Housing Association Innovation in Delivering Affordable Credit - The Case Studies

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Introduction

This report presents the detailed findings from case study research conducted as part of a wider study on the innovations and activities of UK and international social housing providers in delivering affordable credit initiatives to their tenants. The research was commissioned by the Joseph Rowntree Foundation and conducted by a partnership between the Personal Finance Research Centre (University of Bristol), Cobweb Consulting, Ecorys UK and Sharon Collard (Open University).

Research aims

The overall purpose of the research was to understand what works or doesn't work in the delivery of affordable credit schemes by social housing providers in both the UK and internationally. It sought to provide in-depth insights into the strengths and limitations of affordable credit schemes as delivered by housing associations and to provide valuable learning that can inform the future development of such schemes by housing associations and others.

This case study report complements and should be read alongside the main research report: Hartfree, Y., Friedman, D., Ronicle, J., Collard, S. and Smith, K. (2016) *Housing Association Innovation in Delivering Affordable Credit*, York: Joseph Rowntree Foundation.

The case studies

The thirteen case studies reported on here were selected to provide a range of case studies from both the UK and abroad, including some schemes that were no longer running. For each case study, written information and data was requested from the participating organisations, such as: management information data, proposal documents, annual reports, user satisfaction surveys and evaluation studies. Telephone interviews were conducted with project managers/directors and front line staff at each housing association and their partner organisations. Through these case studies the research aimed to understand:

- the reasons behind different delivery models;
- the strengths and limitations of schemes;
- what factors made schemes succeed or fail; and

- the wider lessons that can be drawn to identify best-practice and promising innovations.

We would like to thank all of the staff at the housing associations and credit unions who participated in the case study research and we greatly appreciate their significant contribution to providing us with information about their schemes.

The topics covered in each case study include:

- the background to the housing associations;
- their reasons and aims in setting up their affordable credit scheme;
- what the scheme is and arrangements with partner organisations;
- the outcomes of schemes in terms of take-up, defaults and reported benefits;
- housing associations' experiences of setting up and running affordable credit schemes;
- funding arrangements and the future outlook for schemes.

Affinity Sutton

HA Background:
Affinity Sutton is a national English housing association, with 57,000 properties and 161,000 residents across 120 local authorities. It was one of the early philanthropic housing associations established as the William Sutton Trust in 1909 and has since merged with a number of other housing associations. Its tenants are mainly general needs, but they also provide supported extra-care housing for older people.

Scheme summary outline
Affinity Sutton provide two affordable loans schemes for their tenants. The first, set up in 2012, is through a partnership with Places for People Financial Services, a financial service run by the housing association Places for People that Affinity Sutton is able to access. Through this service Affinity Sutton is able to offer their tenants loans at a lower interest rate than is usually available. The second, set up in 2013, is through a partnership with Leeds City Credit Union (LCCU) that offers a range of banking services to anyone affiliated with Affinity Sutton (residents and staff), including affordable loans, current accounts and savings accounts.

Scheme aims / purpose
The main aim of the schemes are to promote financial inclusion by providing access to affordable credit and (through the LCCU scheme) wider banking services, and thereby prevent residents from using high-cost payday loans and increase their financial independence and capability. Motivations for setting up the scheme were also influenced by the introduction of Universal Credit and welfare reform that raised concerns that residents may turn to payday loans to make ends meet. Better financial capability was also aimed at helping residents ensure that priority bills, such as the payment of rent would continue on receipt of Universal Credit. For the LCCU scheme Affinity Sutton set an aspirational target of 1,000 new credit members, among both residents and staff. The schemes are an integral part of Affinity Sutton's financial inclusion policy which has three priority areas: ○ access to banking products and services and to encourage savings; ○ access to affordable credit with the aim of diverting tenants from high-cost credit; and ○ access to free money advice / guidance.

The business case / evidence of need
Affinity Sutton’s annual 'SuperSurvey' of residents indicated a growing use of high cost credit and catalogue debt amongst residents, reflecting national trends at that

time. Furthermore, the previous model of partnering with a number of (50-60) local credit unions was not felt to be working in that: it did not reach all of their residents; the support tenants received varied across credit unions; and managing all of the relationships was challenging.

Developing and setting up the scheme
Affinity Sutton commissioned research that explored access to banking, including transactional accounts and affordable loans. It targeted the credit union sector because of the lack of appetite of mainstream providers (banks) for working with tenants who they most wanted to support through the initiative (households on low income and in receipt of benefits) and the limited offer of the CDFI sector. The research recommended a national partnership. The partnership with Places for People Financial Services (PfPFS) was set up in 2012. PfPFS was selected because, at the time, they were one of the only providers of affordable credit that covered Affinity Sutton's geographical area. The partnership with LCCU was established in 2013 on a three year contract to offer tenant's access to wider banking services than just affordable credit. Following the relaxation of the credit union common bond regulations in 2012, Affinity Sutton put out a tender for a credit union partner that could provide a national service covering all of their residents. Affinity Sutton dismissed the idea of setting up their own credit union as it was not felt to be a sustainable or cost-effective model due to the likely low level of take-up and the high level of investment required, and was not part of their core business. Partnering with a credit union brought in expertise in delivering financial services and was felt to present less risk as the credit union would be responsible for defaults and complaints. Affinity Sutton did not want to be in the position of having to chase tenants for loan arrears especially if the tenant had used the loan to pay their rent. The decision to partner with Leeds City Credit Union was reached through an open and competitive tender process. There were no difficulties in getting the schemes approved as there was senior staff buy-in from the outset to meet the aims set out in their Financial Inclusion strategy.

The scheme
Places for People Financial Services: The scheme is available to all residents. Eligibility is based on affordability and the outcomes of a credit check and a rent check with Affinity Sutton. Tenants cannot get a loan if they are in rent arrears and do not have a repayment plan. The maximum loan amount for new borrowers is £2,000, although the average loan size for Affinity Sutton tenants is much lower at £589. The interest rate is 29.9% APR, this is a bespoke interest rate for Affinity

Sutton tenants as PfPFS's representative interest rate is 69.9%. Loans can be used for anything, except for paying rent. On average it takes two weeks from loan application to delivering the loan. The scheme is delivered through a telephone-based service with information available online.

Leeds City Credit Union: The scheme is available to all residents plus anyone affiliated with Affinity Sutton including, other people living in a tenant's property, staff, and staff of Affinity Sutton subsidiary companies. Residents and staff are offered the standard credit union products. In addition to loans LCCU offer current accounts, saving accounts and budgeting tools. The most common loan APR is 42.8%, but can be lower depending on the size of the loan and the applicant profile. Eligibility for loans is based on affordability and a credit check. The service can be accessed online, by telephone and face-to-face at the Leeds LCCU branch. LCCU aim to make a decision on loans within two days, although some are made quicker than this whilst others can take up to ten days.

Partnership working arrangements

The loans schemes are delivered by the partner organisations, based on the contractual arrangements drawn up by Affinity Sutton. Affinity Sutton is only involved in promoting the scheme to its tenants, through leaflets, texts and word of mouth referrals from staff.

Affinity Sutton report having very good working relationships and regular communication with both PfPFS and LCCU through their business relationship manager.

Scheme outcomes

Places for People Financial Services:
Between January 2012 and February 2015 there were 611 loan applications and 351 loans approved. Around a third of applicants were declined a loan due to having a poor credit history, rent arrears, or failing affordability checks. The average loan value was £589 with an average loan term of 13.5 months (ranging from 6 months to two years). In 2014 the number of loan applications fell by over half with only 43 loans approved compared 227 the previous year. This is attributed to less promotion of the scheme by Affinity Sutton and the introduction of the LCCU scheme. The default rate for the scheme is around 8 to 9 per cent. This is higher than for PfPFS’s other schemes, but an independent evaluation was unable to identify the reason for this.

Leeds City Credit Union:
Take-up has been less than was profiled with only 374 loans approved in the first two years compared to a target of 1,416 loans, although these targets were aspirational due to being unsure what take-up would be (take-up for the first 12–18

months of delivery has been used as an indicator of future likely performance). The average loan value was £1,644, which is slightly higher than the target of £1,200. Take-up of affordable loans varies across housing estates, with some estates having a much higher take-up rate of 33 per cent. Low take-up is thought to be due to insufficient promotion of the scheme. Around 25 to 30 per cent of applicants are declined a loan. Tenants who are declined a loan are provided with advice on how to improve their credit rating, or offered a referral to debt advice such as StepChange [this also applies to tenants declined a loan by PfPFS]. The default rate for the scheme so far has been low at less than one per cent, but this is expected to rise as the scheme matures and more loans are due to be fully repaid.

Benefits for tenants: The main benefit for tenants reported is that they have been able to access affordable loans and in doing so they have each saved hundreds of pounds in interest payments compared to using a doorstep lender charging an APR of 300%. An independent evaluation of PfPFS showed that it had diverted residents away from using payday loans.

Benefits for the HA: The main benefit of the LCCU scheme has been to raise awareness among Affinity Sutton staff of financial exclusion issues for both staff and residents. The schemes were too small scale in take-up to ascertain any positive impacts on rent arrears. More generally, though Affinity Sutton were supportive of the scheme regardless of any internal benefits that may or may not arise.

Experience of delivering the scheme

The main issue and difficulty raised in delivering the schemes was the challenge of promotion. Low take-up of the LCCU scheme was attributed to the natural limitations in how often the scheme could be promoted within the wider Affinity Sutton programme of resident communications and recognising the need to balance promotion with not overloading residents with messages from their landlord.

Constant promotion to both staff and directly to tenants was thought to be needed with the understanding that building awareness can only be done over time. A key strength to the delivery of the schemes was the strong relationship with both partners. Weekly meetings with LCCU was pivotal in embedding the scheme and statistical data from both partners has enabled Affinity Sutton to keep track of progress. Working with just one credit union has also enabled Affinity Sutton to keep quality standards high. The use of 'mystery shoppers' for both schemes allows Affinity Sutton to collect feedback on the quality of service delivery.

Overall scheme success:

Both schemes are viewed as being successful as they have enabled tenants to access affordable credit and increased financial inclusion. Even though take-up of the LCCU scheme has been lower than profiled, it is higher than the take-up achieved under the previous local credit union delivery model and is felt to be making good progress.

In terms of competing with payday lenders and diverting tenants from using them, reported barriers to success included not having the same marketing resources to compete and the slower decision making process also limited their ability to divert tenants from using payday lenders. However, LCCU and Affinity Sutton are both committed to building communication and steadily improving service, access and speed of delivery.

Scheme funding arrangements and financial sustainability

Places for People Financial Services:
In order to offer tenants a lower loan interest rate Affinity Sutton pay PfPFS a management fee of £75 per loan. An evaluation of the scheme showed that this arrangement was not financially sustainable and the loans were loss making. PfPFS needs to conduct a review of its admin charge and interest rate and feels that they would need to charge 69.9% APR for the scheme to be sustainable.

Leeds City Credit Union:
Affinity Sutton has a 3 year contract with LCCU costing £150k (over the 3 years) covering development, capacity building and other credit unions costs (incentives, admin, staffing). It is too early to say whether the scheme will be financially sustainable, although the intention is that the loans do become profit making. Block funding is easier for Affinity Sutton to manage, compared to a fee per loan arrangement, as the cost to them does not vary as demand for loans changes.

Internal costs for Affinity Sutton in managing and promoting the schemes has not been quantified, but are thought to be the equivalent of 2 days of an officer’s time and 1 day of a manager’s time per week.

Future outlook

Affinity Sutton are in the process of reviewing both schemes and expect that both will continue.

PfPFS is exploring whether it can offer an online loan approval service to compete with payday lending. The biggest issue for them is financial sustainability and they need to review the interest rate and admin fee they charge Affinity Sutton.

The expectation is that take-up of LCCU will increase as word-of-mouth promotion spreads. LCCU are also looking at how they can speed up their loans processing to challenge payday lenders.

Bolton at Home

Background
Bolton at Home was established in 2011 when it took over the ownership of properties owned by Bolton Council. Bolton at Home manage over 18,000 homes in the borough of Bolton. Tenants are general and support needs tenants with a profile considered broadly comparable with other housing associations.

Scheme summary outline
Bolton at Home have a partnership arrangement with Hoot Credit Union to provide small sum loans to tenants. Bolton at Home provides a loan guarantee fund to enable the credit union to give loans to tenants with a poor credit history who would not otherwise be eligible for a credit union loan. The scheme started in February 2013 and is still operating, but has gone through several changes since it first started (discussed below).

Scheme aims and intentions
The main aim of the scheme was to enable those who were financially excluded, due to having a poor credit rating, access a credit union loan and thereby discourage and replace use of high-cost lenders. The primary aims of the scheme can be summarised as: • to encourage low interest lending and discourage high-cost lending; and • to encourage inclusion in the banking industry by helping tenants onto the first step of the credit rating system with a credit union loan. Wider aims of the scheme, particularly under its most recent delivery format, are to support tenants with money management and to reduce debt and rent arrears and help them to sustain their tenancies. The scheme targeted higher risk borrowers and originally was open to all Bolton at Home tenants as well as non-tenants attending local neighbourhood centres, who would not otherwise be able to get a credit union loan due to a poor credit history. After the first year the scheme was restricted to Bolton at Home tenants and since June 2014 tenants must also engage with Bolton at Home's Debt and Money Advice Team. There were no targets set as to how many loans would be offered as this was originally a pilot to scope whether households would repay a credit union loan compared to those offered by high interest lenders despite their poor credit history.

The business case / evidence of need
Figures from a Bolton at Home project that aimed to increase credit union membership showed that 35 per cent of people (tenants and local residents) applying for a credit union loan at a community collection point (based in urban

neighbourhood centres run by Bolton at Home) were being turned down. This was 10 per cent higher compared to those who applied for a loan at Hoot Credit Union's office base. This prompted Bolton at Home to look at how they could better support people in accessing affordable credit.

Developing and setting up the scheme

The scheme was set up as a one year pilot in February 2013. Bolton at Home had an established and close relationship with Hoot Credit Union and the affordable loans scheme developed from the previous joint project to boost credit union membership among local residents.

The development of the scheme was conceived and led by Bolton at Home. Once the scheme had been approved internally and received internal funding, there were discussions with Hoot Credit Union about its delivery. This led to some elements of the scheme (such as the maximum loan limit amount) needing to be re-designed so that they were work-able for the credit union. The scheme also required the approval of the credit union Board.

The scheme

The affordable loans scheme provides Bolton at Home tenants with a standard Hoot Credit Union loan product. The difference to the standard credit union loan is that Bolton at Home underwrites any loan defaults through a loan guarantee fund.

The scheme offers cash loans up to a maximum of £500 repayable over 12 months. In the first year pilot the APR was 26.8%; this increased to 42.6% when the credit union interest rate cap was raised in April 2014. Loan recipients are required to save a minimum of £1/week over the loan period. Under the original pilot scheme there were no restrictions on what loans could be used for; under the revised scheme there was still no restrictions providing the client could demonstrate the ability to pay it back Bolton at Home wouldn’t question what they were spending it on.

In the first year pilot the scheme was open to Bolton at Home tenants and local residents who would otherwise be refused a credit union loan due to having a poor credit history, with eligibility based only on ability to repay. After the first year the scheme was limited to Bolton at Home tenants only. In June 2014 the scheme was brought within the management of the Debt and Money Advice Team and became only available to tenants engaging with this service. Referrals to the loan scheme, under the Debt and Money Advice Team, is now part of a wider service offering money and benefits advice to tenants, including income maximisation and referrals to grant schemes.

