-

5.2.5 Contacting lenders

Figure 5 –2 shows how respondents contacted their lenders. This question was not asked for each type of credit individually because the questionnaire would have become too complicated. Some people had more than one type of credit, therefore the mode of contact for each type of loan cannot be determined.

Figure 5-2 : How respondents made contact with the lender



Base: those with at least one type of credit or borrowing, excluding mortgages (189)

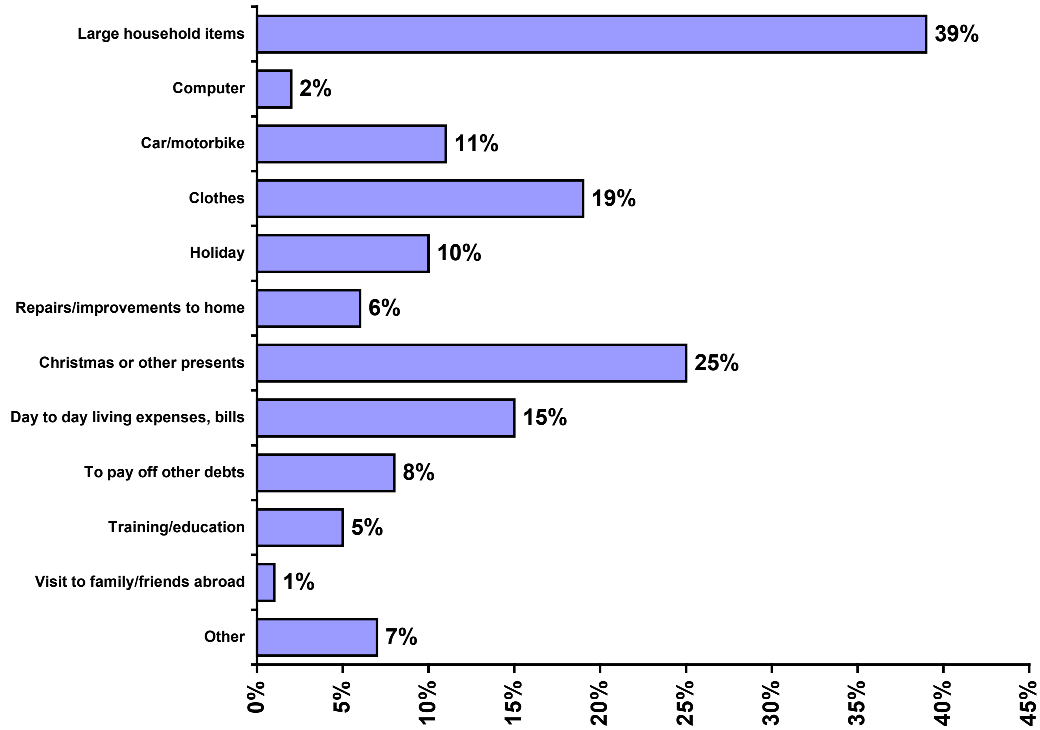
Just under half of those who had credit or borrowings (44%) had made contact through a bank or building society. One in three said that they had contacted the lender through family or friends (or had been told about this source by family or friends). Very few had responded to advertisements. People with loans that are repaid weekly were likely to have found this through friends or family or a doorstep caller.

5.2.6 Purpose of loan or credit

Figure 5 – 3 shows the reasons why people had taken out a loan or used credit. More than one in three (39%) of those who had credit or borrowings other than a mortgage had used the credit to buy large household items such as furniture or kitchen goods and 11% to buy a car or motorbike. A total of 19% of those with credit said it was to buy clothes and 10% for a holiday. Given that the survey was conducted in January, a quarter of those with credit said it was to buy Christmas or other presents.

However, 15% of those with credit or borrowings said this was to cover day to day living expenses or household bills such as electricity (this represents 7% of the sample). If those with student loans are excluded, 12% of those with credit said it was for day to day living expenses. A total of 8% of those with credit said this was to pay off other debts (which represents 4% of all respondents). Overall, 10% of all respondents have credit or borrowings to pay household bills or to pay off other debts. This rose to almost one in twelve (13%) of couples with children (Table 5 – 13).

Figure 5-3: Purpose of credit or borrowings – all who have credit (excluding mortgages)



Base: all who have credit or borrowings excluding mortgages (189)
Note: sums to more than 100% as people may have credit for more than one reason

Table 5-13: Proportion of sample who have credit to pay household bills/general living expenses or to pay off debts – complete sample including those who have no credit

	Base	Credit for living expenses, household bills or to pay off debts %
Total	(410)	10
Owner occupiers	(106)	5
Social housing	(232)	12
Privately rented	(70)	16
Under 30	(131)	13
31-44	(133)	11
45-59	(72)	11
60+	(74)	4
Lone parent	(65)	9
Couples with children	(90)	13
White	(308)	12
Black	(26)	12
Asian	(58)	7
Disabled or infirm person in household	(129)	12
Working household	(198)	13
Workless household	(212)	8
No savings at all	(150)	13

Base: complete sample including those who currently have no credit or borrowings

5.2.7 Reasons for choosing a particular form of credit

When asked why they had chosen this particular form of credit, the most frequently given response was that it was easy or convenient. Others said it was the best interest rate at the time. Others, mainly those with catalogue or club book credits mentioned they liked being able to make small regular payments. Many respondents said they used a source of credit recommended to them by friends or family. Some respondents had relatives who ran catalogues. Other reasons are shown in Table 5-14 – 5-21.

Table 5-14: Reasons for choosing bank loan – unprompted

Bank loans	Number making response
Good deal, good rate	15
Was offered, was arranged by bank/shop/garage	3
It is easy (vague)	6
Been with bank/organisation a long time	14
Trustworthy lender	2
My overdraft got too big so bank put it on a managing loan	1
Consolidated all the debts	2
Base: number of loans	42

The main reason respondents chose a bank loan was that the arte was good or they had been with that bank for some time.

Table 5-15: Reasons for choosing overdraft – unprompted

Overdraft	Number making response
Good deal, good rate	1
It is easy (vague)	4
Been with bank/organisation a long time	7
Easy - overdraft was part of the bank account	24
Base: number of loans	37

The main reasons for using an overdraft were that they were offered the facility as part of their bank account.

Table 5-16: Reasons for choosing credit card/store – unprompted

Credit card / store card	Number making response
Good deal, good rate	2
Was offered, was arranged by bank / lender	7
It is easy (vague)	12
Been with bank/organisation a long time	3
Gave you 10% off when opened account	1

Had a bank account and they just gave me one	3
Easy - it is there when you need it	8
Base: number of loans	36

The main reason for using a credit card or store card was that it was easy, that it was there when you needed it or that they had been offered it by the bank or store.

Table 5-17: Reasons for choosing hire purchase – unprompted

Hire Purchase / HP	Number making response
Good deal, good rate	3
Was offered, was arranged by shop/garage	20
It is easy (vague)	5
Interest free	1
At the time all I could get	1
Been with organisation a long time	1
It is what I have always done	1
Did not need to pay a deposit / no cash to pay outright	1
Base: number of loans	32

The main reason for using Hire Purchase was that they were offered the deal in the shop or garage.

Table 5-18: Reasons for choosing licensed lender such as Provident where they often collect weekly at the door – unprompted

Licensed lender	Number making response
Recommended by friend/family	15
It is easy (vague)	12
At the time all I could get, nowhere else to go	10
He came to house and I needed the money	9
Known him for years	4
Easy - they collect from the door	4
Easy installments, small weekly payments	3
Was offered, was arranged by shop/garage	1
So I can get the cash quickly	1
Trustworthy lender	1
Knew the collector	1
Good deal, good rate	1
Don't do a credit check	1
Can get it quickly	1
Base: number of loans	60

The main reasons given for using a licensed lender were that it was recommended to them by family or friends, that it was easy, that it was all they could get or that the collector knocked on the door when they needed some money. Others mentioned that it was easy to pay in small weekly instalments, it was convenient that they collected from the door or that they had known the collector for a long time.

Table 5-19: Reasons for choosing catalogues or club books – unprompted

Catalogues, club books	Number making response
Easy instalments, small weekly payments	19
It is easy (vague)	18
Recommended by friend/family	6
Can shop at your leisure - no hassle	5
Good deal, good rate	2
Interest free	2
It is what I and my mother have always done	2
At the time all I could get	1
Been with bank/organisation a long time	1
Leaflet through door - offered £10 off	1
Can get it quickly	1
Stopped me in town	1
Wrote to me	1
Able to get reasonable/good quality items	1
Base: number of loans	55

The main reasons for using catalogues/club books were that it was easy to pay in small weekly instalments; it was easy; that it had been recommended by family/friends; or, it was just a hassle free way of shopping.

Table 5-20: Reasons for choosing pawnbrokers and other lenders – unprompted

Pawn brokers / other lenders such as Shopacheckers	Number making response
Recommended by friend/family	6
It is easy (vague)	3
Easy - they collect from the door	1
Interest free	1
At the time all I could get	1
Been with bank/organisation a long time	1
Easy - they ask no questions	1
Use Shoppacheckers so I can get the cash quickly	1
Base: number of loans	14

Although only a small proportion of the sample, the most common explanation for using pawnbrokers was that a friend or member of their family recommended it.

Table 5-21: Reasons for choosing social fund – unprompted

Social Fund	Number making response
Interest free	12
It is easy (vague)	8
What you when you are on income support	5
Easy instalments, small weekly payments	3
At the time all I could get	2
Done this before	1
Recommended by friend/family	1
All you can get when on social	1
Base: number of loans	31

The main reasons for using the Social Fund was that it was interest free, it was easy, you could repay in small instalments and 'it is what you do when you are on the social.'

Respondents with credit were then shown a list of possible reasons for choosing that source (Table 5 – 22). The most frequently cited reasons were that one could make small regular repayments, it was available locally and the interest rate was low. However 19% of people with credit, rising to 27% of those in social housing said it was because they collected from the door. Almost half those in social housing liked to make small regular repayments.

Table 5-22: Reasons for choosing a particular form of credit – prompted

	Total	Owner occupier	Social Housing	Rented privately
Low rate of interest	26	32	22	28
Able to borrow relatively small sums	14	7	17	21
Did not need security of guarantees	15	10	17	14
Available locally	27	19	32	21
Small regular repayments	32	12	46	28
It is convenient - come to the door to collect	19	4	27	21
I know collector or catalogue person	6	-	10	7
Other / none of these	25	29	21	31
Base: all with some form of credit/loan/borrowings	213	68	115	29

5.2.8 Levels of credit loans or borrowings

Respondents were asked to say what their total level of credit, loans or borrowings were, excluding mortgages. The actual amount of credit does not necessarily correlate with an ability to repay. For example, some households where people were in paid employment had loans to buy a car. These figure in the higher levels of credit in Table 5 – 23 but in most cases these would be responsible borrowing and not a problem loan.

In other instances, a relatively small loan might take a disproportionately large amount of a household's income to repay, particularly if the interest rate was also very high. A number of respondents refused to give this information or said that they did not know. One respondent who was in financial difficulties said: *"I would not like to go into it – thinking how much money we owe. All I know is it is costing us £900 per month."* In this household, both partners were working but in jobs with a low income.

Table 5-23: Current level of borrowings

	One or more loans, borrowings %		Complete sample %
£100 or less	11		5
£101-£250	11		5
£251-£500	15		7
£501-£1000	17		8
£1001-£2500	10		5
£2501-5000	10		4
£5001-£10,000	6		3
More than £10,000	4		2
Refused to say / did not know	16		7
None - mortgage only	-		7
No current credit	-		48
Base:	186		410

Overall, 5% of the sample had borrowings of less than £100 and 10% less than £250. However, 5% of the sample overall had borrowings (excluding mortgages) in excess of £5000. The total amount of credit for the 156 respondents who gave a figure was about £350,000, an average of £2,250 per household. The average level of credit figures are skewed by the small number of households with large borrowings, with 63% of those giving a figure having borrowings of £1,000 or less. In general, households where people were in paid employment owed more money than those in workless households. Owner-occupiers on average had larger levels of borrowing than those in rented accommodation (these figures exclude mortgages).

Table 5-24: Average level of borrowings – base those who gave a figure for the level of borrowings (excluding mortgages)

	Average borrowings
Total	2250
Owner occupiers	4450
Social housing	1730
Privately rented	1325
Working household	3535
Workless household	850
Lone parents	1375

Couples with children	3175
Income below £200 pw	1500
Income above £200 pw	3872
In receipt of welfare benefits	1775
No benefits	3650

Note: average borrowings is the total amount borrowed divided by the number of respondents in that sub group. Figures look high because of a small number of respondents with high levels of borrowings. 63% of all respondents giving a figure had borrowings of less £1000.

Table 5 – 25 compares the level of borrowings for this sample and that for the country as a whole (Kempson et al. 2002). It shows a remarkable level of agreement apart from the higher proportions of people with higher amounts of credit in the national sample. This is to be expected as this study was conducted in such a low-income area.

Table 5-25: Amounts owed (excluding mortgages, this study compared with the national situation)

	This study %		National %
Nothing	55		53
Up to £500	17		16
£500 -£1500	9		7
£1500-£3000	3		5
£3000 to £7000	5		7
£7000 to £10000	1		3
More than £10,000	1.5		4
Refused to say / did not know	7		4
Base:	410		1647

Note: national figures Kempson et al, DTI, Overindebtedness in Britain, 2002

5.2.9 Asking and being refused credit

A total of 9% of respondents have been refused a loan or credit in the past two years (Table 5 –26). Overall, 24% have been given any credit they wanted and 67% said they had not asked for any credit. People renting were more likely to have been refused credit than owner-occupiers. Owner-occupiers and people in households where someone is employed were more likely than others to have asked for credit and to have been given what they wanted. People aged over 60 were unlikely to have asked for credit and no respondents in this age group had been refused credit. Lone parents were the most likely to have asked for credit.

Table 5-26: In the past two years have you been refused a loan or credit?

	Base	Been refused credit %	Got credit asked for %	Not asked for credit %
Total	(410)	9	24	67
Owner occupiers	(106)	3	30	67
Social housing	(232)	10	22	67
Privately rented	(70)	11	21	67
Under 30	(131)	12	25	62
31-44	(133)	12	29	59
45-59	(72)	4	26	68
60+	(74)	-	12	88
Lone parent	(65)	9	40	51
Couples with children	(90)	12	29	59
White	(308)	9	29	62
Black	(26)	15	8	77
Asian	(58)	2	14	84
Disabled or infirm person in household	(129)	7	23	69
Working household	(198)	9	29	62
Workless household	(212)	8	20	71
No savings at all	(150)	11	19	69
Income below £200 pw	(197)	9	23	68

When asked why they thought they had been refused credit over a third (37%) said they did not know or had not been given a reason (Table 5 – 27). A total of 20% respondents said it was because they had a poor credit history and 11% because they had no credit rating. Other reasons are listed in Table 5-27.

Table 5-27: Table 4.29 Reasons for being refused credit

	Total %
Don't know, they didn't tell me	37
Bad credit history	20
No credit rating	11
Have CCJ	9
We are in debt/too much loan already	3
Not on electoral roll	3
Not working so cannot pay it back	3
Had not allowed original loan to run long enough before asking to top it up	3
Was registered homeless	3
Only working part-time	3
My age (young)	3
Was in a flat, don't like to loan to people in a flat	3
Bankrupt (some years ago)	3
This address had a bad credit rating	3
Will only give a secured loan and for that need 3yrs of pay slips	3
Base: those refused credit in past 2 years	35

Note: 3% means 1 respondent

6 Interest in a new financial initiative

6.1 Level of interest in aspects of a Community Development Finance Initiative

All respondents were asked how interested they were in various aspects that could form part of a Community Development Finance Initiative. The greatest level of interest was in somewhere local where you could borrow money at a reasonable rate of interest, and somewhere local where you could save small amounts of money. These were most pronounced for lone parents (50%) and current users of moneylenders (57%): two of the most financially excluded groups).

Appendix C shows the level of interest for the sub-groups. In general, people on low incomes, or on benefits and people living in rented accommodation were the most interested in these potential services. Younger people were more interested in all these services than older people. Women were slightly more interested than men.

Table 6-1: Level of interest in local financial services

	Very interested %	Fairly interested %	Not very interested %	Not at all interested %	Not sure %
Advice on welfare benefits	14	18	21	45	1
Advice about money matters	11	18	22	46	2
Advice about managing debts	11	11	21	55	2
Somewhere local take out credit or loan reasonable interest	18	16	16	47	2
Somewhere local save small amounts of money	18	18	16	47	1
Somewhere local place to cash a cheque	16	14	16	52	2
Bill paying services	11	16	16	55	3
Savings account for children	16	12	11	59	2
More information about financial matters	13	18	16	52	1
Loan for business	8	12	13	66	2

Base: complete sample (410)

Advice on welfare benefits: Overall, 14% of respondents were very interested in advice on welfare benefits and 18% were fairly interested. Social housing tenants were more interested than owner-occupiers (18% very interested compared with 7%). Interest was higher than average amongst the following groups: lone parents, unemployed respondents, women, respondents' aged under 45, people with no savings and people on benefits.

Advice on money matters: Overall, 12% of respondents were very interested and 18% were fairly interested in advice on money matters. Interest was low amongst people aged over 60 (9% interested) and higher amongst people aged under 30 (37% interested). Again, social housing tenants, people in privately rented accommodation, lone parents, couples with children, people with no savings and people on benefits were the most interested.

Interest in advice on managing debts: Overall, 11% of respondents were very interested and 11% were fairly interested in advice on managing debts. Interest was low amongst older people and owner-occupiers. A quarter of social housing tenants and a third of those in privately rented accommodation and half the lone parents said they were interested in this.

Interest was higher amongst those respondents who had been in debt or behind with a payment in the last two years with more than a half expressing an interest. Of this group, 22% were very interested in advice on managing debts and 19% fairly interested.

Somewhere local to take out credit at reasonable rates of interest: Overall, 18% of respondents were very interested in this and 18% were fairly interested in this. Interest was lower amongst older people and owner-occupiers.

Interest was higher among the following groups:

- Social housing tenants (39%)
- Lone parents (50%)
- People with loans from the Provident, moneylenders, Shoppachecker, or catalogues (57%)
- People with no savings (43%)

Somewhere local where you could save small amounts of money: Overall, 18% of respondents were very interested in this and 18% were fairly interested in this. Interest was low amongst older people.

Interest was higher among the following groups:

- Social housing tenants (41%)
- Lone parents (53%)
- People without a building society savings account (46%)
- People with no savings (46%)
- People on welfare benefits (39%)

Somewhere local where you can cash a cheque: Overall, 16% of respondents were very interested in this and 14% were fairly interested in a local cheque cashing service. Lone parents were more interested in this than others (11%).

A bill paying service: Overall, 11% of respondents were very interested in this and 16% were fairly interested in a bill paying service by direct debit, which is cheaper than paying by key meter. A total of 39% of those who paid by key meter, coin meter or payment card said they were interested in this service.

Savings scheme for children: Overall, 29% of respondents with children were very interested in this and a third of social housing tenants with children were very interested in this. 53% of lone parents said they were interested in a savings scheme for children.

Interest in more knowledge or information about financial matters in general: Overall, 13% of respondents were very interested in this and 18% were fairly interested in more knowledge or information about financial matters in general. People aged under 44 were more interested than those aged over 45. More than half of those who had been in debt or behind with a payment in the last two years (51%) said that they were interested in financial information in general. 40% of lone parents expressed some interest in more knowledge about financial matters.

Level of interest in a loan to start a small business: A total of 8% of respondents said that they were very interested and 12% fairly interested in a loan to start a small business. People from Black and other ethnic minority groups were the most interested in this.

6.2 Level of interest in attending financial literacy courses or sessions

Respondents were asked how interested they would be in attending courses or sessions looking at financial matters and basic literacy or numeracy (Table 6 –2).

Table 6-2: Level of interest in courses or sessions

	Very interested %	Fairly interested %	Not very interested %	Not at all interested %	Not sure %
Support for managing money	7	15	15	63	1
Support for numbers, arithmetic or maths	4	7	11	77	1
Support with reading	2	5	10	82	1
Support with expressing yourself in writing	4	7	10	79	1
Support with how to operate a bank account	4	5	12	79	1

Base: complete sample (410)

Relatively few respondents said they were 'very interested' in any of these types of courses or sessions.

Managing money matters: Overall, 7% of respondents said they were very interested and 15% fairly interested. Social housing tenants, lone parents, and couples with children were slightly more interested than others.

Numbers, arithmetic or maths: A total of 4% were very interested and 7% fairly interested in numeracy courses or sessions.

Support with reading: A total of 2% of respondents was very interested and 5% fairly interested in literacy support. People in households where the main language spoken was not English were slightly more likely to be interested in this. A small number of respondents commented that they would like English classes.

Expressing yourself in writing: A total of 4% respondent said they were very interested in this and 7% were fairly interested. People in households where the main language spoken was not English were slightly more likely to be interested in this.

Support with how to operate a bank account: A total of 4% respondent said they were very interested in this and 5% were fairly interested. There was no difference in the views of those who had and those who did not have a bank account. People with a basic bank account were slightly more interested in this than those with other types of bank account.

6.2.1 Understanding of financial terms

However, when asked about a specific aspect of financial literacy only half the sample said they knew what the term APR meant when referring to a credit or a loan (Table 6—3). This was much higher for people who had overdrafts, bank loans, credit cards or building society loans. A total of 48% of those with loans from licensed lenders, or pawnbrokers said they knew what APR meant.

