Promoting financial inclusion

An assessment of initiatives using a community select committee approach

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1

Introduction

Since 1998, there has been growing interest in finding ways to overcome financial exclusion, with new and proposed initiatives from central government, not-for-profit organisations and the private sector. These include schemes aimed at making money management less costly and less time-consuming for people who do not use a bank account, and extending access to financial information and advice. The impetus for much of this activity was a report by Policy Action Team 14, led by HM Treasury, on widening access to financial services (HM Treasury, 1999). Also important have been developments relating to savings and assets, which form part of a wider debate on *asset-based welfare*. HM Treasury recently outlined a number of proposals to encourage saving among lower income families in a series of consultation documents (HM Treasury, November 2000, April 2001, November 2001).

However, there has been little systematic consultation with the intended beneficiaries about the relative merits of the very different types of solution that are currently being developed. While a degree of competition is clearly desirable, there is a danger that time and effort will be spent on solutions that have limited appeal among people with low or modest incomes. And just as important, vulnerable consumers may find it difficult to select the solutions that may best meet their needs.

Community select committees are one way of carrying out this type of consultation. These are modelled on the parliamentary departmental select committees, which are responsible for scrutiny of government departments. In particular, they are based on the 'evidence sessions' used by select committees to focus on one specific issue, such as the Social Security Select Committee Inquiry into the Social Fund. Evidence sessions are attended by expert witnesses, who are questioned by committee members in order to explore the issue in depth.

The community select committee approach was designed and used successfully in an earlier research study that explored ways of tackling financial exclusion in a deprived area of Bristol called Barton Hill (Collard et al, 2001). The approach appears to have several advantages that warrant further piloting. First, it allows a relatively small group of people to come together in their community to discuss an issue in considerable depth. To facilitate this discussion, the people hear evidence from a range of expert witnesses. In the case of Barton Hill, this evidence consisted of information about a range of financial products and services provided by commercial, not-for-profit and voluntary organisations. More importantly, however, local people are able to question the witnesses; indeed, the residents of Barton Hill proved to be skilful cross-examiners.

Aims of the research

The dual aims of the study were, first, to subject current and proposed developments in financial services provision to scrutiny by their intended beneficiaries, and second, to further develop community select committees as a means of involving stakeholders in policy and service development.

Within this, the study had a number of more specific objectives:

- to assess current initiatives on asset-based welfare and the encouragement of saving among people with low or modest incomes;

- to assess current initiatives designed to assist people with low or modest incomes with day-to-day money management, including financial information and advice services;
- to identify the range of initiatives in these two policy areas that most closely match the aspirations of their intended beneficiaries;
- to test, refine and evaluate the select committee technique;
- to prepare guidelines for others who may wish to use the select committee technique to evaluate social policy initiatives.

Research methods

The study comprised four community select committees with people on low or modest incomes[1]. The committee members were selected to reflect the intended beneficiaries of policies relating to asset-based welfare and money management.

The two community select committees focusing on savings and assets comprised people from one and two-parent families with dependent children, and young people up to the age of 26. All of these committee members were local authority or housing association tenants.

The two community select committees looking at money management were made up of people who were on the margins of mainstream financial services, including one group of homeless people who sold the *Big Issue* magazine.

Two of the community select committees were held in Leeds, one on savings and assets and the other focusing on the money management needs of homeless people. The savings and assets community select committee comprised seven women and seven men aged between 24 and 41, who were recruited door-to-door from the Ebor Gardens estate in the east of the city (Box 1). The select committee with homeless people comprised seven men and one woman, aged between 25 and 30, who were recruited by a support worker from the *Big Issue in the North*.

The other two community select committees were held in Bristol. One of these focused on savings and assets, and was made up of eight men and six women aged 18 to 26. The other community select committee looked at two topics: money management and financial information and advice. This group was made up of six men and eight women, aged between 22 and 45. All these committee members were recruited door-to-door from the Hartcliffe housing estate (Box 2).

[1] Less than £13,000 gross per annum for single people and less than £18,000 for families with children.

Box 1: Ebor Gardens

Ebor Gardens is one of six distinct localities that make up the Burmantofts and Harehills neighbourhood renewal area in east Leeds. A Community Plan for regeneration of the area has been developed, and Ebor Gardens is also part of the local council's Estate Action programme, which aims to tackle housing voids and the physical deterioration of the local environment. Key issues identified in the area are unemployment, high crime levels, and poor health. Local residents also have below-average levels of literacy and numeracy compared with Leeds as a whole. Apart from a post office, residents of Ebor Gardens have few local shops and no bank or building society branch.

Box 2: Hartcliffe estate, Bristol

Hartcliffe and Withywood are two post-war estates on the southern edge of Bristol, which are the focus of a seven-year scheme to regenerate the area. Across the two estates there are relatively high levels of unemployment. The main issues that concern local residents are levels of crime and drug abuse. The estates are located some considerable way from the city centre, and a recent survey indicated that residents have a low opinion of the local bus service. And, while they happy with the service provided by the post office, access to banks and cash machines is considered to be poor.

The programmes for each of the community select committees are given in the Appendix.

This report

Although the community select committees covered a range of topics, participants identified a number of common needs. These included: affordability; accessibility; appropriate products; and trusted and reputable providers. Chapter 2 explores how far these needs were met by the products and services presented to committee members in relation to money management and financial information and advice. Chapter 3 addresses this question in relation to savings and assets, and assesses the effectiveness of different incentives to encourage people on low or modest incomes to save. The format for community select committees is discussed in depth in Chapter 4. The conclusions are outlined in Chapter 5.

2

Money management and financial information and advice

In general, people on low incomes make little use of bank accounts for handling day-to-day money. This is largely because they fear spending more money than they have available; consequently, they prefer a cash budget as it gives them greater financial control. Lack of knowledge and trust of financial services also plays an important part in their disengagement (Kempson and Whyley 1999; Collard et al, 2001).

Access to banking is at its most acute among homeless people, whether they live in hostels or are sleeping rough. This chapter, therefore, begins with a discussion of the needs of homeless people and potential ways of meeting their needs. For people with a home of their own, bill payment is an important aspect of managing a cash budget and a range of initiatives have been developed for those who do not use a bank account for this purpose. These are covered in the second section of this chapter. Finally, we discuss the financial information and advice needs of people who are on the margins of financial services.

Banking for homeless people

Previous research has shown that very few homeless people have a bank account. A study by the *Big Issue in the North* found that three quarters of their vendors carried the cash they earned around with them; others kept the cash at home or gave it to family or friends to look after (*Big Issue in the North*, 2000). Only one in 10 had an account with a bank or building society and a similar number had a *Big Issue* vendor account. The proportion that did not have somewhere safe to put their money overnight was highest among the rough sleepers; hostel-dwellers relied on the hostel safe, while those who had moved in to a place of their own were the most likely to have a bank account.

The people who participated in the community select committee (Box 3) mirrored this general picture. Only one of them was using a bank account, and this was a Co-operative Bank *Cashminder* account. All the others had had a bank or building society account in the past but it was either dormant or had been closed down. Some had chosen to close the account; in other cases the bank had closed it because they were in default.

The banking needs of homeless people

As noted above, the great majority of homeless people carry all their money in cash. This poses quite considerable security risks, especially for those sleeping rough or living in hostels. Research has shown that people who sleep rough are twice as likely to be the victims of

Box 3: *Big Issue* vendor select committee

The committee members were all aged between 25 and 30 and included seven men and one woman. One was sleeping on the street, two were in hostel accommodation and the rest had moved into rented accommodation. They had been selling the *Big Issue* for between six months and six years.

crime; over half had suffered from personal theft and four in 10 were repeat victims (Ballintyne, 1999).

This problem is particularly pressing for *Big Issue* vendors who may be seen collecting cash during the day. Indeed, all the committee members had been mugged at least once, and some on multiple occasions. In the absence of a bank account most had developed mechanisms to keep their money safe. Some hid it in their clothing, including socks and underwear, and kept only a small amount in a bag. As one man put it: "I just keep it on me really because there's no other place to put it". Some kept a dog to increase their security.

Carrying money around with them was not only dangerous but also a temptation to spend.

> "I spend more money every day just because I've got it on me now, and I never used to do that before."

Those hoping to move into employment found that having a bank account was often a condition of being offered a job. Not many employers are willing to pay in cash or to put the money into someone else's bank account and some committee members had lost jobs in the past because they did not have their own bank account.

> "It's hard to get a job if you haven't got a bank account. Some places used to let me use my sister's. It was one way that you could deposit money. So you could get a job but they won't pay you cash forever."

Finally, when homeless people move into rented accommodation they have to pay bills. Most committee members chose to do this in cash at a post office or PayPoint outlet, and would stick to this arrangement even if they actually had a bank account.

Policy developments

Although it did not address the specific needs of homeless people, HM Treasury Policy Action Team 14 considered in some detail the banking needs of people on low incomes. This led to the widespread introduction of basic bank accounts, which aim to give people on low incomes close control of their money[2].

The *Big Issue* has played a leading role in encouraging initiatives that widen access to appropriate banking services for homeless people. The Bank of Scotland was the first bank to develop a basic bank account for people on low incomes. Like more recent basic accounts, this differs from other current accounts in that it cannot be overdrawn – the balance in the account is checked online before transactions are processed. The *Big Issue* worked closely with the Bank of Scotland to ensure that the need to prove identity (as required under the 1994 Money Laundering Regulations) did not prevent homeless people from opening one of these accounts.

Building on from this initiative, the *Big Issue in Scotland* and Bank of Scotland have worked together to develop a savings account, *Grand Central Savings,* for homeless people in Scotland (Box 4). This was launched in February 2001 and is currently available to *Big Issue* vendors and other homeless people in Glasgow.

[2] Basic bank accounts, like current accounts, offer a range of transactional services. Unlike current accounts, however, they cannot be overdrawn and do not offer a cheque book facility.

Box 4: Grand Central Savings

Grand Central Savings offers basic savings accounts to vendors and other homeless people in Glasgow and is run by the *Big Issue in Scotland* in association with the Bank of Scotland. The service is provided through a dedicated client banking branch of the Bank of Scotland – staffed, operated and managed by the *Big Issue in Scotland* from its premises in Glasgow. The 'bank' is open five days a week during office hours and currently has 610 clients, an increasing number of whom now have their benefits, wages and pensions transferred automatically to their accounts.

Meanwhile, the *Big Issue in the North* has been working on two further initiatives: one to improve access to basic bank accounts and the other to provide a savings account and access to affordable credit.

Since July 2001, the Co-operative Bank has been running a pilot scheme in partnership with the *Big Issue in the North* to help homeless people open its basic bank account, known as the *Cashminder* account (Box 5). The pilot was restricted to Manchester and ended its first phase in December 2002. A decision has yet to be made about whether or not to roll out the scheme to other towns and cities.

The other recent initiative sponsored by the *Big Issue in the North* is with Leeds City Credit Union (Box 6). The credit union offers a simple savings account, where money can be deposited; vendors can then use their savings as collateral for low-cost loans.

The select committee considered each of these three initiatives. In doing so, they raised a number of issues against which they judged the initiatives: ease of deposit and withdrawal; the design of the product; the provider; and identity requirements and credit checks.

Ease of deposit and withdrawal

Being able to deposit and withdraw money easily was extremely important to all the committee members and the three initiatives differed quite considerably in this respect. The Co-operative Bank *Cashminder* account offered the widest network of outlets for deposits and withdrawals. Money can be deposited at any post office or Co-operative Bank branch and can be withdrawn, using an Electron cash card, from any Link cash machine free of charge.

In contrast, the other two initiatives offered much more limited deposit and withdrawal facilities. All *Grand Central Savings* account transactions are undertaken through a dedicated client banking branch of the Bank of Scotland, which is based at the Glasgow office of the *Big Issue in Scotland*. This office is normally open Monday to Friday, from 9.00am to 4.00pm. Three days notice are required for cash withdrawals, which have to be done in person at the branch. The Leeds City Credit Union operates in a similar way. Both deposits and withdrawals have to be made in person; the credit union office is open from 9.00am to 4.30pm every weekday, with the exception of Thursday, when it stays open until 6.30pm. It is also open on Saturday morning. Withdrawals from the credit union account are paid by cheque, which the account holder has to take to a branch of the Co-operative Bank to cash.