Partnership working arrangements
Hoot Credit Union provides the loans and the loan capital, with any loan defaults covered by Bolton at Home's loan guarantee fund. The scheme is not marketed separately to general promotion of the credit union by Hoot Credit Union and Bolton at Home, this means that tenants are unaware that they are receiving anything other than a standard credit union loan. Under the original design of the scheme loan applications were assessed and processed by Hoot Credit Union. When the scheme was brought under the management of the Debt and Money Advice Team, referrals to the loans scheme and affordability assessments are made by Bolton at Home money advisers with loans approved by the team manager. Approved loan applications are passed onto Hoot Credit Union who deliver the loan to the tenant. The working relationship between the two partners is good. The only issues reported were those that occurred at the scheme set-up stage where the credit union could not operationalise the scheme as exactly devised by Bolton at Home. This was attributed by the credit union to a lack of understanding of the credit union business model and their not being involved at the design of the scheme.

Scheme outcomes
Take-up: Although there were no specific targets or expectations for the numbers taking out loans, the take-up in the first 18 months of the scheme was good with 139 applications and 117 loans approved, of which 93 were Bolton at Home tenants. Some loan applicants were unsuccessful due to failing affordability checks, or because they did not supply all of the relevant paperwork with their application. However, since the scheme was brought within the Debt and Money Advice Team in June 2014 take-up has been very low with only 3 loans approved. This is attributed to the introduction of tighter affordability checks (using the Common Financial Statement) which applicants are failing and because the scheme is only open to tenants engaging with the Debt and Money Advice Team. In total the scheme has lent £42,753 to borrowers. **Default rate**: The default rate for the first 18 months of the scheme was high at 50 per cent. The experience and view of the credit union was that of those who defaulted a small percentage had no intention of repaying their loan, others just struggled to repay and some applicants may have stretched the truth about how much they could afford to repay. However, the view of both Bolton at Home and Hoot Credit Union was that the scheme specifically targeted higher risk borrowers and 50 per cent of recipients who would have been refused a traditional credit union loan, and who had a poor track record of paying back debts, were successful in repaying

their loan. It was due to concern over the high default rate that the scheme was brought within the management of the Debt and Money Advice Team.

Benefits for tenants: The reported benefits for tenants of the affordable loans scheme were:

- it enabled tenants to get an affordable loan who would otherwise have been turned down for a credit union loan;
- of the total amount loaned (£42,743) the estimated savings in interest payments compared to borrowing the same amount from Provident Financial (doorstep loans) is £29,558;
- there was anecdotal feedback that receiving an affordable loan had prevented some tenants from using high-cost credit, but not all;
- some loan recipients have been successful in building up a credit record with the credit union and had gone on to taking out further loans with the credit union.

Benefits for the HA: In terms of the wider aims of the scheme, there was no evidence that as a result of receiving a loan tenants had been better able to manage their rent payments or reduce arrears. The scheme has operated at a financial loss to Bolton at Home (discussed below).

Experience of delivering the scheme

The delivery of the scheme has gone smoothly, the main issue has been the high default rate. The high default rate and concern that the scheme might be encouraging tenants into problem debt resulted in Bolton at Home moving the loan scheme within their Debt and Money Advice Team. The Debt and Money Advice Team aim to offer a wider more holistic service that helps tenants to maximise their income and reduce debts and to identify tenants suitable for the affordable loans scheme, who have a poor credit rating, but who are able to afford to pay back a loan. However, in using a tighter affordability assessment (the Common Financial Statement) they have identified very few tenants who are assessed as being able to afford a credit union loan, and will instead look at other options for tenants such as applying for charitable grants, or Bolton at Home's hardship fund.

Overall scheme success: The scheme is viewed as being successful in that it has enabled tenants to access an affordable loan that they would not have otherwise received. The scheme has also been successful for a minority of tenants who have gone onto borrow again from the credit union having built up a good credit record with the Bolton at Home loan scheme. However, evidence on the extent to which the scheme has replaced use of high-cost credit is limited.

Scheme funding arrangements and financial sustainability
Bolton at Home secured internal funding to set the scheme up and invested £10,000 into a loan guarantee fund for the first 12 months. As the scheme has continued a further £12,000 was invested into the scheme. The high default rate means that the scheme is not financially sustainable. Under the new management and administration of the scheme it is expected that the default rate will be significantly lower in the future. For Hoot Credit Union the affordable loans scheme is loss making, even with the loan guarantee fund provided by Bolton at Home. Each loan is estimated to cost £70 to administer, this includes costs for processing the loan application, collection costs and chasing arears. These costs are subsidised from other profitable loans and is afforded within the overall credit union business model as the Bolton at Home loans accounted for only 10 per cent of their overall lending.

Future outlook
The scheme is planned to continue. To encourage take-up Bolton at Home are looking at promoting the scheme more widely to tenants who could then self-refer to the Debt and Money Advice Team for a loan. The expectation is that with roll out of Universal Credit demand for affordable loans will increase as tenants experience long delays with receiving their first benefit payment.

CHANGE affordable credit initiative

Housing Association background:
Two large, well established (50 years plus) housing associations (London and Quadrant Housing Trust and Family Housing Association) with stock in the London Borough of Southwark were involved initially. A group of 2,500 general tenants in widely dispersed general needs properties were targeted in the project, which was undertaken as one of the pilot projects in the CHANGE initiative (described below). This case study is based on an internal evaluation and accompanying documentation. No interviews were undertaken as the pilot scheme ceased in 2004.

Scheme summary outline
The scheme brought together the local Southwark Credit Union and the housing associations to provide low-costs loans to tenants with, initially at least, a requirement that tenants joined and saved with the credit union before taking out a loan. The project ran as a pilot from 2003-2004, as part of a wider multi-London housing association financial inclusion collaboration, running a number of projects under the CHANGE banner. Although originally designed as a pilot scheme, it was not continued or expanded after its initial lifespan. Southwark Credit Union was chosen because there were based in the pilot area where the two associations involved had substantial stock. Post pilot, plans for a solely housing association community finance organisation, that would be able to issue loans and take savings were discussed but never actioned.

Scheme aims / purpose
Based on research undertaken by Community Finance Solutions (CFS - based in Salford University) into the role that housing association could play in combatting financial exclusion, the CHANGE initiative was set up in London in 2002. Around 15 associations expressed interest in being part of the initiative, (described as ‘London’s first community finance company’ and four pilot projects were established to address 'different dimensions of financial circle of change' - financial literacy, debt management casework, start up support and finance for community social enterprise, and personal borrowing / savings initiatives. This latter dimension was the focus of the Southwark project. The specific scheme aimed to • promote credit union products and services to tenants of the two associations involved, • understand which aspects of services provided were of greatest benefit,

- inform a wider response to financial inclusion,
- understand what measures to promote scheme worked best
- gauge the response to a) loans where prior savings were not feasible and b) savings incentives;
- assess if credit union members have lower level of rent arrears

In terms of target and expectations, the aim was to sign up 5% of the targeted tenants (i.e. 125 of 2,500) to credit union membership, and to have them make average savings similar to existing credit union members. The scheme was marketed to all 2,500 tenants initially, offering the standard credit union services. A second stage of the project saw some variants in services and approaches, based on evidence of what was perceived to be wrong with the standard package.

The largest groups who did access the schemes were mainly women, mainly 30-49 years old, and with 60% unemployed

The business case / evidence of need
There was no information available on detailed business cases for the individual associations concerned. The case was rooted in the CFS-rooted research which demonstrated the possible impact of financial inclusion initiatives The study indicated that 57% of housing association tenants in London would be interested in new savings / loan products

Developing and setting up the scheme
A range of promotional activities was undertaken - part of the aim of the pilot was to explore what worked best. These included: outreach work (dedicated outreach workers employed by credit union but paid for by HAs to do home visits), mail outs inviting tenants to community meetings, door-knocking, referrals from revenue teams (i.e. rent collection team), and word of mouth. The difficulty of accessing tenants in dispersed street properties was noted. At stage 2 (where amendments to the original project were made) a more aggressive form of marketing was taken, due to relatively low take-up. The housing associations expected the credit union to be more active in promoting the scheme than was in fact the case.

The scheme
The initial scheme (referred to as ‘stage 1’) involved loans being made available to tenants who had had 12 weeks continuous saving with the credit union. Maximum borrowing was restricted to 2.5 times the level of savings, and the size of loans ranged from £100 to £1,500. It was always planned to review the scheme and change it as required. Feedback from tenants was that their loan requirements were

much more urgent than allowed for in a 12-week lead in before a loan could be taken out, for urgent bills and the like. Therefore, at stage 2, a more bespoke product was developed. Applications would be assessed on the basis of ability to pay rather than savings, and loans could be made without a prior savings history. A £10 savings incentive was introduced to encourage join up. A top up facility was also made available. This was accompanied by a more aggressive marketing New borrowers coming in at stage 2 also became new savers, and it was noted that non-borrowers starting to save.

Partnership working arrangements
The evaluation noted 'cultural differences between housing associations and credit unions', difficulties of achieving the 'balanced' group of savers and borrowers that that the credit union wanted and the need to make adaptations on both sides. There were differing expectations about levels of outreach that the credit union was expected to make, and the amount of access and facilitation that the housing associations would provide. There were also issues about the capacity of the credit union, and insufficient data being provided about the 'tenant pool' by the housing associations. There also appeared to be a degree of mismatch at least initially between in what each side wanted from the relationship and products – hence the changes that were necessary at stage 2. The principal lesson from this was that the standards credit union product is not always suitable for social housing tenants. In terms of responsibilities, the credit union was entirely responsible for processing membership applications and loan applications, providing loans, and chasing loan repayments.

Scheme outcomes
In total there were 119 signups to the credit union. There were 29 loans made, nearly a third for paying off for rent arrears, 13 to pay other bills, five for home improvements, one for a car and one for a holiday Within its own terms, targets seem to have been met, and with the modified offer the scheme seems to have been successful. If crudely we look at the numbers of tenants that joined the credit union and the total costs, the cost was around £270 per tenant to the housing association, putting all other factors aside. There was no real value for money and sustainability analysis carried out on the outcomes, in terms of assessing the value of reduction in arrears and reduced likelihood of arrears for participating tenants (compared to others).

It was noted that where loans were agreed for purposes *other* than reducing rent arears associations noticed a reduced probability of residents of them defaulting on rent. There were 'reductions in the level of rent arrears and cost savings where the associations did not have to proceed with evictions or obtain NOSPS' (evaluation report). It further commented that was a positive impact on people’s lives where they had been faced with unaffordable bills, and the project had given access to financial services for excluded groups, including those without bank accounts, passports, driving licences, or jobs and that it was particularly useful for migrants

Experience of delivering the scheme
No direct information was available, but anecdotally the wider CHANGE initiative was considered to have been difficult to set up and manage, mainly because of different levels of engagement and commitment by associations concerned. The pilot with Southwark credit union seems to have been successful, but more ambitious plans to extend and embed it among 15 associations never materialised. As regards the Southwark affordable credit pilot, clearly the two associations and the credit union were champions and enthusiasts, but not enough momentum was built up with other associations to extend it. It was run by a Steering Group with credit union, association and, pilot project workers on boards, It was chaired by the CHANGE Programme manager Evaluators comments were: • It increased credit union membership from associations substantially; • The ability to flex scheme to provide loans based on ability to repay, was highly appreciated • The flexible savings options and immediate access to loans without prior saving were also highly appreciated. Among the learning points were the need to experiment with different methods of recruiting people (mass mailing v. word of mouth); the need to pitch the interest rates as low as possible; the need for easier and quicker access to loan, the flexibility to change the nature of the product. The other area of learning was in the field of marketing. The partners discovered that there was a need for a range different promotional / marketing activities. Mainly to address the low level of understanding of role of credit unions among tenants. A lack of ‘cultural understanding’ between the associations and credit union was identified, linked to a lack of clarity about respective roles around marketing in particular. Considerable promotional effort was needed to get scheme going including door knocking as well as mass mailing; extra time needed to ensure buy in from staff, processes for delivery, and better impact monitoring arrangements

There was an absence lack of 'platforms' for promoting scheme, concern about the capacity of credit union and concern about buy in from association staff.

Scheme funding arrangements and financial sustainability
Including payment to the credit union to fund outreach and project management, plus programme management, total funding was estimated at £32,000. This included promotional activities - door knocking (£3K), mailings (£7500) plus meetings and cold calling Had the longer term Community Finance Initiative taken off, loan capital would have been provided through proportionate charges to associations guaranteed by grant from banking partners. Barclays and Lloyds would have provided a £64,000 guarantee backstop grants from Esme Fairburn and City Parochial were also accessed. The £10 incentive to open an account was introduced at stage 2 of the pilot – this was funded by the associations A high number of inactive / zero savings accounts were noted during the project lifetime, indicating that some had been solely motivated by £10. Savings value was 10% loans value at end of pilot.

Future outlook
The pilot was not continued at the end of its period, nor were the more ambitious plans for a fifteen strong, freestanding Housing Association Community Finance institution, that would have operated as a direct provider of loans. There is little information available as to why this was so, but anecdote suggests that there were different levels of interest in engaging with the longer-terms project between the fifteen associations initially involved, and not enough ‘momentum’ to take the pilot – which most agreed had been reasonably successful – to the next stage.

Clanmil Housing Association

HA Background:
Clanmil Housing is one of Northern Ireland's leading housing associations and currently owns and manages 3782 homes throughout Northern Ireland. Its origins are in the Royal British Legion, and they consider they have a strong social conscience as part of their culture. It was set up in 1977. The stock is fairly scattered over Northern Ireland, which makes reaching / communicating with tenants more difficult. There is a concentration in Belfast, but there are tenants all over the five counties of N. Ireland. It provides mainly general needs housing, but also housing for older people and supported housing.

Scheme summary outline
The scheme is known as the 'Savvy Saver' scheme. It is a joint scheme between Clanmil and several Credit Unions. It is promoted as saving towards big events such as Christmas or a holiday, and giving peace of mind should an emergency arise. It also is designed to improve credit history, and enable both secured (i.e. covered by savings) and unsecured (not fully-covered by savings) loans to be taken out. Funded by a Danske Bank grant, tenants are incentivised by having their membership fee along with a £5 opening fee paid for them to help encourage the idea of starting and maintaining a savings account. Then, if tenants save at least £5 per week Clanmil will top up their savings account with a £20 bonus after just 12 weeks. When accepted as members tenants have access to the full range of financial products offered by the credit unions, including affordable credit. Tenants can avail themselves of low cost loans which offer a cheaper more sustainable model of borrowing than accessing legal and illegal door step lenders. Ideally and ultimately Clanmil hope to work with 20 credit unions, to reflect their geographical spread, but at the moment only two large credit unions are involved.

Scheme aims / purpose
The prime motivation was high rent arrears. They are currently running at 9.95%, one of the highest among N. Ireland associations. This was put down to a mixture of poor policy and arrears management; outdated systems; the take-over of a badly-performing other HA (where tenants had just stopped paying rent), and a big general needs population (unlike others).

Additionally, the initial vision (although conscious of the rent arrears problems) was to help stop people getting over-extended by taking out high cost loans, and to encourage them towards savings activities. Regard was given to behavioural economics - ‘nudge’ theory’ (see below) - and the use of incentives. The initiatives with credit unions are part of a wider strategy to tackle arrears. It also includes a tenancy sustainment project with Housing Rights for those in arrears involving a financial capacity programme for those with NOSPs or facing eviction. The financial capacity programme is focussed on this group, with the incentive that if they attend day / evening courses on money and debt management, and reach agreements to repay arrears, the eviction process will be halted, if they do actually reduce arrears over a six months period There was a lot of concern among credit unions about social housing tenants, one had gone to the wall because of loan defaults. So they approached one of the banks that Clanmil borrowed from (for development purposes), Dankse Bank, and obtained a grant of £15,000 to fund the scheme. Welfare reform is a future concern. It has not been implemented in N Ireland at all, so they still have Community Fund, Community Care Grants. But there is concern that UK government will eventually deduct the value of the welfare reforms for the block grant N Ireland gets. Future concerns would be not getting Social Fund or Community Care grants, tenants moving on to tenants, future problems with overpayments or overlap of HB – leading to immediate arrears. Clanmil are keen to get credit unions having a role in short term loans to prevent this. Ultimately all tenants could join Savvy Savers to save, but at the moment restricted to the areas where the credit unions have their common bond. Clanmil also want to prioritise low income households. In terms of access to loans, this is conditioned by the credit unions application vetting processes.