Table 6-3: If you see the term APR referring to a loan or credit, do you understand what it means?

	Total %	Has credit/borrowings from bank, building society or HP %	Has credit or borrowings from other sources %
Yes	50	70	48
No	45	26	45
Not sure	5	4	7
Base: complete sample	410	115	68

The majority of respondents (90%) said they knew what the term 'interest' meant, but 8% did not. As noted earlier many of those that did claim to know what APR was also did not understand the interest rate they were currently paying on loans. Thus the total percentage of the sample in need of an introductory session in financial literacy is much higher than 60%.

In summary, the survey shows that the respondents are utilising a wide variety of credit sources and other financial products. Yet their knowledge of general financial information and of alternative, particularly lower cost packages, was limited. The actual levels of indebtedness may not appear excessive in total amount, but have a severe impact in households where income levels are moderate or low. Finally, about a third expressed interest in low cost credit and savings facilities as well as money and welfare advice. Therefore collectively the survey suggests there is a demand for a range of financial inclusion services. The provision of this in Leeds, both currently, and in the future will be explored in sections 8 and 9. However, the following section compares the Leeds survey results with similar exercises in other English cities.

7 Comparison with other surveys

The survey in Leeds is the fourth of the 'city surveys' conducted by CFS and Community Consultants. The others were in London (Autumn/Winter 2001), Sandwell in the West Midlands (Summer 2002), and Manchester (Winter 2002). The comparative compositions of the samples are contained in the following table:

Table 7-1: City Surveys Comparative Samples

	London (505 respondents)	West Midlands (409)	Manchester (349)	Average of first 3 surveys	Leeds (410)
Women	62%	53%	52%	56%	52%
Men	38%	47%	48%	44%	48%
White	66%	66%	94%	74%	75%
Asian	7%	27%	4%	13%	14%
Afro-Caribbean & other Black	20%	4%	2%	10%	6%
Social housing tenant	83%	50%	46%	62%	56%
Private rental	1%	8%	23%	9%	17%
Worklesss household	54%	45%	57%	52%	52%
Income below £120pw	50%[6]	24%	37%	N/a	35%
Income below £200pw	62%	54%	75%	63%	68%
Lone parent	25%	6%	17%	17%	16%

From this it is clear that ethnically the Leeds survey is nearer to London and Sandwell, while in terms of tenure it is closer to Manchester. In general the Leeds sample reflects the income levels and working patterns of the other surveys. When the other three surveys are aggregated the proximity to the Leeds sample is extremely pronounced. The remainder of this section combines the results of the previous three surveys and compares them with the Leeds findings.

Across the three surveys 74% of respondents had a bank account, very similar to the 70% within Leeds. However, the ability of respondents to use all of the banking services appears to be more limited: less than 59% (41% in Leeds) of respondents had a debit card. This figure fell to 20% (25% in Leeds) for lone parents, 43% for housing association tenants and 35% for council tenants (34% of social housing tenants in Leeds).

[6] For London survey income is below £159

This means that across the three surveys over a quarter of lone parents (37% in Leeds) and over a third of council tenants with a bank account (28% in Leeds) cannot use the facilities to make outside purchases.

Tables 7—2 and 7—3 detail the main sources of credit used by respondents of all the surveys. The main sources of credit elsewhere were: credit cards (33%), store cards (17%), catalogues (14%) and moneylenders (8%). In Leeds twice as many of the sample was using moneylenders and borrowing from credit or store cards at 16% above the average of the other surveys. Overall the sample in Leeds was slightly more likely to use some form of borrowing than the samples from elsewhere.

Table 7-2: Access to financial Services by tenancy and ethnicity

Access to Financial Services O = Ave of other 3 surveys L = Leeds survey	**Total %**		**Owner-occupier %**		**Council tenant %**		**RSL tenant %**		**Private tenant %**		**White %**		**Non-White %**	
	O	**L**	O	**L**	O	**L**	O	**L**	O	**L**	O	**L**	O	**L**
Current account	74	**70**	94	**86**	63	**66**	72	**N/a**	47	**60**	76	**66**	80	**85**
Current account with Debit or guarantee card	49	**32**	76	**53**	35	**25**	43	**N/a**	23	**26**	47	**32**	62	**34**
Credit card	33	**25**	54	**48**	22	**17**	31	**N/a**	8	**17**	36	**23**	43	**36**
Store card	17	**9**	28	**20**	11	**4**	16	**N/a**	--	**9**	20	**9**	32	**11**
Loans from finance co or money lender	8	**15**	4	**4**	8	**20**	12	**N/a**	5	**13**	10	**19**	5	**4**
Catalogue purchase loans	14	**13**	7	**13**	17	**16**	19	**N/a**	8	**6**	19	**16**	10	**5**
Some form of borrowing	37	**45**	37	**38**	38	**50**	48	**N/a**	23	**41**	45	**53**	37	**23**

Source: CFS surveys 1999-2001

When broken down into types of people the higher level of borrowing in Leeds was concentrated among tenants and the White population. Table 7—3 also shows greater use of credit among those who are workless, households with disabled members, and lone parents. Within Leeds the latter were 14% more likely to borrow than lone parents elsewhere.

Table 7-3: Access to financial services by selected household types

Access to Financial Services O = Ave of other 3 surveys L = Leeds survey	**Total %**		**Lone Parents%**		**Household with children %**		**Household with Disability %**		**Workless Households %**	
	O	**L**	O	**L**	O	**L**	O	**L**	O	**L**
Current account	74	**70**	56	**63**	72	**74**	75	**64**	60	**55**
Debit or guarantee card	49	**41**	20	**25**	50	**41**	46	**36**	32	**27**
Credit card	33	**25**	17	**15**	37	**29**	31	**39**	19	**13**
Store card	17	**9**	11	**3**	21	**9**	14	**9**	11	**5**
Loans from finance co or money lender	8	**15**	18	**38**	11	**27**	7	**16**	8	**19**

Catalogue purchase loans	14	**13**	28	**28**	19	**14**	13	**16**	15	**15**
Some form of borrowing	37	**45**	55	**69**	50	**49**	40	**47**	33	**40**

Source: CFS Surveys 2001-4

The findings in the surveys indicate a wealth cleavage in the types of credit accessed, with owner occupiers more likely to use credit and store cards and those in rental accommodation were twice as likely as owner-occupiers to use catalogues. However, in Leeds owner-occupiers were as likely to use catalogues as respondents in other forms of tenure.

The most significant difference was regarding the usage of moneylenders. People in rental accommodation were also more likely than others to have loans from a finance company where small weekly repayments are made. In Leeds social housing tenants were five times as likely as owner-occupiers to use moneylenders. As with the other surveys, use of moneylenders is concentrated among the most disadvantaged White respondents. In total 38% of lone parents in the Leeds survey used a moneylender compared to 18% elsewhere. Usage was also higher among all households with children, those with disabled members, and workless households.

The Leeds survey reflected the results of the other surveys regarding respondents' main contact point when they are seeking credit. Usually this was most often through a bank or building society (44% in Manchester, 56% in West Midlands, 50% in London, and 44% in Leeds) or through a shop (15% average and 17% in Leeds) or catalogue (25% and 18% in Leeds). However whereas 20% of respondents had been referred by a family member or friend in the other surveys this rose to 34% in Leeds. This probably indicates the tight-knit community in Leeds, especially when contrasted to the London sample where there was a significant proportion of recent migrants to the area of study.

Across all the surveys, including Leeds, convenience appears to be the most significant factor in choosing the source of credit, while interest rates appear to be of less important. Many borrowers were unaware of the rate of interest they were paying, and the interest rates quoted by respondents suggest that some people who claimed to know the rate had got it wrong.

In all four surveys respondents were asked about accessing services that may enhance their financial situation or capacity. As Table 7—4 shows with notable exceptions there was remarkable convergence across the surveys.

Table 7-4: Interest in new financial inclusion services

	London %	West Midlands %	Manchester %	**Leeds %**
Interest in more information about financial matters	40	32	27	**31**
Interest in somewhere for local loans	51	28	33	**34**

Interest in local savings	49	30	36	**36**
Interest in loans for self-employment	24	11	5	**20**
Interested in courses about managing money	N/a	N/a	20	**22**

In general a third of respondents wanted somewhere local to save and borrow. This presents an opportunity in Leeds because awareness of credit unions was much higher than elsewhere. This was almost certainly due to the profile of Leeds City Credit Union.

There was also considerable interest in general financial information and a fifth of respondents in Leeds and Manchester expressed interest in money management courses. Finally 20% in Leeds wanted to know about loans for self-employment. Potentially this is an economic opportunity for Leeds as most growth and employment within the UK economy is through the activities of small and medium sized enterprises. Even if Leeds City Council could harness a fifth of those expressing an interest it would provide a major spur to the economic development of the most disadvantaged communities in the city. It is apparent that Leeds does not lack entrepreneurs, just the financial capital, and knowledge to assist their development.

Although the section outlines the main differences between the financially excluded in Leeds and the other cities, it should be acknowledged that the similarities are much more significant. Like most other large conurbations, financial exclusion is occurring and it is concentrated among the poorest households within the city. In particular the use of moneylenders is prevalent among lone parents and other households with children. A number of agencies have emerged with specific remits to address financially exclusion, but it is apparent that these have yet to have significant impact on the city, to the extent that Leeds is equally financially excluded as other cities.

8 Current provision and its challenges

The previous sections of the report have examined the national situation and policy regarding financial inclusion, followed by the results of the survey in Leeds. This section seeks to describe how the various initiatives and agencies working for financial inclusion in Leeds are managing the demand on their services. It begins with a review of the extent of indebtedness within Leeds, including the role of the moneylenders. This descriptive element will show how individual indebtedness is expressed and experienced by advice and support agencies. Thereafter the section examines the current supply of services aimed at addressing certain aspects of financial exclusion. It then proceeds to discuss the difficulties these providers face and some of the opportunities available to them.

8.1 Indebtedness

Conventional indebtedness analysis has relied on data from the Citizens Advice Bureau (CAB) and other debt advice services. This begins by examining the average indebtedness of a CAB client. . There are two citizens advice bureaux in Leeds: Leeds CAB, which provides services across the Leeds metropolitan district, and Chapeltown CAB which provides a service in the Chapeltown and Harehills wards. In addition to its generalist advice service, Leeds CAB provides specialist advice in debt, employment, housing and welfare benefits, which is funded through the Legal Services Commission. Of 62,837 enquiries dealt with by Leeds CAB in 2003/04, 16,692 (31%) were debt related and a quarter of these (4,263) were referred to the specialist debt team for follow up advice. Debt enquiries brought to Leeds CAB cover an extremely wide range, including rent arrears, fuel bill arrears, council tax arrears as well as credit card debts and mortgage arrears, from fifty pounds to tens of thousands of pounds. LSC eligibility criteria mean that only certain cases can be referred for specialist advice, with clients having to meet income restrictions and cases having to meet a "sufficient benefit" test. Of these cases, debts of eight to ten thousand pounds are common, although they can be much higher – thirty or forty thousand pounds. For clients not referred under LSC eligibility guidelines the city centre branch reported that personal unsecured debts of between £15-20,000 were perceived as "standard". Only if clients had debts in excess of £45,000 were they seen as unusual. As the Chapeltown branch was located in a more disadvantaged part of Leeds it is perhaps unsurprising that average debts were slightly less at about £10,000. A more extreme case was a client with a mortgage shortfall of £21,000, gambling debts of £20,000, and other unsecured loans of £16,000.

For most clients using the Leeds CAB debts comprise of credit cards and bank loans. Some clients were known to have borrowed from moneylenders. A similar picture was reported at Chapeltown CAB. However, they also had cases of clients using up to five or six moneylender accounts with about £100-150 outstanding on each.

Both citizens advice bureaux believed the main reason for indebtedness was a change of circumstances for the borrower. This often involved losing their job, a long-term illness either to themselves or another member of the household, pregnancy, or divorce or separation. Additionally the limited income in poorer households meant that even slight changes in expenditure caused indebtedness. Although the CAB interviewees accepted that some borrowers did over expose themselves to credit they argued that irresponsible lending was also an important factor. This is compounded by the abrupt collection methods they employ. The interviewees retold stories of moneylenders barging into people's homes, engaging in deception to secure repayment, and not controlling rogue collectors. Nor were these aggressive collection methods restricted to Doorstep lenders with a notable regional bank cited as a particularly difficult institution for the Citizens advice bureaux to negotiate with. The combination of the practices of lenders, both in agreeing loans and collecting arrears, together with changes to the borrowers' circumstances, are therefore regarded as the main causes of over indebtedness.

One of the risks with advice work in general is that there is an understandable tendency to focus on the extent of personal indebtedness; however, this may have the ironic effect of ignoring the financially excluded. Rather excessive indebtedness could represent over inclusion. To offset this risk only those clients who conform to the LSC eligibility criteria can access specialist advice. This system favours those on low-incomes and usually those most likely to be financially excluded. These potential contradictions highlight a class distinction between the nature of the credit accessed, with poorer families reliant on small loans from high-interest Doorstep lenders, while the middle classes use mainstream providers. To get beyond this dichotomy it is more pertinent to examine the capacity of the citizen and/or their household to service any borrowing. Otherwise resources may be utilised by the wealthier individuals. For example providing new lender institutions may be a secondary concern for many of the over indebted, rather Leeds should encourage responsible behaviour by lenders and raise awareness among the public of the rights under the Consumer Credit Act (1974). For example the Act provides many safeguards for consumers, including a seven-day 'cooling of' period after signing a loan agreement. Knowledge of this clause may prevent some citizens from extra exposure to over indebtedness[7].

Furthermore, strategically it is important to identify any potential structural macro and micro-economic changes that may disrupt incomes or increase expenditure, which if occurred would make current repayments unviable. Such an approach may develop a loan information pack for all borrowers to offset the fears expressed by one interviewee:

"There doesn't seem to be any kind of health check on how much people can borrow. We know that when there's equity in a property it takes 15 minutes to get a loan. This is a repeat of the 1990s."

[7] The Consumer Credit Act is currently being updated and it would be sensible to develop any awareness campaign alongside the new legal framework.

Over indebtedness may be a national problem but it is endured by individuals within households, with the immediate effects felt within their communities. Almost all of the interviewees were concerned about the growth of indebtedness and most were perceptive enough to argue that this may ultimately detrimentally affect the local economy.

8.1.1 Moneylenders

As per the survey findings interviewees held that lone parents were the most common users of moneylenders, with Shopacheck, Greenwoods, and Provident operating in Leeds. The moneylenders adopted various tactics when collecting arrears. The interviewees related tales of one prominent lender barging into a borrower's house and removing money from their purse. However, it was the practices of Brighthouse that were the most criticised. Brighthouse (formerly Crazy Georges) secure goods on HP agreements but if any payments are missed they remove the goods. They charge interest rates of 30% but this is usually supplemented by an expensive range of insurance products, plus the goods are invariably grossly overpriced. If clients fall behind on payments one of their tactics is to send five men round to collect goods from a single parents home. They are aware of the need for a court order to enter premises but argue that the resident invited them in. Advice agencies also found them the most difficult organisation to negotiate with, as they rarely treat with the third parties, such as CAB.

The interviewees believed that most moneylenders charge about 450% APR, with the lowest seen of 82% (which was very rare) and the highest being 858%. In general the interest rates are never consistent as it varied from client to client. Advice workers had seen examples where people are borrowing from 6 moneylenders but usually it is three or four with about £300-400 borrowed from each, plus the interest charges. Sometimes debts with Provident, the largest UK moneylender, can be up to £5,500, while the others are often in the low hundreds and rarely above £1000. However, it was conceded that most of the Doorstep lenders were willing to reduce their interest rates if advice agencies represented borrowers, but they were unwilling to publicise this flexibility in their arrangements.

Only one of the interviewees had any experience of loansharks (these are illegal moneylenders who usually charge interest rates in excess of 1000%). St. Gregory's Credit Union stated that quite few of their members have problems with loansharks. The loansharks make small personal loans and trade openly in St. Gregory's catchment area. They also work with members who use moneylenders, and accept that Provident are easier to work with as they accept cheques from the credit union, unlike the loansharks who want loans repaid in cash

St. Gregory's try to wean clients away from loansharks by giving some advice and guidance on budgeting and offer an affordable alternative form of credit. They argue that clients need this support before they will consider using the credit union because borrowing from loan sharks is very easy. The loansharks are aware of St. Gregory's presence but they remain unworried about their activity. The credit union believes this is because they lack the resources to have a significant impact on the loansharks. Though they manage to convert a handful of loanshark customers they accept that they are merely addressing the tip of the iceberg. St.Gregory's do not accept that more credit is the main priority in their area, rather residents need clearer information detailing the cost of transactions and improved financial education.

8.2 Advice

The main providers of advice services in Leeds are:

1. Central Leeds CAB One of the largest CAB offices outside of London, Leeds CAB has 50 paid staff and over 100 volunteers and provides generalist advice in the subjects of benefits, housing, debt, employment, consumer, legal, education, tax and immigration/nationality. The Bureau also provides specialist level advice in benefits, debt, employment and housing. In addition to its city centre office, Leeds CAB provides advice services in four community bureaux in the wider district, in GP surgeries in West, East and North East Leeds, in mental health services, at a Travellers site and at Leeds Prison. They also provide outreach services for Asian women, a home visiting service for people who are housebound and a telephone service.

   The specialist debt advice team at Leeds CAB deal with around 150 cases at any time. Their cases usually involve dealing with multiple priority and non-priority debts, bailiffs, county court judgements, administration orders, bankruptcies, mortgage possessions and eviction warrants. As part of the advice process, Leeds CAB assists clients in developing their financial management skills through planning a household budget, maximising income and differentiating between priority and non-priority debts.

   Information gathered through client surveys indicates that Leeds CAB is reaching many people in vulnerable situations, with the proportions of clients who are unemployed, permanently sick or disabled, or with caring responsibilities, being above those in the wider population of Leeds.

Work status	**Leeds CAB client profile**	**Leeds profile**
Employed	38%	59%
Unemployed	22%	4%
Retired	16%	13%
Caring responsibility	9%	6%
Permanently sick/disabled	14%	5%
Student/other	1%	13%

2. Chapeltown CAB Again offers general advice but have a paid debt specialist and two volunteers. The CAB in Chapeltown believes that debt cases are a mainstay of their core activity. Due to their location they concentrate on people who are on modest income and have had a change of circumstances. This service also specialises in services for BME communities.
3. Money Advice Support Unit located at Citizens Advice North Region Office in Leeds. MASU provides second tier support to advice agencies in the north region, on complex debt and benefits cases.
4. Welfare Rights Unit A City Council service aimed at income maximisation through ensuring clients claim the correct benefits. It is open to all Leeds residents and they operate surgeries in one-stop centres across the city. They undertake 18-20 surgeries a week and occasional home visits. They have secured funding from the NW Leeds PCT for another member of staff and have an Asian worker who works through local faith groups. Additionally they offer telephone advice between 9-5 for standard enquiries. They do perform a limited number of representation cases and help clients through the process of applying if there are specific difficulties. When the service was established they had money and welfare advice workers. However, due to the limited number of welfare rights workers in Leeds (10 in total), they had no time for debt counselling. They now refer people with money advice issues to CAB. They argue that if clients are chasing welfare advice they may not present financial problems, while there was currently no place in their structure for budget advice.

In addition to the above service the Leeds Community Legal Service Partnership (LCLSP) ward based review of advice provision shows that there are 25 providers with the Community Legal Services Quality Mark for debt related work, many of these will be from the private sector and concentrate on insolvency and bankruptcy or those with tax problems. More informally the other provider of advice are the credit unions. The staff and volunteers often help clients address their budgets before offering them a loan. Leeds City Credit Union have two full time money advice officers who works with clients and always puts their interest above that of the credit union. To the client they are an independent intermediary with lenders, including the credit union, and this helps when attempting to reschedule loans and reduce repayments.

Beyond the local provision of money and debt services a number of national organisations are also available. In certain cases, where priority debts have been stabilised and the client has sufficient income to make payments to non-priority creditors, Leeds CAB may refer clients to FCL or CCCS (Consumer Credit Counselling Services), who provide free pro-rata payment services. What they wanted clients to avoid using were fee-paying providers, such as Baines and Earnest, Gregory Pennington, which advertise on daytime TV. In the view of the CAB, these organisations sometimes gave inaccurate advice and were more interested in offering clients consolidated loans than negotiating with lenders.

8.2.1 Challenges faced by advice services

All the respondents who commented believed the current provision of services were inadequate. As previously noted the Welfare Rights Unit refers clients to the CAB who have struggled to cope with ever growing demand as indebtedness grew. This was recognised by CAB staff who were also facing budget cuts in core services.

This has occasionally resulted in the pre-emptory closing of the office in Leeds, which in turn has affected the credit union that is located in the same building. Clients who wanted to use the CAB complained to the credit union and demanded to know why the CAB is closed. Consequently the relationship between the credit union and the CAB was often strained, which was exacerbated by the succession of managers at the CAB during the last five years.