There was no doubt in the minds of the committee members – all agreed that the *Cashminder* account offered the best facilities for deposits and withdrawals.

> "You're not just limited to one place with the Co-op whereas with the credit union you're limited to one place and the Bank of Scotland you're limited to one place. That

Box 5: Co-operative Bank *Cashminder* account

In this pilot scheme, the *Cashminder* account is intended to offer *Big Issue* vendors in and around Manchester somewhere safe to keep the money they make from sales of the magazine. Special arrangements and processes have been made to assist vendors in opening accounts. In addition, bank branch staff, who have been specifically trained, have been doing some outreach work at the *Big Issue* offices.

Box 6: Leeds City Credit Union

Debt has been identified as a considerable problem for homeless people. A credit union account offers a means not only of keeping money safe, but also of accessing low-cost loans through regular saving. Some *Big Issue* vendors in Leeds already have accounts with the credit union.

> one, you could be a hundred miles away and you can still access your money."

> "If you've got the Co-op account and you've got a bit of cash in it, it's go to a cash point or go somewhere where you can use the Electron card. Whereas if it's the credit union or the bank in the *Big Issue* office, and if any disaster happens you can't take some money out on a Saturday night, you just have to wait till Monday."

A further disadvantage of the *Grand Central Savings* account was that most select committee members felt unsafe about the possibility of depositing or withdrawing money at their *Big Issue* office. They feared that they would, at the very least, be harassed for cash by fellow vendors and, at the very worst, become targets for more organised muggers as word would quickly spread that banking facilities were available on the premises.

> "There are people who specialise in robbing off of us lot doing the *Issue*. If they know we've got banking facilities in here as well, you'll just get them lurking around the corner and waiting for people to use the bank. I'd rather go to a real bank because it's just one more time that you're vulnerable to someone robbing you, coming out of here especially if you've saved up a few hundred pound."

Provider

Views and perceptions of financial institutions have an overwhelming impact on the choices people on low incomes make regarding financial products (Kempson and Whyley, 1999; Collard et al, 2001). The community select committee members felt strongly that banks did not understand homelessness and were only concerned about making money.

> "It boils down to having money. That's all they want. If you haven't got anything to give them then they don't want to know...."

The most pervasive view was that banks put profit before customer service. For a few people they were simply "a con" and could not be trusted. These views had been formulated through a combination of past experience, word-of-mouth and media coverage, but some people's views had been reinforced by their attempts to engage with banks since becoming homeless.

> "Sometimes if you go in they stick their noses up at you if you're scruffy. If you walked in a suit or if you walked in off the streets they look at you totally differently."

Misconceptions about the banking industry further fuelled the mistrust that vendors felt. Some committee members believed that it could take quite a long time to open an account (although this may well be true for people who do not have sufficient proof of identity). Others thought that they needed a substantial amount of money in order to open an account. And a small number were concerned that information about their bank account could be passed to the Department for Work and Pensions.

One select committee member had recently opened a Co-operative Bank *Cashminder* account and was very positive about it. He undoubtedly swayed the views of other committee members, as they were less suspicious of the motives of the Co-operative Bank than they were of the Bank of Scotland's involvement in the *Grand Central Savings* scheme.

Committee members were, however, most positive about Leeds City Credit Union. As other research has found, they preferred to deal with an organisation they felt would understand their needs (see, for example, Kempson and Whyley, 1999).

> "You are known to those people, therefore you're not seeing a faceless corporation, effectively, you're seeing someone you know."

They also thought that they would be treated with greater respect and dignity, which was very important for recovering their self-esteem.

> "They would make you feel like a normal human being again and not some dirty smack head that lives on the streets."

Identity requirements and credit checks

All financial service providers are covered by the 1994 Money Laundering Regulations, and anyone who wants to open an account has to provide proof of both their identity and their address. This is difficult for homeless people and the situation has become even tighter following the recent clamp-down on terrorism.

> "ID is a nightmare especially if you're homeless, everybody expects you to have a passport and a driving licence and I haven't got either of them."

All three providers were well aware of these difficulties and were prepared to accept as proof of identity a letter of introduction from the *Big Issue* office, a GP or the Benefits Agency. This was used to corroborate whatever other type of proof the homeless person could produce, usually a *Big Issue* vendors' identity badge. The Co-operative Bank sent cash cards and PIN numbers for people with no fixed address to its Manchester branch and the PIN number to the customer, care of the *Big Issue* office.

In addition, the vast majority of homeless people would be unlikely to pass a credit check for an ordinary bank or building society account either because they have no regular income or fixed address or because they have a poor credit history. None of the three accounts presented to the committee members required a credit check, although the Co-operative Bank would not provide accounts to people who had previously committed fraud (this would be true of any bank or building society). The only other restriction was imposed by Leeds City Credit Union, which required members to have a fixed address before they could take out a loan[3].

Given the nature of the schemes, it is likely that vendors would receive help from *Big Issue* staff to open an account with *Grand Central Savings*, and from credit union staff if they wanted to become a member of the credit union. The Co-operative Bank has also made arrangements to assist vendors with opening *Cashminder* accounts, including face-to-face guidance while filling in the necessary forms, and this was welcomed by some of the committee members.

[3] Leeds City Credit Union will accept a hostel as a fixed address, but requires additional supporting evidence, such as a letter from the *Big Issue*.

Additional services

Two of the three products offered additional services besides deposits and withdrawals.

Committee members liked the fact that the *Cashminder* account included an Electron card that they could use at cash machines, and which could also be used as a debit card at some retailers. They particularly welcomed the fact that the account could not be overdrawn and that wages could be paid into it by automated credit transfer. The *Cashminder* account also offers direct debits and standing orders but no one was interested in either of these facilities.

The Leeds City Credit Union account was the only one that offered access to loans – of up to five times the amount held in the savings account – and this proved to be an attractive feature for the committee members.

The *Grand Central Savings* account offered no additional facilities beyond receiving electronic payments into clients' accounts through the Banks Automated Clearing System (BACS) system, and most committee members expressed a strong view that this was not "a proper account".

> "The account is exactly the same as my little girl has got at school. It makes you feel like a school kid. There's no trust, they're basically saying they do not trust you."

Some valued the assistance with money management it provided; others thought it patronising.

Summary

The main need of committee members was for somewhere safe to deposit their money, and all agreed that the *Cashminder* account came the closest to "a proper account". A particular advantage of this account was the large number of outlets for cash deposits and withdrawals. They also felt that the identity requirements were straightforward and liked the help provided with form-filling. For some people it met all their needs.

> "The Co-op bank gives me everything I need. It will cash my cheques for me no

matter who it's from. It looks after my money for me. I'll never get robbed no more because if they do rob me they'll only get my bankcard. The cash machine is right across the road from me so I'd go there to draw the money out, spend it when I needed to spend it".

However, most said that they were poor money managers and, for this reason, some would ideally like a *Cashminder* account for day-to-day expenses and to meet their needs if they moved into work, as well as a credit union account to keep any money they did not immediately need.

"I'd have them both because the credit union, it stops you from spending all your money and I'm bad with money. Whatever money I've got has gone at the end of the day all the time. I don't even save any money. All I do is put money in my coat, get home, take it out and spend it. So put half in there and half in the bank and then you're guaranteed money the next day instead of just having my *Big Issue* money every day."

Although it has been running successfully in Glasgow, there was less interest among select committee members in the *Grand Central Savings* scheme than the other accounts. However, if this was the only account made available many of them might well use it.

Bill payment

In order to retain financial control, most people living on low incomes want to be able to spread the cost of their household bills over a period of time. This usually involves making small, regular payments in cash, for example, weekly payments at a post office or through a PayPoint outlet (Collard, 2002). The people who took part in the money management community select committee (Box 7) were no exception. An added advantage of paying bills in cash was that they could sometimes skip a payment if they were short of money. Some of the committee members, however, had no choice but to pay utility bills in cash using a card or prepayment meter, either because they had a poor credit history, or were paying off arrears. A handful of participants, who were all in regular employment, preferred the convenience of paying their bills by direct debit.

But while cash bill payment methods are popular among people living on lower incomes, they have a number of drawbacks. First, they can be costly. There is sometimes a charge for paying household bills in cash over the counter at a post office or bank. Consumers using prepayment meters for gas and electricity generally pay higher tariffs than those who settle their bills by direct debit. And there may be costs involved in travelling in order to pay bills. Second, paying bills in cash can be time-consuming. Consumers may have to travel to a number of different locations to pay bills separately in cash, particularly if they want to avoid additional costs. And third, keeping cash in the home to pay bills carries the additional risk of theft.

Policy developments

In its report, Policy Action Team 14 acknowledged the disadvantages (financial and otherwise) faced by those who pay their household bills in cash. A number of initiatives have been designed by commercial and not-for-profit organisations particularly for low-income consumers, which offer cheaper ways of paying bills and greater convenience. Most commonly, they link bill payment with an account of some kind, to enable low-income consumers to benefit from the cheaper rates that are available to utility customers who pay their bills by direct debit or standing order, while trying to build in features that allow low-income consumers to retain control of their finances. Two of these initiatives

Box 7: Money management select committee

The 14 committee members comprised six men and eight women, aged between 22 and 45 years, all of whom had dependent children. Ten of the 14 were not working. Of the four who did have jobs, only one worked full time. Apart from a current account or ordinary savings account, they made little or no use of financial services.

Box 8: Woolwich *Open Plan for Everyone* account

The Woolwich Bank has piloted a basic version of its *Open Plan for Everyone* current account among tenants of several housing associations. To help people with their budgeting, the account provides up to 12 'savings pots' linked to the current account, which can be given names by the account holder such as 'gas bill' or 'holiday'. When bills need to be paid money can be transferred from these savings pots into the current account.

Box 9: Credit union bill payment services

Several credit unions around the country, including Leeds City Credit Union, offer their members the facility to pay household bills through the credit union, to help them spread the cost and manage their money. This usually involves working out the annual expenditure on the bills that are to be included in the payment plan and then fixing an amount to be paid regularly into a special bill payment account to cover these bills. The bills are then paid automatically by the credit union when they fall due.

were presented to committee members: the Woolwich *Open Plan for Everyone* account, a basic version of which has been piloted with housing association tenants (Box 8)[4], and bill payment facilities offered through credit unions (Box 9). Both offer direct payment of bills, which would attract the discounted tariff for fuel.

In fact, most of the committee members were quite happy with their current methods of paying their bills and were very resistant to any changes that might undermine their carefully balanced budgets. To even consider switching to another way of paying their household bills, they would have to be convinced that the product or service was designed in such a way that they still had financial control, that it was delivered by a provider they could trust and that it was easily accessible. Each of these factors is considered in turn in the following sections.

Product design

In order to meet the needs of low-income consumers, bill payment services have to be both simple and transparent. As far as committee members were concerned, the Woolwich *Open Plan for Everyone* account was neither of these. While some thought that the account might help them manage their money more effectively, most found the idea of multiple 'savings pots' complex and confusing.

Of more concern, however, was the use of standing orders and direct debits to pay bills. As with earlier research (Kempson and Whyley, 1999; Collard, 2002), the general view among committee members was that automatic payment methods were all very well for people in work who had a regular, adequate income; for those on low and sometimes variable incomes they could lead to loss of financial control and additional costs. They were particularly concerned about incurring bank charges if they did not have sufficient funds in their account to cover a direct debit or standing order. In addition, quarterly or monthly direct debits and standing orders do not generally fit in with the budgeting cycles of people living on low incomes. Most people receiving state benefits as their main source of income are paid either weekly or fortnightly, and so they tend to manage their household finances within the same timeframe. This is equally true for many people engaged in low-paid, casual employment (Collard, 2002).

In contrast to the *Open Plan for Everyone* account, committee members found the credit union bill payment service straightforward.