The business case / evidence of need
Clanmil looked at external research (Bad Weather, Good Habits: Encouraging social housing tenants to save more, Friends Provident Foundation / Lemos and Crane), showing social housing tenants have been identified as one of the groups least likely to save. People on low incomes, including social housing tenants, are especially at risk of financial insecurity and therefore have a particular need to save both for a ‘rainy day’ and for the long term. It concluded that social landlords, concerned about rent arrears and possible evictions, have strong business, social and moral incentives to increase financial capability among their tenants and to encourage them to save. With their longstanding and reliable financial relationships with their tenants, they are well placed to influence tenants’ behaviour. Social landlords have a strong incentive to encourage their tenants to save. More pragmatically, the court / eviction process in N. Ireland is very long and

expensive, with many tenants ceasing to pay rent at all during the 6-8 months process. Measures to reduce court and eviction processes would therefore improve finances

The Friends Provident Foundation report suggested behavioural or ‘Nudge Economics’ was a key tool in encouraging tenants top take up saving. ‘Nudging’ entails the reframing of a decision process or situation so that the default favours the most positive outcome, based on an understanding of common though often irrational behavioural motivators such as loss aversion.

This became the basis for the credit union scheme which offers incentives to tenants to start and most importantly continue to save. There was not a formal business case developed, though a paper went to an internal group in July 2014.There was no formal cost / benefit analysis undertaken, except for the references to the positive impact of such schemes in the external research noted above. But because the scheme is effectively funded externally (apart from limited time spent by Clanmil staff) there was little business risk in launching the scheme.

As regards evidence of need from tenants, there was discussion at tenant forums, focus groups and ‘getting to know you’ sessions, and post-tenancy meetings where tenants were asked what sort of schemes they would be interested in. Savings schemes and low cost loans came up most frequently. There was anecdotal evidence and information from advisers about problems with Provident loans, high cost loans, and shopping vouchers (not so much with payday loans). There is a substantial problem with illegal lending, often linked into paramilitary organisations – with outrageous interest rates, and the threat of beatings or worse for non-payment. But there others who offer ‘unofficial’ loans at better rates. One of the credit unions reported that in their experience low income tenants also can’t access high street banks to borrow – quoted figure of needing £5,000 savings to borrow £100. He noted stigmatisation of poor people among lending institutions.

Developing and setting up the scheme

The service was set to go in September 2014, but the Danske money had not yet come through and they didn’t want to start before Xmas. Eventually it started second week of January. 2015

There was some limited consideration of Clanmil setting up their own scheme on the Apex model (another N. Ireland association running an affordable credit scheme). But there were many well-established credit unions in N Ireland, many very professional offering good service. And Clanmil did not have the resources to, in effect, open their own credit union. There was consideration of a credit union based scheme with Clanmil directly as the guarantor, but this was considered too risky – the Danske Bank grant was needed to make it stack up in terms of risk.

The process of contacting the credit unions with the ‘offer’ was primarily by mail and by word of mouth. It has been quite slow, and there has been some resistance among small credit unions. However, it has been good and effective with the two currently-engaged credit unions. This has been eased by several of the lead individuals in the credit unions and Clanmil already knowing each other.

The scheme

The scheme is known as the ‘Savvy Saver’ scheme. It is a joint scheme between Clanmil and several Credit Unions. It is promoted as saving towards big events such as Christmas or a holiday, and giving peace of mind should an emergency arise. It also is designed to improve credit history, and enable both secured (i.e. covered by savings) and unsecured (not fully-covered by savings) loans to be taken out. Funded by the Danske Bank grant, tenants are incentivised by having their membership fee along with a £5 opening fee paid for them to help encourage the idea of starting and maintaining a savings account. Then, if tenants save at least £5 per week Clanmil will top up their savings account with a £20 bonus after 12 weeks.

When accepted as members, tenants will have access to the full range of financial products offered by the credit unions, including affordable credit. Tenants can avail themselves of low cost loans which offer a cheaper more sustainable model of borrowing than accessing legal and illegal door step lenders. The average interest rate on loans at one credit union is just 12.68 % APR, whereas lenders such as Wonga’s charge interest rates as high as 4214% APR. There is no minimum loan but the maximum is £10,000 above savings. The majority of loans (from credit union to all, not necessarily Clanmil) are between £600 and £3,000.

In terms of who can access services, it is open to all tenants, but the idea is to encourage low-income households, who may be having problems with money management / arrears, to join the credit union, save with them, and go to them for loans rather than elsewhere. The loan can be used for anything including bills or arrears, though this was ‘not a wise thing to do’, for tenants any way.

There is a target of getting 400 tenants a year into credit union membership and savings.

Those who take out loans are still expected to continue saving, a minimum of £2 per week: ‘If you can’t afford to save you can’t afford to borrow’. The more detailed terms and conditions and ‘bespoke’ elements (based on one credit union but similar elsewhere) are:

- Tenants are required to save at least £5 per week continuously for a minimum of twelve weeks. Clanmil will deposit an initial £5 when the account is opened and a further £15 in tenant's accounts who meet the savings criteria.

- Tenants who fail to save £5 each week and/or whose accounts fall below the £20 in the first month, £40 in the second month etc. due to withdrawing monies will not be eligible for the contribution funds from CH.
- The scheme is restricted to tenants who reside in the Common Bond Area of the credit union.
- Clanmil Housing and Bessbrook Credit Union reserve the right to terminate the scheme without notice.
- To enable operation and adequate evaluation of the policy, tenants will be required to give permission in compliance with the Data Protection Act 1998 for CH to receive various information from the credit union.

As regards loan consolidation, this is not a service formally offered by the credit unions as it constitutes debt advice, and requires a licence for the Department of Social Support to do it. What they tend to do is to send them down to the CAB to get a plan sorted out, and then come back to the credit union for a loan, which can be used to pay off the debt by the client according to the plan – it has to be done externally

Partnership working arrangements
In terms of promotion, much of this is by word of mouth, led by Clanmil's Money Adviser. Recruitment was primarily via a targeted approach to new developments, where there have been meetings addressed by Clanmil and credit union staff. Application forms have been made available, and the onus is then on the tenant to go to the credit union. Housing staff are encouraged to refer tenant on low incomes and in arrears to the credit unions. Loan capital is provided by the credit union under normal terms; the incentive payments come from Clanmil, and will ultimately be determined by the external funding they raise for this. In terms of applications for loans this is about assessing financial eligibility, which is in the hands of the credit union. Credit checks are rarely used, as they are considered to be not very reliable. Primarily, the check is income based, and there is no problem with accepting those on benefits (which are seen as a particularly reliable form of income). A pro forma is used to work out income and outgoings (which people tend to undercount. The application then goes to the credit union Credit committee for loan approval. During the lifetime of the loan the credit union is responsible for arrears chasing. In general the partnerships that exist have been working well. However, the main problem is that many more are needed, to cover the other geographical areas that

Clanmil operates in, and getting additional credit unions 'on board' has proved difficult.

Scheme outcomes
Set up and demand has been slow. Clanmil have signed up around 35 tenants across 2 credit unions. They are immediately expecting another 15-20. There is a target of getting 400 in by end of year Between 5% and 10% are turned down by the Credit Committee for a loan (after filling out paperwork -some don't get to that stage). One credit union's default / write-off rate (across all its borrowers) is under 1%. It is too soon to say what the Clanmil default rate is. Where a default is the result of a one-off factor (e.g. loss of employment, reduction of income) one credit union will sometime move over to interest-only payments for a while. To a certain extent Clanmil's performance will depend on which tenants take up loans – those slightly older tenants with perhaps more assets, and / or those younger, more stretched households who Clanmil want to engage. It is too early to say what the benefits for tenants are / will be, though one effect has been to increase social solidarity among a group of savers, who are using their assets to take out a loan to go on summer holiday together. Likewise, it is too early to say if there have been benefits for the housing association.

Experience of delivering the scheme
Clanmil and the credit unions are reasonably pleased at progress. Because Clanmil stock very dispersed, they needed to get a number of different credit unions signed up, and this has been problematic. There has been slow and cumbersome take-up – e.g. interviews with panels, slow board decision-making process. There have been a few IT problems. There has been some apathy / cynicism among tenants: people don't believe something that is 'free' is worth anything. Because of the issue around arrears, Clanmil wanted to focus on lower income, family households with young children, rather than older, independent living tenants. However, there seems to be a tendency for more middle-aged (over 50s) people to join, some in groups. Credit unions also need people to take out loans (as well as save) as they are charging very low interest and need volume for their business plans; not much comes in from investments. And they needed to cover their overheads and pay dividends. There was a comment that there was a bit of a worry that the 'wrong' people were taking up the scheme – that is, those who would be good rent payers

anyway – and in effect they were just getting a free £25. It was low income families who were really their target group. One credit union pointed out that quite a proportion of Clanmil tenants were already members of credit unions in the common bond.

Scheme funding arrangements and financial sustainability
Currently this is not an issue, as it is externally funded by the Danske Bank grant. The Money Adviser considers his time to be reasonably spent promoting the scheme as part of his wider job – the time problem is liaising with the multiple credit unions. So far, only 2 are on board, out of a target of 20. If and when the Danske Bank grant runs out, the Community Relations Manager is confident that they'd be able to get another grant, probably from development loan partner. A limited amount of front line staff time goes into referring to the scheme, but this is mainstreamed as part of normal duties.

Future outlook
The existence of it depends on the Danske Bank money and its eventual (external) replacement when necessary. There does not seem to be concern about this prospect. Clanmil is unlikely to fund it themselves, but when the Danske Bank money runs out, it will apply elsewhere for another grant. The Money Adviser wants to develop more collective responsibility among the staff for promoting the scheme. It needs personal one to one contact to persuade people to sign up. They need to copy the BrightHouse style, and use more attractive media and a sharper 'message'. The credit union representative also commented to this effect. The main issue then is extending the schemes reach to more tenants, via link-ups with more credit unions.

Clwyd Alyn

HA Background:
Clwyd Alyn was founded in 1978 as a non-Charitable Registered Social Landlord, and now has around 5,500 properties across North Wales, in the unitary authority areas of Anglesey, Conwy, Denbighshire, Flintshire, Wrexham and Powys. Of these, half are for 'general need' tenants and the other 50% are for vulnerable tenants, primarily older people. It is part of the wider Pennaf Group, including other associations and Care and Repair organisations, and employs over 500 members of staff.

Scheme summary outline
Clwyd Alyn (CA) have a close working relationship with North Wales Credit Union (NWCU) and actively promote their services. The CU also has a payroll deduction scheme established for CA staff. CA will also pay the £2 joining fee for tenants signing up to the credit union.

Scheme aims / purpose
The context of the scheme has been Clwyd Alyn's financial inclusion strategy. This strategy was driven by the need to be proactive about helping tenants to manage their money, while also supporting them to find cheaper options for credit and large purchases such as furniture. They see their role as 'financial early intervention'. In conjunction with signposting tenants to NWCU, Clwyd Alyn also offer money advice sessions to tenants and are trying to reduce the need for DROs, as they are costly to the organisation.

The business case / evidence of need
There had been an increase in the numbers of tenants using payday lenders and loan sharks which was causing concern. The financial inclusion strategy was developed in conjunction with tenants and staff, and outcomes are monitored systematically. The resultant action plan has recently been updated to include more pre-tenancy work. There is also a high level of concern over the payment of housing benefit directly to tenants, under Universal Credit (UC) as well as other issues such as monthly benefit payments and the five week gap before any payment is made (so claimants will have no income for that time). One of the UC pilot areas is in the Clwyd Alyn catchment so they have had chance to go through the process with a small number of tenants. This has allowed them to develop approaches and strategies for "handholding tenants and making sure they do what they need to do

in order for payments to be made on time", as well as working with DWP to ensure that the association is kept updated and vice versa. A key concern is how the issue of arrears will be addressed without a 'revolving door' between direct HB payments and the payments being made to the landlord after 8 weeks of arrears are amassed.

Developing and setting up the scheme
Clwyd Alyn has a long standing relationship with NWCU and has actively worked with them for some time. They also have a history of looking to support tenants with issues related to financial inclusion; some years ago staff developed a proposal for an in house credit scheme and this was promoted in the tenants Newsletter. This was driven by the fact that a large number of tenants would not pay rent over the Christmas period, effectively taking a payment holiday. The scheme promoted tenants over-pay by about £3 per week throughout the year so that in the run up to Christmas and other key pressure points such as Easter and the week before schools reopen they could take a payment holiday based on the amount of credit they had built up on their account. This would avoid the housing officers having to chase up arrears and take a more focused approach to income collection. Another idea that was discussed was about putting aside a £20,000 funding pot for tenants to use as a cheaper loan facility, so that they could use this to help them to clear their rent accounts, but this was rejected on the grounds of what criteria would be applied for eligibility and the potentially heavy burden of administration. It was also suggested that some funds be passed over to the CU to administer a loan scheme but this idea was also rejected. NWCU had also discussed the idea of Jam Jar Accounts with Clwyd Alyn – these accounts would ring fence essential spend such as rent and bills, only leaving the tenant access to their remaining income. They are considering offering this, but it has not been fully developed by the yet, and there are issues about costs (currently assessed at £5 per week per account), which it was proposed Clwyd Alyn would cover. There was some discussion within the association about whether the cost would be worth it in comparison to the costs related to rent arrears; currently they are waiting until the full roll-out of Universal Credit to see whether arrears are significantly affected before considering it again. Equally, if the cost to the association were to be reduced they would be keen to reassess their stance. As a result, at the moment they are solely maintaining their promotion and support of the standard services that NWCU offer.

The scheme
Clwyd Alyn's approach to assisting tenants to access affordable credit is to actively promote engagement with NWCU. Staff will always suggest the NWCU if tenants are

looking for sources of credit. All new tenants receive information about the credit union, and there is a dedicated section highlighting their work (with a direct link to the NWCU website) in the money management section of the Clwyd Alyn website. NWCU also has a payroll deduction scheme established for CA staff, in the hope that they will see how beneficial the organisation is and then promote this to tenants. The association will also pay the £2 joining fee for tenants signing up to the credit union Christmas Savings Club. For other sources of credit, tenants can also look to Moneyline Cymru (www.moneyline-uk.com/aboutus), however Clwyd Alyn has only heard presentations from them so far and have not done any close work with them. They have also met with Barclays on a number of occasions and have found them to be proactive and impressive with their offer for basic bank accounts and attendance at their Tenant's Conferences where they have actively engaged with tenants promoting financial wellbeing.

Partnership working arrangements
Clwyd Alyn have a close working relationship with NWCU They have regular meetings with the credit union and they actively promote their services (for example, NWCU feed into the association's newsletter, and have presented at the annual tenant conference three years in a row). In terms of roles, all the services, processing, risks and arrears chasing rests within the standard credit union model at this stage. The relationship is long-established, and it is possible in the future that more 'products' could be developed (such as the Jam Jar account).