There has more recently been a period of stability at the CAB and a consequence of this has been to develop a much closer working relationship with the credit union. While Leeds and Chapeltown Citizens Advice Bureaux have been well supported by the City Council, demand for their services exceeds their capacity in certain areas. This has been exacerbated by other funding issues and external factors: the Legal Services Commission, for example, has not given a cost of living increase on funding in the last three years, while the dispersal of asylum seekers to the region since 2000 has placed greater pressure on generalist advice services, as well as immigration advisers. The short term nature of some funding, such as Lottery funded projects, means that voluntary sector services are continually struggling to maintain levels of funding and services to adequate levels.

Although the advice services are overworked, concern regarding their under funding discourages constructive partnerships that may distribute the burden. One interviewer believed that advice services underplay latent demand because of potential threat to existing services. However this was disputed and it was noted that the advice services did not have the resources or capacity to assess the extent of need within the city. However, as they are only able to demonstrate how much pressure exists on their own services, funders may perceive this as special pleading for increased budgets.

The main concern was that funders would expect greater performance without providing more resources, or that existing resources would be re-allocated to other providers, based on minimal, if any, evidence.

Clearly this requires a greater emphasis on partnership working and building of mutually beneficial relationships. It was felt that too many decisions were made on a bilateral basis between funder and provider; such an arrangement overlooks the potential contribution of other stakeholders and reinforces a culture of competition between service delivery agencies. This was tactically acknowledged in the CLSP (Community Legal Services Partnership) strategy where a key principle was to work in partnership and seek to further develop its role within the wider partnership arena.

The Leeds Community Legal Services Partnership has responsibility for assessing advice needs in the city and identifying gaps in service provision. The CLSP should include representation from quality marked advice services (not-for-profit and private) and from funders such as the City Council and Legal Services Commission. CLSPs that have been effective in other parts of the country are those which have managed to achieve this cross-sectoral participation and to secure funding in order to provide organisational support for the CLSP, through the local authority or other sources. In Leeds the CLSP has been largely unsuccessful in gaining the participation of the funders in the city and has no organisational support other than that provided by the LSC itself. Leeds and Chapeltown CABx and other service providers have been active members of the CLSP but without wider participation or greater resources, have had very limited success in progressing its work. Existing members of the CLSP would like to see greater involvement from Leeds City Council, the Primary Care Trusts and other local funders and resources to be provided to the partnership through Leeds City Council. This would fit well with the Council's 'narrowing the gap' objective to reduce social exclusion among Leeds' most disadvantaged communities, would enable services to be targeted more specifically at those in greatest need and would facilitate greater partnership working between service providers and other agencies.

One area where a more positive relationship could be encouraged is between advice services and the credit unions but at present a number of organisational issues stand in the way of such a development. The credit union would like to see all their clients with financial problems initially processed by their money management officer. At present there is an impression that the credit union is considered equivalent to mainstream lenders, and are consequently treated as such. This neither benefits the development of the credit union; the management of the advice services; nor enhances the financial inclusion of the clients. However, Leeds City Credit Union is not a quality marked advice provider and therefore cannot be part of the CLSP as it is currently composed. Advice agencies are also limited in the extent to which they can recommend credit unions to their clients, partly because of the quality mark issue and because in order to recommend credit union products over any other institution's would require them to be licensed as independent financial advisers.

The core problem is that the advice services are funded as an emergency service rather than focusing on preventative action. All interviewees wanted easily understandable universal information on money matters available, yet no organisation had the resources to undertake such as task. With almost a third of the survey sample wanting better information there is clear need to review current working practices and where new funding, if any is made available, should be targeted.

8.2.2 Suggested improvements

Beyond restructuring of funding the interviewees had a number of enhancements they would make:

- With a shortage of resources to provide a highly sophisticated advice service perhaps a single telephone number could be introduced. This would deal with most enquiries and signpost them to the most appropriate service if further support were needed.

- Welfare Rights and other City Council services should provide an informed signposter role. They will need to understand clients basic needs and identify where assistance can best be provided. This service needs to be designed so that staff are encouraged to participate and they should receive feedback on any referrals they make.
- One approach to reach those most in need is to work with Health Visitors. A project funded by the Coalfields regeneration programme is connecting health and financial problems. The Leeds City Credit Union Mobile Branch/Health Bus visits coalfields communities and the medical partners will pick up on stress/mental health linked to money. This is then followed up by the Leeds City Credit Union 'Health Credit Worker Coalfield Money Management' employee. Leeds CAB is also applying for funding with West Leeds PCT to provide training for health professionals in basic benefits advice, targeting on elderly people

Who delivers the service was also considered important. Interviewees believed that local advocates were crucial, as this would help the individual understand that their situation was resolvable and that they were not a 'bad' person because they have not managed their finances successfully. Though people wanted to use local advisers it was noted that a balance was needed between the quality of provision and local trust. Therefore training of local people to deliver the service would be required. Finally it is important that advice is presented in an accessible, informal, accurate form preferable not by 'men in suits'.

In addition to enhancing the referral system and the type of person needed to deliver the service a number of new services were recommended:

- It was acknowledge in the CLSLP strategy that few services were aimed at ethnic minorities. The focus on debt based advice virtually overlooked other elements of financial exclusion endured by those whose faith groups dissuades usury. Many ethnic groups needed to understand how the British personal finance worked and how they should interact with the predominately anglo-saxon culture dominant within the banking sector. The highly sophisticated nature of financial services in Britain was particularly confusing for refugees and asylum seekers, many of whom came from cultures where banking services were less developed and support was familial rather than self-financing. Leeds CAB, with the support of the CLSP, have developed a draft proposal to provide support for asylum seekers and new refugees, and will be submitting applications for funding in 2004/05.
- A supplementary Social Loan Fund should be developed. This should be open to those who are ineligible for the Social Fund and may charge a slightly higher interest rate in return for having more flexible repayment schedules. The application along with a budget summary could be undertaken through Welfare Rights and the credit union could be asked to manage the fund. This service would seek to supplement changes in the Social Fund, which the government announced in the Comprehensive Spending Review.

In summary, advice services are under funded and over worked in Leeds, with few well developed partnerships between the delivery agencies. If improvements are to be made the funding needs to be less erratic and distributed more openly with a focus on the most disadvantaged communities and improving access to general financial information. In addition some members of the LCLSP believe Leeds City Council should play a stronger role.

8.3 Credit Unions

The largest credit union in Leeds is Leeds City Credit Union. The common bond (the legal area in which a credit union can operate) is everybody who lives or works in Leeds. At present Leeds City Credit Union is the largest Live and Work credit union in England and is widely considered among the most progressive in the country. Leeds City Credit Union began as the council employees credit union and has expanded to offer their services to other large employers, before extending their provision to the whole city.

The credit union prides itself on its sustainability and its professionalism. They argue that *'you can't run an effective financial institution with two volunteers and a cash tin'*. Instead as with any financial institution investors money must be secure; and image is important in building trust and confidence, hence the requirement for an attractive office environment and street level access. However, they acknowledge that it has been difficult to remove the image of a credit union as a community organisation rather than a financial institution.

Operationally the credit union has two branches in Leeds, city centre and in the north east of the city. The city centre branch is below the head office. At present the credit union has £12.5 million on loan and bad debts are approximately 2%. Bad debts have risen since the expansion of services to all residents of Leeds and the majority of these are concentrated in the most disadvantaged parts of Leeds (Leeds 7,8,9, and 14). Compounding this many of these newer members pay by cash or direct debit, as opposed to payroll deductions among the original membership. The credit union have found that cash payers are more likely to be in arrears and therefore require greater management time, while monitoring direct debit payments is labour intensive, with one member of staff working full time on this area. With credit unions unable to undertake very high risk lending any increase in bad debts and its related costs has to be found from general reserves. In effect the good payers are subsidising the bad. Unlike banks all the credit union's capital has come from members savings, so arrears and bad debts have to be closely monitored. Consequently, the credit union will require additional funds if external agencies want it to undertake more lending to higher risk groups.

The other two credit unions in Leeds are much smaller: Bramley has fewer than 300 members; while St. Gregory's has approximately 700 members (by comparison Leeds City has 12,000 members and 2,000 young savers). Contact between the credit unions was limited; especially Bramley with is limited membership, although even St. Gregory's conceded that they had no 'real' relationship with Leeds City Credit Union.

St Gregory's Credit Union is 8 years old and is based in Swarcliffe, Winmor, and Crossgates. They offer very cheap loans at 0.7% per month and a total APR of 8.8%, this is below the standard credit union rate of 12.68% APR. The credit union has no paid employees and relies on 15 volunteers to function. They receive no strategic support, which they claim makes it impossible to employ paid staff. However, their financial situation could be greatly improved if they were prepared to increase their interest rate on loans. In contrast to Leeds City Credit Union, it could be argued that St. Gregory's is a community enterprise rather than a financial institution.

Regardless of their strategic vision the volunteers at St. Gregory's have been supporting many financially excluded people in their community and directly addressing the challenge of moneylenders. Potential clients are often introduced through an intermediary, such as St. Vincents, and the credit union volunteers begin their support if new members by working on a household budget. Part of this process involves persuading potential clients not to use moneylenders. They accept this is invariably challenging, as *'the truth is that it is easy to use loansharks'*. Once the client becomes a member of the credit union St. Gregory's remain in regular contact to ensure they are adhering to the budget. As a result St. Gregory's has low bad debts as loans are often rescheduled if the member goes into arrears.

The contrasts between the credit unions in Leeds reflects the national picture, where a small group of highly professional credit unions are driving the movement into more conventional financial services, while a much larger pool of smaller community credit unions are re-dedicating themselves to addressing financial exclusion. Though an appealing means to distinguish between credit unions the dichotomy omits the overlaps. In Leeds the larger credit union wants to retain its community touch and does not seek to replicate the banks. Instead it wants to offer members a broad range of professional delivered services and be involved in assisting the financial excluded. Equally, St. Gregory's knew they were not large enough to make a genuine impact.

There have been a number of attempts to build a more holistic financial inclusion package involving credit unions, and despite previous challenges new positive relationships are being forged. If this relationship is to prosper the utilisation of the Leeds City Credit Union money advice workers needs to be addressed, while more secure leadership within the CAB would help alleviate many concerns and build stronger links.

Until recently Leeds also had a credit union development worker. With the incorporation of a number smaller credit unions into Leeds City Credit Union it was agreed that this individual should be employed by the large credit union. Although understandable it does leave the other credit unions shorn of a key supporter. Subsequently, the member of staff was made redundant after funding for this post was ended. If the city council wants Bramley and St. Gregory's to participate in addressing financial exclusion means of promoting their services have to be identified.

An on-going initiative aimed at single parents operates in Seacroft. This Sure Start and Leeds City Credit Union project aimed to help clients to get out of the cycle of debt by paying of their high interest loans and helping them to save. However, the credit union found that about half of the applicants used the credit union to access cheap loans before returning to their moneylender. Part of the difficulty was that the credit union was unable to provide support for the Sure Start workers, caused in part by the absence of any funding. Today the credit union is more careful in accessing potential members recommended by Sure Start.

The Sure Start project highlights the main difficulties with most initiatives; an inadequately articulated credit unions strategy for the city; and the complete absence of strategic funding for financial inclusion initiatives. This was exemplified by the decision to reduce financial assistance to Leeds City Credit Union, based on the premise that the organisation was wealthy enough, and that the annual dividend should be reduced to fund financial inclusion work. This argument fails to grasp the essential nature of credit unions; i.e. they need to attract savings in order to make loans. Also it imposes higher social threshold on credit unions than the government is prepared to place on the High Street banks. With such ill-considered reasoning it is unsurprising that Leeds City Credit Union's goodwill is virtually diminished. If this approach continues there is a genuine risk that it will concentrate on developing its core business unless funding is provided for community development.

With the formation of a charitable trust attached to the credit union (Financial Inclusion Leeds Limited – FILL) it may be possible to develop a more productive relationship. Rather than funding the credit union directly any financial inclusion initiative should fund the charity to undertake these tasks. This enables the credit union to concentrate on improving its business performance, while providing a clear demarcation for funders.

8.3.1 Delivery of services

A key issue at the outset of this research was how to extend the reach of existing provision, in particular whether more credit union branches were needed. After discussions with the credit unions and other branch based community finance initiatives, we believe resources dedicated to addressing financial inclusion, should be used elsewhere.

The first difficulty with branches is identifying a suitable location. It must be placed where there are sufficient users to justify its existence. Banks and building societies carefully assess where to open branches and it is no coincidence that they are nearly all in town/city centres or in wealthier communities. The latter can be justified because the total transaction sizes make their operation cost effective. If credit unions open in outlying communities in Leeds, they will effectively only attract people who can easily access the branch either by foot or a short car ride. Instead of branches St. Gregory's suggested having collection points in places where communities congregate, such as Working Mens Clubs or Leeds United Football Club at Elland Road.

The location of branches also affects the clientele a credit union attracts. It was accepted that community collection points were time consuming and ultimately become untenable, but branches in disadvantaged communities may also have a detrimental impact on the core business. For sustainability credit unions need to be cross-community and the savings of middle income earners funds the loans to poorer members. If offices are only located in disadvantaged communities the credit union will remain hidden from more prosperous members and earn a reputation as a 'poor person's bank'. In recent years credit unions have worked hard to overcome this image problem, and the opening of branches in disadvantaged communities is, in effect, a form of institutional ghettoisation.

Another challenge with branches is their operational management. There is an inevitability that staff detached from the main office will become marginalized and isolated. Moreover, unless they are integrated into the credit union' IT or telephony systems they may be under utilised.

In addition to the above there are very strong financial reasons not to open additional branches. Leeds City Credit Union has recently completed the opening of a branch in Harehills. The cost of refitting these former bank premises was approximately £40,000. In addition another £15,000 is due to be spent on information links between the branch and head office. This will enable staff to be part of the credit union's call centre, therefore increasing the efficiency of the branch. The credit union acknowledge that refitting could be cheaper (a savings and loan company operating without a cash receipt service recently spent £23,500 on refitting its premises) but this would mean ignoring their commitment to a professional, safe and secure service. These initial capital costs are supplemented by operational costs for each branch. If the service is to have regular business hours it will need to employ three members of staff, both to cover absences, and provide sufficient security. Other costs will include business rates (Leeds unlike some other cities does not offer credit unions or community finance initiatives any discretionary relief), telephone & IT fees, and utilities. An example of the likely annual running costs is listed below

Salaries of three staff (manager & 2 clerks)	£70,000
Rental/mortgage	£ 8,000
Business Rates	£ 8,000
Utilities	£ 2,250
Telephone/IT support	£ 1,500
	======
Total	£89,750

To generate income to cover these expenses would require at least £900,000 in new lending. This it improbable to occur immediately, so loses would need to be found from the general reserves; i.e. current members would have to have lower dividends. This is of course the provision of only a single branch. If the plan was to open a string of branches in disadvantaged areas the financial impact on the credit union, without extensive public subsidy, could prove unmanageable. However, if there are only resources to open a single branch then it is unlikely to benefit more than one small community. Instead a more viable proposal would be to operate advice and support services through one-stop shops, which also contain a dedicated freephone connection to Leeds City Credit Union call centre. The financial inclusion project would finance connecting the phone systems and the salary of a single member of credit union staff, located in the call centre, who would field all enquiries from the various one-stop shops.

8.4 Enterprise

The survey indicated that a fifth of the respondents were interested in accessing loans for self-employment. Clearly, even if a small proportion of this can be harnessed it would have a dramatic impact on the Leeds economy, particularly in disadvantaged communities.

With its strong connections with the financial community Leeds will be well placed to design access to finance mechanism for enterprises. Unfortunately there was little evidence of a coordinated provision or indeed any dedicated lending entity for enterprises. By law credit unions are prevented from lending to incorporated bodies, but they do make some loans to sole traders, beyond this and that supplied by mainstream providers there was no known coverage. Plans do exist for a regional loan fund for businesses and this will be discussed shortly.

As with personal finance, proposed enterprises need advice and access to finance. Traditionally financial exclusion is perceived as a social policy matter, while enterprise inclusion is an economic development issue. These barriers are beginning to collapse as government realises that in encouraging enterprise in disadvantaged communities involves tackling personal financial exclusion issues, such as access to bank accounts, improving financial literacy, and developing a savings culture. But this policy integration takes time and it was noticeable how few of the money/debt/welfare advisors had any knowledge of where somebody should go for self-employment advice. Therefore the first task will be to improve the awareness of existing relevant services to advisors.

8.4.1 Advice

The only business advice dedicated to supporting the unemployed into self-employment identified was an Objective 2 funded project (Resource in Community) called New Working Ways. Its aims to provide training courses in enterprise, but is restricted to the unemployed. The only other form of strategic agency funded enterprise support is Business Link. Unfortunately nationally Business Links have gained a reputation as being focused on high growth companies, with little interest on the activities of sole traders and social enterprises. This is predominantly because their funding is connected to the growth of their client group. Business Link is also perceived as an inaccessible service for women and some ethnic minorities. Business Links have been working hard to change their image but they have yet to make a serious impact in disadvantaged communities or among excluded groups. The other organisation which undertakes business advice is the CAB. They argue that they have to deal with the outcome of previous poor business advice. Generally this involves helping negotiate with creditors or assisting people into bankruptcy. A number of interviewees also stressed the importance of business support through ethnic minority networks, such as the Asian Business Forum. Moreover, these would be supplemented by informal groups which did not interact with established agencies. Though informal support was thought to be based on ethnicity or religion, a view persisted that spatial networks of traders were unlikely in disadvantaged communities. Elsewhere in the country business support networks have only surfaced when interacting with the police over security concerns. If the local authority wants to engage these groups it may be worth considering linking business advice to crime minimisation strategies.

In addition to these services Leeds does support Social Enterprise Leeds. Formed in 1999 as a charity and a company limited by guarantee, it assists the development of social enterprises throughout the city. The focus of its work is consultancy through business planning and help with funding applications. They also are sub-contractor for Business Link; delivering their services on behalf of social enterprises and undertake Wise Link, the Business Link service for the self-employed. Social Enterrpsie Leeds also have plans to establish a social enterprise school

Social Enterprise Leeds accepts that the social economy is weak in Leeds. There are about 70 enterprises, of which 25 are well established, and a maximum of 12 will be looking for finance in the near future. When compared with comparative cities the social economy in Leeds is underdeveloped, but it is hoped recent appointments within the city council will result in the sector being given a higher profile. Social enterprises have an important role to play in local communities, because they are trusted intermediaries, and greater proportions, than found within conventional businesses, are formed by women. Overall Social Enterprise Leeds were confident that Business Link was learning about how to serve social enterprise, but they felt there was a steep learning curve to negotiate.

Improving enterprise support will require repackaging the most progressive elements of Business Link's service and delivering it more directly through one-stop shops in disadvantaged communities. The repackaging may also involve its delivery through community organisations, due to the extensive level of distrust of larger agencies among the local population.

8.4.2 Access to finance

Although enterprise advice is imperfect, it is at least provided. In contrast Leeds will not have access to an enterprise loan fund until the autumn of 2004. Across the country most major conurbations have now opened Community Finance Development Institutions (CDFIs), invariably to provide loan finance to new, micro and small enterprises. Among the most notable of these funds are in Birmingham (Aston Reinvestment Trust), Salford (Salford Money Line), Manchester (The Enterprise Fund), and London (London Rebuilding Society, and the East London Small Business Centre). Within Yorkshire and Humberside region funds are established in Goole (Goole Development Trust) and South

Yorkshire (South Yorkshire Investment Fund). In addition Sheffield will shortly launch South Yorkshire Moneyline, which will provide affordable micro-enterprise lending. Most of these CDFIs have been supported by government through the Phoenix Fund, managed by the Small Business Service.

In Leeds the Phoenix Fund has provided two years revenue finance to Yorkshire Enterprise for the establishment of two loan funds for the Yorkshire and Humberside region. The funds will be known as PIF (Partnership Investment Fund) and funding is from Yorkshire Forward European Union, and match funding from Barclays Bank. One fund will be targeted at Small and Medium Sized Enterprises (SME) the other will focus on Micro-enterprises.

The SME fund will provide loans of £15,000 to £100,000. It is expected that referrals will be made from accountants, solicitors, and business advisors. The professional intermediary would charge the customer for introducing the client to PIF, plus for any assistance they give regarding the application process. However, the loan would be between PIF and the client.

The micro-enterprise fund will seek to lend up to £15,000, with an expected average of £8,000. PIF are planning to adopt a web based enquiry system from which clients could complete an application on-line. If they needed further assistance clients could utilise a business advisor, who would be paid via a commission from PIF. PIF are promising a very simple system with fixed interest rates and a interest rebate for good payers. The micro-enterprise fund will be aimed at sole traders and partnerships. The introducers may be from the private or public sector. The only rule PIF has is that no organisation may have an exclusive introduction agreement. PIF business plan assumes that the micro-enterprise fund will make 900 loans in four/five years.

Yorkshire Enterprise has worked extremely hard to develop PIF, especially as they have had difficulties with legal registration. Their preferred legal vehicle is a limited partnership and although negotiations have been on-going for over 18 months Yorkshire Enterprise expect to have PIF registered by September 2004. The delay in PIF's registration has impacted on their business plan, as the original targets still have to be achieved within a far smaller trading period. It is probably that PIF will need to re-negotiate the terms of investment with funders.

Despite three year's of development effort the knowledge of the PIF proposal in Leeds was patchy. Personal advice agencies and the credit unions were virtually unaware of its existence, while even strategic stakeholders had little real understanding. In theory PIF has the potential to fill a gap in the market in Leeds but to be truly effective it will need to be part of a financial inclusion network.