[4] Since the select committee took place, the Woolwich, as part of the Barclays Group, has decided to extend the pilot to offer the *Open Plan for Everyone* account in conjunction with Barclays basic bank account. This could well increase its attractiveness to people on low incomes.

"… you've only got one pot to look at. If you've got three, four or five, confusion sets in."

But although they preferred this service, they were still worried that they might have difficulty making regular payments into the credit union account from which their designated household bills would be paid.

Overall, then, the opportunity to reduce their household bills by using direct payments was not enough to persuade committee members to switch from their current cash payment methods.

Providers

Overcoming the mistrust and aversion that many low-income consumers feel towards high street banks and financial services providers is probably the biggest challenge facing any financial institution that is engaged in promoting financial inclusion.

Only a small number of committee members liked the fact that the *Open Plan for Everyone* account was provided by a "big company" that they considered trustworthy, and these tended to be people who were more integrated into the banking system anyway. The mistrust of others was allayed by the fact that the bank was working in partnership with several housing associations.

"…at the end of the day they are willing to help low-income families, people [who] are struggling and you can see that they really do want to help you."

Most people, however, remained sceptical about engaging with a mainstream bank[5].

Dealing with a credit union, on the other hand, was more appealing to committee members, for much the same reasons that were given by the *Big Issue* vendors. First, because credit unions are non-profit-making and tend to be community-based, committee members thought they would be more in tune with the needs of low-income consumers.

"They seem to care about you, they care about you as an individual and they would be more personal…. They don't seem like they are just there to make money."

Linked to this was a perception that, as local people themselves, credit union staff would be more likely to understand the financial difficulties faced by some of their members than employees of a bank or other financial institution.

For some committee members, however, concerns about confidentiality undermined the attraction of an organisation based in their local community.

"… a lot of people will know your business and chat about your business because that is what people do, and I'm not so struck on that."

Second, at some credit unions members can deal with the same member of staff all the time, and this was popular among committee members who valued the opportunity of building up a relationship with staff.

"I like one point of contact because I don't like telling someone one thing and seeing someone else the next time. A particular person that knows all your history … it's nice to have someone you feel comfortable with."

While the Woolwich could try to make an appointment for an *Open Plan for Everyone* account holder with a particular staff member, this was not generally common practice.

Accessibility

As with other financial services, low-income consumers will be much more likely to use these bill payment services if they can be accessed locally. Because there are no bank or building society branches on the estate, Hartcliffe residents would have to travel some distance to use the Woolwich Bank's *Open Plan for Everyone* account, costing both time and money. This was

5 It should be noted that a representative of Woolwich Bank presented the *Open Plan for Everyone* account to the committee members. If it had been presented by someone from one of the housing associations helping to promote the account to tenants, the response might have been quite different.

felt to be a significant barrier to use among the committee members, particularly for people (like many of them) who were not in work, who had caring responsibilities or were disabled.

> "… if you've got a 10-minute walk with a pram you can do that, but if you've got to physically get a bus or get a lift to get to town that can be quite inconvenient."

Bill payment services provided through credit unions, on the other hand, tend to be locally based and more easily accessible. Unfortunately, the penetration of community-based credit unions across Britain is low, and only a handful of them currently provide bill payment services[6]. For many low-income consumers, then, the possibility of using bill payment services provided by a community credit union may be fairly remote.

Like *Big Issue* vendors, people on low incomes living in their own home may also have difficulty providing the types of identification usually required by banks and other financial institutions[7]. Both the bill payment services take account of this. The Woolwich Bank is working in partnership with a number of housing associations to help tenants open accounts using other acceptable forms of identification. Similarly, credit union accounts can be opened with identification other than a passport or driving licence. Committee members clearly valued this flexible approach.

> "It is very cheap and cheerful to open, they are making it really easy for you and very easy to open."

In fact, a more pressing problem for some of the committee members was having a poor credit history. As credit unions in Britain do not carry out credit scoring, people with impaired credit records would have no difficulty obtaining membership and accessing services. Similarly, people with a poor credit history or County Court Judgments could open an *Open Plan for Everyone* account, although those who had been made bankrupt could not.

Additional services

As part of their general service to members, credit unions usually provide practical advice and information about money management, including how to resolve debt problems. Committee members, several of whom were currently in financial difficulty or had been in the past, valued the opportunity to get advice and help in this way. We return to the topic of advice in the next section.

Summary

On the whole, committee members preferred the idea of a credit union bill payment service because they felt it was simpler than the *Open Plan for Everyone* account. They also believed that low-income consumers like them would receive a more customer-focused service from a community-based organisation than from a high street bank.

Even so, only two committee members said they would switch to this type of bill payment service if it became available through their local credit union, despite the fact that it could save them money. As with previous research (Collard, 2002), this was largely due to the fact that they were happy with their current bill payment methods, and were reluctant to try anything new that might upset their household budgets. Certainly, before they even considered switching to either of these initiatives, committee members would want to know far more about them.

Financial information and advice

People living on low incomes cannot afford to make mistakes, either in the way they manage their money or in the products and services they choose to use. But previous research has shown that people often feel ill-equipped to manage their money, particularly in the early years of independent adulthood (Collard et al, 2001). Moreover, lack of knowledge and experience of mainstream financial services fuel concerns about being 'taken for a ride' by financial services providers (Collard et al, 2001). Consequently,

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[6] Malago Valley Credit Union, whose common bond covers the Hartcliffe estate, does not currently offer bill payment facilities, although it hopes to do so in the future.

[7] Most financial institutions prefer passports and driving licences because they are issued by an official authority, cannot be easily forged, and include a photograph.

financial information and advice are vital to enable people to make fully-informed financial decisions in all areas of their lives.

Needs

As mentioned earlier, most of the committee members had experienced debt problems at some time in their lives. Only a few of them had sought advice and, on the whole, they were unimpressed by the service they had received. Consequently, they felt that an advice service that offered practical help to resolve financial difficulties would be very useful.

There is, however, a widespread and largely unmet need for financial information and advice among low-income consumers that extends beyond the resolution of debt problems. As earlier research has identified, this is divided into two quite separate areas. First of all, people want basic training in money management skills, and this applies particularly to young people and those setting up home for the first time. Second, they want to obtain independent advice and information about different financial products and services, about which they generally know very little (Collard et al, 2001). As committee members pointed out, this type of information has to be provided in "layman's terms" rather than "bank talk" for it to be of any use to them.

Policy initiatives

Although there has been considerable discussion and debate around the provision of financial information and advice, the development of initiatives to date has been rather patchy. The main area of development has been in debt advice, but even here provision is thin on the ground and services are stretched. Because demand outstrips resources, debt advice agencies mainly concentrate on helping people in multiple debt to negotiate repayment plans with their creditors. Very few have the resources to provide advice and help with money management more widely, in the way that such services are provided through the *Money Advice Budgeting Service (MABS)* in Ireland (Box 10).

Compared with debt advice, the provision of more general financial information and advice is very poor indeed. This, and concerns about levels of financial literacy, prompted the Department for Education and Skills to set up the Adult Financial Literacy Advisory Group. Following the report of this group, the Department for Education and Skills set up an experimental *Community Finance and Learning Initiative* (CFLI), to run for two years from December 2001. The overall aim of the initiative is to tackle financial exclusion in deprived areas by promoting learning opportunities in adult literacy and numeracy (including financial literacy), and facilitating better access to mainstream financial services.

Six organisations won contracts from the Department for Education and Skills to pilot the CFLI. They include: Toynbee Hall in Tower Hamlets; Ellesmere Port and Neston Citizens' Advice Bureau; People for Action, an umbrella organisation which is working with a consortium of five housing associations across the country; the housing provider Places for People, which is running a pilot scheme in Gorton, Manchester; and finally, *Bootstrap Enterprises* in Hackney

Box 10: Money Advice and Budgeting Service (MABS)

Launched in 1992, *MABS* comprises a network of independent centres across Ireland that provide money advice and money management services. The service is funded by the Department of Social and Family Affairs (DSFA), but managed locally. There has been widespread interest in the scheme in Britain.

The money management services include an account that is administered by *MABS*, but operated in conjunction with the credit union movement. Payments made into a local credit union account are used to pay current bills and repay arrears. Clients are also encouraged to save a small amount every week. In addition, DFSA runs a free household budget scheme, in partnership with the Irish postal service, which enables benefit recipients to have deductions made from their benefits for routine bills.

(Box 11). The pilot projects are currently being evaluated. If considered to be a success, organisations in other deprived areas will be encouraged to develop similar schemes.

In addition to this national initiative there is a range of ad hoc local projects, run by a wide array of different types of organisations, including advice agencies, local authorities and community groups. Some offer training courses, others concentrate on one-to-one information and advice. One such initiative is the *Money Advice Plus* pilot project that has been set up by Birmingham Settlement, which is well known for its pioneering work in debt advice (Box 12).

The Financial Services Authority, together with the Basic Skills Agency, have developed the Adult Financial Capability Framework to help projects such as the CFLI develop appropriate and relevant programmes and resources around money management and consumer issues. Learning materials are also available, for example a CD ROM entitled 'Money-go-round', which aims to equip people to organise their household finances and plan their spending, among other things. In addition, the Financial Services Authority provides a wide range of information and general advice to consumers in the form of booklets and leaflets, a consumer helpline, and through its website.

The community select committee considered these three services – *MABS*, *Bootstrap Enterprises* and *Money Advice Plus*. Their discussions of these initiatives focused on two important aspects: the provider and the nature of the service offered.

Provider

It was quite clear that having the right provider is crucial to the take-up of services. Previous research has shown that people on low incomes do not trust financial service providers, nor do they trust the government (Kempson and Whyley, 1999). Ideally, they want financial information and advice to be provided by independent community-based organisations with well-trained staff who understand their needs and circumstances (Collard et al, 2001).

These views were echoed by the select committee members, and all three initiatives were felt to meet this requirement. They believed that, as community-based organisations, they were more in touch with the needs of people on low incomes.

> "I think, with the bank, I look at it as a bit upper class, whereas with [*MABS*], it seems down to our level – lower income. They are making an effort not to just push us aside. Usually we are not thought of because we don't have much to live on."

Box 11: Bootstrap Enterprises

Bootstrap Enterprises is based in Hackney and is one of six Community Finance and Learning Initiatives (CFLI) pilot projects. It provides a range of services to help people build financial literacy skills, including one-to-one debt advice and financial literacy workshops run jointly with housing associations and local community organisations. It helps people to access mainstream financial services through advice, help with form-filling and developing contacts with local financial service providers so that people can be referred to a known person. If the pilots are successful, organisations in other deprived areas will be encouraged to set up CFLIs.

Box 12: Money Advice Plus

This pilot project, run by Birmingham Settlement, offers a financial information and money education service through existing advice agencies in Birmingham. It aims to help people negotiate what they need from commercial financial services through self-help materials, group sessions and one-to-one explanations in response to their queries. An ethical independent financial adviser has also been recruited to advise on specific queries on regulated financial services.

They also felt that they would be able to approach the staff of *Money Advice Plus* with basic questions about financial services. Financial service providers, on the other hand, tended to intimidate them.

> "APR, interest rates and all things like that – when they start talking like that in banks it is all gobbledegook to me, because I just haven't got a clue. It is nice to know if you could go in somewhere and they do not judge you for your lack of intelligence and what have you. You can go in somewhere and say to that person, 'But I don't understand what that means'."

And they particularly liked the fact that *MABS* services were often staffed by people like themselves, who had first-hand experience of money problems.

> "People who have been in similar circumstances, not people who have had a job for the last 30 years, nine to five, and never had any money problems because they just look down at you, so it would be nice to have somebody on our level."

On the other hand, they thought it was important for staff to be highly trained so that they could give on-the-spot advice on financial services. It takes a lot of courage to approach an agency for advice or assistance and they wanted to receive help there and then rather than be signposted to another agency. *Money Advice Plus* scored particularly highly in this regard.

Services offered

The three initiatives delivered advice and help in different ways, including one-to-one information and advice and group sessions. *MABS* also offered ongoing support for people with money problems. There was no general consensus on which approach was the best. About half of the committee members preferred a one-to-one service; the remainder favoured a group approach. One-to-one advice was popular because it would be more detailed and specific to people's individual needs.