Scheme outcomes
Take up of credit with NWCU is relatively low amongst tenants. From the association perspective, accessing credit is not a key priority either for the association or the tenants at the moment; a bigger issue is the fact that a high number of tenants do not have enough income to cover their day to day outgoings. Because of this, staff are more regularly looking for grants for white goods and other purchases because they do not need to be repaid. For a similar reason, they will rarely look to further credit to consolidate debt either: very few of the tenants in question have enough disposable income to make repayments, so they will more commonly look to a Debt Relief Order as a way to resolve the issue. Staff estimate that 90% of the tenants with debt issues meet the DRO criteria so it is a more realistic option. Alternatively, they will work with organisations such as StepChange to put repayment plans in place; again this would be a preferred option to consolidation. "Circumstances these days mean a different approach is needed; credit isn't really relevant to many of our tenants due to the affordability of repayment. The level of credit offered by banks and other main stream

creditors is often much higher than a tenant requires or needs. Payday loans and other subprime lenders are far more attractive due to the low amounts offered and the ease and speed in which a loan can be obtained."

When tenants do access credit, it is rarely to make purchases or go on holiday now; it is more likely that tenants will be accessing pay day lenders to get fast access to money to pay rent or bills. It is for this reason that staff believe that the credit union offer is not attractive offer to tenants, as access is not quick enough. On rare occasions staff have advised tenants to go to pay day lenders in order to clear arrears in cases where eviction is imminent; they note that it is easier to negotiate with a pay day lender over repayment than to resolve an eviction.

There is also some responsibility on the part of the housing officers to promote the NWCU to tenants and it was felt by interviewees that this was not perhaps happening as much as it could.

The overall financial inclusion programmes delivered by the association have had some impact on tenants. The number of new tenants not in arrears after a year has increased by 140 in the past year, although it was noted that the ones who are in arrears are more significantly so and owe a greater sum. Evictions increased by one, although interviewees noted that court notices for eviction are now an absolute last resort due to the costs involved.

Experience of delivering the scheme

There is an absolute drive within the two organisations to work together, and it was noted that there is top-down buy in within Clwyd Alyn for supporting NWCU. Both parties agree that there is a role for the association in providing financial inclusion support and advice, with access to credit being part of that.

There are issues about conflicting roles: one being to support tenants to find the best personal solution, and the other finding a solution that will be less costly to the association. The use of a Debt Relief Order would mean Clwyd Alyn would lose the potential amount of money that could be gained from recouping arrears, as they are written off.

There are also improvements to the referral systems between the two organisations that need to be developed.

Scheme funding arrangements and financial sustainability

There is no financial cost to the association except the £2 membership fee, and all credit risks are carried by the credit union. Promotion and referral to the scheme are

within the association's Welfare Adviser and housing officer's existing roles (though note that the latter is being reviewed).

Future outlook
Both the credit union and the HA are keen to carry on exploring routes for joint working, but feel it is "just a case of finding the right initiative". There is motivation on both sides of the relationship to develop future working, but neither party are yet clear about what approach would work best. The housing association's decision-making on access to credit services will be driven by the introduction of Universal Credit; because it is still unclear to what extent tenants will be affected the current view is to 'watch and wait' in the organisation. Housing management staff are keen to develop access to credit, having proposed a couple of different approaches in the past, so with buy in from senior leadership it is possible that an in-house scheme or a more structured approach with the credit union could be developed, including possibly the development of a Jam Jar account facility. At the time of the case study research, there was a best value review of the housing officer post being undertaken. This will highlight how much of their time is committed to chasing rent, which may potentially lead to reassessment in the future.

Grampian Housing Association

HA Background
Grampian Housing Association was established in 1975. It covers North East Scotland with offices in Aberdeen and Elgin. It has grown through a combination of new developments and stock transfers and now owns or provides services to 3,500 households. As well providing homes for rent it also provides low cost shared ownership and shared equity homes. It provides both general needs and special needs housing.

Scheme summary outline
The 'Furniture Project' is a partnership between four housing associations (including Grampian HA) and North East Scotland Credit Union (NESCU) to offer tenants access to affordable loans for furniture, white goods and flooring. The loans are administered and funded by the credit union, but the scheme is backed up by a loan guarantee fund provided by each HA to cover any loan defaults. The project was launched in 2013 and is open to all tenants across all four RSLs.

Scheme aims / purpose
Through providing tenants with an affordable way of paying for essential household items the scheme aims to: deter tenants from using high-cost credit; improve tenancy sustainability and reduce tenant turnover and voids; and through the link-up with the credit union to encourage saving and improve tenants' financial inclusion and financial resilience. The scheme also provided the housing associations with a way of replacing their previous furniture project scheme that was not dependent on receiving grant funding (outlined below). There were no set targets or expectations for how many tenants would take-up the scheme, but based on their previous experience of running a furniture scheme, take-up was expected to be high. The scheme is available to all residents who meet affordability checks. The scheme is part of wider work carried out by Grampian HA and partners to improve financial inclusion, including delivering money and debt advice and builds on Grampian HA's history of involvement in financial inclusion services (see Hillcrest community banking initiative case study). They are looking to set up a 'rental exchange' programme with Experian where tenants build up a credit profile for paying rent reliably, giving them a credit history and improving their access to mainstream financial services and products.

The business case / evidence of need
The business case for the scheme was based on Grampian HA's experience of running a previous furniture project which closed in 2009 when a support grant ended. Take-up with the previous project was described as being very high and the closure of the scheme had left a gap, particularly for new tenants.

Developing and setting up the scheme
The furniture project scheme was launched in 2013. Discussions about developing the scheme had been in progress for several years following the closure of the previous Housing Association furniture scheme which staff were keen to replace. The development of the scheme eventually came into being when NESCU approached several HAs with the idea of delivering a joint scheme. Grampian HA had an established relationship with NESCU having worked with them for 10 years. There were no difficulties in getting the scheme approved, the HA Board and Senior Management Team were keen to find a replacement for the previous furniture scheme and the model suggested by NESCU was viewed as being of minimal risk to the HA. The previous scheme - delivered in-house - had placed a considerable burden on HA staff in terms of its administration. The proposal from NESCU significantly reduced this administrative burden on HA staff and also reduced the financial risk. The main issue in setting up the scheme was in finding suitable suppliers for the furniture and white goods.

The scheme
The ‘furniture project’ enables tenants of the four participating HAs to access an affordable loan from the credit union with which to purchase furniture, white goods and flooring. The credit union offers tenants loans up to £1,250, repayable over a maximum of two years, at an APR of 12.6%. A portion of the loan can be spent on furniture and the remainder on flooring. Eligibility for loans is based on an affordability check. Tenants have to visit the credit union offices to make their loan application. Once a member of the credit union, tenants can take out other products such as savings accounts. Tenants also have the option to over-pay on their loan, if they are able to, to build up a savings pot at the end of the loan term. NESCU has formal agreements with a number of local suppliers of white goods, furniture and flooring and the tenant can choose from a range of products from these suppliers up to the maximum loan amount. For example, one local supplier of white goods offers a package comprising a fridge/freezer, washing machine and electric cooker for £550 (excluding installation costs); a second-hand furniture project offers tenants a comprehensive furniture package for £250. More recently the scheme has been expanded to provide a digital inclusion package, where tenants can get a laptop, laptop case and printer for £321. NESCU experienced some early difficulties in

making contact with tenants so that deliveries could be made which created additional work, but since this responsibility passed to the suppliers it has not been an issue. Referrals to the credit union loan scheme by Grampian HA money advisors is part of a wider money advice service (SMART project) offering advice on income maximisation, budgeting, debt and referrals to grant schemes. Money advisors who refer tenants to the furniture scheme also explore other non-cost options with tenants before making a referral e.g. the Scottish Welfare Fund and charitable donations.

Partnership working arrangements
North East Scotland Credit Union delivers the loans and provides the loan capital, with any loan defaults covered by the loan guarantee fund. The scheme is jointly promoted by NESCU and the partner HAs. NESCU have produced leaflets that can be included in tenant handbooks. Grampian HA staff publicise the scheme to tenants and money advisors refer tenants to NESCU for a loan. The loan application process and decision making is conducted by NESCU. When a loan has been approved the credit union pays the suppliers directly, and the suppliers liaise with the tenants to arrange delivery. When NESCU feel there is a risk of arrears they alert Grampian HA who can refer the tenant to the money advice workers for advice and help with making repayments. The housing associations have a close working relationship with NESCU and the project partners meet quarterly to discuss progress. There were no issues in setting up the partnership for the scheme as all parties already worked together; Grampian had anticipated that there might be difficulties securing the guarantee fund contribution, but this was not the case.

Scheme outcomes
Take-up: Scheme take-up across the four partner HAs has been low. Since the scheme launched (in 2013) 31 loans have been awarded at a total value of £21,452, and an average loan size of £715. Low take-up is thought by the credit union to be due to insufficient promotion of the scheme by the HA partners. For example, Grampian HA has referred just 15 tenants to the scheme. One element to this is that Grampian HA money advisors explore other no-cost options with tenants, such as the Scottish Welfare Fund and charitable organisations (suitable for those with no excess income who cannot afford to repay a loan), before referring them to the credit union. There is also a high drop-out rate between the number of tenants referred for a loan and the number of tenants who are actually awarded a loan – across the whole scheme only a third of tenants referred for a loan received one. This is reported to be because tenants do not follow-up the referral, rather than tenants being declined a loan. That tenants have to visit the credit union offices in person is thought to deter them from applying, also some tenants find

alternative sources of help following the referral such as help from friends and family at no cost.

Default rate: The default rate for the scheme has been very low with only one loan default, far less than the 5 per cent predicted by the credit union. In cases where NESCU feel there is a risk of arrears they alert the housing association who can refer the tenant to their money advice workers for advice to help manage the situation.

Benefits for tenants: The reported benefit for tenants was that the scheme meets a need for accessing essential items at an affordable price.

Benefits for the HA: The scheme provides HA staff with an alternative option for tenants. It has been very easy to set up and administer at very little cost.

Experience of delivering the scheme
Once issues with identifying and working with suitable suppliers were overcome the delivery of the scheme has gone smoothly. The main issue has been low take-up, attributed to a lack of promotion to both HA staff and tenants and a high drop-out rate among tenants who are referred to the scheme. Interviewees reported that take up of this scheme is significantly lower than the previous furniture scheme; they felt that tenants may be put off by having to pro-actively meet with the credit union. A reported strength of the scheme is the close relationship and regular communication between all of the project partners. An additional benefit of this scheme over the previous one is that tenants own the furniture and other items after the repayments are made; with the previous scheme tenants were given a grant and they repaid a service charge effectively. **Overall scheme success**: Both Grampian HA and NESCU feel that the project is going well. From the perspective of Grampian HA the scheme meets a tenant need in accessing essential items at an affordable price and requires little cost or administrative input from the HA. From the perspective of NESCU the scheme operates at no risk to them because of the loan guarantee fund, although it costs them to deliver the scheme. The scheme provides an alternative route for tenants where they may not be eligible for Scottish Welfare grants for example and is a better alternative to high street lenders. Grampian does have a high level of tenancy sustainment. Interviewees found it hard to attribute that success to this particular initiative, not least because the take up has been relatively low, but they felt that it was likely to be a contributing factor. The partners have not actively sought feedback from tenants using the scheme, but acknowledge that this would be a useful activity for developing the offer in future.

Scheme funding arrangements and financial sustainability
Grampian HA (along with each of the other HA partners) put £20,000 into a loan guarantee fund that is held by NESCU. The delivery of the scheme is very low cost for

the HA as it requires minimal administrative input from them. With the low default rate the loan guarantee fund is financially sustainable. However, for North East Scotland Credit Union who deliver the loans scheme they lose money in administrative costs for each loan delivered. In this sense the scheme is not financially sustainable and these costs are cross-subsidised by other profit-making credit union activities. It is important to note that NESCU view the scheme as a loss-leader however, and see the scheme as bringing new clients to the credit union who then potentially take up other services.

Future outlook
Both partners, Grampian HA and NESCU feel the project is going well and want to continue it. From the perspective of Grampian HA the scheme meets a tenant need in accessing essential items at an affordable price and requires little cost or administrative input from the HA. From the perspective of NESCU the scheme operates at no risk to them because of the loan guarantee fund, although it costs them to deliver the scheme.

Hillcrest Housing Association

HA Background:
Hillcrest Housing Association was established in 1967 and covers the city areas of Dundee and Edinburgh, plus rural areas in Perthshire and Fife. It is one of Scotland's largest housing associations with over 5,500 homes and over 6,000 tenants. Their tenant profile has relatively few tenants over state pension age.

Scheme summary outline
The scheme started as a community banking initiative in 2004 through a partnership with Dunfermline Building Society (DBS) and Grampian Housing Association. In 2006 the scheme was expanded to cover four more HAs in the Dundee area with a further HA joining the project in 2007. The scheme ended in 2009. It provided tenants with access to affordable loans and saving accounts with Dunfermline Building Society with the participating housing associations providing a loan guarantee fund.

Scheme aims / purpose
The aims of the community banking initiative were to: provide a credible alternative to doorstep lending and other high-cost credit through the provision of low cost loans; to encourage tenants to save; and to deliver a tenant advice service. When the scheme was expanded in 2006 it also aimed to help financially excluded tenants open a basic bank account with DBS (however this element of the project did not materialise). The expanded scheme set initial targets of 450 savings accounts and 55 loans, which were revised downwards in 2007. In 2004 when the project was first launched the involvement of housing associations in financial inclusion work was new and Hillcrest HA did not have a financial inclusion strategy. In 2006, when the scheme expanded, Hillcrest HA were part of a local financial inclusion strategy group involving other HAs in Dundee. This was at a time when HA involvement in financial inclusion initiatives was taking off in the UK and when financial inclusion was on the agendas of both the Scottish and UK governments.

The business case / evidence of need
In 2003 Hillcrest and Grampian HAs were interested in setting up a scheme and conducted a tenant survey which showed that: 7% tenants would like to have quick access to small loans, 3% used The Provident (doorstep lender), and 70% tenants were not able to save any money. This evidence was used to support the case for setting up the scheme, although in hindsight (discussed below under Scheme Outcomes) the evidence was not particularly strong.

Developing and setting up the scheme
There were no difficulties in setting the scheme up. Hillcrest HA's Board and Chief Exec were very supportive. Hillcrest HA employed a full-time money advisor to deliver the scheme. Dunfermline Building Society had an existing partnership with Hillcrest HA through their mortgage business and as a building society were felt to share the same values as Hillcrest and Grampian HA. DBS' community development worker took the lead in setting the scheme up. Partnering with a credit union was not an option at the time because the local credit was very small. A problem found in delivering the original scheme was that there was a huge unmet demand for money advice from tenants and this element of the work took over from promoting the savings and loans scheme. Therefore, an underlying motivation for expanding the scheme was to employ a dedicated Savings and Loans Officer to free up Hillcrest's money advice worker to focus on advice work. A bid to Dundee City Council's Fairer Scotland Fund was successful in funding a Savings and Loans Officer and enabling the scheme to be expanded to cover 6 HAs.

The scheme
The scheme offered bespoke products to tenants through Dunfermline Building Society. Tenants who opened a savings account were able to access a better rate of interest because their savings were deposited into the loan guarantee fund account which earned a higher rate of interest than an individual saving account. DBS were also more flexible in the proof of ID they required for a tenant to open an account. Once tenants had saved with DBS for three months (even if they only deposited £1/month) they were able to apply for a loan. DBS did not ordinarily offer personal loans but agreed to do so with the scheme's loan guarantee fund. Tenants could apply for cash loans of between £50 and £500 over a maximum two year loan term. Loans could only be used for household goods, but in reality there were no checks so people could use a loan for anything. The interest rate was the Bank of England base rate + 0.95%. Over the life of the scheme the BoE base rate was between 3 and 6%. The scheme was open to all tenants named on the tenancy agreement. For a loan, as well as having to have saved with DBS for three months, tenants could not have any rent arrears and needed to be able to demonstrate (through a budgeting check) that they could afford repayments. The scheme was delivered as part of wider one-to-one money advice and financial health check service by the Hillcrest HA money advisor / Savings and Loans Officer

that included: income maximisation, rent arrears advice, budgeting, referrals to other sources of financial help such as Discretionary Housing Payments and charitable grants and promotion of home contents insurance.