An alternative approach would be for PIF to sub-contract its activities in Leeds to local intermediaries; specifically Leeds City Credit Union. This strategy would involve the credit union managing and holding the Leeds proportion of the fund, but operating within the PIF guidelines. It has the benefit of utilising a Leeds based existing and trusted intermediary, who also has extensive contacts throughout Leeds' communities. This would be particularly useful as the credit union already undertakes some loans to sole traders, and for some organisations are a more approachable financial institution. For example Social Enterprise Leeds believed this would be attractive to their members, as it supports another social enterprise. This was conditional on Social Enterprise Leeds providing the accompanying advice. Leeds City Credit Union were willing to consider appropriating PIF but this was not consider an option by Yorkshire Enterprise as they wanted to deliver their original strategy before considering any alternatives. PIF clearly needs to be given an opportunity to prove itself, but utilising the credit union provides a fall-back position and offers a means for Leeds to develop a CDFI service quickly and cheaply.

8.5 Literacy

In recent years there has been growing national interest in financial literacy and capability training. First, through calls for the incorporation of financial literacy within the Personal Social and Health Education (PSHE) and citizenship requirements of the national curriculum. Second, the DfES' Community Finance Learning Initiative (CFLI) aimed at improving adult financial literacy. The CFLI piloted different types of financial literacy partnerships and service delivery mechanism. The second round of the CFLI pilots also delivered the Treasury's Savings Gateway (a savings incentive scheme open to specific individuals, whereby the government matched their monthly savings up to £25 per month for every month over a two-year period). The CFLI projects had a mixed record though details of one of the more successful schemes is outlined in Case Study 8-1. The third initiative was the Basic Skills agency's Cash Crescent educational CD-Rom. This self-learning software, aimed at those needing level 1 and 2 financial literacy, sought to transfer knowledge in a friendly, fun, and accessible way. Cash Crescent has been widely praised by those delivering the service and a review of users perspectives is due shortly.

Case Study 8-1: Gorton Community Finance and Learning Initiative/Savings Gateway (East Manchester):

The Gorton initiative is a multi-agency partnership aiming to address various aspects of financial inclusion. Services offered; financial literacy courses, increasing awareness of and access to education and training, increasing access to mainstream financial providers through basic bank accounts, support and access to finance for micro-enterprise, and the Savings Gateway. The DfES and the Treasury originally funded the project. The main incentive for tenants was access to the Savings Gateway though this has now been closed to new applicants and the service has concentrated on employment based initiatives to secure funding. The Gorton initiative has attracted almost 850 customers. Beyond the success of the Savings Gateway the most impressive part of the service has been the partnership with MANCAT (a local further education college), who have designed financial literacy courses and provided access to further educational opportunities.

All these national schemes indicate that policy makers have understood that while financial service provision and usage has expanded this has not been accompanied by consumer knowledge. A result of this has been the curious dislocation between providers and customers; in which the latter use the former because they have to, but they neither trust nor understand them. Empirical evidence for this was suggested by an NOP survey on behalf of the FSA (Hunter 2004) which showed that 23% of people said that dealing with banks and other financial institutions scared them, with younger people (31% of 21-15 year olds), the unskilled and semi-skilled manual workers, casual workers and state pensioners (33%) most likely to have this feeling.

In May 2004 the FSA published its proposals for developing financial capability, which focused on seven priority areas (schools, young adults, work, families, retirement, borrowing and advice). The report argues that much foundation work has been conducted and that £35-40 million was spent on financial capability work, but it was now necessary to enhance the co-ordination of this expenditure to improve overall performance. To implement the strategy the FSA have created a Working Group for each priority area and their tasks will include: drawing on expertise and building on existing good practice, developing base line measures, suggesting pilot work, and taking account the needs of the financially excluded. Ultimately this should become the main source of financial literacy educational information, but in the meantime communities such as Leeds have been reliant on various ad hoc initiatives.

Interviewees were, in general, critical of the financial literacy training provided in Leeds. Opinions included those that argued that financial education should be conducted at school, to those that believed recent courses for adults had been inappropriate. The weakness of school based learning becomes apparent when young people start work and have no knowledge of money. At this stage they are often enticed by ‘easy credit’ and soon after find themselves with severe financial difficulties. A similar process occurs for those just starting a family, particularly lone parents.

However, it was argued that it was difficult to identify service providers for financial exclusion, partially due to the obscurity of funding. Interviewees believed that the LSC is unsure how to address adult financial literacy, while its output driven funding model is inappropriate, as financial literacy requires small classes to be effective. Another criticism of the LSC was that when it announces funding opportunities it is invariably time limited and often declared late. This restricts innovation, as it does not provide time for capacity building. Consequently interviewees suspected that this was a deliberate policy to ensure funding was distributed among existing providers.

The initiatives that were supplied were criticised because they lacked any focus and were not properly targeted, such as that delivered by the Neighbourhood Learning Projects. According to interviewees this scheme ran for four sessions and when nobody came it was closed. A New Working Ways 10 week course on Money Management was criticised because it was culturally inaccessible, being held at Thomas Danby College. Again attendance was minimal. It was also argued that this service did not offer a suitable inducement. Interviewees believed that people do not want financial education until they need it and consequently it requires incentives such as the Savings Gateway or possibly a 'rainy day savings scheme. Instead the course paid an attendance fee and travel expenses.

Perhaps the most effective education is provided informally, especially by the credit unions. Both the credit union interviewees explained that people walk into them and receive clear financial management advice, particularly if they are using moneylenders. In this situation the credit union will go through a household budget and explain the actual cost of credit. This may be easier to digest for the customer because the credit union has an alternative solution though its own products.

Leeds City Credit union staff and volunteers are usually trained in-house, through the Yorkshire Credit Union Chapter, or by their respective trade associations. In addition the Yorkshire chapter offers a training package on the delivery of credit union school savings banks. All CAB staff and volunteers undertake a nationally approved training programme, that includes training on money advice, and individual staff at Leeds and Chapeltown CABx have developed expertise in financial literacy work through specific projects. One of the ways to increase the knowledge of the public is to increase the number of financial literacy trainers, such as utilising health visitors and staff in one-stop shops. Rather than establish an in-house training programme it would be quicker and probably a higher quality if the services of the CAB or the Yorkshire Chapter of Credit Unions were used.

With regards to financial education within schools Education Leeds confirmed that no specific courses currently being operated. It was explained that the Schools Council had undertaken extensive development work on this topic during the late 1980s and early 1990s, but interest in the subject waned and no modules were developed. Alongside this activity the banks and building societies have supported sessions on financial education within Commerce courses. However, with the decline of Commerce as a GCSE subject financial literacy training is rarely delivered.

If financial education is to be systematically re-introduced into Leeds' schools, Personal Social and Health Education (PSHE) would seem to be the most appropriate subject area in which it could be placed. As PSHE is invariably delivered by general class tutors it will be necessary to design teaching materials that are of a high quality, stimulating, flexible (both in terms of facilities required and the need to deliver to mixed ability classes), and manageable. It was stressed that the course needed to be 'bright and snappy' and related to real life experiences. It was also accepted that some of the skills required would overlap with numeracy, hence the need for different learning strategies. In addition specific training will have to be offered for prospective teachers. To attract teachers the training needs to be free, possibly with free training material for course delivery. Another incentive for delivery would be if financial literacy could be taught to students in five or six, one-hour sessions. It was argued that anything longer may have an impact on other topics within PHSE.

It was argued that Education Leeds do not have the resources to design the course, which is usually contracted to an external publishing house. To ensure the course design reflects the needs of Leeds' children Education Leeds recommend a working group, comprising of representatives from the local authority, financial institutions, and employees from Education Leeds with responsibility for legal and democratic issues. Collectively this group would design a project contract and design template to be fulfilled by a publishing house. As this is a medium-term solution it may be advisable to introduce the Basic Skills Agency's Cash Crescent software into schools for key skills stages 1 and 2. Another advantage with this approach is that it identifies the extent of educational need and highlights specific weaknesses among students. If these are generic they can be incorporated into the design template for the financial literacy course.

8.6 Financial exclusion

In addition to that identified by the survey broader issues of financial exclusion were explored during the interviews. One of the most taxing issues was attempting to define the parameters of financial exclusion. For some it was a narrow issue and focused on ensuring citizens had access to mainstream financial services, while others saw it far broader and connected it to quality of life. Naturally the difference of definition resulted in differences about emphasising priorities. For example one interviewee saw it as a social exclusion issue which could be challenged through rights and advice linked to these rights. Another interviewee highlighted the potential health benefits of tackling financial exclusion, in particular through debt rescheduling, but was disappointed that this has yet to be recognised by one of the Leeds PCTs. Money worries and over-indebtedness are important contributors to ill health but when faced with the opportunity to make investment in clinical or preventative measures the PCTs have traditionally selected the former. The difficulty is that the former is attractive and represents visible action, while preventative measures are rarely noticed and few, if any, benefits accrue to the instigators. What was missing was a shared sense of what was financial exclusion and what methods/approaches could Leeds take to combat it; instead at times it was utilised to justify continuing support for an existing programme. Consequently it is necessary for the city council to define financial exclusion and how it feels the various stakeholders can contribute to its elimination.

The importance of this was evident in the acceptance by interviewees that addressing financial exclusion required a long-term strategic commitment. However, a benefit of this approach was articulated by one respondent: *"The financially excluded are long-term. If* [*sic*: you are*] serious got to tackle the real issues, so don't throw money at them*." Rather a process of gradual change was likely to be effective led by an emphasis on education through advice and financial literacy/capability. A view was expressed that merely providing alternative cheaper credit was superficially attractive but didn't address core issues; i.e. that financial exclusion was: partially culture, as people continued to use moneylenders just because their parents had; partially awareness, in that they didn't understand or know about the costs of credit or services they could access; and partially just having insufficient income. Thus while the latter was an issue for government and the DSS, the first two were connected to education. Moreover, advice straddles all three elements as additional entitlements could be identified to help enhance household incomes. Yet there was a consensus that current provision of money advice and debt services was inadequate for addressing financial exclusion and would need to become a policy priority.

Interviewees were virtually unanimous in declaring that the first stage would involve providing better quantity and quality of financial information. Yet participants cited missed opportunities when distributing information was misunderstood or joined-up government didn't always materialise. For example two respondents talked about the importance and potential role of the Post Office, especially in areas where the banks have withdrawn. But they went onto ask about the logic of permitting a post office to have a cash machine which charged £1.50 for every withdrawal; or indeed programmes to close sub-post offices. Another case identified was the narrowness between advice and consumer education, where a funding proposition was disallowed because it was considered the former not the latter. Such distinctions are difficult to maintain when assisting an individual who requires help. Although this is nominally advice, there is little evidence that general campaigns to raise awareness of financial matters have been successful. Part of the challenge is that the public show minimal interest in financial information until it is directly relevant. Therefore the most appropriate time to begin education is at life-junctions when individuals are making crucial financial decisions. This targeted approach inevitably shades closer to advice rather than education, consequently a more sophisticated understanding of the necessary overlap is required by those funding financial education programmes. On the issue of interpretation one interviewee discussed how difficult it was proving to open a basic bank account. Despite the declared position of the banks, individual branches are still declining applicants who have a proof of identity from the local authority. This was especially problematic in areas involved in the pilot of direct payments of housing benefit, though Leeds City Credit Union find complying to regulations and opening accounts difficult to achieve. This suggests that a flexible approach is possible within the current guidelines. However, there is concern that the tackling of money laundering by raising the standard of identification may inadvertently result in greater financial exclusion. Certainly the survey indicated that the largest stated reason for exclusion was lack of appropriate identification (see Table 5-4).

Interviewees expressed concern about the accessibility of advice, which fell into two groups: physical and cultural. The main focus for the physical issues was the status of the Post Office as this was perceived as an institution used and trusted by the community. However, though the offering of the Post Office Card Account (POCA) was welcomed it was believed that this may be undermined by the governments support for basic bank accounts and the direct payments of benefits. If payments were paid directly it would reduce the footfall through post offices and thereby reduce their capacity to provide other services or prosper as a business. A number of interviewees emphasised the potential of one-stop shop provision, which should contain local services that mutually reinforce each other, such as advice and credit unions. All but one interviewee believed that Leeds lacked provision of financial inclusion services, the exception argued that although Leeds was ‘needy’ it was comparatively well served through some large and very effective organisations, thus reducing the extent of Leeds ‘needs’ to a ‘modest’ level.

Though it is undoubtedly true that Leeds has some progressive institutions there were other barriers to accessing services, notably the culture. One interviewee believed that their organisation could improve the physical access to services but this was unlikely to assist the user through the system. What was required was an advocate to act as guide, particularly where English was not the first language. Nor was the cultural concern an isolated occurrence. For example it was argued that Trading Standards and consumer advice were perceived as White middle class concerns. The interviewee who made this point went onto explain that in a consumer society the rights of an individual customer effected everybody, but acknowledged that the challenge lay in persuading everybody of this. Even the provision of one-stop shops was seen as culturally problematic with interviewees stating that these were Leeds City Council services and would not be viewed as independent and/or worthwhile. Equally private sector such as solicitors was seen equally tainted due to their professional disinterest, detachment, and their imposing surroundings. Such circumstances could deter entrepreneurs from accessing these services to help them shift from the informal to the formal economy, which could have a negative impact for the local economy. Based on the interviewees there was broad support for one-stop shops but that these should be hosted by community organisations as it was believed these were closer to the community and therefore less intimidating than formal stakeholders. Though it was argued that community groups were less pejorative than other providers, notably the local authority, the evidence for this is unproven. An alternative viewpoint is that any specific community group could be seen as serving only a proportion of a community and therefore not accessed by others. Therefore it would be prudent to pilot both delivery providers and measure the accessibility achieved.

In general the interviewees did not believe there was a difficulty in people accessing credit, rather it was the cost of credit that was the issue. Moneylenders were an obvious source of credit for the White working class community, as clients believed, often correctly, that they would not get credit elsewhere. The challenge for credit unions was to raise their profile so that they were considered a viable alternative to moneylenders. Although some ethnic minorities did use moneylenders, some ethnic groups had developed their own informal types of savings and loans schemes. These peer group circles have proven extremely durable and it remains an open question whether credit unions could, or even should, attempt to break into this market. Encouraging credit union membership among ethnic communities does extend consumer protection, as credit unions are regulated by the FSA, but informal links are often crucial to social cohesion, as well as being reservoirs of social capital, and once breached it is impossible to predict:whether credit unions or moneylenders will be the most successful; or, more importantly, the impact within the ethnic community.

When interviewees were asked about what new credit products were required it was limited to small loans for necessities that could not be purchased using the Social Fund and loans for bulk prescription orders. It was argued that the latter should have an interest rate charge and be underwritten by the PCT. Another interviewee did not believe that credit should be encouraged instead people should be directed to local charities and furniture stores, such as Harrison and Potter who have been known to make small payouts of £100-150 to those in need. However, all charities and foundations have finite resources (often very modest if the charity serves only a specific group) and their terms may exclude certain group from applying, thus it is unlikely, if at all desirable, that a sustainable financial inclusion service could be based on charitable giving. Rather as most of the interviewees seemed to indicate it requires a holistic service based on the troika of education, advice, and affordable credit; delivered, or available, through community based one-stop shops, and strategically funded.

8.7 Bringing it all together

Throughout the interviews one theme kept reoccurring: whatever solution was proposed it had to overcome barriers and help partners to work together. The reasons for this were an acceptance that financial exclusion was a complex matter that could not be resolved easily or in the short-term, and that although not the main part of any single agency's or organisation's role, it was embedded in many of them. So much so that the failure to address financial exclusion may have a detrimental impact on an agency's core activity. For example overindebtedness has a proven negative impact on health, therefore healthy living targets will be affected if no action is taken to minimise the stress, and over time, levels of overindebtedness. Additionally, failure in one area may negatively impact on another resulting in increased costs for the latter. For example teaching children financial literacy at school may avoid the necessity for them to be reliant on CAB in later life, thereby reducing the cost of financing money advice services.

Interviewees highlighted the need to reach ethnic minorities, as part of any proposed solution. Across Leeds 200 groups have specific relationships with ethnic minorities, which are concentrated in South and West Leeds but most are in Harehills and Chapeltown. Interviewees advised that ethnic groups, regardless of where they live, access these providers first. Therefore it is important that those providing advocacy services are fully engaged in, and understanding the nuances of, these local behavioural processes.

Reaching excluded communities will require better coordination between agencies. It was argued by interviewees that the biggest barrier is relationships between organisations, with referral between agencies having been the main failing. The reasons include: personalities, fear linked to threat to funding, the difficulty in thinking about a wider strategic perspective due to inadequate resources, poor networking, and limited awareness of the work of other agencies. Respondents wanted an integrated approach as a spur to wider partnerships across Leeds. Examples were given of other locations: North Lincolnshire, Barnsley, and Doncaster, who employ development officers who build relationships and have advocacy networks that bring infrastructure together; while Sheffield have a networker/strategic thinker whose role is very similar. Within this type of structure, Advice Leeds, as an existing partnership, could have a leading role. During an interview they stated that although they did not have the resources to fund a project, their existing budget of £6 million, with 25% focused on access to justice for the most vulnerable, meant they were ideally placed to lead any partnership. Providing funding can be identified and a partnership supported by the City council is established with resources targeted at tackling social exclusion.

The other challenge identified by the interviewees was that the prevailing approaches within Leeds made partnership difficult. The range of issues identified included a perception that specialist organisations were not required, which was linked to the dominance of the City Council and other large strategic stakeholders, in which power/responsibility was tightly maintained because issues were deemed too complex for local agencies. Connected to this some interviewees believed that local authority funding was too restrictive by being attached on a rolling basis to existing organisations. Thus making it difficult for new entities to be funded or for funding to be linked to innovation and task driven. Others argued that security of funding was essential to enable voluntary organisations to plan and develop their services. It's likely that these types of arrangements partially explain the resistance to change and partnership building mentioned above. The challenge for the City Council will be to manage any shift to a policy driven approach without detrimentally affecting some of the very organisations they want to be involved in any partnership to deliver the financial inclusion policy.

In summary, the interviewees acknowledged that current provision of financial inclusion services lacked coordination and were ultimately insufficient. The majority believed that a strategic policy was required that had a holistic vision and brought delivery agents together. This involved combining advice, education, affordable credit, and simple savings products. Many of these elements were already available but required increased investment and promotion if they were to reach the majority of the financial exclusion. Furthermore, wherever possible the delivery of these services should be universal and accessible through one-stop shops. However, the most important feature of financial inclusion is that it requires a long-term commitment, as the benefits are unlikely to be immediately realised.

9 Economic impact of financial exclusion

Calculating the actual cost of high interest loans in Leeds is fraught with methodological challenges. National data on the extent of use of doorstep lending is extremely limited; invariably based on supposition rather than empirical evidence. Though it is estimated that there are 3 million customers of moneylenders (Rowlingson 1994) it is difficult to locate the statistical support for this assertion.

Consequently there is a reliance on extrapolating from the figures declared by the large moneylenders. For example, the largest doorstep lender in Britain is Provident plc, who claim to have 1.5 million customers. From this it is assumed that they control half the market and therefore there are 3 million customers of moneylenders. Leaving aside the obvious assumptions in this statement, what this does not tell us is the nature of the relationship between the lender and borrower. After all it is likely that many of the customers are dormant or use the service infrequently.

However, the accumulation of this circumstantial evidence does suggest that between 3-6% of the population will at some stage use a doorstep lender (these figures ignore those who use pawnbrokers and similar agencies). This relatively low proportion could in theory create a statistical anomaly, whereby in a normal general population survey of 1000 respondents the 3% margin of error could result in registering minimal use of moneylenders.

To partially address this issue the Leeds survey within this report examined the wards where financial exclusion was most likely to occur. Therefore, any attempt to extrapolate these figures across Leeds has to be treated with great caution.

Thanks to Murphy (2003) it is possible to assert with some confidence the average interest rate charged by Provident plc on their loans. Through a detailed examination of their financial performance Murphy argued that Provident charged an annual percentage rate (APR) of 185% on a typical loan. This figure was subsequently challenged by Provident who conceded that their typical rates were closer to 177% (BBC 2003, see also Provident's website). By comparison a loan from Leeds City Credit Union will be charged at 12.68%, while a community reinvestment trust, such as East Lancs Moneyline, which serve an identical market to the Provident charged a maximum of 29%.

In the market served by doorstep lenders, the rates charged by high street banks and building societies are irrelevant; firstly, because the customer base have been unable or are unwilling to access these providers; and secondly, the loans required, usually below £500, are unavailable. In addition doorstep lenders will correctly highlight the greater financial risks involved in lending in their market and the cost of service. Both of these have resulted in higher interest rates than charged by the banks.

Confirmation of this is found in the 29% maximum charged by the Community Reinvestment Trusts (CRTs). These not-for-profit lenders charge higher rates to offset financial risks and establish a sustainable business model. It is impossible to compare these 'open market rates' with that charged by credit unions, as the interest rate of the latter is legally capped at 12.68%. Such a constrained interest rate means credit unions have had to rely on a business model based on volunteer delivery or utilise guarantee funds to serve higher risks markets. Neither these options are sustainable, so a small number of credit unions have begun to lobby for a relaxation in the interest rate cap.