> "I prefer this simply because the person who is speaking to you is giving the advice to you and not generalising for other people. You can get to ask the questions that you want, that matter to you rather than just listen to everybody else's."

Those favouring a group approach liked the fact that they could discuss things with other group members, which would help them to absorb all the information.

> "I think in a group you've got a bit more confidence…. When it is one-to-one you have to physically take it all in yourself, if there are a few of you, you can all communicate together."

Because there was no consensus on the best approach, committee members liked the fact that *Bootstrap Enterprises* offered both one-to-one advice and group sessions.

A small number of people said that they would be encouraged to attend workshops if they received some sort of qualification on completion – a National Vocational Qualification for instance. Earlier research has also indicated that courses and workshops may be more appealing if they are run over a fairly short period of time (say, four to six weeks), or as one-off sessions (Collard et al, 2001).

MABS was the only one of the three services that gave ongoing support to its users if they were in financial difficulty. As already mentioned, most of the committee members had faced financial problems and for some it was a constant or recurrent part of their life. For this reason, committee members particularly liked the support element provided by *MABS*.

> "It is building up a relationship with the person you're dealing with because … you see them once a month, you get to trust that person. In a lot of money things you've got to trust the person."

> "They are with you every month so if anything starts to go wrong you can certainly go back and ask for help."

Finally, a small number of committee members welcomed the chance to get advice on setting up a micro-enterprise, which was an additional service available from *Bootstrap Enterprises*. In contrast, they would never dream of approaching a bank for this service.

Summary

It was clear that the need for advice on debt was far more immediate than the perceived need for other forms of financial information or advice. And for this reason, committee members were particularly attracted to a service, such as *MABS*, that included this element.

They liked the fact that all three services were locally-based, and run by knowledgeable people who would, they felt, understand their circumstances and needs. They were, however, evenly divided in their preference for the style of delivery. Some liked one-to-one information and advice; others preferred a group approach. A particular attraction of *Bootstrap Enterprises* was that it provided both.

On the whole, however, committee members wanted choice. All three initiatives met their needs in different ways and, in an ideal world, they wanted a choice of agencies to contact. Failing that, they wanted an agency that encompassed the various services offered by the three initiatives.

3

Savings and assets

Levels of savings and other financial assets are generally lower among groups that are likely to have low incomes, including people who are unemployed, young single people, young couples with children, lone parents and people who have experienced 'lifestage disruptions' such as having children or getting divorced (Kempson, 1998; Rowlingson et al, 1999). As well as having below-average levels of savings, people on low incomes are less likely to save money from their current income and more likely to save for short-term rather than long-term needs (McKay and Kempson, 2003). Those who do possess formal savings tend to have small amounts, held in liquid form in a bank or building society account (Kempson, 1998; Whyley and Kempson, 2000a).

The savings and assets community select committees comprised people from all these groups (Box 13). As we might expect, most of them were not currently saving, nor did they have any money in a formal savings account. Only a few people with children put money into a formal savings account on a regular basis; none of the young single people did so. In Leeds, one woman (a lone parent working part time) had a monthly standing order from her current account into her savings account, to save 'for the future'; she also saved with a local credit union. In Bristol, a man and his wife, neither of whom were working, had opened a savings account when their first child was born several years ago. A proportion of their weekly income was automatically transferred from their current account to their savings account. They were saving for their children's future, and to pay for the husband to re-train.

Even though they generally did not save themselves, several parents talked about their children having savings accounts. One woman gave each of her children £2 from her Child Benefit every week to put into a school-run savings scheme. One of the men mentioned that his daughter received money from her grandmother to put into a savings account.

Although most participants were not saving on a regular basis, many of them aspired to do so, if

Box 13: Savings and assets select committees

In Leeds, the 14 committee members were aged between 24 and 41, and all had children under school age or at school; three were lone parents. Over half were not working and lived in households with no one in paid employment. The remainder were mostly working in low-paid jobs, including a part-time healthcare assistant, a self-employed labourer and a part-time shop assistant.

In Bristol, the committee was made up of younger people, aged between 18 and 26. Of the 14 participants, five had young children, including two lone parents. The remaining participants were mostly single without children. Apart from two people who worked part time (one as a postman, the other as a self-employed builder), none of the participants were in paid employment.

All 28 committee members were living in properties rented from the local council or a housing association.

they had more money – for their children, to buy a car or a house, to pay for training or just to have as a safety-net.

> "Why save? To make a better future for your kids…. I want a further education for my kids, and I don't want them to struggle while they're having that further education … if they don't want an education then they've got finances for a car or something."

Nobody mentioned saving for retirement, reflecting the fact that many people on low incomes feel that they are too young or too poor to even think about contributing to a pension (Wood, 1999; McKay and Kempson, 2003).

Although they were not interested in saving at the present time, the young single people felt that saving would become more of a priority for them when they were older.

> "… [at the moment] you don't see yourself dying and stuff like that, you just see the weekend, going out, food and clothes, and that's it."

While low-income households make little use of formal savings products, many save regularly in a variety of informal ways, including putting loose change in jars, boxes and envelopes, paying into Christmas clubs or giving money to a friend or relative to look after (Kempson, 1998; Whyley and Kempson, 2000b; Whyley et al, 2000; Collard et al, 2001). This type of saving tends to be short term and with a particular purpose in mind, for example saving up for household goods, holidays or events such as Christmas or birthdays, or putting money by towards regular household bills (Kempson, 1998).

Several of the select committee members saved informally. Two women in Leeds, neither of whom were working, were members of a local savings club, into which they saved £5 every week. Once a year, they received a lump sum of £250, which was probably spent on paying for Christmas or birthday presents for their children. Other committee members put money by at home to pay for Christmas or holidays, and one or two young people saved their small change to pay for shopping or other household items.

Policy developments around savings and assets

Since 1997, the promotion of saving and asset accumulation has become an increasingly important aspect of Labour government policy, particularly in relation to lower-income households. The Institute of Public Policy Research has been instrumental in determining this policy direction, and recently embarked on a programme of research to develop ideas around asset-based welfare.

In *Helping people to save*, a consultation paper published as part of its Pre-Budget Report in November 2000 (HM Treasury, November 2000), the government highlighted the importance of savings in providing people with independence throughout their lives, security if things go wrong and comfort in old age. It also identified the need for incentives to encourage saving, especially by those on lower incomes.

Later consultation papers (*Saving and assets for all*, HM Treasury, April 2001; *Delivering savings and assets*, HM Treasury, November 2001) developed the concept of asset accumulation as a means of extending opportunity to all young people, regardless of their families' circumstances. This could include "helping them to pay for lifelong learning, or by providing them with money in a savings account that they can call on when starting a family, buying a house, or in times of special need" (HM Treasury, April 2001, p 1). The government believes that, in the longer term, asset-holding may result in benefits such as higher earnings, lower unemployment and better life-chances (HM Treasury, April 2001).

Government efforts to encourage saving and asset accumulation have led to a range of policy initiatives. Individual Savings Accounts (ISAs) were introduced in 1999 to encourage saving among lower and moderate income groups. Stakeholder Pensions, available since April 2001, were designed to be simple, flexible, and have low charges to encourage moderate income groups to save for retirement and benefit from the tax relief available for pension contributions. There is some evidence to suggest, however, that these policies have had a limited impact among lower-income consumers (Collard, 2001; ABI, 2002; IPPR, 2003).

Box 14: *Saving Gateway* (Toynbee Hall pilot project)

Toynbee Hall is based in Tower Hamlets in East London. It runs one of the five pilot projects set up across England by the government to encourage regular saving among lower income households, through the provision of a new type of account that matches savings on a pound-for-pound basis up to a maximum of £375. During the pilot phase, the account will run for 18 months; if it is rolled out nationally, it is proposed that the accounts run for three to five years with a savings cap of £1,000, although this has not been finalised.

Staff at Toynbee Hall have been recruiting people to the Saving Gateway and helping them to open accounts. They assist people with the application form, explain how the account operates and what forms of identification are required. They also encourage applicants to attend financial education courses and workshops being run by the project.

More recently, attention has turned to the concept of matched funding as a means of encouraging a 'strong saving habit' (HM Treasury, April 2001). The *Saving Gateway* (Box 14) has been planned as a national savings scheme for people of working age who are in receipt of state benefits or in-work tax credits, which offers matched funding of one pound for every pound saved, up to a limit. The basic design of the scheme is drawn from Individual Development Accounts (IDAs) in the United States[8]. These are locally-run initiatives where people's savings are matched by local and national funds from both public and private sources. The level of matched funding varies from one scheme to another (Shreiner et al, 2002). Unlike IDAs, however, money saved and matched in a *Saving Gateway* account can be used for any purpose[9]. Both the *Saving Gateway* and IDAs offer financial education and training to participants.

Five *Saving Gateway* pilots were launched around England during 2002. Four of them are running alongside the CFLI pilot schemes described on page 13, including Toynbee Hall in Tower Hamlets (Box 14). In the fifth pilot area, eligible people are notified about the *Saving Gateway* by a letter from central government. And, rather than receiving help to open an account from a community organisation, they go directly to a designated branch of the Halifax Bank (the licensed provider of the accounts during the pilot phase) to open the account. The *Saving Gateway* initiative is currently being evaluated and, if deemed successful, will be rolled out nationally.

Alongside the *Saving Gateway*, the government plans to introduce a *Child Trust Fund* (Box 15) as a means of promoting asset accumulation among young people, particularly those from low-income households[10]. *Child Trust Fund*

8 IDA demonstration projects are also running in Canada, Sweden, Mexico, Singapore and Puerto Rico (ODPM, 2003).

9 Money saved and matched in IDAs can generally only be used for paying for education, home purchase or for setting up in business.

10 Although not its primary aim, for the purposes of this study we have assessed how effective the *Child Trust Fund* would be in encouraging people to save.

Box 15: Child Trust Fund

The *Child Trust Fund* is a national scheme that aims to develop savings and assets among future generations. Expected to be available from 2005, it will be a universal account, opened for all children at birth, with an initial endowment from the government (£500 for low-income families, £250 for other families). The government may also provide additional top-up payments to the *Fund* (top-ups at ages five, eleven and sixteen of £100 for low-income families and £50 for other families have been suggested). Young people will be able to access the money in the *Fund* when they reach 18. Additional contributions can be made into the *Fund* by parents, family members and friends, up to an annual limit of £1,000.

accounts are expected to be available from 2005, and all children born from September 2002 will be eligible. This will be a universal account, opened for all children at birth, with an initial endowment paid in by the government. Children from lower-income households will receive a larger lump sum. The *Child Trust Fund* may also include additional government top-up payments at key stages in childhood, which would probably be more generous for children from low-income families as well.

Extra contributions can be made into the *Fund* by family and friends and these will be tax-exempt. The account cannot be accessed until the young person reaches the age of 18. Like the *Saving Gateway*, there are no restrictions on how the money can be used. It is envisaged that financial education will be an integral part of the initiative, delivered through financial services providers, the school curriculum and other providers (HM Treasury, November 2001).

A further strand in the government's portfolio of asset-based policies is the idea of offering 'equity stakes' to tenants living in council or housing association property. Four models of how this policy could work have been developed and tested by the Institute for Public Policy Research and the Chartered Institute of Housing:

- a *tenant asset* account (Box 16), based on the length of tenancy and observance of tenancy conditions;
- shared ownership, that is, a small share in the real value of the dwelling;
- a link to the collective equity in the landlord's stock (similar to the stake held by a shareholder in a company); and
- a link to the collective equity of an area through a community trust, so that the 'stake' is based on the value of a range of community assets such as schools and shops as well as houses (Hill et al, 2002).

Following on from this, the Office of the Deputy Prime Minister commissioned further research into equity stakes (Barnard and Pettigrew, 2003) and carried out its own analysis of their possible costs and benefits (ODPM, 2003).