Partnership working arrangements
Hillcrest HA promoted the scheme to tenants through: tenant newsletters, mail shots, information stands, local press, rent statements, posters, display stands, financial awareness induction sessions for new tenants, and at one-to-one advice sessions. The money advisor / Savings and Loans Officer also supported tenants with completing application forms for saving accounts and loans, helped tenants to get identity documents, and conducted budgeting checks to see whether tenants could afford a loan. Dunfermline Building Society also promoted the scheme by providing DBS leaflets and posters for the HAs to use. DBS processed the saving account and loan applications, approved the loans, provided the loan capital and chased arrears. The relationship with DBS working with their community development workers was good. The only issue reported was that when the scheme expanded DBS said that they would offer a transactional bank account to tenants which did not happen.

Scheme outcomes
Take-up: The expanded scheme did not meet its targets of 450 savings accounts and 55 loans. By the end of the scheme 150 saving accounts had been opened and around 30 loans, totalling £5,332, had been awarded (across all six HAs). Reasons why take-up of savings accounts was lower than expected was because tenants could not afford to save and it was difficult to persuade them after doing a budgeting check that they could afford to save a few pounds a month. There were also practical disincentives as accounts were branch operated and for some tenants their nearest branch was not very close by. It was also thought that that the targets were over-ambitious and that there had been a degree of naivety in thinking that lack of access was the key reason why 70% tenants (in the survey) were not able to save any money, rather than problems of affordability. Reasons why take-up of loans was lower than expected was attributed to the restriction on loans to tenants in rent arrears and to the saving requirement whereby tenants did not want to save (or were unable to save) for three months in order to get a loan. Very few loan applicants were refused a loan by DBS as the Savings and Loans Officer would conduct budgeting checks and only refer those who could afford a loan. This excluded tenants whose only income was Jobseeker’s Allowance from applying because they did not have any spare income. The Savings and Loans

Officer would also look at other options for tenants such as grants, in preference to a loan which may also have lowered take-up.

Default rate: Under the expanded scheme the default rate for Hillcrest HA was around 50 per cent. However, due to the low level of take-up this was not a large number of accounts, for example in December 2008 this was equivalent to 8 out of a total of 16 loans to Hillcrest HA tenants. Under the expanded scheme Hillcrest HA were no longer informed by DBS of tenants in arrears, due to data protection, and were no longer involved in arrears management which they had been before.

Benefits for tenants: there was no formal monitoring of the scheme outcomes and the money advisor / Savings and Loans Officer did not usually see tenants again after they received a loan or set up a savings account. Anecdotal feedback was that for those who took out a loan it helped them, for example being able to go on holiday. There was no evidence as to whether or not DBS loans replaced the use of high-cost credit for those who received them.

Benefits for the HA: There were no direct benefits to Hillcrest HA from the delivery of the savings and loan scheme, but the HA benefitted hugely from the delivery of the new money and benefits advice service in terms of reduced rent arrears, evictions, abandonments and legal costs. These cost savings enabled Hillcrest HA to employ the money advisor on a full-time basis and seek separate funding for a new Savings and Loans Officer to deliver the expanded scheme.

Experience of delivering the scheme

Overall the delivery of the scheme went well. The key issue was the lack of take-up. Key lessons learned from the savings scheme were that it is very difficult to persuade tenants that they can afford to save a little bit each month. Key lessons from the loans scheme were that tenants want immediate access to loans and do not want to have to make saving deposits first.

Overall scheme success: The scheme was viewed as having limited success given the low level of take-up. For its time the scheme was innovative and was the first of its kind in the country. The introduction of the money advisor role at Hillcrest HA (now common practice for housing associations) brought considerable benefits to the HA and addressed a previously unmet demand for money advice from tenants.

Scheme funding arrangements and financial sustainability

Hillcrest HA secured funding from the Scottish Government to fund the money advisor role for two years from 2004-2006. When this funding ended, Hillcrest HA, seeing the benefits of this role, decided to fund the post on a permanent basis out of their own

resources. In 2006, £75,000 of funding was secured by the consortium of HA's from Dundee City Council via the Fairer Scotland Financial Inclusion Fund to cover the cost of the Savings and Loans project for two years. This funding covered the cost of employing a Savings and Loans Officer to work on behalf of the six Dundee HA's, set-up costs (laptop, mobile phone, stationary), travel expenses, general overheads and promotional activities. Hillcrest HA paid £50,000 into the loan guarantee fund (along with each of the other HAs) which was returned in full when the scheme ended. Losses from the fund in loan defaults was made up from the interest earned whilst the money was deposited in a DBS savings account. The scheme was not intended to be financially sustainable and Hillcrest HA utilised funding opportunities to cover staff costs to set up this new initiative.

Future outlook
The scheme ended on 1 April 2009 when Dunfermline BS was taken over by the Nationwide Building Society.

Inquilab Housing Association

HA Background:
Inquilab Housing Association (IHA) is a significant Black and Minority Ethnic (BAME) housing association established in 1987 in London. It is now one of the larger (1,200 dwellings) and older independent BAME associations in England. It was set up in response to discrimination against BAME communities in the allocation of social housing. While its origins were in Southall and among the South Asian community, it rapidly extended its reach to other BAME groups for the Caribbean, Africa, and in recent years to Afghanistan, Iran, Iraq, Somalis, and central and Eastern Europe. It also houses a significant proportion of white UK tenants, and thus is a highly diverse association, operating in the poorer parts of west and north west London

Scheme summary outline
The scheme has two target audiences and two 'products'. For those in over £500 arrears the offer is that if they join the credit union and open a 'jam jar' rent account with them, legal possession / eviction action will be suspended. This is primarily aimed at tenants whose rents are currently covered by housing benefit, and will in future be covered by Universal Credit. The key element is that the rent element of benefit will be paid by the DWP directly into the rent account, and the tenant will give the credit union automatic authority to pay that on to IHA. If there is a lower balance in the rent account than required i.e. if the funds are from local housing allowance and the sum for the month has been reduced, the Credit Union will send the balance of the account. Where the funds are from say a salary, the Credit Union will ring fence the amount required in the account to meet the rent payment and the surplus is paid to the member's bank account or prepaid card. The instruction can only be changed/cancelled with 60 days' notice from the tenant – if this is received the Credit Union will inform Inquilab HA. For those not in serious rent arrears, there is access to a variety of credit union savings and loan products, as well as the opportunity to open a jam jar rent account. Inquilab offers to cover the £5 per month jam jar rent account fee for 12 months for the first 50 Inquilab residents who open an account and also ensure no rent arrears for 12 months. The scheme is run in partnership with Hillingdon credit union – HCU - (whose common bond covers all Inquilab tenants). The scheme was launched in September 2014.

Scheme aims / purpose
The prime motivation was a policy priority to ensure that 'Inquilab tenants will be equipped to better manage the financial problems or challenges they face. Inquilab's drivers are to reduce rent arrears, sustain tenants, and assist our residents most affected by Welfare Reform, particularly the Bedroom tax and Benefit Cap' Data showed that rent arrears were very high, some in the £1000s. There was a very strong sense that a deeper degree of engagement with those with serious arrears was essential, beyond standard management and income recovery practice. The vision was to intervene as firmly as possible with tenants in arrears or at risk of arrears and 'bring them into the fold' through rent account mechanisms that would ensure their rent performance with the roll-out of Universal Credit. Arrangements would give confidence to tenants in recognition of the fact that in spite of government policy many would still prefer to not have to take responsibility for rent payments (as well as those vulnerable etc. who are less able to make rent payments). There was a realisation the welfare reform agenda (including rent direct) could well exacerbate the problem for those already in rent arrears, and bring others into jeopardy. Research also showed that some groups were more likely to get into arrears – younger newer households, male-headed households. Therefore a Community Economic Development Strategy was developed to 'get them into the system' to prevent arrears. There were several components to this: • A digital inclusion strategy – to ensure tenants could access the IT required to meet the demands of inter alia Universal Credit claiming and payment, jobsearch, employability, school homework • A focussed 1:1 financial inclusion service through debt advice, welfare advice, income / budgeting /money advice, energy efficiency advice, signposting to sources of affordable credit; this service was tendered under the brand £Sense, and the contract awarded stipulated 50 residents should be supported over 15 months, , with practices being embedded within the IHA mainstream staff over the period. This was competitively tendered, and won by Southern Housing Group, who deliver their services against an SLA. • A partnership with a Credit Union, which is the focus of this case study

The business case / evidence of need
The broad context was a lot of research and analysis IHA had undertaken over the last five years to understand and segment their tenants' employment, income,

economic and social situations, and their demand for particular services. This had been done through a combination of:

- Postal residents survey
- Focus Groups
- Management data analysis
- Gathering of census-type info on the back of housing management activity
- Analytical segmentation of groups vulnerable to rent arrears using Experian and housing management data

IHA decided to focus on age-based and culture-based groups that were particularly excluded from financial products, vulnerable to arrears, and vulnerable to welfare reform. This included those in low paid employment as well as some groups outside the labour market. IHA had effectively pigeon-holed tenants into those that were 'good as gold', those that would need to be treated as vulnerable, and a large central group who would need careful intervention.

The business case was outlined in a paper to the Executive Team in July 2014, which budgeted a cost of £4,200 for the scheme. This was within the already allocated budget for tenant involvement. There was no cost / benefit analysis for the scheme.

Developing and setting up the scheme

The relationship with the credit union began in July / August 2014 and services were introduced from September 2014. The £Sense service started in February 2015. A consultant brought in by IHA to explore options already had a good relationship with Hillingdon credit union (HCU), and this was built upon.

IHA were already pursuing tenants for rent arrears and had no desire to get involved in potentially pursuing them for other debts, so the natural response was to use an outside agency. So far in terms of the relationship between the organisations it has been 'plain sailing', but there has been slow start up.

The scheme

The credit union offer is dependent on the state of the rent account and financial stability. Inquilab offers to cover the £5 per month fee for 12 months for the first 50 Inquilab residents who open an account and also ensure no rent arrears for 12 months, They also offer to cover £2 per month fee for 12 months for the first 50 Inquilab residents who open a Visa Card Bank Account and also ensure no rent arrears for 12 months

For those in over £500 arrears the offer is that if they join the credit union and open a 'jam jar' rent account with them, legal possession / eviction action will be suspended. This is primarily aimed at tenants whose rents are currently covered by housing benefit, and will in future be covered by Universal Credit. The key element is that the rent element of benefit will be paid by the DWP directly into the rent account, and the tenant will give the credit union automatic authority to pay that on to IHA. If there is a lower balance in the rent account than required i.e. if the funds are from local housing allowance and the sum for the month has been reduced, the Credit Union will send the balance of the account. Where the funds are from say a salary, the Credit Union will ring fence the amount required in the account to meet the rent payment and the surplus is paid to the member's bank account or prepaid card. The instruction can only be changed/cancelled with 60 days' notice from the tenant – if this is received the Credit Union will inform Inquilab HA.

For those not in such severe arrears, a full range of credit union products are immediately available. These include:

- Savings Accounts - are not subject to credit checks or any opening fees. Minimum savings are £10 per month, increasing to £20 where there are loans above £1,000. Annual dividend (equivalent to interest) is anticipated to be 1.5% for instant access savings – higher than other high street Banks.
- Loans – applications are accepted from all members. Repayment of loans will help to build credit ratings (and are recorded on Experian database to this end). All loan applications must meet the key criteria of ability and willingness to repay. There are no lending or processing fees. A number of loans are offered. Three key loans and common features are set out below:
    - Child benefit loans – up to £500 over 12 months. Interest rates vary between 2% or 3% per month. The rate depends on the run of their bank account and financial circumstances. Their Child benefit must be paid to their account at Hillingdon Credit Union; loan reductions are made from these funds either weekly or monthly in line with the benefit payment. Surplus funds after the loan reduction and saving are sent the same day to the member's bank account or prepaid Visa card. The member is of course able to save the full surplus on their account if they wish. These are the most popular among social housing tenants – often needed for white goods and offering much better value than Bright House, HCC work with SmarterBuy – a charitable white goods catalogue
    - Loans to working members – in the first couple of years loans up to £3,000 can be applied for although initially these can start from as low as £200. Terms can be up to 3 years and interest rates range between 1% and 2% per month depending on the members' financial position and the amount and term of the loan. If homeowner loans can go up to £15K

◦ Bank Cards Visa card – As this is a prepaid card that has no credit searches to obtain the card, there is no credit history built up. These cards have their own sorting code and account number, have electronic wallets that act as a budgeting tool i.e. Jam Jar account (s), for rent, housekeeping. Utilities, food etc. are contactless for use on buses and shops and come with a phone app for balances etc. The cost of the card is normally £5 one off to get the card then £2 per month. The card does however give cash back on spend with major retailers i.e. 3% from Asda, 4% from Argos, B+Q and Homebase and 7% from New Look – there are many other retailers on the scheme. To assist with launching the card Hillingdon Credit Union will reduce the initial card fee from £5 to nil for the first 30 applications. Inquilab offers to cover £2pm fee for 12 months for the first 50 Inquilab residents who open a Visa Card Bank Account and also ensure no rent arrears for 12 months Tenants have to save if they want to take out loan – (£2.50 pw / £10 pm). The idea is the next time round they have a crisis, they will have saved something to fall back on. As noted, IHA provide these services as part of the wider Community Development Strategy package, which includes to £Sense debt advice, welfare advice, income / budgeting /money advice, energy efficiency advice, signposting to sources of affordable credit service, targeted at 50 tenants over 15 months.`

Partnership working arrangements
In terms of promotion, the Community Engagement Office has stock of application forms, and use tenant meetings and events to promote. New tenants are encouraged to join on sign-up, especially those on low incomes and those with poor credit ratings (discovered on tenancy sign up), as would those with evidence that they were having difficulty managing money (e.g. utility debt, other debt, history of payday loans etc.). The credit union is not just promoted to those in arrears – to all via website. The credit union are meant to inform IHA about new members going to them directly. HCU have bounty scheme (£5), and provide wordings for leaflets, newsletters etc. It is then up to IHA to get the message out. IHA include documentation within the standard tenant documentation when signing up new tenants. HCU provide the loan capital and carry the risk, and are responsible for arrears chasing

In terms of setting up an account, a completed account opening form and copy ID is required. For loan applications credit and income checks carried out to make sure there is no bankruptcy and to check for fraud. They also ask for one month's bank statements, to see how income and expenditure balances (and see if there are bouncing bills). This also helps verify what people spending priorities are

Scheme outcomes
There has been low take up, but 'it is early days still. Most growth is through word of mouth / early adopters So far about 12 tenants have taken up something. 8 tenants have opened savings accounts, 3 have taken out loans. 2 have opened a rent account (and one is on UC). The latter tenant has written a good 'reference' for the scheme to be used. The Community Development Officer (CDO) thinks once it gets promoted more better take up expected. IHA tenants are relatively scattered across West London, and this makes promotion more difficult. . A couple of loans have had to be declined, because they were asking for unrealistically large amounts (£10K+). Generally, 10% - 15% loans are declined by HCU For HCU, default rates run at about 4%. Often people who move property leave their bills behind 'including those to us'. not realising that they will follow them around through their credit history It is too early to assess impact on tenants or IHA. A slight reduction in tenants with arrears has been seen.