Provident's interest rate should not be perceived as exceptional; rather they are probably one of the most cost effective doorstep lender in the market. For example, research into moneylenders (Jones 2002) identified rates in excess of 900%. The interest will also be dependent on the size of the loan; with Murphy (2003) estimating the average loan being £486, and Provident stating it is nearer to £100 (BBC 2003). Some of the difference may be due to the number of loans to a client during a year. During our research in Leeds it was found that agents of moneylenders seek to make at least three loans to a customer per year. If this is correct it explains the apparent discrepancy between the size of the loan, particularly as Provident describe £100 loans as the 'most common', while Murphy uses a mean average.

Based on the preceding discussion it is possible to broadly estimate the probable upper and lower limits of the impact of using doorstep lenders in Leeds.

Low-end estimate
This assumes that 3% of the population of Leeds use moneylenders and they each borrow £100 at an interest rate of 177%, paying back £5 per week (25 repayments of £5 and one of £3.55).

Based on a population of 715,402 in Leeds, 21,462 people use doorstep lenders, each borrowing £100 at 177% APR. This equates to £28.55 in annual interest per person, or **£612,740** in total.

In contrast if the same customers were to borrow £100 over 26 weeks from Leeds City Credit Union they would pay £4 per week for 25 weeks and a final payment of £3.55. The total interest paid would be £3.11 each, or £66,746.82.

However, if the client was unable to access a credit union loan but could use a community reinvestment trust loan at 29% they would repay the loan after 22 weeks (21 weeks at £5 pw and one at £0.51). The total interest paid would be £5.51 each, or £118,255.62

Consequently the use of doorstep lenders for a high risk borrower instead of a community reinvestment trust is costing the people of Leeds **£494,484.38**

Mid-range estimate

This assumes that 4.5% of population of Leeds use moneylenders and they each borrow £200 at an interest rate of 177% over 48 weeks

Based on a population of 715,402 in Leeds, 32,193 people use doorstep lenders, each borrowing £200 at 177% APR over 48 weeks (£6.48 per week). This equates to £111.52 in annual interest per person, or **£3,590,163.30** in total.

In contrast if the same customers were to borrow £200 over 48 weeks from Leeds City Credit Union (£4.41) they would pay £11.68 each in interest, or £376,014.24
However, if the client was unable to access a credit union loan but could use a community reinvestment trust loan at 29% they would repay £4.69 each week. The total interest paid would be £25.12 each, or £808,688.16

Consequently the use of doorstep lenders for a high risk borrower instead of a community reinvestment trust is costing the people of Leeds **£2,781,475.20**

Top-end estimate
This assumes that 6% of population of Leeds use moneylenders and they each borrow £486 over a year at an interest rate of 177%

Based on a population of 715,402 in Leeds, 35,770 people use doorstep lenders, each borrowing £486 at 177% APR over a year (£14.49 per week). This equates to £285.48 in annual interest per person, or **£12,253,943** in total.

In contrast if the same customers were to borrow £468 over a year from Leeds City Credit Union (£9.56 per week) they would pay £29.12 each in interest, or £1,249,946.80 in total

However, if the client was unable to access a credit union loan but could use a community reinvestment trust loan at 29% they would repay £10.22 per week. The total interest paid would be £63.44 each, or £2,723,098.50

Consequently the use of doorstep lenders for a high risk borrower instead of a community reinvestment trust is costing the people of Leeds **£9,530,845**

This money is lost to the local economy. Moreover, as seen in the survey, the majority of these clients will disproportionately be lone parents, workless households, and residents in disadvantaged areas. It is also interesting to note, by way of comparison, that the whole of the Neighbourhood Renewal Fund for Leeds in 2004/5 is £8.4m.

10 Review of options

The previous sections outline the needs and demands of those most likely to be financially excluded and explored the extent of current provision. This final section assesses some of the alternatives available, before making a considered recommendation that reflects the findings of the survey and the comments of key stakeholders.

Across the country a number of initiatives have been applied to tackle aspects of financial inclusion and these are discussed generically in Table 9-1. The research has shown that Leeds has an excellent 'live and work' common bond credit union, and such a strong credit union means that a savings and loan scheme (see Table 9-1) is largely superfluous. Furthermore, the PIF will be available shortly to make loans to micro and small enterprises. Leeds also has one of the largest CAB outside of London. Instead any additional provision in Leeds should reflect the gaps highlighted during the report:

1. Loans for those with marginal incomes who are currently using moneylenders. The loans required are normally too high risk for credit unions to make, where the maximum interest rate of 12.68%APR is insufficient to cover possible liability and cost of management. These loans should encompass accessibility and ease of use.
2. Advice aimed at those on low incomes, who may have modest total debt levels, but comparatively high levels when set against their disposable income. Services need to be provided locally by trusted intermediaries, and be available at least five days a week.
3. Similar advice services need to be developed for targeting at potential micro-entrepreneurs. These have to aimed at those who may not previously started a business, while advisors will need to be specifically trained to have an understanding of the requirement for micro-entrepreneurs to juggle household and business income and expenditure.
4. Although microenterprise loans will be available via the internet through PIF, the partners may need to monitor this to ensure it is accessed in disadvantaged communities. The research did not explore the likely usage of an internet based provision, but the general desire for local provision suggests that an alternative more personal service may be required. The partners may need to consider how this could be delivered.
5. The survey indicated that there was moderate appetite for financial literacy courses. However, any long term commitment to financial inclusion must seek to improve general levels of financial capability, while a means needs to be found to deliver services in an informal and engaging way.

Type of Initiative	How it functions	Main plus points	Main Drawbacks	Examples
'Live & work' credit unions	Extends the community common bond of credit unions to include all those who work within the bond area. These credit unions are usually much larger than conventional credit unions, often covering entire cities	The scale gives it a greater chance of being sustainable, it also means the organisation has to be more professional. In theory being cross-community should attract wealthier savers thus enable greater lending on disadvantaged areas.	Do not remove the risk element attached to lending in disadvantaged communities. The legal maximum APR that credit unions can offer (12.68%) mean it is difficult to serve the most financially excluded	East Manchester CU, Leeds City CU, Pompey Savers CU.
Community Development Credit Union (CDCU)	Levers in public money to focus on serving disadvantaged communities	Services developed in accordance to need. Concept has had moderate success in the USA	Similar challenge over risk and interest rates faced by other credit unions. In addition considerable debate among credit union activists about CDCUs economic viability.	None as yet. Development project being led by NEF.
Savings & Loan Scheme	A partnership between a bank/building society and housing association(s) that offer affordable loans and high interest savings accounts to the housing association tenants	Targeted at housing association tenants and their households. Links financially excluded to the mainstream providers. Offers both savings and debt products.	Too date these schemes have only had moderate success and are unlikely to have impact on addressing financial exclusion	Hew Horizons (Cambridge), Helping Hands (Darlington), & Westerhailes in Edinburgh
Enterprise CDFIs	Offer affordable loans to entrepreneurs who have been declined by mainstream providers	Lever in public money. They are a long-term investment vehicle in disadvantaged communities. They are highly professional	Don't offer personal loans. They take at least 7 years to reach sustainability. Tendency to drift upmarket to improve sustainability	Aston Reinvestment trust, Manchester Enterprise, & Bolton Business Venture
Community Reinvestment Trusts (CRTs)	Offer both personal and enterprise affordable lending in disadvantaged communities	All encompassing loan portfolio serve the whole community. Very flexible and can change products to reflect market	Long time to reach sustainability No savings products	East Lancs Moneyline, Portsmouth Area Regeneration Trust (PART), and Salford Moneyline
Financial Literacy courses	Education on understanding money management	Tackles problem of financial exclusion at source. Engenders good financial behaviour	Long-term solution. Client group reluctant to access courses	Saffcash run by Leicester HA, & Cash Crescent by the Basic Skills Agency
Access to bank accounts	Simple bank accounts which allow savings and withdrawals (sometimes direct debit facilities) offered by mainstream providers	Provides access to mainstream services and helps overcomes misconception by both clients & banks	No loan service. No links to other services. High costs if go overdrawn	Under agreement with the government every bank must offer a basic bank account service.

Table 10-1: Generic Financial Inclusion Options

In response to these factors the options for intervention fall into five general areas:

1. Do nothing
2. Create a completely new CDFI
3. Enhance informal coordination and collaboration on jointly developed services
4. Create a back office service delivery agency
5. Community Banking Partnership

10.1 Do nothing

A legitimate approach is to take no further action. This presupposes that either there is insufficient support and/or resources for the key aspects discussed in this report; or that financial inclusion is a lower priority than other issues. We would argue that such an analysis overlooks the impact financial exclusion has on other priorities, in particular economic development. Evidence of the extent of this was apparent in section 9.

So £5,966,593.30 which is not being spent in local shops, supporting local business, who employ Leeds residents. Because financial exclusion has remained hidden and unmeasured it has not made the agenda, but it has a very genuine outcome on the real economy. Consequently we would suggest that doing nothing is only an option if the cost of intervention is greater than £5,966,593.30 every year.

10.2 Create a completely new CDFI

The next option is the development of a new CDFI based on the Community Reinvestment Trust (CRT) model. This approach does fulfil the objective to provide sustainable alternative affordable loans that credit unions are unable to supply. The four CRTs currently trading have lent over £3 million since the launch of the first in July 2000. Clearly, they have shown that there is a market. Research (Dayson 2004, forthcoming) has indicated that CRTs also provide considerable informal advice to both individuals and enterprises. This is done partially because of a lack of capacity among existing advice agencies, plus the CRTs are perceived as more approachable than conventional providers. The research suggested that this experience is replicated among credit unions and it therefore likely to occur in Leeds. Though noteworthy such an arrangement it is ultimately unsatisfactory to both the individual and the CRT/credit union. For the individual wherever possible impartial advice should be divorced from lending, while the service is currently delivered unfunded and therefore it is an insecure basis on which to build a strategy.

However, the crucial element of this option is that the new CDFI option takes no account of existing provision and either sweeps away or ignores these providers. What is suggested is a big bang approach, which will drive a financial inclusion strategy and loan fund without the alleged ‘baggage’ of existing agencies. This authoritarian approach may ultimately be successful but the process may prove to be politically detrimental. We would recommend a more organic and inclusive approach, which celebrates current achievements while seeking to make them fit for the task of creating financial inclusion.

10.3 Enhance informal coordination and collaboration on jointly developed services

It is apparent from the research that the delivery of services to tackle financial inclusion requires better coordination and Leeds-wide strategy. Therefore a positive first step, or if resources cannot be located, a standalone option is to ensure the delivery of existing organisations is maximised. There are a number of initiatives which can be taken to begin this process:

1. Additional resources for advice agencies and the CAB. It is very clear from the analysis that there is a considerable unmet demand for advice services and that this can only be met with an increase in workforce. However, to ensure support is targeted at the financially excluded, advice services should be encouraged to assist those with modest debts with sub-prime lenders.
2. Credit unions to share development of new products. To be effective throughout Leeds the credit unions require greater resources and investment in product development. One product required is debt consolidation loans and experience elsewhere suggests these could be delivered through a guarantee fund. Guarantee Funds operate where the funder places a pre-agreed sum on deposit, either with the credit union or mainstream financial institution. Credit unions can then offer loans to new members and those unable to save before borrowing. The risk for this lending is offset by the guarantee fund. The most successful guarantee funds have operated where there has been an emphasis on money advice, rather than lending money. Guarantee funds have had a mixed record and unless considerable sums are to be invested it is unlikely they can cover high levels of indebtedness.
3. Recruit members on behalf of the credit unions from the most disadvantaged communities. If this is to be effective a medium term marketing strategy needs to be drafted and resources allocated to help the credit unions cope with the expected increase in demand.
4. Enable credit unions to offer outreach services. Although it was argued earlier that the concept of additional credit union branches was unsustainable (8.3.1), an alternative of providing a dedicated telephone link in the one-stop shops was proposed. This proposal is both practical and financially viable and fits within the broader objectives of the one-stop shops to supply universal services.
5. Promote the PIF enterprise loan funds. As with the credit unions there is probably need for expenditure to be targeted at generic marketing campaign. This proposal benefits both PIF and Leeds. The PIF service needs to make loans and its success should contribute to the development of the Leeds economy.
6. Closer working relationship between Leeds' credit unions and PIF. To maximise the use of resources and reduce overheads the credit unions and PIF should seek to share administration and management functions.
7. A Leeds Financial Inclusion Strategy needs to be drafted which explains the roles of all the partners, the targets, and what resources will be made available. Linked to this delivery agencies need to agree bilateral and multi-lateral working protocols.
8. Improve signposting and networking between agencies. To maximise the capacity to address financial exclusion existing providers need to increase their knowledge of each other and begin to work together. A forum should be established to share good practice and experiences and deliver a Leeds Financial Inclusion strategy.

All the above proposals retain the current institutions. Such an approach should help to ensure the continued support and engagement of existing organisations. The weakness of this strategy is that there is no assessment about the relative merits of existing entities, or whether the present institutional segmentation should be continued. The success is also dependent on current providers voluntarily contributing their time towards a partnership based programme.

A focus on enhancement is likely in the short-term to be the most cost effective measure and be the swiftest to implement. This proposal is reliant on building an effective partnership among the different agencies. Without a critical mass of activity or a strong central coordinating point there is a risk that initial enthusiasm will diminish and financial inclusion will slip down the agenda.

10.4 Create a shared administrative function

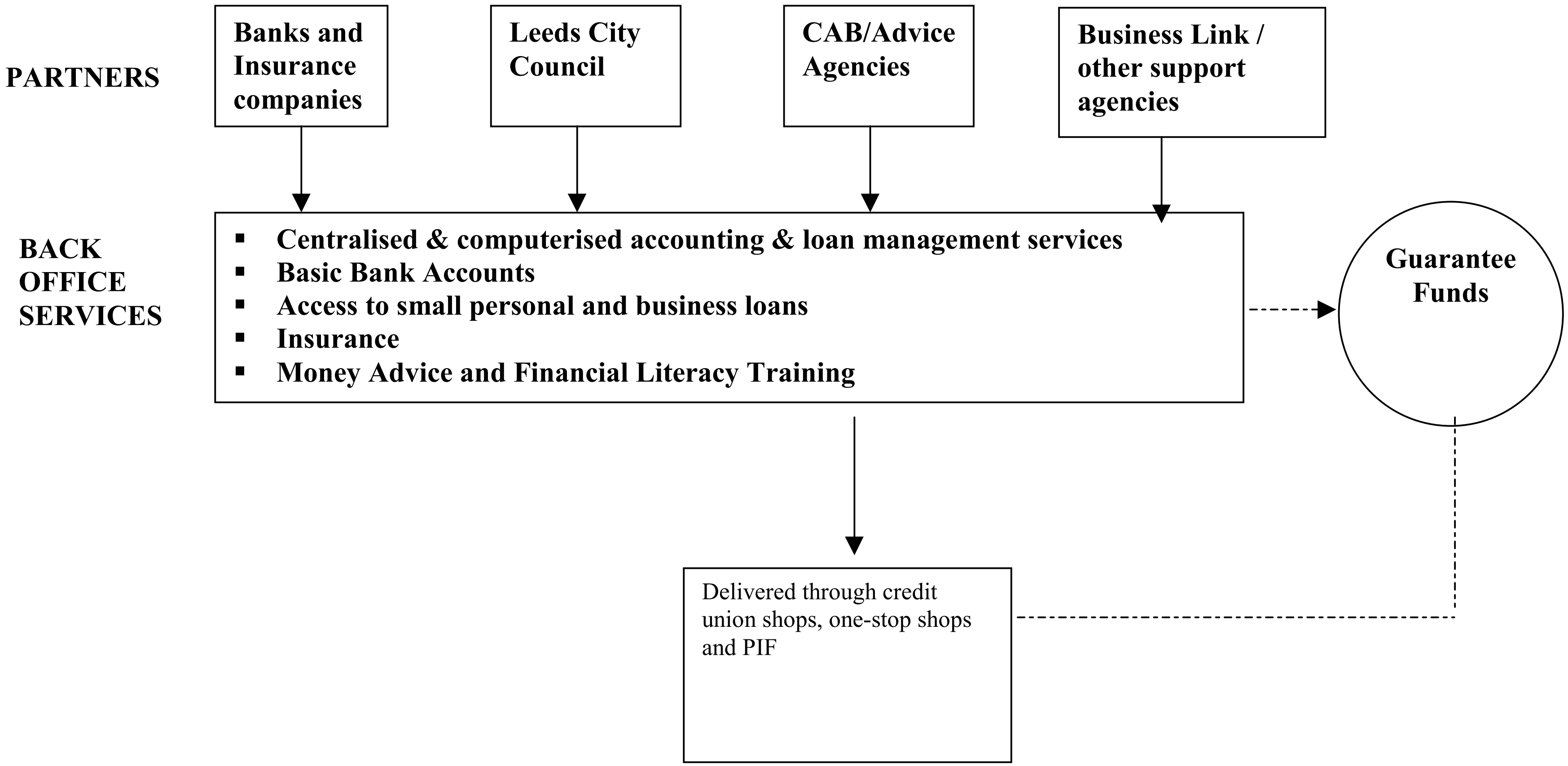
An alternative strategy for the credit unions could be to promote a secondary delivery organisation. This would not only encourages Credit Union expansion but also develops new services and community partnerships in support of the primary credit union activity. Such a secondary organisation with paid professional officers can supplement and complement credit union activity on the ground. Such an arrangement has been developed successfully in Newcastle on Tyne where Financial Inclusion Newcastle (FIN) in partnership with the local Credit Unions has been able to advance financial inclusion. This has included providing accessible money advice, access to basic bank accounts and insurance, financial literacy and a special loans scheme that covers the rescheduling of loans that would normally fall outside Credit Union criteria. In effect the money advisor helps the client maximise their income, reduce their outstanding debts, and makes a recommendation for a guaranteed loan to the credit union. The credit union assesses the application and the advisor’s comments, before issuing the loan. Any default is covered by the guarantee fund. To ensure a separation of responsibilities at no stage does the advisor agree the loan or the credit union offer advice. Lloyds TSB have provided a Guarantee Fund to underwrite this loan activity, agreed local account opening contacts and also have a local business bank manager who will attend meetings to stimulate and develop business activity.

The Shared Administrative Function builds on existing credit unions and loan fund structures. It enables the current credit unions to continue to exist but ensures they work closer together. Moreover it retains the involvement of those engaged in this project, while releasing them to focus on the promotion of their credit union/loan fund rather than getting ensnared in administration. Over time special funds aimed at addressing specific issues may be held centrally, however, there are issues about the accountability of this option. Due to collective development and innovation the service should also help increase the effectiveness of product development. The service would also ensure that advisors are linked with the core objectives and cannot be utilised to support other activities.

There are a number of disadvantages with this strategy, not least issues of accountability. It is important to ensure that the back office has a legal status otherwise disputes over ownership and priorities will arise. Similarly the shared back office will still need to be embedded within a Leeds strategy, as ultimately it is just an operational centre and unless constituted differently will not have responsibility to deliver a financial inclusion strategy. Being an operational vehicle means the shared administrative function does not reach the financially excluded. Instead it is reliant on the delivery agencies to promote themselves effectively and serve disadvantaged communities. Issues of coverage also need to be resolved as the back office service is a secondary agency and has no contact with residents. Another key weakness with this approach is the asymmetric scale of Leeds' credit unions. In Newcastle the partnership was a means to preserve the autonomy of three small credit unions, while enabling them to develop and expand. In contrast, in Leeds, one credit union dwarfs the others to the extent where the largest credit union already has a professional back office provision. Consequently this proposal could only be justified if the smaller credit unions were excluded or utilised the Leeds City Credit Union's administration centre. Alternatively the full scheme could operate between Bramley and St. Gregory's credit unions, but Leeds City Credit Union would be excluded.

It is difficult to calculate a timescale for the development of a shared administrative function, as it is reliant initially on the development of a partnership and subsequently on building the structure. We would estimate that once the partnership has agreed the legal structure and its terms of reference (which could take anything from four months to a year), the structure would take about four months to establish. There will then need to be a testing period and a gradual roll-out across each credit union and PIF.

Figure 10-1: **Leeds shared administrative function – activities**



10.5 Community Banking Partnership©[8]

At the recent Credit Hearing held in Leeds and organised by Church Action on Poverty, possibly the most important message of the event was the absolute necessity to combat the issue of extortionate credit on two points; firstly the capping of interest rates and tighter regulation on moneylenders and secondly the availability of affordable credit. The Shared Administrative Function (see 9.4) proposal through its guarantee fund offered a means to partially address this challenge. Additionally its other services began to develop a holistic financial inclusion project. The challenge though is to establish a more sustainable and integrated approach.

As discussed earlier there a number of credit unions and loan funds across Leeds and most find it challenging to penetrate disadvantaged neighbourhoods. The challenge with a multi-agency approach is that it is unlikely that all of the credit unions or loan funds could become sustainable, with the result that they will be perpetually at the mercy of funders and changes in policy direction. Leeds City Credit Union resolves this through cross-subsidising, but as they acknowledged, without external support this policy has its limits.

Credit unions are also constrained by legislation that fixes their maximum interest rate on loans at 12.68% APR. This restricts their capacity to offer loans to high-risk clients, such as those with multiple indebtedness or for those unable to save. In theory they could serve these markets but the probable loss rates would have a detrimental impact on their balance sheet. In the USA credit unions resolve this by charging higher interest rates, sometimes in excess of 20%, well in excess of the British legal maximum. An alternative strategy would be to create a loan guarantee fund, such as that incorporated in FIN, but as Jones (2003) has stated these have had a mixed record to date and are unable to offer higher risk consolidation loans in sufficient quantity.