In addition to these policies, the government recently commissioned a review of medium and long-term retail savings in the UK, which found a financial services industry beset by complexity and opacity, in which the needs of those on low to medium incomes were not catered for sufficiently. Among other things, the review recommends "a suite of simple, price-controlled and regulated [medium and long-term savings] products that can be sold through a simplified sales process" (HM Treasury and DWP, February 2003). This accords with earlier research that called for the introduction of simple, transparent financial services that would better meet the needs of people on modest incomes (Kempson and Whyley, 1999). Consultations on the specifications for these 'stakeholder' savings products, and options for regulating the sale of them, are currently underway.

Savings needs of lower-income consumers

The *Saving Gateway*, the *Child Trust Fund* and the *tenant asset account* were all presented to the community select committees to consider. But as well as these initiatives, there are a variety of other locally based schemes designed to encourage saving and asset building among people of modest means. Two of these were included in the community select committees:

Box 16: Tenant asset accounts

Tenant asset accounts are one of several ideas to enable local authority and housing association tenants to gain an equity stake in the value of their home, as a basis for building up assets. Although not currently in operation, the idea is that tenants would have a savings account linked to their tenancy, and could accrue 'rental miles' based on the length of stay and maintenance of their tenancy conditions. They could build up assets in their account through their own savings and contributions from their landlord, for example, bonuses for keeping to their tenancy agreement.

- the *Wealth Club* (Box 17), which provides money management training, along with help to access financial services and build up savings; and
- the *Helping Hand* saving and loan scheme (Box 18), which offers access to low cost loans through savings as well as higher-than-usual interest rates on savings.

In the following sections we assess the extent to which these initiatives meet the savings needs of people living on low incomes, who make little, if any, use of mainstream financial products and services.

Affordability

Like many people living on low incomes, saving was simply beyond the means of all but a handful of participants in the community select committees:

> "By the time I get my giro I've borrowed my giro double over."

Even if people can save small amounts in informal ways (such as keeping loose change in a jar), they are often too embarrassed to deposit the money with a bank or building society (Collard et al, 2001). Moreover, they may be deterred from ever approaching a bank or building society by the high minimum amounts that are required to open some savings accounts, or by the belief that a substantial minimum deposit is always required (Kempson, 1998). This was certainly the case for one or two people who took part in the Leeds community select committee.

Two of the schemes considered by the community select committees – the *Child Trust Fund* and the *tenant asset account* – do not require people to save at all, although they can if they wish. In addition, family members and friends can contribute to the *Child Trust Fund.* Accounts with the *Saving Gateway* and *Helping Hand* saving and loan scheme can both be opened with as little as one pound, and account holders are encouraged to deposit small amounts of money. But only the *Wealth Club* offers the combined attractions of being able to save small amounts without necessarily having to approach

Box 17: The *Wealth Club*

Developed by the *Big Issue in Scotland*, this pilot initiative was launched at two sites in Glasgow in July 2002 to assess the demand among lower-income consumers for asset-building services. The *Wealth Club* initially offers money management training through groups. If required, it will then assist that group to form a thrift club to help members save and to support continued learning. Depending on progress and demand, other services may then be offered, including a bill payment facility, credit and an 'enhanced' savings programme. If successful, the scheme may be extended beyond the two pilot sites.

Box 18: *Helping Hand* saving and loan scheme

A number of housing associations have set up partnerships with local building societies to encourage savings among their tenants. Typically, the housing association deposits a considerable sum of money in a building society account. In calculating the rate of interest payable, tenants' savings are assessed as if they were added to this deposit account, so that they qualify for higher rates of interest than they would normally get on small amounts of savings. Moreover, by saving they become eligible for low-cost loans, which are guaranteed by the money in the deposit account.

Darlington Building Society has set up one of these schemes, called *Helping Hand*, with a consortium of housing associations in the North East of England. By saving regularly, tenants of the participating housing associations become eligible for a loan of £50 to £250, subject to a limit of twice the amount held in savings. Loans are repayable over 12 to 24 months, at an interest rate not more than 1% above the Bank of England base lending rate.

a financial institution – savers can either keep the money themselves, or it can be deposited into a bank or building society on their behalf.

Product design

People on low incomes ideally want simple and transparent financial products that give them close control over their money (Kempson and Whyley, 1999), and this is certainly borne out in relation to savings products. As mentioned earlier, if lower-income households have any type of savings product, it is likely to be an ordinary savings account with a bank or building society.

All five initiatives that were presented to the community select committees were specifically designed for people living on low incomes, and as such seemed to fulfil the criteria of simplicity and transparency. In particular, the *Wealth Club* closely mirrors the informal savings methods common among low-income families (Kempson, 1998; Whyley et al, 2000). Consequently, the participants appeared to find the schemes fairly easy to understand, and asked the presenters pertinent and incisive questions about the detail of the schemes.

Payment discipline is another key requirement for people living on low incomes, whether they are paying bills or putting money into savings (Kempson and Whyley, 1999). Often, this means having a set routine when they receive their income. A number of the young committee members favoured automatic deductions from their income into a savings account, based on their experience of repaying Social Fund loans.

> "… if you got a loan off the social they take away three quid, or four quid, five quid whatever. After about six, seven weeks you don't notice that anyway. You're budgeting on the amount it's gone down to … a small amount like that, as long as it doesn't come into your hand. You've got it coming into your hand and you've got to physically put it away again, that's when you lose out. That's when I lose out."

As one man neatly put it, "If it doesn't touch my palm, it doesn't touch the till".

As well as taking away the temptation of spending the money, automatic transfer of income takes away the need to even think about having to save. As the lone parent, who had a standing order from her current account into a savings account, commented, "It's easy, I don't have to deal with it".

Two of the schemes seemed to offer some form of payment discipline. The *Wealth Club* involves regular meetings, to which members can bring their savings. This provides not only a routine to saving, but also a degree of peer pressure to encourage members to save. The *Saving Gateway* account also offers standing order facilities to savers (this will probably also be the case for the *Child Trust Fund*). But whereas standing orders are usually made on a monthly basis, *Saving Gateway* account holders have the advantage of being able to set them up on a weekly or fortnightly basis, matching the budgeting cycles of many people on low incomes. Standing orders do not, however, meet everyone's needs. Aside from the fact that savers must have a current account to be able to set one up in the first place, as mentioned in the previous chapter, low-income consumers are often fearful of using standing orders and direct debits in case they inadvertently overdraw their account and incur financial penalties that they can ill-afford (Kempson and Whyley, 1999; Collard, 2002).

In addition to these aspects of product design, committee members raised specific issues in relation to the *Child Trust Fund* and *Saving Gateway*.

Committee members felt strongly that there should be no restrictions on how money accumulated in the *Child Trust Fund* could be used. They objected to the government having a say in how the money was used when some of it may have come from parents or other relatives.

> "… if we're adding to it as well, it's our money as well, isn't it, they can't tell you what to spend it on."

But more importantly, they argued that young people should be able to decide how they wanted to spend the money, perhaps with advice and guidance from their parents.

"If it is being given to individuals for birthright then I think it's up to the individual how they spend it."

This echoes earlier qualitative work carried out by the Institute of Public Policy Research, in which parental guidance and advice on using the *Fund* was felt to be more appropriate than government restrictions (Edwards, 2000). Moreover, if restrictions were put in place, they would be unlikely to reflect the modest aspirations that many low-income families have for their children, such as paying for driving lessons or buying a car to increase their chances of employment.

At present, there are also no restrictions on how the matched funding provided by the *Saving Gateway* scheme can be spent. It seems clear that if limitations were applied, the scheme would be less attractive to committee members. Indeed, despite the fact that their ability to save was constrained, having limits on the amounts that could be saved in a *Saving Gateway* account was unpopular. It was generally agreed that account holders should be able to save more than £375 over 18 months, and there was some consensus that £1,000 over that time was a reasonable limit. A cap of £1,000 over three to five years, as has been suggested if the *Saving Gateway* is rolled out nationally, was considered to be too little over too long a period.

Accessibility

Among the committee members, accessibility had a number of important dimensions: the geographical location of services, eligibility criteria and access to savings. It is important to note that, of the five initiatives, committee members had the most chance of being able to access the *Child Trust Fund* and the *Saving Gateway*, as they are planned to be national schemes. The remaining three schemes are largely locally based, and would have to be established by the relevant organisations in the areas where the community select committees took place.

Geographical location

Lack of access to financial services providers can be a considerable barrier to saving (Vass, 1997; Collard et al, 2001), particularly for people on low incomes who are likely to want to deposit money in person at a branch. Neither of the estates from which the committee members were recruited had a local bank or building society. And the time and money required to visit the nearest branch in order to deposit small amounts of savings was considered impractical.

"You're talking two pounds to get in to town to get to a bank and then another two, to only put two pounds in there. And that's a long way to put two pounds in."

Consequently, the local community-based nature of the *Wealth Club* appealed to a number of participants.

"You pop in in your slippers, don't you, pay whatever you can, and pop back home!"

At present, the *Helping Hand* saving and loan scheme is available to eligible tenants through the branch network of Darlington Building Society. In each of the five *Saving Gateway* pilot areas, accounts have to be opened at a designated branch of the Halifax Bank. And government proposals indicate that any financial services provider will be able to offer a *Child Trust Fund* account. If participants had the opportunity to access these initiatives, it would be crucial that they offered local access, preferably on the estates themselves. The issue of access was not raised in relation to the *tenant asset account*, as most participants were not very interested in the scheme.

Eligibility criteria

Apart from the *Wealth Club*, all the initiatives considered by the community select committees had some type of eligibility criteria. In the case of the *Helping Hand* saving and loan scheme and the *Child Trust Fund*, these criteria were questioned by participants.

With regard to the *Helping Hand* saving and loan scheme, some local authority tenants were concerned that they would not be able to join such a scheme if it was only open to tenants of certain housing associations. It would be fairer, they felt, if the scheme was open to all social tenants living in the area[11]. A similar criticism can be made of the *tenant asset account*, which again would only be available to tenants of participating social landlords. Private tenants would not be eligible to join either scheme.

In addition, there were mixed views about the universality of the *Child Trust Fund*. While some people felt that it should be available to all children (like Child Benefit), others thought that it should be targeted specifically at lower-income families.

> "People that are comfortable don't need it, people that's on the social could get it because they're the ones that need it."

Another option could be to make the *Child Trust Fund* available to all children at birth, but to offer any top-up payments only to children from lower-income families (Edwards, 2000).

Finally, several participants were unhappy that their children would miss out on the *Child Trust Fund*, as it will only be available to children born from September 2002. One suggestion was that older children could receive any top-up sums even if they did not receive the initial endowment from the government. Given the added costs it would entail, this is unlikely to happen.

Access to savings

Earlier research has indicated that people on low incomes generally want to have fairly restricted access to their savings, so they are less tempted to withdraw and spend the money (Kempson and Whyley, 1999; Collard et al, 2001). The committee members had varied opinions about this – while some people wanted their savings to be relatively inaccessible, others did not.

Across the five initiatives, access to savings differed markedly, suggesting that there might be 'something for everyone' among the schemes. At one end of the spectrum, the *Helping Hand* saving and loan scheme operates using a passbook, providing instant access for savers. At the other, money saved in the *Child Trust Fund* cannot be accessed until the young person turns 18. In contrast, members of the *Wealth Club* can decide how accessible they want their savings to be, for example, they may choose to keep their savings at home or decide to open a group savings account that could offer either instant or more restricted access.

Saving Gateway account holders also have a passbook, which allows them to withdraw their savings without delay. However, matched funding from the government cannot be obtained until the account matures. In the case of the pilot schemes, this occurs after 18 months. However, if the scheme is rolled out nationally, account holders will probably have to wait three to five years to access matched funding. This was unacceptable to most of the committee members.

> "You've got to be comfortable and be able to afford to save, to look that far ahead, to say you can wait that length of time…."

> "… people are living just day-by-day, you might not be here in five years."

On the whole, 18 months was as long as people were prepared to wait, and even that was too long for some. This undoubtedly stems from the fact that many people living on low incomes find it hard to plan very far ahead (Wood, 1999), and tend to save up to meet short-term needs (Kempson, 1998; Whyley and Kempson, 2000b). One solution would be to allow access to matched funding a number of times across the lifetime of the account (for example, annually), or give people a choice of when to do so[12]. As far as committee members were concerned, this would certainly make the initiative more appealing.