Experience of delivering the scheme
As noted, the credit union are meant to inform IHA about new members going to them directly. Apart from low take up it has been 'plain sailing' in terms of processes. Promotion though is a problem. Perhaps there was feeling that £sense (who are seeing more tenants) ought to be more upfront about promoting credit union

Scheme funding arrangements and financial sustainability
The business case was outlined in a paper to the Executive Team in July 2014, which budgeted a cost of £4,200 for the scheme, assuming 50 tenants took it up. This was within the already allocated budget for tenant involvement. There was no

cost / benefit analysis associated. There was internal discussion about affordability and that is why it was capped at first 50 tenants. There is only a commitment for first year. If there is good take up might consider extending it. There were no particular assumptions about VFM / savings etc. - it was generally thought to be a sensible thing to do at little outlay The CDO spends about 10% of her time on promotion, forms, sign ups. Housing officers will make daily referrals to £sense; and £sense will refer tenants to credit union. The staff funding is within the ordinary IHA budget – there is no special; allocation.

Future outlook
The CDO and HCU are doing regular monitoring, and there will probably will be an evaluation at the end – to see if the outlay on the incentive elements compensated for by reduction in arrears, court costs, The original reasons for setting up the scheme remain, and there continue to be links to other IHA work on culturally sensitive service provision.

Monmouthshire Housing Association

HA Background:
Monmouthshire Housing Association (MHA) was set up in 2008 as a result of a stock transfer from Monmouthshire County Council. It owns approximately 4,000 properties across Monmouthshire which is a largely rural area. Its tenant profile includes a large elderly population.

Scheme summary outline
Monmouthshire HA have a partnership arrangement with Gateway Credit Union. The scheme was primarily focused on encouraging tenants to save and to open a savings account with the credit union. Monmouthshire HA offered tenants a saving incentive and paid the credit union membership fee on behalf of tenants. Once a member tenants can also apply for a credit union loan. The scheme was established in 2009/10 after Gateway Credit Union moved into the Monmouthshire area. The partnership with Gateway Credit Union is still operating, but the savings incentive scheme is no longer offered. They now offer a £10 voucher scheme.

Scheme aims / purpose
The aims of the scheme were to encourage a savings culture among tenants so that they would have money to fall back on in an emergency that would prevent them from having to use high-cost doorstep lenders. It was also hoped that improving tenants' financial wellbeing might also have a positive impact on their ability to meet rent payments. The savings incentive scheme was open to all tenants with a target set of 200 tenants opening a credit union savings account over three years. The scheme was part of the housing association's wider Financial Inclusion strategy (2009-2011) which also included access to affordable credit, access to benefits advice, income maximisation, access to financial products and services, financial capability and literacy support. The wider context to the scheme was that Monmouthshire HA wanted to actively support the local credit union who had only recently moved into the area (in 2008) and to help them expand, as part of national and Welsh Government financial inclusion strategies to support the expansion of credit unions. Under Monmouthshire HA's current Anti-Poverty strategy financial inclusion is covered by their 'Money Wise' service delivered by a dedicated team of money advisors.

The business case / evidence of need

In developing their financial inclusion strategy and services Monmouthshire Housing Association conducted a range of evidence gathering activities including: a tenants' needs survey, a service mapping exercise, staff consultation and a business needs analysis. The service mapping exercise identified that there was only one debt CAB advisor for all of Monmouthshire, no financial literacy provision and no local credit union. The tenants' needs survey found that: 40% of tenants had never saved; 32% were interested in opening a credit union saving account (although 58% were not); 5% used doorstep lenders; and 6% were interested in accessing affordable loans. The business case was that the financial inclusion strategy would reduce rent arrears and help tenants.

Developing and setting up the scheme

The scheme was set up in 2009/10 after Gateway Credit Union moved into the area. There was buy-in and support from the senior management team who recognised from the research that tenants had difficulty accessing credit and supported the overall business case for the financial inclusion strategy.

Prior to Gateway Credit Union moving into the area Monmouthshire HA had considered other options including delivering their own scheme, but when they looked into the requirements for getting a credit licence they decided it was not a route they wanted to follow and felt that it was not part of their core business. Partnering with Gateway Credit Union was part of a wider financial inclusion partnership in Monmouthshire where a number of housing associations were supporting the expansion of the credit union, helped by Community First.

Difficulties in setting up the scheme related to the lack of capacity (staff and IT systems) at the credit union who were a small organisation based in Torfaen with only a few part-time collection points in Monmouthshire. This meant that the credit union was unable to deliver the savings incentive scheme as envisaged by Monmouthshire Housing Association (discussed further under partnership working).

The scheme

The scheme focused on offering a savings incentive for tenants to start saving with the credit union. The scheme used the credit union's standard savings account, with an attached financial incentive funded by Monmouthshire Housing Association. Monmouthshire Housing Association paid the £1 credit union membership fee and once tenants had made three deposits into their savings account MHA paid in £10 for an adult saving account and £5 for a child's account. The scheme was designed to deliver the incentive payment after three deposits, rather than on opening a savings account, to avoid tenants opening an account and then immediately withdrawing the incentive money. All tenants were able to access the scheme.

Once a member of the credit union tenants could also access the credit union's standard loan products with loans under £500 charged an interest rate of 3% or 42.6% APR. Prior to 2011 members were required to have saved with the credit union before being able to access a loan. Since 2011 eligibility for loans has been based on affordability and credit checks.

Promotion of the scheme and the credit union is part of the money advice workers role. They visit all new tenants within two weeks of the new tenancy, tenants with arrears are referred to the advisors and can attend advertised drop in sessions. As part of their wider role to deliver money, benefit and debt advice the Money Wise service may encourage tenants to open a credit union savings account or apply for a credit union loan. Promotion of the scheme and referrals to it is therefore delivered as an element of a wider, holistic service.

Partnership working arrangements

Monmouthshire Housing Association promote the scheme and refer tenants to the credit union and provide the incentive payment. Money advisors are able to process applications to the credit union: they help tenants to complete the application form, are authorised to validate tenants' identity documents and can issue paying-in books to tenants. This speeds up the application process and makes it easier for tenants.

Gateway Credit Union pays the incentive payment into tenants' saving accounts and invoices Monmouthshire Housing Association for reimbursement. Loans are delivered solely by the credit union who make the decision on the outcome of loan applications, collect loan repayments and chase arrears. The credit union also does their own promotion to all local residents.

Operationally the partnership between Monmouthshire Housing Association and Gateway Credit Union to deliver the savings incentive scheme has not worked. Although the scheme was agreed by both partners, Gateway Credit Union could only identify eligible tenants through manual checks at which point the £10 incentive would be paid. Furthermore, having little infrastructure in Monmouthshire Gateway Credit Union were not able to utilise the volunteer help offered by Monmouthshire HA (via their 'Work Wise' scheme) due to lack a lack of staff capacity to support volunteers. There were also difficulties with invoicing MHA for incentive payments that had been paid as it also required the tenant to give consent to Gateway Credit Union to share this information with MHA. From the perspective of Monmouthshire Housing Association the lack of capacity at the credit union to deliver the scheme was frustrating. From the perspective of Gateway Credit Union, the saving scheme was in fact very difficult to operationalise and a broader difficulty for small organisations when working with larger organisations, is that they may not fully understand the difficulties and restrictions that small organisations face.

On other aspects of financial inclusion the two organisations work very closely and successfully, for example Gateway Credit Union host a money advice worker at one of their offices for drop-in sessions and they work together in helping vulnerable tenants. Gateway Credit Union also value the support they receive from MHA in helping to promote them. The Credit Union has grown steadily in Monmouthshire, with the practical support of Monmouthshire Council, MHA and other partners.

Scheme outcomes

Take-up: Between 2009 and 2011: 104 tenants had opened a credit union savings account and had saved £8,544; and 40 loans had been approved totalling £22,023. In 2015, there were around 200 credit union saving account holders who were MHA tenants, although not all of these may have joined as a result of the partnership with Monmouthshire Housing Association. The scheme was felt to have met its target of 200 saving accounts. Monmouthshire Housing Association thought that a large proportion of tenants referred to the credit union for a loan were being declined because of failing credit checks, even though they could afford to repay a loan. In some cases tenants who were unsuccessful were referred to Moneyline (CDFI) for a loan.

Benefits for tenants: The benefit of the savings incentive scheme was that receiving the £10 incentive had been a benefit for tenants. For those that had used the credit union for a loan it had enabled them to buy an essential item such as a washing machine or a car, or had enabled them to go on holiday. The credit union was aware of tenants who had used the loan to pay back rent arrears. For a few tenants getting a credit union loan, alongside wider advice from the Money Wise team was reported to have prevented them from taking out a doorstep loan and helped them to manage rent payments better.

Benefits for the HA: No specific benefits from the savings incentive scheme were reported, but the wider Money Wise advice service had resulted in positive impacts for MHA. This included: helping tenants get back-dated benefit entitlements which could include Housing Benefit to reduce rent arrears; and an improvement in tenant relationships and tenant satisfaction through taking a more supportive proactive approach to helping tenants.

Experience of delivering the scheme

As described above there were difficulties for the credit union in operationalising the incentive element of the savings scheme.

Overall scheme success: Overall the savings incentive scheme has not been judged to be particularly successful. Other than difficulties in delivering the incentive payment to tenants, the size of the incentive £10 was not high enough to encourage tenants to save and largely attracted those who were savers anyway. Tenants living on low incomes on benefits were not interested in saving because they could not afford to. Initially, all loan applications had to be made in person, during very limited collection point sessions run by local volunteers.

Take-up of loans was also low. This was partly attributed to the MHA's older tenant profile whereby those over 50 were not interested in taking out loans. Referring tenants for credit union loans was also not considered to be particularly successful because of a high refusal rate and because some tenants did not want to, or were unable to wait a week to get a loan decision, compared to using a doorstep lender who could offer them the money immediately. Promoted within a wider money advice service, money advisors considered alternative more favourable options first (such as income maximisation, the Welsh Discretionary Assistance Fund, or budgeting loans) before referring tenants for a credit union loan. In this context the services and products offered by credit unions are only a small component of a wider financial inclusion service. More general relationships between MHA and the credit union were thought to work better, such as having an MHA money advisor hosted at the credit union office for drop-in sessions. Promoting the credit union as part of the MHA money advisor role has also worked well.

Scheme funding arrangements and financial sustainability
Monmouthshire HA received £25, 000 from the DWP Financial Inclusion Fund to set up the Money Wise project which covered funding for one money advice worker. MHA paid to employ a second advisor. Promoting the credit union and the savings incentive scheme was part of their wider role and no specific costs were attached to this work. MHA also put £3,000 into a fund to cover the saving scheme incentives, but only paid out £290 in incentive payments

Future outlook
Following a review of the scheme, it has been relaunched and replaced with a voucher scheme that is simpler to administer and meets the credit union’s needs for an audit trail and permission from the member to share their information. Issues around the administration of a voucher scheme have been ironed out With welfare reform the focus of MHA has moved away from financial inclusion work to more immediate needs such as income maximisation and giving out food bank vouchers. However, promoting saving and affordable credit continues to be a key part of the MHA money advice workers role who promote the credit union to tenants, with a £10 voucher issued to those interested in opening a savings account. For Gateway Credit Union, in order to achieve sustainability, their focus is on widening their appeal to the whole community, rather than primarily RSL tenants, who are a small minority of the Monmouthshire population. Gateway Credit Union has now introduced

online loan and membership applications, reduced turnaround times on loan applications and developed their telephone and online services to meet members' needs.

Southway Housing Association

HA Background:
Southway Housing Association was established in 2007, following a stock transfer ballot among Manchester City Council tenants. They manage 6,000 homes in the Burnage, Chorlton, Didsbury and Withington areas of Manchester. As a stock transfer association, tenants are primarily general needs

Scheme summary outline
Southway partnered with South Manchester Credit Union (SMCU) to operate low cost loan schemes for tenants. Southway puts up the loan capital and SMCU run the scheme (with Southway paying them a management fee). The scheme operates as a 'bridge' between payday loans and credit union services – it is aimed at people who do not have enough of a credit rating to be able to join the credit union, or those who need to access more than they could for a first-time loan from a credit union – the aim is the loan will improve their credit rating and enable them to join the credit union. They offer two services: 'Southway Solutions' loan - £100 - £300 at 42.6% APR, and 'Right Track' – which allows tenants to be bought out of other debts of between £300-£1,000 at 42.6% APR. The scheme was set up in June 2014 as a one year pilot.

Scheme aims / purpose
The scheme is part of a wider North West housing group initiative formed to fight poverty, including a commitment to challenging financial exclusion, supporting credit unions, promoting access to affordable credit and challenging illegal and high interest lending. Southway was aware that many tenants failed to keep up to date with their rent or reduce their arrears due to other debts and it was apparent that there was high use of doorstep lenders and increasing use of payday loans which many were struggling to repay due to high interest rates and late payment fees. Southway also noted a 'gap' in what was available from Credit Unions currently, meaning many could not meet their needs. Most new members / first time borrowers only qualified for loans of £100 to £150 and most required £250 - £300 for their needs. These customers were quite open about saying they would apply for a payday loan to cover the rest. They were also aware that some were turning to illegal lenders often referred to as ''borrowing from a friend' to cover the shortfall. The intention was therefore to bridge this gap in provision and deter use of payday lenders. Their longer term vision was to encourage tenants to take-up savings accounts and other financial services from credit unions, thereby reducing their reliance on high-interest loans. However, there are residents who do not have a good enough credit rating to join a credit union – this loan was a 'bridge' loan to

move them away from payday lenders and towards the credit union. They hope to achieve this by, once a tenant had repaid the loan, encouraging them to continue paying funds to the credit union through shares or savings. This way, the tenant would have finances that may avoid their need to access emergency loans and, even if they did require an emergency loan, they would have enough of a history with the credit union to access a loan from the credit union at a lower interest rate The target was to issue 104 loans a year (i.e. two a week). These have all been Solutions Loans, as there have been eligibility issues around Right Track loans (discussed later)

The business case / evidence of need

As noted above, Southway were aware anecdotally and from casework of the difficulties tenants were experiencing in balancing meeting rent responsibilities with other debts. The in-house advice Services Team staff including specialist debt adviser, Welfare Benefits officers and budgeting advisers were seeing many tenants who were in rent arrears and had no access to credit when money needed urgently for things like an unexpectedly high bill, car breakdown or to cope with a delay in benefits. Many were incurring proportionally large costs for failing to have money when needed often for relatively small debts.

In terms of likely costs, a previous approach from another CDFI would have resulted in a product that charged around 70% APR, and this was considered too high. Southway undertook some analysis and modelling of likely default rates, based on research among other CDFIs and credit unions. Default was modelled at a 10% rate, against an APR of 42.6%. This also allowed for regular re-payers being able to move to lower rates. There was additional benefit analysis calculating how much residents would save by accessing a loan from the scheme rather than a payday lender. They calculated that a resident could save up to £6,534 (based on a £1,000 loan repaid over 3 years)

Underlying the justification of the business case was the driver that the Chief Executive and the board were keen for the company to be proactive in improving access to affordable credit.

Developing and setting up the scheme

The scheme was set up in June 2014 as a one year pilot.