The obvious solution is to create a CRT, however, as discussed above this would prove too disruptive in Leeds, where existing organisations are successfully established. Instead a holistic approach is recommended in which Community Banking Partnership (CBP) is established within which a CRT is located. The CBP would work alongside Leeds City Credit Union in a purely supplementary and complementary role and could be accessed by Bramley and St. Gregory's. It would seek to serve customers that the credit unions could not serve, while simultaneously building a partnership to deliver to non-credit elements of a financial inclusion strategy. In its simplest form the CBP would perform two interrelated functions. Firstly, it would supply affordable loans as an alternative to moneylenders. Secondly, it would build a coalition, through its a

8 The proposed Community Banking Partnership (CBP) approach is being developed by Community Finance Solutions (CFS) in partnership with the National Association of Credit Union Workers (NACUW) and the New Economics Foundation (nef). Copyright 2004 All Rights Reserved

stakeholder based ownership structure, to ensure the delivery of the advice, financial literacy and capability, elements of an agreed financial inclusion strategy.

The new institution would be an ideal vehicle to be the driving force, and main owner, of any financial inclusion strategy. If designed effectively the CRT should act as a link between advice and finance, working with advice services to ensure the client receives the most appropriate assistance. For example it could target its funds at high-risk clients who, once their initial problem is resolved, could move to a credit union. Furthermore, it would work in partnership credit unions to deliver a seamless service to customers and offer gradated interest rates linked to risk. This is both good business sense and fair on existing credit union members, ensuring the most prudent savers and borrowers receive the best interest rate without excessively 'punishing' those trying to improve their situation. Furthermore, new customers could also begin saving with the credit union while they repaid a loan to the CRT. Equally, it would bridge the gap between personal and enterprise finance by lending to enterprises in situations which are currently outside of credit unions legal boundaries.

The main advantage of the CBP is that it offers a pan-Leeds approach, while building upon the excellent work put into existing credit unions and agencies. It also overcomes parochialism by providing a joint venture entity in which all financial inclusion partners have a stake. The new entity would need an inclusive name, which can then be marketed as a new universal and generic service. Also its loan fund structure will enable local authorities and regeneration projects to invest on a hypothecated basis. The CBP will extend the level of support new and existing enterprises, while seeking its own sustainability. It will create a critical mass to initially building capacity to fill gaps and offers the benefit of complete coverage without destroying existing schemes. Furthermore it will supplement and complement the credit unions as it cannot offer a savings facility or undercut the interest rates offered on credit union loans. Another advantage is that new situations often present themselves and this approach will enable flexible, strategic, and rapid responses to new policy and funding opportunities.

The disadvantages are linked to how existing entities will respond to the proposal. It is entirely understandable that current boards of management may be hesitant. However, an inclusive approach, which seeks to capture existing good practice and place it within a more sustainable framework, may offset some of the concerns. Resistance may also be found among the credit union activists who may perceive the initiative as a threat. Again this can only be addressed through an inclusive approach, supplemented by clear demarcation lines agreed in a working protocol.

10.5.1 Community Banking Partnership approach

The core mission of the CBP approach is a customer focussed 'one stop shop' delivery service that incorporates existing community finance provision by credit unions, money advice and financial literacy agencies, and mainstream financial institutions but also develops new services to deliver affordable banking to the poorest people in the community. To deliver in this 'one stop shop' way, it is proposed to create a specially designed group structure that will bring together proven British best practice by credit unions that are already in operation in Britain (particularly in Leeds), Ireland and the USA, with the good practice in high risk personal credit delivery emerging from the CRTs (see Figures 10-2 and 10-3).

Customers will access the services of a CBP either through credit union shop front premises or through other outlets including credit union collection points in neighbourhood locations, advice agencies outreach surgeries in the community, and via housing associations, bank and local post office partners. In the USA, the credit union shops provide the brand for Community Development Credit Union (CDCU) 'community banking services'. In Birmingham where the first 'community banking partnership' model is under development, (see Case Study 10-1) a system of 'dual branding' is emerging. One brand promotes the local community credit union and its name (e.g. South East Birmingham Community Credit Union) and the other brand promotes the 'Birmingham Credit Unions' citywide logo and brand. In theory a similar strategy could be used in Leeds.

The CBP Staff Team will provide a 'holistic' approach whereby a wide range of community banking services is available to customers. This will result in either the CBP meeting the need directly through the provision of Leeds Financial Inclusion Strategy products or through partnering arrangements referring the customer on to:

- PIF and other enterprise/business lenders.
- Mainstream banks for Basic Bank Accounts and other financial services;
- CAB, Advice UK and other debt advice agencies in respect to in-depth money and debt advice case work where litigation and time consuming court work is involved.

Case Study 10-1: Birmingham Community Banking Partnership – First Prototype Project

Birmingham with 31 credit unions, over 20,000 members and almost £19 million in assets represents the largest concentration of credit union activity in England and Wales. Birmingham's Ladywood Credit Union collaborated with Riverside Credit Union in Liverpool and Portsmouth Area Regeneration Trust to develop a British model with New Economics Foundation for testing the successful Money Advice and Budgeting Service (MABS) in the UK. This Factor Four service provides low-income households with four integrated services:

(i) Money and Debt Advice;
(ii) Energy Advice and assistance to claim Warm Front and energy efficiency grants;
(iii) Bill payment and debt repayment services via a Credit Union or a CRT;
(iv) Access to affordable credit from a Credit Union or a CRT.

Birmingham has been funded as the first Factor Four pilot by npower, Severn Trent Trust Fund and Barclays Bank. Participating credit unions include Ladywood Credit Union and South East Birmingham Community Credit Union (SEBCCU). In addition SEBCCU has been awarded the first CDCU funding nationally from the Adventure Capital Fund, Barclays Bank and RBS NatWest. The setting up work in

Birmingham has brought both Factor Four services and the CDCU pilot services together as the first Community Banking Partnership.

A comprehensive five year business plan sets out a clear strategy for a full scale roll out of a mass membership drive. This will be implemented from April 2005 through the proposed development of a shop front network of four CDCUs in Birmingham. To enable higher cost loans and micro-enterprise loans to be made, the business plan calls for Birmingham Credit Union Development Agency (BCUDA) to become a CDFI with a Community Reinvestment Trust group structure. The CDFI will also facilitate cost saving economies for the delivery of home improvement loans in partnership with ART Homes and for the longer term funding of the Birmingham Factor Four service. With support from the City Council and local Trading Standards officers, BCUDA and Birmingham Credit Unions are developing a product brand for Birmingham Community Banking Partnership services

To fulfil the objective of financial inclusion it is essential that existing mainstream banks and building societies be incorporated into the CBP. Their contribution will be dependent on the actual requirements of an individual user, but the following will be the key areas of focus: provision of transactional services through a basic bank account for personal customers; creation of a 'shared' customer/banking relationship; and a referral mechanism. It will however, be important that client choice prevails and that introductions can be made both ways.

In respect to the money advice and financial literacy aspects of the Community Banking Partnership, the Birmingham prototype service includes 'Factor Four', which delivers to all financially excluded households budgeting help, money advice up to 3.5 hours for each customer, and access to a bill payment and debt repayment service. In Leeds it is expected that similar service should be developed in partnership with Education Leeds.

The CBP Group Structure links sovereign organisations, such as Leeds City Credit Union, to a joint venture CRT and a charity. It is proposed that the CRT's shareholders are the financial inclusion stakeholders but that Leeds City Credit Union performs its management functions. The service would be open to all residents of Leeds, while the most effective means to maintain its complementary and supplementary role is to have it operated by Leeds City Credit Union. As a joint venture the CRT could also be accessed by other Leeds credit unions, whom could develop integrated products with the CRT, though the CRT element would be contracted through Leeds City Credit Union. The CRT would deliver the loan fund element of the financial inclusion strategy. Meanwhile, the charity, which again will be a joint venture, would be responsible for ensuring the delivery of the advice and financial literacy/capability parts of the strategy.

The roles and attitudes of the members drawn from the savers and general public will be crucial in cementing the processes and practices of the CBP in its day-to-day operations. For regulatory accountability, the credit union will retain its distinct identity though it would have a close working partnership with the CRT and the charity. The charitable company (or in future potentially a 'community interest company') in the 'group' will enhance both the ability of the credit unions and the CRT to meet their target markets through attracting additional charitable funds and grant aid. This proposal is deliberately vague about staffing, but theoretically the CBP should not preclude any individual simultaneously holding posts within the loan fund, a credit union, and the CBP. In fact a combination of these would possibly be the most efficient and desirable outcome.

With regards to funding, since the beginning of this research the Treasury have announced a Financial Inclusion Fund and a Financial Inclusion Taskforce. Further details of these initiatives will be released in the autumn, but it is speculated that the Financial Inclusion Fund may be operated similarly to the SBS Phoenix Fund, which funded enterprise loan funds. This was a competitive fund that supported projects most likely to be successful, those with strong business plans, those targeting hard to reach groups, and those employing imaginative, innovative, and partnership based solutions. The CBP proposal presents Leeds with an opportunity to fulfil these objectives, placing partners in a healthy position to bid for funding.

Figure 10-2: Community Banking Partnership - possible structure

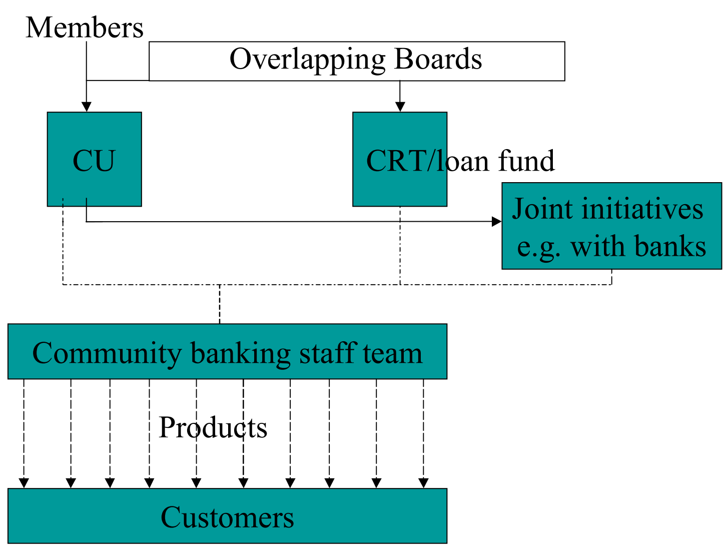
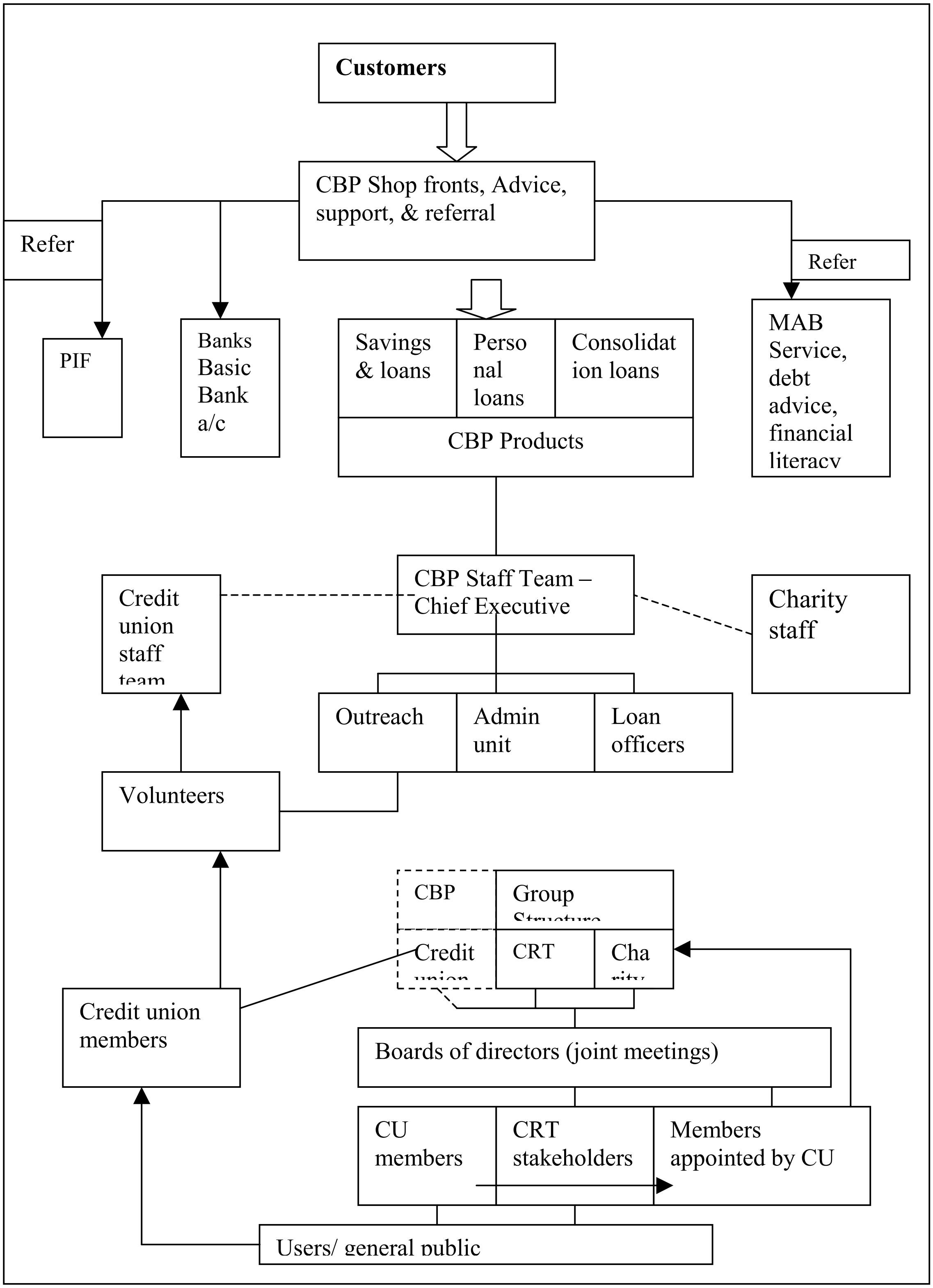


Figure 10-3: Community Banking Partnership - possible structure (detailed)



This report has demonstrated that there is considerable demand for greater investment in advice services and that many residents and enterprises are not accessing services. It went on to discuss the current provision and highlight potential gaps. The most notable of these was the absence of an over-arching strategy. In the final section a number of modes of delivery for elements of a strategy were considered. The CBP is by far the most complex and challenging of the options discussed but it offers a genuine opportunity to develop a sustainable and holistic solution to financial exclusion. Furthermore it is a partnership based approach that offers 'additionality' to existing providers, while maximising the opportunity presented by the proposed Financial Inclusion Fund. The other alternative options all have the merits but are reliant on the goodwill of existing agencies. If financial inclusion is to become a strategic priority it would be incongruous to base it on informal connections. It is on this basis that CBP is the recommended option, though this should occur in tandem with enhancing existing providers as discussed in 10.3.

11 Recommendations

Before listing the recommendations it is necessary to offer a working definition of financial exclusion that partners could employ:

Financial exclusion is the means by which an individual or an enterprise cannot access mainstream and/or affordable financial services. This may be due to a perceived or actual absence of accessible provision, a sense of the unknown and/or cultural difference, a lack of financial knowledge and/or access to financial information, or the incapacity to make informed financial decisions. Financial exclusion is correlated to lower than necessary disposable incomes and therefore, contributing to and being a result of poverty and related characteristics of social exclusion.

The main recommendation is that Leeds should develop a Community Banking Partnership initiative as outlined in section 10.5. This involves better co-ordination of services and the established of a community reinvestment trust style loan fund, aimed at the most disadvantaged communities. Loans should be linked to addressing poverty and enhancing financial knowledge. This educational aspect should be delivered through a related charity. The loan fund should have a steering group drawn from all agencies but its management should be through Leeds City Credit Union.

This solution adopts a position that places the citizen/user at the apex, with providers working together to supply an integrated and accessible service. The fulfilment of this core objective will require both the establishment of new services, and the enhancement of existing service providers and the delivery of those services. This is reflected in the following recommendations:

Integration and co-ordination of services

1. Establish a Financial Inclusion Forum that will share good practice, draft a Leeds Financial Inclusion Strategy, and subsequently develop working protocols to ensure agencies are aware of their role and responsibilities within the strategy.
2. To develop the infrastructure for the Community Banking Partnership, a steering group needs to be established which will be tasked with registering a community reinvestment trust and arranging its contractual relationships with Leeds City Credit Union, and simultaneously develop a financial inclusion services charity. Rather than establishing a new charity it may be possible to utilise that recently established by Leeds City Credit Union, though negotiations on this matter will need to be undertaken.
3. Financial inclusion should be readily available through a single telephone help line, a website, and in person through the one-stop shops.
4. Encourage and support closer co-operation between credit unions and advice services.
5. Better networking and signposting between agencies committed to financial inclusion.

6. Link issues of financial inclusion and the subsequent policy and implementation to existing Neighbourhood Renewal Strategies.
7. To further engage the Primary Care Trusts across the whole of the city by running a seminar demonstrating the connections between health and financial inclusion.
8. Develop a new funding arrangement for those involved in financial inclusion services that places emphasis on partnership bids as opposed to proposals by individual agencies.
9. Introduce a policy to undertake a financial inclusion proofing exercise for all new local authority initiatives. This would operate similarly to environmental proofing, but would be designed to ensure that new policies did not inadvertently increase financial exclusion.
10. Engage and involve the post office and the mainstream financial providers in the delivery of services aimed at the financial included. This should include developing specific services and working with other agencies with regards to referrals.

Information, advice and education

11. Improve the quality of financial information available to Leeds residents by developing a financial capability strategy. This should initially focus on raising awareness of borrowers rights under the updated Consumer Credit Act.
12. Develop an information pack for all new borrowers and work with the Leeds Financial Services Initiative to ensure it is distributed by all their members.
13. Explore with Education Leeds and the utility companies the feasibility of introducing a Birmingham Factor Four style money advice (in which energy efficiency and reducing fuel bills is used as a mechanism to increase financial education) for residents of Leeds
14. Establish a working group comprising of representatives from Education Leeds, Leeds City Council and financial institutions. Collectively this group would look at an outline design for a financial literacy package for delivery in schools and draw up a project contract and design template to be fulfilled by an external publishing house.
15. The training of all staff in one-stop shops in the provision of rudimentary financial and budgetary advice. This knowledge can then be imparted to users of the shops.
16. Train health visitors to be able to provide rudimentary budgetary and money advice to their clients.
17. The advice services need to be drawn together and services need to be open public friendly hours. Funding needs to focus on preventative action and services that are relevant for black and minority ethnic communities. Also any additional funding should be aimed at helping those considered financial excluded. For example debt workers could concentrate on those using sub-prime lenders, even if the client’s total indebtedness is numerically less than many other users. The local Community Legal Services Partnership (CLSP) is the appropriate forum to address these issues and advice service funders and providers need to engage with the CLSP to ensure that a more strategic approach is taken.

18. Improving financial literacy should be long-term objective and the private sector should be encouraged to help fund this. It can be argued this benefits the Leeds financial services community as a more numerate population helps fill an employment skill gap
19. Install the Cash Crescent educational CD ROM in all one-stop shops. The Cash Crescent software is written by the Basic Skills Agency and is designed for those needing level 1 and 2 financial literacy training. It is a self-test mechanism, enabling the user to develop their skills without feeling embarrassed.
20. Develop a session for asylum seekers explaining how the British personal financial market operates. This could be linked to training via the Cash Crescent educational software.

Promoting credit unions

21. Leeds City Credit Union should be adequately funded to support a network of School Savings Clubs across Leeds. Initially this should focus on primary schools, as FSA rules mean it is more complex to operate a school savings club for high school children.
22. Run a campaign encouraging the citizens of Leeds, especially those in disadvantaged communities, to join their local credit union.
23. Promote greater co-operation between Leeds' credit unions particularly on promotion and the development of new products.
24. Without significant funding being provided there is no economic justification for opening more credit union branches. Instead, investment in the credit union should focus on improving their current infrastructure and capacity to support disadvantaged communities through peripatetic staff. This can be partially done by the provision of a dedicated freephone connection in all one-stops shops linked to the Leeds City Credit Union call centre.

Expanding the local economy through financial inclusion

25. Work with Business Link to introduce training for their advisors on servicing micro-entrepreneurs. This training needs to focus on the overlap between personal and business finance that many micro-entrepreneurs experience. The advisors will also require advice on breaking down barriers between formal institutions and micro-entrepreneurs.
26. Work with the Partnership Investment Fund (PIF) to promote its service and help it to forge closer links with the credit unions
27. Regularly assess the impact of high interest rate borrowing on the Leeds economy

Appendix A – The questionnaire

Respondents' name: ………………………………

Address: ……………………………………….. Post code: ………………..

Tel: ……………………………………..

Interviewer: ………………………………………. Date: ……………..

We are doing a survey in this area on behalf of Salford University and Leeds City Council. They are considering developing a new project in this area to help local people manage their financial affairs better. This would be available to all residents of the area. Everything you say will be treated in total confidence.