The main access issue raised by participants in relation to the *tenant asset account* was rather different – several people were concerned that a social landlord might be able to access their tenants' 'rental miles' in order to pay off rent

[11] It should be noted that tenants who have built up rent arrears in the previous 12 months do not qualify for loans under the conditions of the *Helping Hand* scheme. If they have a history of rent arrears, but have made payments over the last 12 months, and the Housing Association are satisfied with their current performance, they might then be considered for a loan.

[12] Holders of IDAs can usually access matched funding after a year.

arrears. While they were assured that this was not the case, the *tenant asset account* remained unpopular among both sets of committee members.

Providers

Like any other consumers, when it comes to financial services, people living on low incomes want to deal with organisations that are reliable and financially secure. But they also want to deal with organisations that they feel understand the financial circumstances of low-income households, and that have a local presence (Kempson and Whyley, 1999).

As noted in the previous chapter, earlier research points to considerable antipathy and mistrust of commercial financial services providers among people who make little use of financial products and services (Collard et al, 2001). Committee members were, however, somewhat divided in their opinions. The younger people in Bristol appeared to have few qualms about dealing with mainstream financial institutions. This is probably because, for them, banks and other financial institutions are simply a fact of life. Above all, young people nowadays expect to have to open a bank or building society account when they start work (Collard et al, 2001). And, given their relative inexperience of using financial products and services, there is less chance that they have experienced difficulties or problems in their dealings with financial services providers.

In contrast, there was an entrenched view among the older participants in Leeds that banks and building societies were not interested in people like them, who had low incomes and few prospects of well-paid employment.

> "I think nowadays there's only one kind of bank and that's a working person's bank ... fast money for fast people, they're not interested in people that are on benefits."

Nevertheless, despite being run in partnership with a building society, the *Helping Hand* saving and loan scheme was fairly popular among these participants, and certainly nobody said that this would put them off using the scheme. Several participants, however, doubted that any of the local building societies would be interested in setting up such an initiative; the same applied to local housing associations.

The general appeal of the *Wealth Club* was that it was run on an informal basis, and was consequently regarded as more approachable for people who have had little, if any, engagement with financial services. Even so, several people said they would want reassurance that their savings were secure before they would consider joining such a scheme; this was equated in most people's minds with depositing the money in a bank or building society.

In fact, people were far more sceptical about the government's role in providing savings vehicles than they were about the commercial companies who deliver them. It is very likely that these views were coloured by their personal experiences of the social security system.

The underlying cause of this widespread scepticism was the belief that 'there must be a catch', and this applied equally to the *Child Trust Fund* and the *Saving Gateway*.

> "If they're going to give every child money, they're going to want something out of it."

> "There must be a catch to this, put ten pounds in and get ten pound back, it isn't as simple as that is it?"

Participants generally thought that the introduction of these new schemes would be accompanied by cutbacks in other areas, and in particular cuts in state pensions and benefits.

> "… they're doing it all sneaky aren't they, and trying to make out that they're doing us a favour, but they're not, they're wanting people to save and encouraging them to save so that most people have got savings so that they can cut out pensions and things."

Parents in Leeds were concerned that the *Child Trust Fund* might eventually replace funding for further and higher education altogether.

Committee members were also wary of government officials knowing that they had any money saved, in case this impacted adversely on the benefits they received. Several of them thought that their benefits would almost certainly be cut if they were seen to be able to save any money on the income they received[13]. And, although he liked the idea of the *Child Trust Fund*, another participant had similar reservations about family and friends adding money to the account.

> "To be honest, I'd rather keep what you've got for your kids separate and private from the government anyway … because when you think about when their grandparents pass away, they're going to be left some money, and what bank account is it going to go into? The bank account from the government."

Finally, committee members generally held their landlords in poor regard, and so were not at all keen on the idea of a *tenant asset account* that was linked to their tenancy and controlled by their landlord. Among other things, they suspected that landlords would always find an excuse not to pay the 'rental miles' that tenants had earned.

> "… they'll never give it to you, will they? … they could just make anything up they wanted, 'Oh right, we're not giving it to you, someone complained about you', they can say what they want."

Other research has highlighted similar concerns among tenants about the involvement of landlords in equity stakes schemes (Edwards, 2001; Barnard and Pettigrew, 2003).

It was notable that committee members had no such reservations about the *Helping Hand* saving and loan scheme, probably because the participating housing associations are not directly involved in the financial aspects of the scheme.

Additional services

In areas that are poorly served in terms of financial services, initiatives that offer 'add-on' products and services are likely to be particularly attractive to lower-income consumers. A number of the schemes considered by the community select committees provided additional services, including information and advice, banking services and access to loans.

Information and advice

Although committee members in both Leeds and Bristol had access to not-for-profit generalist advice services, they identified a need for independent and impartial information and advice specifically in relation to financial services. And, like the products and services themselves, they wanted to be able to access this information and advice locally, from someone who knew the community in which they lived.

Two of the initiatives explicitly offered advice and information[14]. The *Wealth Club* provides advice about money management to members of its savings groups, along with help and advice on any money-related issues that are raised by members. Financial education courses and workshops are an integral part of the *Saving Gateway* initiative, and these are delivered through local community organisations. They cover topics such as opening and using a bank account, and the pros and cons of different types of credit. There was a general consensus among the participants that both these models of advice and help would be required to meet the needs of people in their communities.

People wanted help and advice on budgeting to enable them to save, as offered by the *Wealth Club*.

> "I think the fact that it's not just about saving, it's about looking into your budgeting and how you spend … looking at the reasons behind why you can't save and getting out of that way of thinking, about changing your way of thinking about money."

They also wanted advice on what products and services would best meet their needs, which both schemes could potentially provide.

> "… it would be good to have an outside person advising you on accounts, because

[13] In fact, people of working age can have savings of up to £3,000 before their benefits are affected.

[14] As mentioned earlier, the government envisages that financial education will be an integral part of the *Child Trust Fund*, but the community select committee participants did not discuss this aspect of the initiative.

> every bank or building society you go to they're going to tell you that theirs is the best anyway, so you never really know."

On balance, then, the *Wealth Club* probably came closest to meeting all their advice and information needs.

Transactional banking services

Transactional banking services are available through both the *Saving Gateway* account and the *Helping Hand* saving and loan scheme, although they were only discussed by committee members in relation to the latter. Account holders can draw out cheques payable to a third party, free of charge. They can also pay cheques in to their savings account, and draw out cash once the cheque has cleared, free of charge. Provided there is sufficient money in the account to cover the amount of the cheque, the cash can be withdrawn immediately. This facility was of particular interest to one 'unbanked' participant in Leeds who currently used costly commercial companies to cash any cheques he received.

> "I do occasional work with the nursing agency, so when I get cheques I have to go to the cheque-cashing place and it costs me about £25 a go…."

Several of the younger people in Bristol also used commercial cheque cashers, but commented that they would prefer to pay to cash a cheque and draw the money there and then, rather than wait several days for it to be cleared in an account.

Access to loans

Only the *Helping Hand* scheme offers loans to its account holders. By saving regularly, tenants of the participating housing associations become eligible for a loan of £50 to £250, subject to a limit of twice the amount held in savings. Loans are repayable at an interest rate not more than 1% above the Bank of England base lending rate.

Although the pre-saving requirement could well be a barrier for some people living on low incomes, on the whole the ability to access loans in this way was popular among committee members of all ages. Most importantly, the interest rate compared extremely favourably with the high-cost credit providers that some participants used.

Incentives to save

Like financial products and services, incentives to save have to be simple and transparent if they are to be effective among lower-income groups. That is almost certainly why the government's attempt to use tax relief to encourage more people of modest means to save, through the introduction of ISAs, has had only limited success. Not only do basic rate taxpayers and non-taxpayers have the least to gain from tax relief (IPPR, 2003), but qualitative research also indicates that tax relief has little impact on saving by people on low-to-middle incomes because they do not understand how it works (Whyley and Kempson, 2000b).

The five initiatives considered by the community select committees offered a range of inducements to save and, for the most part, these were financial.

Financial incentives to save

Of the four initiatives that offered financial inducements to encourage people to save, the *Saving Gateway*'s pound-for-pound matched funding was by far the most popular. Committee members agreed unanimously that it was the most effective way of encouraging people like them to save.

> "… you'd just save every penny you could if you're going to get it matched, wouldn't you?"

> "It does help you to save, if you are getting something back out of it you will tend to save more."

But for many, the appeal of the initiative was dampened by the limits placed on savings and the length of time account holders had to wait to access matched funding. Most of all, they were sceptical about the government's motives. It is difficult to assess whether, in practice, this would prevent participants from opening a *Saving Gateway* account. However, several people said they preferred the *Helping Hand* savings and loan scheme to the *Saving Gateway* for this reason.

In fact, in terms of encouraging people to save, the *Helping Hand* scheme ran a close second to the *Saving Gateway*. Participants in both Leeds and Bristol were particularly attracted by the opportunity to access lower-cost loans through regular saving.

> "…it benefits you two ways, doesn't it, because you can save money up and get a loan, and at the same time you don't have to pay much back."

The higher-than-usual interest rate on savings was generally considered less of an inducement, simply because participants felt that they would never have enough savings for interest rates to matter very much. Earlier research found similar attitudes among community credit union members – for them, having access to affordable credit far outweighed any dividends that they might receive on their savings (Whyley et al, 2000).

Scepticism about the government's motives also dominated discussion of the *Child Trust Fund*, and a small number of people were adamant that they would prefer to keep their children's savings entirely separate from anything set up by the government. However, given that many participants wanted to save for their children's future, and a few were already contributing to their children's savings accounts, it seems likely that the scheme would encourage at least some low-income families to make additional contributions to a *Child Trust Fund* account. In terms of providing all young people with a financial asset, the amounts proposed for the *Child Trust Fund*, in the form of a lump-sum endowment and possible top-up payments, were thought to provide a reasonable head-start for young people.

The concept of receiving contributions from a social landlord in the form of 'rental miles' proved to be the least effective financial incentive to save. It was unpopular with all but a couple of community select committee members, who thought that it would encourage tenants to stick to their tenancy agreement. The main objection to the scheme from the participants' point of view was the difficulty of keeping to all the conditions of a tenancy agreement, particularly for tenants (like some of them) who lived in blocks of flats, and younger tenants. In fact, almost all of the young committee members in Bristol said that they had had problems keeping to their tenancy agreement.

Non-financial incentives to save

Just two schemes provided non-financial incentives to save, and the *Wealth Club* was the only one that relied entirely on non-financial means to motivate people to save, predominantly in the form of peer group pressure. Among committee members, opinion was divided about its effectiveness.

On the one hand, some participants liked the idea of saving in a group, and thought that regular meetings would definitely prompt them to start saving.

> "He said bring a piggy bank and drop one fifty in it. Everyone's watching each other…. You want to do it, everyone's around you. Take it away, you're just at home, 'Oh I need a packet of fags', break it open and take the money for a packet of fags. Because you know you've got to go back to everyone and say, 'Oh I broke into it'."

> "The other thing is, watching your savings build up, it's a slow thing isn't it? If you're watching other people who may be doing it, I don't know, just a couple of pence, a pound faster than you, you can watch them and you can sort of see that it is actually building. So, you know, that might psychologically be of value."

On the other hand, being part of a savings group was off-putting for a considerable number of committee members, who found the tone of the scheme rather patronising.

> "It's like Weightwatchers, isn't it? You go this week, 'I've lost five pounds', in front of all the people."

> "You feel like a kid, don't you, you feel like a little kid. 'How much have you saved up this week? Six pounds, ah, I'll give you a pat on the back, well done son'."

Linked to this was a reluctance to discuss their personal finances in front of other people, whether they knew them or not.

In addition, both the *Wealth Club* and the *Saving Gateway* offered one-to-one financial information and advice as well as courses. While participants warmly welcomed the opportunity to access these services, they were not generally regarded as incentives to save.