Southway decided to partner with the local credit union who would deal with the loan administration and Southway would finance the scheme acting as the guarantor for the loan. They chose to work with a Credit Union because a credit union already had all the technical expertise, so it seemed to make sense to use these skills rather than develop them themselves. They chose to invest in the

scheme itself and act as the guarantor because they felt this enabled them to grow the base of the Credit Union. As noted earlier, they had examined partnering with a CDFI but had viewed the APR levels as too onerous for tenants Southway decided to partner with South Manchester Credit Union because: • they already worked closely with SMCU; • SMCU had the necessary Consumer Credit Licence and expertise; and • SMCU already had a similar contract with Manchester City Council to deliver Welfare Provision Fund loans that had worked well. They decided that Southway would deal with initial application and check eligibility and then signpost to the credit union who would deal with all processing and administration of loans. A fee of £30 per loan is paid to the credit union. The scheme seems to have operated smoothly from the start in terms of processes, communication and co-ordination. There was some learning about the nature of the products that has emerged through the first few months (discussed below)

The scheme
There are two loan products on offer: **Southway Solutions**: This is bespoke service “tailored to tenants experiencing a financial emergency who are unable to access funds, or extend their credit further with the credit”. The purpose of the loan is for ‘home emergencies’ (changed from ‘financial emergencies to encourage applicants to apply for funding to improve their home rather than just about getting more money). The rationale here is that in a time of benefit reductions and sanctions, people will be thinking ‘I need more money’ and just borrowing unsustainably to fill the gap. Instead Southway wanted people to have a specific reason for borrowing and considered that there are other means to filling the gap caused by benefit reductions (e.g. food banks, hardship funds). It offers £100 - £300 to be repaid over periods 3 months to 3 years. The maximum was originally £500 but was lowered to £300 based on the advice of SMCU, who said £500 was too high for a first-time loan of this type; £300 is a good level without there being too much risk – for both the resident and the credit union. **Right Track loan**: This is “to help buy tenants out of another high interest loan in order to prevent escalation of the debt”. The intention is to pay off the balance before charges are incurred and to prevent the customer extending their credit with the lender causing interest and the debt to escalate. It allows tenants to be bought out of other debts of between £300-£1,000. With both products, repayments would include £1 a week paid into a savings account. All members will be encouraged to continue saving once loans have been

repaid. All residents can potentially access both schemes, subject to meeting eligibility criteria which include:

- Must be named as a tenant on the housing association's system
- Must not have had an eviction authorised
- Must not have an injunction in place for Anti-social behaviour
- Must not have an overdue gas safety check (If they do they have do have it done then reapply)

An initial 42.6% APR is charged for both products. Customers who have kept to the agreed payment regime for 6 months can then be rewarded by being allowed to migrate to a credit union loan product charging the lower 26.8%. Tenants can repay via bank Standing Order or can have deduction from Child Benefit.

Partnership working arrangements
Their main method of promotion has been putting leaflets in Southway's 'learning hubs'. They have also put some information in their newsletters. As above, their promotion has focused on promoting the scheme as a source of finance to improve the home, and deal with 'Home Emergencies' such as car repair, not just to get more money. £50,000 loan capital funds were available within Southway to develop the project that would be handed over to the credit union in £10,000 tranches when needed. The funding came from the Income Management Investment Pot – funds created by allocating an extra £1 of rent increase above RPI to a pot to be available for projects that benefit tenants. The £10,000 is paid into a Trust to protect the money should anything happen to the credit union For Solutions loans, initial applications are via Southway who conduct eligibility checks and if they pass are passed on to the Credit Union. SMCU do an affordability test on applicants. They may not reject an applicant based on this – they may just limit the amount they can borrow. They do not do credit checks in order to get a speedy outcome. SMCU also checks ID documentation. If all completed by 2pm tenants can usually receive funds the same day. For Right Track loans applicants are referred by Advice Services staff who will already be supporting them with financial matters and getting a loan will be part of a larger money management plan to get their finances back on track. The credit union performs a credit check and then meet with the advice worker to discuss whether the loan is appropriate for their circumstances. If it is the applicant is made an appointment to complete documentation and funds are paid to the lender or lenders they owe.

If over 3 months in arrears the credit union follows its usual debt collection procedure. For defaults, for the first 12 weeks the credit union attempts to contact borrowers to encourage them to discuss problems and if appropriate, reschedule repayments. More formal sanctions begin after 12 weeks which include use of debt collection services and deduction from benefits and for larger debts, court action. Southway provides the credit union with an additional administration fee if the credit union has to pursue further action.

The only significant change made to the process was that they did not initially ask for proof of income; however they found that applicants exaggerated so they soon started asking all applicants to bring evidence with them.

Scheme outcomes

Demand for Solutions loans has actually been higher than they thought. Applications have averaged at about 5 a week and they are likely to spend their loan capital faster than they thought. However, to date they have not processed any Right Track loans (reasons discussed below).

If a tenant is refused a Solutions loan because they fail the eligibility check Southway staff inform them, and of remedial measures. If the credit union refuse on unaffordability grounds, Southway offers help with budgeting and can provide alternative access to furniture and food if necessary. If refused a Right Track loan an appointment is made with the advice worker who will discuss other options with them and if necessary refer them to a specialist debt adviser.

As regards default rates, at 5 months only 4 were causing concern over repayment. Of those only 2 were considered true defaulters (over 3 months in arrears/ made little or no payments). At the time of a later interview this had increased slightly – out of 119 loans, 92 (77%) were on track and 27 (23%) were behind "in one way or another".

At the moment there is no systematic evidence of benefits or costs for tenants. Southway are thinking of surveying all those who have had a loan. Anecdotally tenants have said the scheme is "wonderful". Tenants like the fact that the loan is coming from Southway, because the residents have an established relationship with them and trust them. There is no information available on whether there has been success in competing with high-interest lenders.

As regards evidence of benefits / costs for the housing association, it has always been accepted that Southway would be running the scheme at a loss (and using its resources to develop the credit union). Therefore it is not creating financial benefits. It is too early to see if it's impacted on rent arrears.

Experience of delivering the scheme
Overall, Southway thinks the scheme is proving to be successful. They have had a good level of take-up and repayment figures and patterns are good. Specific aspects that are working well include: • Good application and payment process, including same day payments • Good integration and 'bolt on' with other Southway services • Good amount of information from credit union per month • Good communication between Southway and SMCU. • Good loan amount (for Solutions product) • Good synergy: They both have a strategic aim of improving the Manchester area Southway have an incentive in supporting and building up the name of the credit union, as it directly benefits their residents and them; they are therefore committed to investing in the credit union. Particular learning points included • Scheme needs to reflect what the credit union is already doing to ensure it runs efficiently and quickly – and that residents can receive the loan on the same day. • There is a lot of time and investment needed upfront • The people making the direct referrals need to be fully briefed on how referrals work – this can take some time. • A realistic fee / interest rate to ensure it is sustainable. Things that hadn't worked so well or needed changing included: • Southway didn't initially ask for proof of income but found applicants exaggerated so soon started asking all applicants to bring evidence with them. So far no Right Track loans have been made. The few candidates put forward turned out once credit checked to have too much debt to be helped by a £1000 buy out. Increasing the limit is being discussed with the credit union. In SMCU's experience, debt consolidation services generally need to cover sums from £5.000 to £10,000 to be effective.

Scheme funding arrangements and financial sustainability
It should be noted that setting up a financially sustainable / viable scheme was not a primary objective of the initiative. As noted, £50,000 funds were available within Southway to develop the project that would be handed over to the credit union in £10,000 tranches when needed. The Head of Finance envisaged the £50k being spent in 12 months as follows: • £64k administered in loans • £20k repaid (so £44k in outstanding loans)

- £6k paid in admin fees

It's possible they will have lent all their money sooner than 12 months. If this happens they may suggest to the Board that they increase the amount of loans in order to enable the scheme to run for 12 months, so they can fully assess it.

Staff members at Southway telephone service spend some time on the scheme, but this is only small and it is absorbed into their day jobs.

Southway pay the credit union a £30 admin fee per individual loan for the service. They also pay for unsuccessful loan applications. Both Southway and SMCU think the fee is about right. At the year-end only 3 £10,000 tranches needed to be paid to the credit union (£30,00 in total)

- £51.7k in loan capital issued
- Value of the loan book was £19k
- £5.7k was paid in admin fees
- £5,85k was received in interest payments
- £2.7k in doubtful debt provision

From a £30,000 capital investment, 187 loans to a value of £51,735 have now been issued and £32,737 of loan capital has been repaid. 57 loans have now been fully repaid. Loan interest accumulated is £5,851 and fees paid are £5,700. Bad debt provisions are running at 5% of loan capital issued and 14% of current loan book balances.

The steady performance of the scheme has meant that further capital drawdowns have not yet been required and the capital repayments made are enabling further credit to be issued.

While the current rate of default appears low, given the fact that figures do not include written-off loans, the scheme is probably not fully financially sustainable in its current form. However, as noted Southway is not focusing on creating a self-sustaining model. Rather than using the money earned from the interest to cover the cost of the scheme, they are using it to invest in the credit union's capacity to run the scheme and excess capital earned from interest goes into a [Development Fund account] to be spent on joint projects or service improvement. The option to go back to the board for extra funding (to respond to excess demand) is being kept open.
From the SMCU perspective, the scheme is sustainable, as both loans and management costs are covered by Southway.

Future outlook
The scheme will be reviewed after 12 months, and this will include whether the scheme is to continue, expand, or close. The original motivations and drivers have not changed. One of the ultimate criteria for success is whether the scheme has met its aim of acting as a ‘bridge’ to move tenants onto credit union loans and savings accounts. Given it is too early to tell whether this has happened, they cannot yet make a judgement on the overall success of the scheme. However, it is reported that there is a willingness to continue the scheme within Southway.

St Mungos Broadway

Housing association
St Mungos Broadway (SMB) is a housing support provider, housing association, and homelessness charity working primarily with single homeless people in London and the South / South West of England. It is the result of a merger in 2014 of two large, well-established organisations. They support around 25,000 people every year, 2,500 every night, and run a substantial range of services. Some of these are directly provided by SMB from their own resources; others are competed for and provided under local authority or health service commissioning arrangements, using Supporting People or other local authority / NHS funding. Clients have a range of support needs, covering the spectrum from relatively low level support, to intensive support to deal with multiple and complex needs. Significant proportions have physical and mental health needs, and alcohol and drugs problems. Around 27% have simultaneous physical and mental health problems and substance use issues Services provided include a range of temporary and longer-term housing, from emergency hostels to supported accommodation, tenancy support services, housing and support services for those with complex needs, hospital discharge and ex-offenders support schemes and employment and training schemes. Move on support is a key element in SMB's activities, and involves life-skills, peer support, money management training, access to financial services and products, and work with private landlords. SMB's work with Your Credit Union (YCU) is part of this offer.

Scheme summary outline
There are two types of scheme that have been offered in association with YCU. The first is incentivised access to normal credit union services, which includes loans, savings accounts and a 'banking buddies' service (assisting clients to access mainstream bank accounts). The second was a loan guarantee scheme focussed on SMB clients moving into the private rented sector (PRS), with a need for rapid access to cash for deposits and rent in advance. The delivery partner is Your Credit Union, a credit union established in the Kensington and Chelsea common bond area, but able to support all SMB clients wherever located. YCU was originally supported and promoted mainly by housing associations working in the borough, including SMB. The relationship with SMB began in September 2014, and the incentivised access scheme started in March 2015. The PRS access scheme has only had minor take-up (discussed below).

Scheme aims / purpose
The principle motivation for SMB involvement with affordable credit schemes is a philosophy that ‘financial inclusion is the basis of successful move-on’. It is integral to residents being able to sustain tenancies independently, and not build up arrears and lose their accommodation. Benefits and money problems are a significant barrier to successfully moving on and sustaining a tenancy. By encouraging and supporting financial inclusion through a resident’s path through SMB accommodation, they build resilience in dealing with financial matters - including rent payments – for when they achieve independent accommodation. Moreover, Housing Benefit and Ineligible Charges (IC) constitute a third of St Mungo’s Broadway’s revenue. Rent and IC arrears are rising, largely because of the increased use of benefit sanctions applied to clients by the DWP. If SMB did not respond to this threat, arrears will continue to increase. The Operations Manager has been very keen to encourage tenants into financial stability because of this threat. Welfare reform and Universal Credit were important drivers. As noted, in particular DWP sanctions appeared to be a highly significant problem, which is perhaps not surprising, given the problems and sometimes chaotic lifestyles of many SMB clients. The number of sanctions imposed on JSA claimants has increased by 160% over the past 3 years and this is having a negative impact on rent arrears. Effectively challenging Job Centre decisions, and especially sanctions, is seen as well strengthening SMB's reputation with clients as an organisation that provides practical support around money issues, as well as helping SMB's revenues SMB’s approach is inherently linked to improving and changing practice and performance in rent collection within SMB accommodation. The Move On Support Team Manger developed an approach called ‘a support and life skills approach to rent collection’ being piloted within several SMB hostel projects. The aim of the pilot was*: To improve client financials skills, resources and wellbeing and reduce the amount of rent arrears in the pilot projects. One element of the strategy and pilot was to* **Increase clients’ financial engagement, through accessing bank accounts and credit unions** Developing a relationship with both banks and YCU was part of this. It was noted that ‘current accounts, or basic bank accounts, allow clients to participate more fully in the economy, by paying bills by direct debit, which is usually the cheaper option. Having such an account will become even more important when Universal Credit is implemented. Credit Unions help to foster a culture of saving and provide manageable small loans. Credit Unions allow a client to roll a “payday” loan into a credit union loan, thereby drastically reducing the interest rate and increase the repayment timescale.’

The general access to YCU services is open to all service users. The PRS scheme was targeted at those going through the move-on process; that is, those tenants who will have had their immediate housing / social / health needs assessed and provided for, and are now ready to wither move into a form of longer-term supported accommodation, with different but lower levels on support required; or those who are ready to move into independent PRS / social housing with either reduced floating support, or day-centre based access to support

The business case / evidence of need

The internal business case was effectively part of the financial inclusion strategy that had been drawn up by the Move On Support Manager (though it has been slightly piecemeal in its delivery). A specific case was made in the paper 'a support and life skills approach to rent collection' though this did not have financial details. Cost / benefit was effectively subsumed into the wider FI strategy and response to welfare reform

In terms of research, both St Mungos and Broadway separately had had substantial research programmes on the nature and needs of their client groups. The Move On Support Manager was responsible for developing a Client Financial Strategy across the combined organisation, which was primarily based on researched and perceived direction of travel of social policy. The strategy has three main arms:

- Developing financial skills and resources for both clients and staff) – this includes links with credit unions
- Managing the transition to LA administered social funds – part of the wider welfare reform agenda and more significant for an organisation like SMB than other HAS)
- Manage the impact of UC and other benefit change – and as noted the sanctions regime is an important part of this for SMB.

Developing and setting up the scheme

The schemes were launched at an event in Earls Court, where a substantial number of tenants and staff came to hear about YCU and what in particular they could offer SMB tenants. There was a good response, and 30-40 joined after the event, and steady stream has come through since then – there are now around 94 YCU members, Most are saving regularly, according to the YCU.