1. How long have you lived in this area?

Under a year …….…………….	12%
1-2 years ……………..…………	10%
More than 2 year – 5 years……	12%
More than 5 years -10 years ….	11%
11-20 years ……………………	18%
More than 20 years …………..	36%
Not sure ………………………..	-

2. And how long have you lived in this home?

Under a year …….…………….	18%
1-2 years ……………..…………	14%
More than 2 year – 5 years……	21%
More than 5 years -10 years ….	14%
11-20 years ……………………	13%
More than 20 years …………..	19%
Not sure ………………………..	1%

3. And is this house / flat …..

Owned by member of household with a mortgage ……...	18%
Owned by member of household without a mortgage …..	8%
Rented from the Council ……………………………..……..	52%
Rented from a Housing Association…………………………	4%
Rented from a private landlord ………………………………	17%
Other …………………………………………….……….………	*

Not sure …………………………………………………….…… *

4. Do you or your spouse/partner have a bank or building society current account? That is a bank account with a cheque book or a cheque guarantee card.

Yes …………………………………………… 70%
No …………………………………………….. 30%

5. And why don't you have a bank account? *Probe fully*

No money, little money to put in an account …………………….. 50%
No bank in this area ………………………………………………. 2%
No point, on benefits/state pension - get cash from PO ……… 26%
No point, get paid cash ………………………………………… 7%
Afraid I might get overdrawn ……………………………………. 3%
I am concerned there might be too many charges ……………… 2%
Religious or ethical reasons ……………………………………. 1%
Other reason (write in) 7%

None of these ……………………………………………………….. 13%
(Base: those without an account)

6. Have you heard of a 'Basic Bank Account'?

Yes …………………………………………… 36%
No …………………………………………….. 60%
Not sure ……………………………………… 3%

IF THEY DO NOT KNOW READ OUT: **This is a no frills bank account where you can deposit money and pay bills. They do not normally allow overdrafts or cards like Switch or credit cards.**

7. IF RESPONDENT HAS A BANK ACCOUNT ASK: Is this the type of bank account you have?

Yes …………………………………………… 23% of those with a bank account
No ……………………………………………..
Not sure ……………………………………….

8. Have you or your family ever tried to open an account and been refused?

Yes …………………………………………… 16%
No …………………………………………….. 84%

9. **IF YES, How long ago was this?** ………………….. years ago

Under a year 15%
1-2 years 40%
3-5 years 22%
Moe than 5 year22% (Base: those refused)

10. Why was this refused?
Write in

11. Do you have any of the following?

	Yes %	No %	Not sure
Credit card (Access, Mastercard, Visa)	25	74	*
Debit card like Switch or Delta	31	69	*
Store card (i.e. credit card to use in a specific shop)	9	91	*
Cheque book with cheque guarantee card	32	67	*

SAVINGS

12. Do you use any of the following ways of saving money?

	Yes %	No %	Not sure
Bank or Building Society Savings or deposit account	50	50	
Credit Union	6	94	
A Christmas Club or similar run by a local shop	4	96	
Informally with work colleagues, friends or the committee system	2	98	
Putting money by in a jar or envelope	29	71	
Asking a relative or friends to save or look after money for you	10	90	

SHOW CARD B

13. Which of the amounts on this card comes closest to the total savings you have? Savings would include such things as premium bonds or shares.

A No savings at all ……………………. 37%
B Under £100 …………………………. 21%
C £101-£500 …………………………… 16%
D £501 - £1000 ………………………… 8%
E £1001-£5000 ………………………… 5%
F More than £5,000 …………………… 5%
Refused to say ………………………. 6% (most of these saved)
Not sure ………………………………. 2%

SHOW CARD C

14. How often do you put money into a savings account or save money?
Don't save / never.…………………………………………….…. 30%
I save regularly at least once a month ………..……………….…… 26%

I save regularly less than once a month …………………..……… 2%
I put money in as and when I can …………………………………… 41%
I have paid in money before but not in the past 12 months ……..…. 1%
I have not added any money since the account was opened ……..1%
Not sure ……………………………………………………………… *

15. Which of the following best describes your own approach to saving ….

I don't really save at all …………………..…………….. 28%
I save money to pay bills ………………………………. 22%
I save up to buy things I want or need ……………… 40%
I tend to put money away for the future ………… …. 19%
I save money for emergencies ……… ……………… 18%
Not sure ……………………………………………….. 2%

16. Have you heard of Leeds City Credit Union?

Yes …………………………………………… 30%
No …………………………………………….. 68%
Not sure ……………………………………. 2%

17. Are you a member of the Credit Union?

Yes …………………………………………… 6%
No …………………………………………….. 94%
Not sure …………………………………….

18. And how helpful have you found being a member of the Credit Union?

Very helpful ………………………………. 77%
Quite helpful ……………………………… 19%
Made no difference ……………………… -
Not sure ………………………………….. 4%

(Base: members of the Credit Union)

19. Do you have any children who attend schools within Leeds?

Yes …………………………………………… 33%
No …………………………………………….. 67%
Not sure ……………………………………. -

20. Does the school (s) your children attend have School Savings Club, that is where they can pay money into a bank account organised through the school?

Yes …………………………………………… 16%
No …………………………………………….. 67%
Not sure ……………………………………. 17%

21. IF YES, Does your child (children) use this Savings Club?

Yes …………………………………………… 8 respondents
No ……………………………………………..

Not sure ……………………………………….

22. Would you like there to be a Savings Club in your child's school?

Yes ……………………………………………	55%
No ……………………………………………..	30%
Not sure ……………………………………….	16%

ASK ALL

23. At present how well do you think you are managing your money?

Managing well ………………………….	36%
Just getting by ………………………….	53%
Getting into difficulties …………………	10%
Don't know ……………………………..	1%

24. Some people find they can manage their fuel bills (that is gas and electricity) well, others do not. How well would you say you manage your fuel bills?

Very easily ………………….	35%
Quite easily ………………….	44%
Have some difficulty ……….	15%
Very difficult …………………	2%
Not sure ……………………..	4%

25. What payment method do you use for your fuel bills?

Can multicode

A	Card meter or card that you 'charge up'	39%
B	Key meter / token meter	7%
C	Coin meter	1%
D	Cash	28%
E	Cheque	5%
F	Direct debit / standing order	18%
G	Other (specify)	4%
	______________________	
	Not sure	3%

ASK ALL

26. Does this household have insurance for the contents, that is for your furniture, electrical goods etc.?

Yes ……………………………………………	39%
No ……………………………………………..	57%
Not sure ……………………………………….	5%

27. Why not? *Write in*

Too expensive / can't afford it ……………	55%
Don't bother	19%

Not got round to it	10%
No need	6%
Other (write in)	02

28. Have you tried to get insurance?

Yes …………………………………………	9%
No …………………………………………..	91%
Not sure ……………………………………	-

29. What problems did you encounter?

Write in

Main reason was too expensive

SHOW CARD G

30. Can you please tell me whether or not you have any of the following types of credit or borrowings at the moment. Just tell me the letter by the item.

31. For each YES (WHERE INDICATED) ASK – And do you know the rate of interest?

(you do not need to ask this for mortgage, interest free loan and student loan)

32. For each YES SHOW CARD H and ask and which of these bands does the interest rate come under?

0-10% Code 1
11-24% Code 2
25-49% Code 3
50 -99% Code 4
100% or more Code 5

		Q30.	**Q31**		**Q32 (CARD H)**				
	30 Have this type of credit (CARD G)	Yes	Yes	No	0-9.9%	10-24 %	25-49 %	50-99 %	100 %+
A	Mortgage	15%							
B	Overdraft at the bank	9%	1	2	1	2	3	4	5
C	Hire purchase (HP agreement)	8%	1	2	1	2	3	4	5
D	Interest free loan from a store	1%							
E	Credit card account not paid off	8%	1	2	1	2	3	4	5
F	Store card account not paid off	2%	1	2	1	2	3	4	5
G	Loan from a bank	9%	1	2	1	2	3	4	5
H	Loan from a building society	2%	1	2	1	2	3	4	5
I	Student loan	2%							
J	Credit Union loan	3%	1	2	1	2	3	4	5
K	None of these	65							

SHOW CARD I

33. Can you please tell me whether or not you have any of the following types of credit or borrowings at the moment. Just tell me the letter by the item.

34. For each YES (WHERE INDICATED) ASK – And do you know the rate of interest?

35. For each YES SHOW CARD H and ask and which of these bands does the interest rate come under?

0-10% Code 1
11-24% Code 2

25-49%	Code 3
50 -99%	Code 4
100% or more	Code 5

		Q33	Q34		Q35 (CARD H)				
	33 Have this type of credit (CARD I)	Yes	Yes	No	0-9.9%	10-24%	25-49%	50-99%	100% +
L	Loan from a licensed finance company such as Provident or Home Credit or Naughton where weekly repayments are made, often on the doorstep	15%	1	2	1	2	3	4	5
M	Loan from a moneylender (unlicensed)	-	1	2	1	2	3	4	5
N	Catalogues or club books	13%	1	2	1	2	3	4	5
O	Local shops	*	1	2	1	2	3	4	5
P	Shoppacheckers, Cashchequers	3%	1	2	1	2	3	4	5
Q	Pawnbrokers (somewhere where you borrow money and leave goods). Local companies included Cash Convertors, Money Shop, Brighthouse	1%	1	2	1	2	3	4	5
R	Social fund loan / loan from 'the Social'	8%							
S	Loan from family	4%							
T	Loan from friends or other private individuals	1%							
U	None of these	69%							

IF NONE TO BOTH Q30 and Q33 - GO TO Q41

IF RESPONDENT HAS ANY OF CODES IN EITHER Q30 OR Q33 CONTINUE WITH Q36

SHOW CARD J

36. How did you find out about any of these lenders? CODE ALL THAT APPLY
(INTERVIEWER INCLUDE THOSE USED IN Q30 and Q33)

A	Bank or building society …………………………………..	50%
B	A shop or retail outlet ……………………………………..	15%
C	Mail order …………………………………………………..	16%
D	Door step caller ……………………………………………	14%
E	From a family member / friend …………………………..	31%
F	Credit Union ……………………………………………….	2%
G	Advertisement in newspaper ……………….……………	1%
H	Advertisement on TV ………………………………………	-
H	Advertisement – contacted through the internet ……….	-
I	Other (say how)	18%

SHOW CARD K

37. What was the credit or loans for? CODE ALL THAT APPLY

A Mortgage for your home 26%

B	Large household items (furniture, carpets, kitchen goods etc.)	34%
C	A computer …………………………………………………………	1%
D	A car or motorbike …………………………………………………	10%
E	Clothes ……………………………………………………………	17%
F	Training or education ……………………………………………	4%
G	A holiday …………………………………………………………..	9%
H	Repairs or improvements to your home	6%
I	Day to day living expenses or to pay household bills like rent, electricity, phone	14%
J	Christmas or other presents ………………………………………	23%
K	To pay off other debts	8%
L	To pay for visits to family or friends abroad	*
M	Other	6%
	Refused to say	2%
	Not sure	1%

38. Why did you choose this particular form of credit or loan? If the respondent has more than one type of credit ask about each one and write in by type of loan.

Bank or building society loan: ………………………………..

Overdraft: ………………………………………………………

Credit card / store card: …………………………………………..

Hire purchase: ………………………………………………………….

Licensed lender (such as Provident): …………………………………

Moneylender: …………………………………………………..

Catalogues club books: …………………………………………

Local shops: ……………………………………………………………..

Shoppacheckers /cashchequers /Pawnbrokers: …………………………………

Social Fund: ………………………………………

Family / friends: ………………………………………….

39. Did you choose this particular form of credit for any of the following reasons? READ OUT AND CODE ALL THAT APPLY

Low rate of interest …………………………………………………..…….. 26%
Being able to borrow relatively small sums ………………………….……… 14%
I did not need to provide security or guarantees ……………………….…15%
It was available locally …………………………………………………..…… 27%
I can make repayments in cash in small weekly or fortnightly sums ….. 32%
It is convenient because they come to the door to collect ……………… 19%
It is because I know the collector or catalogue person …………………. 6%
Other reason / none of these ……………………………………………… 25%

HAND RESPONDENT QUESTION SHEET PLUS ENVELOPE IF YOU FEEL THAT RESPONDENT WILL BE EMBARASSED – USE YOUR JUDGEMENT

40. What is total amount of your borrowings, loans or credit, excluding mortgages?

£ ………………………… (TO BE INSERTED LATER IF RESPONDENT FILLED OUT PIECE OF PAPER)

SHOW CARD I

41. In the past two years, have you been refused a loan or credit?

Yes … been refused credit …………………………. 9%
No, been given credit I wanted ……………………… 24%
Not asked for any credit ………………………………67%
Not sure ……………………………………………….. *%

42. Do you know why you were turned down. Please give details

SHOW CARD L

43. At present, how worried are you about getting into or being debt?

Very worried ……………………………… 16%
Fairly worried ………………………… ….. 24%
Not very worried …………………………. 28%
Not at all worried …………………………. 30%
Not sure …………………………………… 1%

SHOW CARD M

44. I am going to show you a card with a list of bills some people have to pay. In the past two years have you fallen behind with paying any of them? Are any of the debts current?

		In past 2 years	Now	

A	Mortgage	*	-	
B	Rent	9%	3%	
C	Council tax	11%	3%	
D	Water rates	10%	3%	
E	Electricity	7%	4%	
F	Gas	6%	2%	
G	Telephone or mobile phone	11%	4%	
H	Rental on TV, video	1%	*	
I	Credit card bill	3%	2%	
J	Store card bill	1%	*	
K	Catalogues, club book payment	2%	1%	
L	Bank overdraft	1%	1%	
M	Bank or building society loan	1%	*	
N	Hire purchase agreement	*	*	
O	Finance company loan	2%	2%	
P	Loans from family or friends	1%	*	
Q	Other loans	1%	-	
R	Refused to say	-	-	
S	Not sure	*	-	
T	NONE	66%	85%	

IF HAS MORE THAN ONE CURRENT DEBT,

45. *Which of these is causing you most concern?*

Enter letter --------

IF HAS HAD DEBTS IN PAST TWO YEARS OR HAS CURRENT DEBTS ASK Q46
SHOW CARD N

46. Did you have difficulties with these bills for any of the following reasons? Just tell me the letter.

A	Unemployment, redundancy, short time working	21%
B	Ill health	12%
C	Became pregnant, had a child	4%
D	Family break up	4%
E	Partner left, leaving me with debts	7%
F	Income is just not enough to cover all my expenses	50%
G	Errors in Housing Benefit	10%
H	Other (say what)	9%

____

Refused to say	-
Not sure	4%

47. What effect if any has this debt had on your lifestyle or your family life?

48. **If you had an emergency and needed money in a hurry, what do you think you would do? DO NOT PROMPT, CODE BELOW, CAN MULTICODE**

Ask family or friends ………… 60%
Ask for a Social Fund loan /DSS 5%
Draw on savings ……………… 13%
Take out a bank loan/ overdraft .8%
Take out loan other source … 4%
Take out loan from Credit Union 2%
Use my credit card ……………… 1%
Sell something ……………….. 1%
Other …………………………..2%
(specify) ………………………..
Don't know ……………………13%

SHOW CARD P

49. **Over the past couple of years, have you been anywhere for advice about money matters?**

A	No, nowhere	86%	Go to Q52
B	CAB – Citizens Advice Bureau	3%	Ask Q50
C	Other advice centre in this area	*	Ask Q50
D	Bank	5%	Ask Q50
E	Building Society	1%	Ask Q50
F	Financial advisor	1%	Ask Q50
G	DSS (Social)	2%	Ask Q50
H	Social worker	1%	Ask Q50
I	Solicitor	*	Ask Q50
J	Credit Union	*	Ask Q50
K	Place of worship (church, temple, mosque)	-	Ask Q50
L	Family member or friends	1%	Ask Q50
M	Other (say what) ____________________	1%	Ask Q50
	Don't know, not sure	*	Go to Q52

SHOW CARD Q

50. **And would you say this advice was ….**

Very helpful ……………………… 49% Go to Q52
Helpful ……………………………. 31% Go to Q52
Neither nor ………………………. 7% Go to Q52
Unhelpful ………………………… 4% Ask Q51
Very unhelpful …………………… 9% Ask Q51
Not sure …………………………. 6 Go to Q52

51. **Please explain why you think this**

SHOW CARD R

52. **And how interested would you be in any of the following …. READ OUT**

	Very interested %	Fairly interested %	Not very interested %	Not at all interested %	Not sure %
Advice on welfare benefits	14	18	21	45	1
Advice about money matters	11	18	22	46	2
Advice about managing debts	11	11	21	55	2
Somewhere local take out credit or loan reasonable interest	18	16	16	47	2
Somewhere local save small amounts of money	18	18	16	47	1
Somewhere local place to cash a cheque	16	14	16	52	2
Bill paying services	11	16	16	55	3
Savings account for children	16	12	11	59	2
More information about financial matters	13	18	16	52	1
Loan for business	8	12	13	66	2

53. If you see the term APR referring to a loan or credit, do you know what it means?

Yes ………………………………………… 50%
No ………………………………………….. 45%
Not sure …………………………………… 5%

IF NO READ OUT: it means the annual rate of interest you pay

54. We have found that many people don't understand a lot of the terms related to finance. If you buy something on credit or with a loan, do you know what 'interest' means?

Yes ………………………………………… 90%
No ………………………………………….. 8%
Not sure …………………………………… 2%

IF NO: READ OUT: **It is the extra money you pay back, calculated as a percentage of the loan.**

SHOW CARD R AGAIN

55. How interested would you be in attending a course or a session which covered the following ….

	Very interested %	Fairly interested %	Not very interested %	Not at all interested %	Not sure %
Support for managing money	7	15	15	63	1
Support for numbers, arithmetic or maths	4	7	11	77	1
Support with reading	2	5	10	82	1
Support with expressing yourself in writing	4	7	10	79	1
Support with how to	4	5	12	79	1

operate a bank account					

56. **Interviewer to code:** Male ………………. 48%
Female …………….. 52%

57. **What is your age?** __ __ Years
18-29 – 32%
30-44 – 32%
45-59 – 18%
60+ - 18%

58. **How many people usually live here in total – including yourself?**

59. **Are there any children aged 18 or under in this household?**

Yes …………………………………………… 46% Ask Q60
No …………………………………………….. 54% Go to Q63
Not sure …………………………………… - Go to Q63

60. **How many children do you have in each of these age groups?**
If none enter '0'.

Children aged 0-4	22%
Children aged 5-10	22%
Children aged 11-16	22%
Young people aged 17-18	4%

61. **Have your children any debts?**
Yes …………………………………………… 1 person
No ……………………………………………..

62. **Are your children eligible for free school meals?**
Yes …………………………………………… 46%
No …………………………………………….. 51%
Not sure …………………………………… 3%

SHOW CARD S

63. **How would you describe the composition of your household?**

One adult under 60 …………………..………….. 16%
One adult aged 60 or over ……………..……….. 9%
Two adults both under 60 ……………………..…… 13%
Two adults at least one over 60 …………………. 8%
Three or more adults aged 16 or over …………..… 9%
Lone parent with child/ren at least one under 16 … 16%
2 parent family with child/ren at least one under 16 22%

Extended family with children ………………………	3%
Other ……………………………………………… (specify)	*

64. Do you, or anyone else in this household, have any longstanding illness, disability or infirmity? By longstanding we mean anything that has troubled you over a long period of time or that is likely to affect you over a period of time?

	Self	Other in household
Yes …………………………….	22%	15%
No ………………………………	78%	55%
Not sure ……………………….		
Not applicable		30%

SHOW CARD T

65. Which of the following applies to you?
And which to your partner / spouse (if applicable)

	Self	Partner/ spouse
Employee in full time job (30 hours or more) …………………….	21%	19%
Employee in part time job (less than 30 hours) ………………….	11%	6%
Self-employed – full or part time …………………………………..	1%	*
Government supported training ……………………………………	*	*
Unemployed and available for work ……………………………….	12%	4%
Wholly retired from work …………………………………………….	17%	5%
Full time education – school, college or university ……………….	3%	1%
Looking after family / home …………………………………………	22%	9%
Permanently sick or disabled ………………………………………	11%	4%
Other	1%	2%
Not applicable		50%

IF RESPONDENT IS WORKING ASK

66. What is your occupation?

………………………………………………………………

IF RESPONDENT'S PARTNER IS WORKING ASK

67. What is their occupation?

………………………………………………………………

68. Just to check, Is there anyone in this household who is in paid employment, whether full-time or part-time?

Yes ………………..	48%
No …………………	52%
Not sure …………..	