Summary

Of the five initiatives considered by the savings and assets community select committees, the design of the *Wealth Club* most closely accommodated the informal savings methods of many low-income families. Its members are encouraged to save small amounts of money as part of a group, with the group deciding how best to keep the money that is saved, be it at home in a piggy bank or in a high interest savings account. This means that, to some extent, they can choose how easy or difficult it is to withdraw their money. And although other schemes could be made available locally, the *Wealth Club* has the advantage of being community-based. Finally, it is the only initiative with no eligibility criteria. Committee members were split, however, between those who thought that peer pressure was an effective way of encouraging people like them to save, and those who did not.

Although it offers less flexibility than the *Wealth Club*, the *Saving Gateway* has several features to commend it to low-income savers. Account holders can add small sums of money to their savings in cash or by weekly or fortnightly standing order. And they have the opportunity to participate in financial education workshops and courses. Added to this, pound-for-pound matched funding for savings proved to be the most powerful inducement to save for just about all the committee members. For some people, however, these advantages may be offset by the savings limits, the possible three to five year wait for matched funding, and scepticism about the government's motives in instigating the scheme.

The particular strength of the *Helping Hand* saving and loan scheme lies in the additional services that it can offer its account holders, in the form of basic banking services and access to low-cost loans. In particular, the chance to borrow money at a reasonable rate of interest was considered a strong motivation to save among the committee members, many of whom would be reliant on high-cost credit providers. Indeed, some people valued this facility far more than the *Saving Gateway*'s matched funding, not least because there were (as they saw it) no government strings attached.

Like the *Saving Gateway*, the *Child Trust Fund* was overshadowed to some extent by committee members' cynicism about the government's motives in providing endowments and possible top-up payments. Some parents who were already saving for their children, or who wanted to do so, would probably put any spare money they had in a *Child Trust Fund* account. But although the scheme was felt to offer children from poor families a good start in life, it provided less of an incentive for parents to start saving than other initiatives, particularly the *Saving Gateway*.

The concept of gaining an equity stake in their home through a *tenant asset account* was the least popular initiative among the committee members, and consequently the idea of accruing 'rental miles' was regarded as a poor incentive to save. Committee members doubted they would gain anything from a scheme that was both linked to their tenancy agreement and run by their landlord.

In summary, then, the *Saving Gateway* was widely thought to offer the greatest incentive to save. The money management aspect of the *Wealth Club* appealed to some people; access to low-cost credit through *Helping Hand* appealed to others. The *Child Trust Fund* was felt to offer children from poor families a good start in life but offered less of an incentive for their parents to start saving than other initiatives. There was general agreement that the *tenant asset account* provided the least effective inducement to save.

4

Format for community select committees

The creation of a more inclusive society is a central goal of Labour government policy. Integral to the achievement of this has been the development and implementation of more effective techniques of community consultation and local participation in decision making. Many of these techniques, such as deliberative polls, citizens' juries and citizens' panels, have been developed and piloted by local government. They are designed not only to gauge the views and needs of the community but also to build social capital and to engage and empower the local community (Laird et al, 2000).

Nationally, the policy area where local consultation and participation has been particularly evident is the regeneration of poor neighbourhoods. The Social Exclusion Unit has recommended that local residents should play a key role in developments aimed at neighbourhood renewal, to ensure that their needs and priorities are at the forefront of regeneration initiatives (SEU, 2001). Indeed, it is widely acknowledged that without community involvement and ownership, any plans for regeneration will be unsustainable.

Previous research has shown that community select committees have considerable potential for involving intended beneficiaries in the assessment of policy initiatives that have been designed to meet their needs. They can be used, as in this research, to consider a range of national and local initiatives that are designed to meet a specific need – such as bill payment or saving in low-income households. Equally, they could be used to inform local regeneration initiatives – with committee members considering a range of options for regenerating their community. An earlier study, for example, used community select committees to assess needs for financial services and ways of combating financial exclusion in a New Deal for Communities area, Barton Hill in Bristol (Collard et al, 2001).

There are also a number of practical advantages to using a community select committee, compared with citizens' juries and citizens' panels. Although the preparation for the event is fairly resource-intensive, the select committee itself can be conducted in one day. Witnesses are invited to submit their evidence within the community, making it convenient for local people to attend and more likely that they do so. Moreover, local people are likely to be more comfortable questioning witnesses on their 'home ground'. At the same time, careful selection of witnesses means that they gain valuable feedback on their current or proposed services. This in turn makes it relatively easy to persuade them to contribute.

Overall, then, the community select committee seems to have a great deal of potential as a new tool to promote community consultation on specific issues within local communities. It is not, however, a technique to be used lightly. The facilitation is demanding and should only be undertaken by someone with considerable prior experience of facilitating focus groups. In this chapter, we draw out some practical lessons for others wanting to use the community select committee approach.

The present study was designed to test a range of formats and to develop guidelines for others wanting to use the technique. At the end of each select committee, committee members were de-briefed about the experience, which they did with considerable candour. Presenters were also debriefed – in this case by an in-depth telephone interview.

It was quite clear that some committees worked rather better than others and that it was not the participants themselves that determined this but factors such as venue, style of facilitation and presentation, length of the day and number of presentations, and the content and format of presentations. We discuss each of these below.

What is a community select committee?

Community select committees are designed to capture grass-roots opinion and are modelled on the format of parliamentary select committees. But compared with members of parliament, members of community select committees will be less well-informed before the committee hearing. They are, therefore, briefed fully on the day.

The hearing begins with a general discussion of the topic committee members are considering, which explores their needs, how these are met and any that remain unmet. For example, the community select committee considering money management with homeless people selling the *Big Issue* began with a discussion of how they manage the money they have and the problems they face. Committee members then listen to the presentations made by a number of experts, with each presentation followed by a short period of cross-examination. Before each presentation they are briefed about the distinctive features of the initiative and the sorts of questions they may want to raise, given their earlier discussion of needs. At the end of the day, committee members have a general discussion of all the presentations, weighing up their pros and cons and assessing them against their own needs.

Recruiting participants

Participants are best recruited door-to-door to a quota as this gives a more representative committee. It does mean, however, that they will not necessarily be engaged with the subject being discussed, which increases the demand on the facilitator, as discussed below. The alternative would be to recruit opinion leaders or people already active in a local community. But this approach is unlikely to tap grass-roots opinion in the same way.

On the whole, committees work best with around 14 members. This is a manageable number while giving a diversity of views. The earlier select committee, held in Barton Hill in Bristol, had 20 members and it was very difficult to ensure that everyone participated fully. This time, two of the presenters thought that the group should be much smaller than 14 – say six to eight people. But both of these people were more accustomed to delivering training sessions and had found it more difficult than other presenters to adapt to a less formal session. In fact committee members liked their presentations the least, suggesting that they had not entirely succeeded in adapting on the day.

Incentive payments

It is usual to offer payment to participants in research that makes considerable demands on their time. Few of the committee members would have participated without an incentive payment; indeed, most admitted that they had only come because of the money. It was clear that we got a much more diverse group than would have been the case had we not offered any payment. In particular, people in employment would not have been willing to take the day off work to attend; nor would mothers who needed to pay for childcare in order to participate.

We paid £75 for the full day community select committees; £40 for the half-day one. Discussions with participants at the end of the committees indicated that £40-£50 would be sufficient to encourage people on low incomes to attend for four to five hours. Needless to say, this should be paid at the end of the day.

Not all presenters had a view on incentive payments, but those who did were split in their opinions. Some thought it was appropriate to pay; others did not and thought people might just have been saying what we wanted to hear. However, we could find no evidence of this – participants were frequently both blunt to the presenters and frank in their subsequent discussions. This point is discussed in more detail later on.

Recruiting experts

As in the earlier study, a range of experts was recruited to make presentations at the four community select committees, selected on the basis of their knowledge and experience of the initiatives to be discussed. They included four practitioners involved directly in the delivery of services, six senior staff employed in the development and promotion of services and two policy researchers. On the whole, committee members tended to identify more with presenters who were practitioners than they did with those who were responsible for developing and promoting services. All of the practitioners, along with several of the other presenters, had experience of working with, or relating to, people like the community select committee members, and this proved invaluable on the day. The style and content of the presentations is discussed in greater detail later on (p 34).

Apart from being paid for travel and expenses, the presenters gave their time freely to take part in the community select committees. But for the most part they felt that they took away from the sessions as much as they themselves had put in.

Venue

The select committees were generally held in the community from which participants were recruited. The exception was the select committee with *Big Issue* vendors, which was held at the offices of the *Big Issue in the North*.

Participants liked the fact that the select committee was held in their own community. But experience shows that it is better if it is *not* held in a venue they are already familiar with. One of the four committees was held in a community centre on the estate where committee members lived, as was the earlier one in Barton Hill, and in both there was a high level of coming and going, as well as interruptions from participants' children and friends. The two committees held in a local community college were much calmer, even though one of them was held with young people, some of whom were notorious on the estate.

Ideal accommodation

A community select committee will require two rooms: one for the committee itself and one where presenters can be met and briefed on the day. Toilets should be near to hand, as should a space for smokers. A room on the second floor in a non-smoking building will mean long cigarette breaks and disrupted discussions!

Room arrangement

All the committees were held in rooms where the chairs were arranged around a large table. This was liked by both committee members and presenters, who said it created the right degree of formality. It was seen as more informal than having chairs organised in rows but more formal than just a circle of chairs. It was felt to encourage questions and discussion as the presenter became part of the group and the participants could see and react to one another.

Length and format of the committee

The earlier committee in Barton Hill took place over a full day but was divided into three relatively self-contained sessions with a total of eight presentations. It was clear that this was too long, covered too many topics and included too many presentations for people who were not accustomed to attending seminars or meetings. Indeed, two of the participants said it was the first time they had sat down and discussed things in this way since they were at school, over 30 years ago.

Consequently, we experimented with different lengths and formats for the four later select committees:

- two had five presentations, and lasted almost a full day (9.30am-3.30pm); one of these covered two topics, the other just one;
- one had just three presentations on the same topic and took up half a day (12.30pm-3.15pm), starting with a general discussion over lunch;
- one had four presentations on the same topic in the morning, with a general discussion in the afternoon; this was five hours long, including a break for lunch (9.30am-2.30pm).

We found that a full day was too long for most people, and five presentations too many. Participants in these two committees reported being very tired at the end of the day and found it difficult to concentrate on the fifth presentation. The ideal length seems to be four to five hours with four presentations. Parents with school-age children felt that 10.00am-2.30pm was ideal for them. It is also too ambitious to try and cover more than one topic in a committee. So the committees on savings and assets and with the *Big Issue* vendors worked better than the one looking at money management and financial information and advice, and indeed the earlier committee in Barton Hill which considered banking, credit and financial information and advice.

All the select committees that lasted more than half a day had mid-morning and mid-afternoon breaks with an hour for lunch. It is clear, however, that committee members would have preferred shorter breaks more often, as a high proportion of them were smokers. An hour for lunch was too long and some suggested a shorter break, possibly with food being put on the table for people to eat during the discussions.

Advance information for participants

Committee members were not given any information in advance and were asked whether this would have been useful. On the whole they thought that it would not have helped. They said that they would not have read it and preferred to hear from presenters on the day. There was some support for the recruiter giving them a short leaflet explaining what they would be doing on the day.

In contrast, all the presenters were sent briefing information prior to the day and were also briefed by telephone. The briefing included suggestions about the style and length of their presentation and the questions they should address. This stressed the need to keep their presentation short, informal and to a small number of key points. It also included a detailed briefing on the types of people who would be members of the select committee, their levels of knowledge on the subject and, based on past experience, the types of questioning the presenters could expect from them. They were also sent information about other presentations. All had found this useful. Even so, people who presented at more than one select committee adapted their style in the light of experience; others adapted their presentation on the day, in the light of other people's experience. In all cases, they opted for an even more informal approach (see below).

The select committee hearing

As noted above community select committees should not be undertaken lightly. They require experienced presenters and facilitators who are highly skilled and trained in group discussion work. As well as the facilitators, there should also be someone to meet the presenters, brief them in more detail on the venue and the types of people sitting on the committee and also to thank them and discuss how their presentation went when they leave.