69. How many cars or vans does this household have? Include any cars or vans provided by an employer which you can use.

None ………………..	68%
One ………... ……….	27%
Two ………………..…	4%
Three or more ………	1%
Not sure …………….	-

SHOW CARD U

70. And which of these best describes your ethnic origin?

White		
British ……………………..…………..	75%	
Irish ……………………….……..….	*	
Other White …………………….………	*	……………………….
Mixed		
Mixed – White and Black Caribbean	1%	
Mixed – White and Black African …..	-	
Mixed – White and Asian ……………	*	
Mixed – other ………………………	-	………………………..
Asian		
Indian ……..…………..……………….	1%	
Pakistani ……...……………………	8%	
Bangladeshi …………………………	4%	
Other Asian ………………………….	1%	…………………………
Black		
African ……………..……..………..	4%	
Caribbean ……………………………	1%	
Any other Black background ……..…	1%	………………………….
Other ethnic group		
Chinese …………………………..…..	-	
Other ………………………	3%	……………………………

71. What is the main language is spoken in this household?

English ……………….	83%
Arabic ………………..	1%
Bengali ……………….	3%
Gujarati .. …………….	-
Hindi ………………….	*
Mirpuri ………………..	1%
Punjabi ……………….	3%
Pushto ………………..	1%

Sinhalese ……………. 09
Sylheti ………………… -
Tamil …………………. -
Urdu …………………..4%
Chinese (Mandarin) …. 13
Chinese (Cantonese) … -
Vietnamese …………… -
Other (specify) 4%

…………………..

SHOW CARD V

72. What is the income coming into this household including any benefits or pensions you may have been receiving. Please read me the number from the card

IF THEY ARE UNSURE PROBE FOR A BEST ESTIMATE

	Weekly	Annual	
A	Nil	Nil	-
B	Under £60	Under £3000	6%
C	£60-£119	£3000-£5999	19%
D	£120-£199	£6000-£9,999	23%
E	£200-£299	£10,000-£14,999	10%
F	£300-£479	£15,000-£24,999	10%
G	£480 or more	£25,000 or more	4%
	Refused to say		13%
	Not sure		15%

SHOW CARD X

73. Which of the following benefits does this household receive?

A	Housing benefit	45%
B	Council tax benefit	46%
C	Job Seekers Allowance	8%
D	Income Support	31%
E	Invalidity or incapacity benefit, disability benefits	18%
F	Working Tax Credit	11%
G	Disability Tax Credit	1%
H	Other (specify)	2%
	____________________	
I	None of these	26%
	Don't know, not sure	7%

To make sure we are doing our job properly, a number of people interviewed will be asked to confirm that an interview has taken place. Can we please take your details so this can be checked. These details will not be used for any other purpose.

Enter name address and telephone number on front page.

Appendix B: Methodology

A total of 410 people were interviewed face to face in their homes in January 2004. The wards included in the study were Burmantofts, City and Holbeck, Harehills, Hunslet, Richmond Hill, Seacroft and University.

Given the relatively small sample size and the fact that this survey was concentrating on looking at the experiences of people at risk of financial exclusion, the sample areas were selected from sub-areas within these wards with the highest levels of benefit claimants. The final areas were selected so that a range of types of areas were covered. This included 'garden city' type housing estates, inner city council areas and inner city areas with terraced housing. Ten areas were selected as follows:

- Holbeck: area south of City centre and north of M621 motorway. This area is bonded by Ninevah Rd in the east and Domestic Road in the north;
- Little London: area bounded by Clay Pit Lane in the south, Meanwood Road in the north east, Leicester Place/Blenheim Grove in the south west and Craven Place in the north;
- Lincoln Green: area around Lincoln Green Road and area to east of Becketts Street but south of Shakespeare Street;
- Harehills: area bounded by Harehills Lane in the east, Harehills Avenue in the north, Spencer Place in the west and Bayswater Road/Ashley Road in the south;
- Gipton: area around St Wilfred's Grove;
- South Farms Road: area around South Farms Road bounded in north by Caldecote Drive and in south by Gipton Approach;
- Seacroft: area to south west of Parklands
- Halton Moor: part of the state south of Neville Road
- Richmond Hill: area just to the west of East End Park, south of York Road, north of railway line and bounded in the west by Pontefract Lane;
- Beeston Hill: bounded in east by Dewsbury Road, in north by Hunslet Hall Road, to west by Tempest Road and to south by Trentham Street;
- Belle Isle: area around Belle Isle Circus.

The sample was designed to be representative of the population within these areas. 1991 Census data was extracted for these areas using the Leeds City Council on-line mapping system.

Interviewers were given quotas based on gender, age and ethnic origin.

Full details of the sample are given in Section 3. Comparisons with the population of these areas and with Leeds as a whole are given in below.

Presentation of results

Percentages are either based on the complete sample (total) or on a sub-sample. The number of respondents for each column is given at the foot of the column (termed base). In some cases columns do not sum to 100%. This could be due to computer rounding errors (which means any sum between 98 and 102 should be considered as 100%), cases where respondents could give more than one response or cases where 'don't know' responses have been omitted.

An asterisk in tables means that fewer than 0.5% of respondents gave that response.

Statistical significance of the results

The sampling tolerance depends on both the number of interviews and on the proportion of people giving a particular response.

	Approximate sampling tolerance: percentage of respondents giving a response at or near these levels		
	10% or 90%	30% or 70%	50%
All interviews 410	+/- 3%	+/- 5%	+/-5%

This means that if 30% of the sample overall gave a particular response, the true answer lies between 25% and 35%, although it is more likely to be near 30%.

Extrapolating results for Leeds

The survey was focussed on low-income areas and the sample areas were those with the highest levels of benefit claiming in the seven most derived wards. The survey is therefore NOT representative of Leeds City Council area, rather it is a study of the group of people most at risk of financial exclusion.

In the survey areas almost half the sample were in receipt of Council administered benefits compared with 22% in the City as a whole. The low income is also demonstrated by the low level of car ownership.

Profile of sample

The tables below present the profile of the sample together with the population for the areas sampled and the figures for Leeds as a whole.

The sample areas had a total of almost 24,000 residents aged 18 or over. However, the sample rates were:

Age profile of sample

Age	This survey		Survey areas (2001 census)	Leeds as a whole
	Number	Percentage		
18-29	131	32%	29%	24%
30-44	133	32%	31%	29%
45-59	72	18%	18%	23%
60+	74	18%	21%	24%
Base:	410	100	100	100

Ethnic profile of sample

Ethnic origin	This survey		Survey areas (2001 census)	Leeds as a whole
	Number	Percentage		
White	308	75%	76.5%	91.9%
Black groups	26	6%	5.0%	1.4%
Asian groups	58	14%	13.0%	4.2%
Other	18	4%	5.5%	2.5%
Base:	410	100	100	100

The survey areas have a higher Black and minority ethnic population than Leeds as a whole.

Tenure profile of sample

Tenure	This survey		Survey areas (2001 census)	Leeds as a whole
	Number	Percentage		
Owner occupiers	106	26%	28%	62%
Council tenants	214	52%	40%	21%
Housing Association	18	4%	10%	4%
Privately rented	70	17%	21%	13%
Base:	410	100	100	100

Compared to the sample area, the survey slightly over-represents council tenants and under-represents housing association tenants.

The sample locations have a much higher proportion of social housing and privately rented accommodation than Leeds Metropolitan District as a whole.

Car ownership

Car	This survey		Survey areas (2001 census)	Leeds as a whole
	Number	Percentage		
No car	280	68%	64%	34%
One car	110	27%	30%	42%
Two or more cars	20	5%	6%	24%
Base:	410	100	100	100

The sample is broadly representative of the sample areas in terms of car ownership.

Receipt of benefits

The sample areas were all those which had a high level of receipt of benefit.

In the sample areas, 49% of households were in receipt of council administered benefits. This compares with 22% across Leeds Metropolitan District.

	This survey		Survey areas	Leeds as a whole
	Number	Percentage		
In receipt of Council administered benefits	201	49%	49%	22%
Base:	410	100	100	100

The sample is broadly representative of the sample areas in terms of receipt of benefits

Lone parent households

	This survey		Survey areas	Leeds as a whole
	Number	Percentage		
Lone parent households	65	16%	16.5%	9.8%
Base:	410	100	100	100

The sample is broadly representative of the sample areas in terms of lone parents.

Appendix C: Summary of key findings

Question	**Total %**	**Owner occupier %**	**Council Housing Ass %**	**Private rented**	**Employed in hhold %**	**Work-less hhold %**	**Lone parent %**	**Child-ren in hhold %**	**60+ %**	**Disabled person in hhold %**
Income under £200 pw	48	21	59	53	22	71	83	51	50	51
Has a bank account	70	85	66	60	86	56	63	70	61	64
Has a credit card	25	48	17	17	39	30	15	23	20	21
Currently **no** credit or borrowings (other than mortgage)	55	62	51	59	49	60	31	46	78	53
Has loan from licensed company such as Provident, moneylender, catalogues, Shoppacheckers	26	16	32	19	22	29	51	39	12	31
Borrowed for day to day or to pay off debts	10	5	12	16	13	8	9	13	4	12
Been refused credit	9	3	10	11	9	8	9	11	-	7
Getting into difficulties/just getting by	63	53	65	67	56	69	69	67	46	66
Worried about getting into debt	40	31	44	41	38	42	52	45	16	47
No savings at all or <£100	58	33	67	67	41	73	82	63	46	62
Difficult with paying fuel bills	17	18	16	17	14	19	23	23	7	19
Key or coin meter or payment card	45	21	59	36	38	52	60	50	28	53
Had debts in past 2 years	34	27	35	43	37	32	51	44	5	33
Interest in somewhere local for loans	34	25	40	32	33	35	50	43	12	36
Interest in local for savings	36	27	41	30	33	38	53	45	11	39
Interest in loans for self-employment	20	18	20	24	22	18	24	26	-	12
Interested in course about managing money	22	16	21	31	21	22	34	30	4	21
Base: complete sample	410	107	231	70	194	216	65	189	74	129

Appendix D list of interviewees

Susan Murray	Head of One-Stop Shops, Chief Executives Department
Joy Wetherill	Welfare Benefits Services
John Freeman	Education Leeds
Alison Scott	VOICE, also Richard Collier and Sian at meeting
Ben Nichols	John Battle MP office
Rob Pearcemen	
Dave Cousins	Leeds City Credit Union- coalfields areas project
Miguel Pinedo	Leeds Industrial Mission
Nick Morgan	Chapeltown CAB
David Wade	St. George's Credit Union
Peter Claydon	Yorkshire Enterprise
Ian Martin	Leeds Community Legal Services Commission
Sylvia Simpson	Leeds CAB
Rob Greenland	Social Enterprise Leeds
David Randolph-Horne	Leeds Council of Churches
John Ansbro	Leeds Financial Services Initiative
Sue Davenport	Leeds City Credit Union

Appendix E – List of subprime lenders operating Leeds

Cheque cashing agencies

Cash Convertors, 6 Town Street, Armley
Cross Cheque (Fowlers Ltd), 53 Stanningley Road, LS12
Herbert Brown, 12 Eastgate, and at 39 Crossgates Shopping Centre
Clear-a-cheque have outlets in Headrow, Harehills, Armley, Wortley, Beeston, Weatherby, Pudsey, Morley, Garforth
J. Walsh, 60 Stainbeck Road, LS7
John Ramsden, 314 Harehills Lane, LS9
Leeds Cheque Exchange, 48 Merrion Centre
The One Stop Money Shop, 19 Town Street, Armley, LS12
Salary Strecher, Merrion Centre, LS2
London Scottish, 597 Meanwood Road
MoneyXExpress, 2 Call Lane

Personal unsecured loan companies

Abacus for tenants ring 0800 015 8873
Assured Loans for tenants ring 0800 980 7171
Same Day Loans, No Credit Checks, Birstall
Beneficial Finance, 143-145, The Headrow
Braithwaite Finance, Knaresborough
CLC Finance Ltd, 23 Stanningley Rd
Citi Financial, 105 Vicar Lane
Auto Log Book (hold copy of car log book as a condition of the loan) 08453 20011
Dial 4 a Loan 0800 0939656
Access Loans and Mortgages 0800 015 4881
Advance Loans 0800 0925283 (part of Provident Group plc)
AAA Loans, Batley 0800 092358
Greenwoods, 0800 0923758 (located in Bradford)
Ringa Loans 0905 624004 (calls cost £1pm and should not exceed 15 mins)
Euro Credit 0870 444 7265 (located in Manchester)
Jodrell Finance (1st Call Loans) 0906 7365610 (located in Knutsford, Cheshire) (calls cost £1pm and should not exceed 15 mins)
All Clear Finance 0800 0680686 (located in Timperly near Manchester) (same company as Abacus)
All Purpose Loans 0871 2220706 (located in Sale near Manchester)
Able Loans 0800 2982671 (located in Bolton)
Provident 0800 0568891
Accepted Car Credit 0800 587 8843 (located in Horsham, Sussex)
One Stop Money Shop 0870 2400842 (located in Weatherby)
Yes Car Credit 0800 0850869 (same group as Accepted Car Credit)
Kensington 0800 7835650 (located in Manchester)

Logbook Loans, 6 Town Street, Armley 08700 6062266 (same address as Cash Convertors)
Any Purpose Loans 0800 037 1382 (located in Rotherham)
Friendly Loans 0800 0371382 (located in Manchester)
Harrington Brooks 0800 0680686 (same telephone and address as All Clear Finance)
London Scottish, 597 Meanwood Road, 274 6946
Motor Mile Finance, 22 Station Road, Horsforth 2530300
Naughton Finance, Pontefract Road, Stowton 2705555
Penrican Credit, 164 Town Street, Horsforth 2581826
Shopacheck, 59 Top Moor Side, 2457997
Varley's Leeds & District, 154 Harehills Lanes 2495794
Welcome Financial Services, 13 Stainbeck Lane, Meanwood, 2697304; 8-10 Station Road, Crossgates, 2642265; and 59 Top Moor Side, Holbeck 244 8664 (same address as Shopacheck)
Money Finder, 0800 083 7967 (located in Manchester)

Pawnbrokers

Same Day Loans, 919 Bradford Road, Birstall, 0113 2920892
Money Convertors, 853 York Road, Killingbeck, 2930404
The Money Shop, 34 Eastgate, 2452922; and 14 Station Road, Crossgates, 2641112 (both branches are next door to branches of Herbert Jones)
Number 8, 8 New market Street, 2459899
M. Waterman, 49 New Briggate, Leeds.
Cash Convertors, 6 Town Stret, Armley
Herbert Brown, 12 Eastgate, and at 39 Crossgates Shopping Centre
John Ramsden, 314 Harehills Lane, LS9
MoneyXExpress, 2 Call Lane
Logbook Loans, 6 Town Street, Armley 08700 6062266 9same address as Cash Convertors)

Source: Yellow pages 2003/4

References

Association of British Credit Unions Ltd (2000) *Achieving Financial Inclusion Through a Sustainable Credit Union Movement: Draft Business Plan For a Central Services Organisation*. Manchester, ABCUL.

Bank of England (BoE 2002) *Finance for Small Firms – A Ninth Report.* London: BoE, Domestic Finance Division

Bridges, S and Disney, R. (2002) *Access to Credit and Debt, Among Low Income Families in the United Kingdom: An Empirical Analysis*, mimeo, available at: http://www.Nottingham.ac.uk/economics/Ex CEM/index.html

Kemp, M. & Bellamy, M. (2004) *Net Gains: Financial Skills and the Citizens Advice Service*. London: CAB

Collard, S., Kempson, E., & Whyley, C. (2001) *Tackling Financial Exclusion: An Area Based Approach*. Bristol: Policy Press

Conaty, P and Mayo, E (1997) *A Commitment to People and Place*, London, NEF

Dayson, K., Paterson, R., and Powell, J. (1999) *Investing in People and Places*. Salford: Academic Enterprise,

Dayson, K (2004) *Three Cities Surveys of Financial Exclusion in London, West Midlands, and Manchester*. Unpublished

Dayson, K. (2004 forthcoming) *Community Finance Initiatives: A Policy Success Story*, Salford: University of Salford

DWP (2002) Family Resources Survey . London: DWP

FSA (2004) *Building Financial Capability in the UK*. London: FSA

Fuller D (1998) *Credit Union Development: Financial Inclusion & Exclusion*, Geoforum 29, 2, 145-158

Fuller, D., Mellor, M., Affleck, A., & Dodds, L. (2003) *'Local to Me': Advancing Financial Inclusion in Newcastle Upon Tyne.* Newcastle: Northumbria University

H. M. Treasury (1999a) *PAT 3 Enterprise & Social Exclusion*. London, H.M. Treasury

H. M. Treasury (1999b) *PAT 14 Access to Financial Services*. London, H.M. Treasury

H. M. Treasury (2001b) *Proposed Amendments to the Credit Unions Act 1979*. London, H.M. Treasury

H.M. Treasury (2004) *Spending Review – New Public Spending Plans 2005-8*, CM6237. London: H.M. Treasury

H.M. Treasury (2004a) *Promoting Financial Inclusion*. Norwich: HMSO

Jones P (1999) *Towards Sustainable Credit Union Development – A Research Project*. Manchester, ABCUL

Jones, P. (2003) *Credit Unions and Loan Guarantee Schemes.* Liverpool: Liverpool John Moores University

Hunter, P. (2004) *Financial Capability: Consumers' Views on Developing Their Financial Capability Through Schools & Workplaces*. London: FSA

Kempson, E. (2002) *Overindebtedness in Britain: A report to the Department of Trade and Industry*. London: DTI

Kempson, E and Jones, T (2000) *Banking Without Branches*. London: BBA.

Kempson, E., McKapy, S., & Collard, S. (2003) *Evaluating of the CFLI and Savings Gateway Pilot Projects* – Interim Report

Kempson, E. & Whyley, C. (1999) *Kept Out or Opted Out? Understanding and Combating Financial Exclusion*. Bristol: Policy Press

Kempson E, Whyley C, Caskey J, Collard S (2000) *In or Out? Financial Exclusion: a Literature & Research Review*. London, FSA

Marshall, J.N., Willis, R., Raybould, S., Richardson, R. & Coombes, M. (1999) 'The *Contribution of British Building Societies to Financial Exclusion*. London: Building Societies Association
National Statistices (1996) *Labour Force Survey*. National Statistics: London
Newcombe, R. Cox, A. Neuberger, J. & Whitehead, C (2002). *Partnerships for Financial Inclusion: Housing Associations & Financial Institutions*. London: BSA
New Start (2002) 'Universal Bank to Woo Poor with Europe's Blessing' in *New Start* Vol 4:143, 22 February 2002 p10
Ofgem (2002) *Ending Fuel Poverty and Financial Exclusion*. London: Ofgem
Palmer, H. & Conaty, P. (2003) *Profiting from Poverty: Why Debt is big Business in Britain*. London: NEF
Pratt, J., Leyshon, A., & Thrift, N.(1996a) 'Financial Exclusion in the 1990s: The Changing Geography of UK Retail Financial Services' *Working Papers on Producer Services*, No. 34, University of Bristol
Pratt, J., Leyshon A., & Thrift, N. (1996b) 'Financial Exclusion in the 1990s II: Geographies of Financial Inclusion' *Working Papers on Producer Services*, No. 38, University of Bristol
Regan, S. & Paxton, W. (2003) *Beyond Bank Accounts: Full Financial Inclusion*. London: IPPR
Rowlingson, K. (1994) *Moneylenders and their Customers*, London, PSI
Sutcliffe, G. (2004) *Last of the Big Spenders? Debt and the Nation*. Speech at IPPR on 20 July 2004

Addendum: Assessing the impact on Leeds of the Chancellor's pre-budget report

Accompanying the Treasury's pre-budget report was a supplementary report entitled *Promoting Financial Inclusion*. This work was published too late to influence the research in Leeds. However, a short assessment of how it relates to the topics discussed earlier is provided in this addendum.

The main observation is that the report should be welcomed as it details a co-ordinated strategic policy driven approach to financial exclusion. Moreover, this new strategy reinforces both the justification for commissioning research in Leeds and most of its recommendations.

Specifically, the announcement of a £120million fund to address financial inclusion is to be welcomed, as it will provide sufficient incentive for new partnerships to emerge. When the Leeds research begun there was no expectation of immediate central government finance so support secured from this source is excellent news. Unfortunately no details on how the fund is to be distributed are available, and only once this is known can the impact on Leeds begin to be assessed.

Initially it was thought that the fund would be geographically targeted, based on the map published on page 15 of the report. However, civil servants have subsequent clarified the matter and offered reassurance that resources will go to where a strong case can be made. Clearly the decision to conduct a household survey measuring the extent of financial exclusion means Leeds is able to fulfil this requirement.

Although the Social Fund has not received much attention in this report, interviewees did argue that its reform was overdue. Consequently the decision to ease some of the repayment schedules will increase the disposable income of some people within Leeds.

During the research Leeds City Credit Union detailed a number of areas where changes in national policy would help them serve the financial excluded. As a result the proposal for the direct payment of third-party debts from benefits, and the possibility of raising the interest rate cap on credit unions are to be welcomed. Without any change in the interest rate cap it is difficult to envisage how any credit union could remain sustainable, while committing itself to serve financially excluded communities.

Equally pleased were Leeds CAB with the announcement of a massive expansion in the number of face-to-face money advice sessions, and the two year exemption of advisors from the financial promotions under the Financial Services and Marketing Act. Both these changes should result in the money and debt advice services in Leeds being seen by more people and clients receiving more direct and relevant information. In addition, the announcement of a fund to support advice work undertaken with those who do not normally access conventional advice agencies directly reflects findings in this report. It is good that this work, which is currently undertaken by a range of agencies, in particular credit unions, receives recognition and support for its valuable and informal transfer of information.

Overall the tone of the pre-budget report seems to suggest that the co-ordinated, holistic approach recommended in this report reflects the desire of the government. This implies that the research undertaken in Leeds and the on-going partnership building will be necessary elsewhere; placing Leeds in an excellent position to bid for funds.

KTD 23/12//04