Facilitation

Facilitating a community select committee is challenging. It is the role of the facilitator to ensure that all committee members participate to a broadly similar extent – identifying and encouraging reluctant members from the outset, while ensuring that dominant and disruptive members do not impede either the presentations or a wide-ranging discussion. At the same time, it is important that the facilitator does not steer the discussion in any particular direction, other than to bring it back to the topic being discussed if it strays away from it for too long. If several points are made in quick succession, it is the facilitator's role to ensure that each is discussed in turn, using remarks such as "earlier John said … does anyone else agree with him?". And as the proceeding should be tape-recorded, the facilitator needs to ensure that participants do not speak over each other, and that distracting side conversations do not break out.

In most groups of 14 people there will be someone who is not engaged in the discussion. This will manifest itself either in a physical way – for example, drawing away from the table or sitting hunched with arms crossed. Or it can result in disruptive behaviour – for example, engaging others in conversations that are unrelated to the discussion or making negative remarks about others or the committee itself.

The best way to deal with this is to try firmly to involve them in the discussion. Frequently, other committee members will quite naturally try to assist the facilitator with this. If all this fails and the person is very disruptive, it may be necessary at one of the breaks to ask the person if they would prefer to leave. We needed to do this in only one case, in the earlier community select committee in Barton Hill, when a man became too drunk to participate. If handled sensitively, this can be done amicably.

It is also clear that the facilitator needs to be firm about people leaving the room during the presentations and discussion. In hindsight, we would recommend having a number of short breaks and telling people in advance when and how long these will be.

In two of our committees we had two facilitators who took it in turns to facilitate the group, and this undoubtedly eased the burden and made managing the group easier.

Style and content of presentations

Getting the style and content of presentations right is crucial to the success of community select committees and most presenters will require detailed guidance on how best to achieve this. However experienced they may be, few will have experience of speaking to people with little or no knowledge, and often very little prior interest, in what they have to say.

Committee members undoubtedly liked the more informal, practical presentations best; they did not like ones that they perceived to be 'a hard sell'. They also liked presenters who sat down – those who stood up seemed to be in a rush, not on their level and not relaxed. Interestingly, all the presenters who were liked most by committee members described their presentations as 'sitting and chatting' and had kept them low-key and light-hearted. Least popular were presenters who delivered a more formal 'stand up and point' presentation.

The most successful presentations had an immediate relevance to committee members. So selection of the initiatives to be covered should be based on prior knowledge of the needs committee members might have. Committees also work best where the initiatives being presented are (or could easily be made) available locally. Often, however, the most interesting initiatives are still in a pilot phase and may not be available in the locality in which the community select committee is held. This was the case for many of the savings initiatives we considered. While participants found these interesting and relevant, they expressed frustration that they would be unable to use them in the immediate future. Ideally, then, at least some of the initiatives should be ones that are already available or could be introduced in the local community.

Committee members liked presentations that were 'short and to the point', and preferred to put questions throughout the presentation rather than at the end, so they did not forget what they wanted to say. Presenters felt that 30 minutes in total was about the right length of time for each presentation. There was no support at all among committee members for the use of audio-visual aids (for example, overheads, PowerPoint). Presenters agreed that they would have been inappropriate and felt that their presentations worked well without them.

Cross-examinations and discussions

It is clearly vital to the success of community select committees that members should feel that they, not the presenters, are in charge. Creating this ambience is one of the roles of the facilitator. On the whole committee members said that they felt comfortable about asking questions of presenters. Participants at one committee commented that a lack of questions could simply indicate that they do not have any questions they want to ask!

But it was clear that some people felt more comfortable when they were discussing presentations among themselves than they did asking questions of presenters. They needed time to build the confidence to ask questions and venture opinions in front of people they did not know. A skilled facilitator can help build this confidence, as can a skilled presenter.

The style of presentation also made a lot of difference to the numbers of questions. Not surprisingly, presenters who were relaxed and who actively sought feedback on their services tended to be more successful at encouraging questions.

Committees varied in the number of presentations discussed at any one time – from two to five. It was clear, however, that committee members found it difficult to remember the detail of four or five presentations. If more than three initiatives are to be considered, committee members suggested holding discussions after every other one. In this way the first and second initiatives can be compared with one another and then against the third and fourth.

It is usual in parliamentary select committees for all the presenters (and indeed others) to sit through the whole hearing. This presents something of a dilemma for organisers of community select committees. On the one hand, having an 'audience' of presenters sitting in on proceedings could inhibit some committee members who need time to feel comfortable about participating in discussions. On the other hand, most presenters were being asked to give up a full day to make a 30-minute presentation, and offering to let them hear other presentations could act as an incentive for them to participate.

Consequently, we experimented with allowing some of the presenters to sit in during the presentations. Presenters undoubtedly found this interesting and useful and some adjusted what they were going to say in the light of other people's experiences. It did not seem to concern participants unduly; indeed, it was less distracting if there was not too much coming and going of presenters.

It was preferable, however, for the final discussion to be held without the presenters, as this allowed the committee members to be quite frank in their views. This would make it difficult for presenters to sit in if discussions were held after every other presentation, as suggested above.

Summary

On the whole, committee members had low expectations of the day but the majority of them found it interesting – in fact more interesting than they had expected. They said that they felt 'in charge' and appreciated having their views listened to. This was an unusual experience for all of them. Presenters also felt it had been worthwhile and those developing new services said they had got very useful feedback.

As in the earlier community select committee in Barton Hill, committee members proved to be willing and able questioners, and the level of discussion was far more considered and frank than many might expect.

In short, community select committees seem to be a useful tool for analysing new initiatives from the viewpoint of the intended beneficiaries. They do need careful planning and organisation, however, and this research has shown what works and, just as importantly, pitfalls to be avoided.

5

In conclusion

The Treasury-led Policy Action Team 14 put the problem of financial exclusion firmly on the map. In its report it drew attention to the fact that, in Britain, around one-and-a-half million households and two million adults use no financial services at all – not even a bank or building society account. The report analysed the reasons for financial exclusion as well as examining some of the developments that offered a potential solution to the problem. In doing so, it highlighted the need for basic bank accounts and also for affordable methods of bill payment for people who operate a cash budget. It also drew attention to the importance of financial education and money advice in overcoming the disengagement many people feel from financial services provision (HM Treasury, 1999).

Policy Action Team 14 did not, however, address the issue of saving, other than to investigate credit unions and other savings and loans schemes. This was covered in *Helping people to save* – a consultation paper published by the Treasury as part of the Pre-Budget Report in November 2000. This report highlighted the importance of savings in providing people with:

- independence throughout their lives;
- security if things go wrong; and
- comfort in old age.

It identified the need for incentives to save that are appropriate to lower-income households, as well as the potential importance of young people having assets as they enter adult life. These ideas have been followed up in subsequent Treasury papers (HM Treasury, April 2001, November 2001).

At the time of these two reports, initiatives to promote financial inclusion were thin on the ground. Their publication has, however, given rise to a wide range of new products and services – either directly, as in the case of the *Child Trust Fund* and the *Saving Gateway* or, in most cases, indirectly. It is encouraging that some of the big financial institutions, as well as community organisations, have taken up the challenge to improve access to financial services.

This study has shown that many of the initiatives currently being developed to promote financial inclusion will meet the needs of people who are on the margins of financial services. Where they fail to do so, it is often because the advantages they offer do not sufficiently outweigh any disadvantages people currently experience.

This was certainly the case for the various bill payment services considered by committee members, none of which was thought to offer sufficient advantages to outweigh people's worries about possible disruption to their household finances. Paying bills in cash at the post office or a PayPoint outlet was part of their routine and they were reluctant to try anything new that might upset their finely-balanced household budgets. Even people paying bills by pre-payment meter were reluctant to change – although this meant that they were frequently paying a higher tariff, paying in this way gave them valuable control over their use of fuel.

On the other hand, schemes such as the *Saving Gateway* and the Co-operative Bank *Cashminder* account were thought to offer real advantages. Compared with a run-of-the-mill deposit account, a *Saving Gateway* account offered far better financial rewards and a much greater incentive to save. A *Cashminder* account provided much more financial control than a conventional current account, as well as being accessible to people with impaired credit histories. The fact that the Co-operative Bank was also sympathetic to the problems homeless people face when asked to provide proof of identity was another bonus.

Several other themes also emerged from the community select committee discussions. People preferred to deal with locally-based organisations, partly because they offer ease of access but also because they mistrust the involvement of both financial service providers and the government. As a consequence, all the initiatives that were most liked involved a community-based organisation in some way. For example, people said that they would trust financial information and advice given by an independent community-based group, such as *Bootstrap Enterprises*, one of the CFLI pilots.

On the other hand, they wanted financial products and services to be delivered by established providers with well-trained staff. Consequently, almost all the initiatives they liked most were ones offered as a partnership between community organisations and either a financial service provider or government. The Co-operative Bank *Cashminder* account was trusted by homeless people because of the involvement of the *Big Issue* in its development and promotion. At the same time, it was liked because it was part of mainstream banking services. The one exception to this rule was the provision of financial information and advice, which they wanted kept quite independent from service providers.

The study has also shown that community select committees are a very successful way of capturing the views of the silent majority. Most of the people who took part had very low expectations of what they had agreed to do and had not been involved in anything similar in the past. Yet they proved very skilful at cross-examining 'experts' and in articulating their views. This success lies in the fact that a community select committee puts local people in the driving seat and shifts the power away from service providers – who are required to explain and justify the initiatives they are developing and not merely to extol their virtues. For all of the people who took place this was a novel experience and one that they valued. As one of the *Big Issue* vendors remarked:

"It's good to be listened to for a change."

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Office of the Deputy Prime Minister, information on equity shares for social housing, www.housing.odpm.gov.uk/information/equity/index.htm

Appendix: Programmes for community select committees

1 Money management among homeless people, Leeds, 12 September 2002

Time	Session
12.00-12.30	Lunch
	Welcome and introduction
12.30-1.00	Views about money management
1.05-1.35	*Grand Central Savings*, *Big Issue in Scotland*
1.40-2.10	Co-operative Bank *Cashminder* account
2.15-2.45	Leeds City Credit Union
2.45-3.15	Discussion session
3.15-3.45	Debriefing
	Thanks and close

2 Money management and financial information and advice, Bristol, 18 September 2002

Time	Session
09.45-10.00	Welcome and introductions
10.00-10.30	Views about money management and financial advice and information
10.35-11.05	Woolwich *Open Plan for Everyone* account
11.10-11.40	Credit union bill payment services, Malago Valley Credit Union
11.45-12.05	Discussion session
12.05-12.45	Lunch
12.45-1.15	*Money Advice and Budgeting Service*, Ireland
1.20-1.50	Community Finance and Learning Initiative, *Bootstrap Enterprises*, London
1.55-2.25	*Money Advice Plus*, Birmingham Settlement
2.25-2.45	Discussion session
2.45-3.30	Debriefing
	Thanks and close

3 Savings and assets, Leeds, 12 September 2002

Time	Session
09.45-10.00	Welcome and introductions
10.00-10.30	Views about saving
10.35-11.05	*Wealth Club*, *Big Issue in Scotland*
11.10-11.40	*Helping Hand* saving and loan scheme, Darlington Building Society
11.45-12.05	*Saving Gateway*, Toynbee Hall, London
12.05-12.45	Lunch
12.45-1.15	*Child Trust Fund*
1.20-1.50	*Tenant asset account*
1.50-2.30	Discussion session
2.30-3.15	Debriefing
	Thanks and close

4 Savings and assets, Bristol, 18 September 2002

Time	Session
09.45-10.00	Welcome and introductions
10.00-10.30	Views about savings
10.35-11.05	*Wealth Club*, *Big Issue in Scotland*
11.10-11.40	*Helping Hand* saving and loan scheme, Darlington Building Society
11.45-12.05	*Saving Gateway*, Toynbee Hall, London
12.05-12.35	*Tenant asset account*
12.35-1.15	Lunch
1.20-2.00	Discussion session
2.00-2.45	Debriefing
	Thanks and close