From the perspective of SMB, the way the relationship with YCU works means that they can divorce loan recovery action if needed from the caring / client support process. Although in theory SMB could have set up the loans relationship directly (they are big enough), by using an outside agency, it helped get people used to the

‘outside world’, their rights and responsibilities in financial matters, and acted as a ‘soft introduction’ to the world of personal financial responsibility. The credit union was, in an approachable way, able to get people discussing their circumstances, setting up accounts, setting up payments etc. It was described as ‘a halfway house between a handout and a bank’. The Move On Support Manager described examples where his team engaged with defaulting clients to get their loan repayments back on track

The scheme
There are two types of service that have been offered through the relationship with YCU. 1 Incentivised access to standard credit union service The first is access as a normal credit union client to YCU’s services, but with some elements of this subsidised and incentivised. YCU has waived its normal (£5) joining fee for SMB clients, SMB will ‘match’ client savings to the tune of up to £50 over the first six months of regular savings (now down to £25). Some 94 have taken up this offer. All SMB residents can access it Once a member, SMB clients are treated like all others in terms of access to loans, ‘banking buddies’ (a free service supporting credit union members to access local Barclays Bank accounts) and other services. Loans can be for any purpose, including arrears and debt consolidation YCU do not currently offer rent account jam jar facilities and SMB are looking elsewhere for this – ‘Source Card’, an ‘alternative’ savings card with jam jar facilities as an account for rent payments is being explored. 2 PRS access guaranteed loan The second service that has been offered is a guarantee loan for SMB clients transitioning to their PRS. One of the problems with accessing the PRS is the need for upfront, quickly paid sums for deposits and rent in advance. SMB is in competition with local authorities for accessing the PRS. The way the scheme would work is that SMB will provide part of the rent deposit from its own resources. YCU will provide a loan for the balance – usually £400-£600. YCU would loan this to applicant on an interest-free basis, payable over 24 months. SMB would pay an arrangement fee which equates roughly to what the interest would be over time, at a preferential rate. Then normal practice on loan repayment / recovery applies. But if repayments go into 3 months arrears and normal recovery practice fails, SMB will clear balance. So far there have been only a limited number of loans. The loans would be at normal credit union rates. Rent guarantee clients have to be members of YCU, though not necessarily savers, and can take out loans under standard conditions. They are also eligible for ‘Buddy with Barclays’ initiative.

Partnership working arrangements
The application process for normal loans involves an initial interview YCU which is always face to face (except SMB out of London residents – e.g. Oxford, Reading). They bring in proof of ID, address, bank statements, payslips, benefit slips, rents statements. These are copied. They then go through the loan application form. Then the applicant is asked to complete a budgeting sheet, without reference to the bank account. YCU will do a credit reference search and let the applicant have a copy, explaining what its saying. Applicants get a decision within 48 hours of the process being completed. During this 48 hours the Loans officer goes through application and most important the bank statements with fine tooth comb, to compare what they said and how closely this is reflected in the reality of the bank statements. Sometimes this is very. different: often there are other loans and debts that hadn't been mentioned, which can change the overall balance sheet from 'positive' to 'negative'. They will also compare the results of the credit search and budget, and will get back to them for more info if there are serious questions. The Loans officer and CEO go through the evidence and make decisions based on affordability, credit balance they are showing (if they are saving), how long in job, in receipt of benefits, and how long benefits likely to continue. For those who don't get approvals, the reasons why are explained – these are more explicit than just saying there is a poor credit history. If acute debt problems are seen, they are often referred to Step Change (if computer savvy) to help with debt management. If a more 'hands on' approach is required, they are referred to local Cab, Nucleus Advice Agency or Law Centre The application process for the rent guarantee scheme would be via SMB agreeing the case, and referring on to YCU to action. The partnership between SMB and YCU has worked well. Within SMB, because the Move On Support Team is small and centralised, in contrast with widely-spread, dispersed local authority project-based teams, communicating with teams in the wider organisation and 'embedding' the financial inclusion message (and knowledge of specific services) is made more complex. There are sometimes difficulties in linking up with key workers and Supporting People staff. There is a certain amount of reliance on SMB volunteers to promote the scheme. From the point of view of YCU, the CEO tries to get out and about to events, but his time is limited.

Scheme outcomes
SMB thought that take up of the mainstream credit union service offer had been lower than expected, though YCU seemed to be satisfied with the numbers coming through (as noted above, 94 to date). YCU normally runs at 8% 'delinquency' rate

(delinquency could be as little as one day late with a payment). YCU thinks that SMB running at slightly higher rate

The take-up of the PRS scheme has been very low. The experience on the ground has been that the size of deposits and rent in advance required by landlords is so large that loans and loan guarantees have not been considered feasible. In the few cases that had been accepted, loan arrears had mounted quickly,

In terms of benefits, for tenants, the main positive impact was help beginning the 'savings habit' and (had the PRS scheme been more successful) easier access to the PRS for those who otherwise would not have been able to do so

For SMB, the benefits of the PRS scheme would have been through the 'unsilting' of move-on channels via accessing PRS.

Experience of delivering the scheme
As noted, the PRS scheme never really got off the ground, mainly because of the high level of loans that would have been required. The mainstream scheme to enable access to credit union services seems to have been reasonably successful, at least in the eyes of the credit union. Although there were delays in getting the scheme up and running, once going it has run smoothly. More resources with SMB to promote the scheme would be welcome

Scheme funding arrangements and financial sustainability
It is still very early days, but as part of the wider initiative to improve rent collection and encourage financial responsibility (and therefore rent payment) within SMB, the expenses involved are relatively small. The rent guarantee aspect (has not proved to be sustainable, in the London PRS market context (though it may well be possible in areas with lower PRS rents). The only target for SMB and the mainstream is to 'spend the budget provided'. There has been lower take up than expected so this may not happen (though as noted the YCU are pleased with the numbers coming through].

Future outlook
It is too early to assess the future of the scheme / relationship. The pilot proposal has an evaluation element built in including: targets, changes to working practices, feedback from clients on confidence dealing with money, attitudes to rent payment. The motivations haven't changed, and perhaps been sharpened around welfare reform, though SMB have realised that the state of the PRS market has made this element of the project unrealistic.

Evolve Housing (Australia)

HA Background:
Evolve Housing is a Tier-1 accredited community housing provider (CHP) in Australia. It formed in 2007 through the amalgamation of two community housing providers and was renamed Evolve Housing in 2012. Evolve Housing own or manage 2,499 properties in New South Wales across 26 local government areas and have over 3,000 tenants. Around 60 per cent of their property portfolio is located within western Sydney. With other partners they manage an additional 1,217 properties for a combined total of 3,716 properties throughout Australia. Their tenant profile is similar to other CHPs with over half of tenants in receipt of state benefits.

Scheme summary outline
Evolve Housing run their own Evoloan no interest loan scheme to enable residents to buy essential household items such as washing machines, fridges, freezers and microwaves. The scheme is cashless in that Evolve Housing purchase the essential item on behalf of the resident, the resident then pays Evolve Housing back for the cost of the item by direct debit. The scheme was set up in 2009.

Scheme aims / purpose
The scheme aims to provide low income residents with access to credit, without the burden of high interest charges and to keep residents away from loan sharks and fringe lenders. Wider aims of the scheme are to enhance residents' quality of life by enabling them to buy new and more modern efficient appliances that also reduce their energy and water bills. Evolve Housing estimated that they would be able to help around 20 to 30 residents per year. The scheme falls within Evolve Housing's sustaining tenancies and resident engagement strategy. Other activities delivered under this strategy include: debt and money advice and money management training to promote skills and financial independence. In Australia CHPs are required to be proactive in developing innovative programs to assist tenants and enhance their quality of life and to show that they are committed to delivering sustainable tenancies and tenant engagement initiatives. CHPs are audited on these activities as part of their accreditation process.

The business case / evidence of need
The driver for the scheme came from the Residents Council. Local committee representatives were seeing people who needed to replace essential appliances, but who could not afford to do so. There were very few pathways for tenants on low incomes to access finance, many had no option other than to access fringe/payday lenders to get finance for essential items and were caught in a trap

of getting finance with high interest that they had little resources to pay back. Many tenants fitted this scenario and Evolve Housing initiated the Evoloan Scheme to address this.

Developing and setting up the scheme

The scheme was set up in 2009. There was a lengthy consultation between Evolve Housing and the Evolve Housing Resident Council Committee about the establishment of the scheme. After discussions the Board of Directors agreed to the scheme. The key issue for setting up the scheme was finding the finance for the loan capital.

The decision to deliver the scheme in-house was made for practical reasons which meant it was simpler. By delivering a self-funded scheme where loans were interest free and credit checks were not made, the scheme did not fall under financial regulations, whereas partnering with a financial organisation could have had legal ramifications. Delivering the scheme in-house also fitted with the wider ethos and commitment of Evolve Housing to reinvest any profits back into community engagement activities.

The scheme

The Evoloans scheme offers residents an interest free loan to buy essential household items. Essential items that can be bought with a loan include: fridges, freezers, washing machines and microwaves. Other items might be covered in exceptional circumstances. The items covered by the scheme are restricted to limit demand due to having a limited amount of funding for the scheme. The scheme offers loans of between $500 and $1,200 (Australian dollars) that must be paid back within 12 months. There is a minimum weekly repayment amount of $25. Evolve Housing have an arrangement with 'appliances online' who provide competitive pricing. Once the appliance has been ordered it is delivered directly to the tenant free of charge. The resident signs up to a loan contract and repayments are made directly from their bank account to Evolve Housing.

The scheme is only open to residents who do not have any rent arears and who do not have more than $100 in non-rent debts. Residents must also be able to afford to pay the loan back within 12 months. All applicants are required to attend a face-to-face interview to discuss their application and to provide proof of identity, income and financial circumstances. The average time from application to delivery of the item is 5 working days.

Partnership working arrangements

The scheme is run internally and managed by Evolve Housing's Community Development Officer. They are responsible for approving loan applications and for following-up any arears.

Scheme outcomes
Take-up: The scheme is small-scale - since it started in 2009 73 families have accessed the scheme, averaging around 12 families per year. Between 2009 and June 2014 a total of $62,537 has been loaned. A small number of applicants are turned down because of rent arrears or other debts. These residents are referred to the Salvation Army for financial advice on clearing their debts or given financial training. **Default rate**: The scheme has a 0% default rate. This is attributed to repayments being made by direct debit which applicants have to agree to when they apply for a loan, and to the affordability of loans with a minimum repayment amount of $25/week considered as being very affordable even for residents whose income is from state benefits. **Benefits for tenants**: A customer feedback survey showed that 99% of loan recipients were happy with the loans scheme. Qualitative feedback from residents on the benefits of the scheme include: the benefit of being able to meet basic essential needs, alleviation of financial stress, and savings on electricity and water bills from replacing old appliances with more efficient ones. The scheme does not credit check applicants and thereby enables those with a poor credit history to access credit. There is no hard evidence as to whether the scheme has replaced use of high-cost credit and illegal lenders. **Benefits for the HA**: There is no quantifiable evidence as to whether the scheme has benefited Evolve Housing, however it is found to contribute to tenant satisfaction, increase residents' quality of life by having sufficient funds to purchase essential items and tenancy sustainment which can have financial benefits, for example, if residents take greater pride and care in looking after their property.

Experience of delivering the scheme
No issues were raised in relation to the delivery of the scheme and the design of the scheme has not altered since it started in 2009, except for introducing a fixed minimum payment of $25/week. **Overall scheme success:** The scheme is viewed as being successful in that it has enabled residents to meet basic essential needs without having to resort to illegal or fringe lenders. It has received very positive feedback from loan recipients and has a zero default rate. Due to being an internally delivered scheme staff know the residents well and can be flexible in exercising discretion in approving loan recipients and the essential items that can be bought with a loan where residents

have exceptional circumstances. The scheme meets its aim of enabling residents to buy new and more modern efficient appliances that also reduce their energy and water bills. The success of the scheme is limited however in its scale and is unable to meet residents' needs for other essential items.

Scheme funding arrangements and financial sustainability
Evolve Housing set aside $25,000 for the loan scheme in 2009. As repayments are made further loans can be offered and the scheme is self-sustaining. No further loan capital has been invested into the scheme. The scheme does not take up much time to operate because it is very simple to run. Staff time (across all team members) is equivalent to 0.5 FTE. The scheme is financially sustainable. With a 0% default rate all money that is loaned is re-circulated into new loans.

Future outlook
The scheme manager would like to expand the types of items available under the scheme to include air conditioning, medical goods such as glasses and wheelchairs, and to increase the maximum loan limit so that residents can apply for more than one item at a time. However, this requires further loan capital to be invested into the scheme. Evolve Housing intends to commission an independent cost-benefit evaluation to assess the impacts of the scheme and the findings from this will inform its future expansion.

SGCH (Australia)

HA Background:
SGCH http://www.sgch.com.au/ is an Australian Community Housing Provider (similar to a UK housing association) that operates in the Sydney area of New South Wales, Australia. It was established 30 years ago and has rapidly spread from its original local heartland of St George, to operate in 23 local government authority areas. It houses over 8,000 residents in 4,300 homes, and employs over 120 staff. Although a significant proportion of head tenants are aged between 55 and 70 (nearly 50%), over 3,000 of the 8,000 residents are aged under 30. This means that there is considerable emphasis on programmes focussed on younger residents. It describes its business model as 'both commercial and mission driven, with social inclusion and impact being at the forefront of everything we do'. To measure the impact of its operations SGCH has developed its Social Impact Framework to measure impacts across five domains (home, people, communities, services and organisation).

Scheme summary outline
As part of a wider Housing Plus strategy, SGCH operates an Essential Loans Scheme, providing loans of up to $1000 for residents to access white goods, and an associated digital inclusion scheme (Digiconnect) , offering IT packages (computer, laptop, internet services) scheme. The scheme is interest free, and is totally resourced and managed by SGCH – there are no external partners involved in the white goods scheme. It has been running for over ten years. There are two business partners in the digital inclusion scheme, Work Ventures Ltd and Optus, who provide refurbished laptops and software at reduced rates. The scheme is run from within SGCH's Community Regeneration Team.

Scheme aims / purpose
The underlying motivation behind the Housing Plus initiative, of which the Essential Loans Scheme is a part, was SGCH's desire to be more than a simple housing provider and to combat ingrained disadvantage among residents. SGCH's Strategic Direction statement includes a commitment to 'building social capital and cultivating thriving communities'.

The wider Housing Plus initiative includes employment entry programmes, pre-employment workshops, accredited training, student placements, and educational scholarships.

Rent arrears was not a driver for this particular scheme, though many of the measures around training, employability and advice noted above would help with them. Overall tenancy sustainability and the ability to progress through tenancy to independence was part of the motivation. Tenants in arrears are referred to external financial counsellors.

There are no specific targets, though around 40-50 loans are made per annum across the Essentials and allied Digiconnect IT scheme. The entry criteria (described below) effectively ensures that those accessing the scheme are likely to be able to successfully meet the loans repayment requirements, and excludes those with uncontrolled arrears, poor tenancy records, and those adjudged not to be able to safely make repayments.

The business case / evidence of need

SGCH have a good population profile for their tenant body. 68% of head tenants are aged 55 or over, including 20% who are aged 70 or over; 11% head tenants are employed; 45% class themselves as having some form of disability; 20% are lone parents; and 37% speak a language other than English at home. Knowledge of this profile has contributed to SGCH's approach to tackling poverty through the Housing Plus scheme. On a wider front SGCH has been active in developing an national Anti-Poverty Week initiative, which was co-chaired by the CEO in 2013 Anti-Poverty programme

The scheme has been going for over 10 years, and has been developed in response to tenants expressed demands. There is also a formal annual tenant survey where tenants are asked for their current needs.
Feedback has led to some flexing of the scheme. For example there is now provision for supplying medical supplies, as well as the main white goods and IT provision.

Given the length of the scheme, there is no current cost / benefit or business case analysis available. However, the scheme currently self-funds for the main part, and will be reviewed as part of a wider social impact assessment (see below).

Developing and setting up the scheme

During the development process there was consideration of what the loans could be used for. There was a conscious decision not to provide loans to pay off rent arrears and utility charges / other debts. Demand was primarily for setting up home, white goods, and unexpected expenses (e.g. equipment breaking down).

SGCH felt it was not appropriate to provide loans for basic living expenses. It was accepted that there might be a problem around payday lenders / loan sharks / interest rates, though there was not much evidence for this. However, the greater concern was that tenants would buy inadequate products, (e.g. inefficient, second hand, with a shorter shelf life, no warranty, or with poor energy ratings etc.). Therefore SGCH insist that white goods bought under the scheme have 3 stars plus rating. This makes them safer and more energy efficient. The scheme was always envisaged to be run in-house, without a requirement for partners (except for the Digiconnect partners). It is now very much integrated in the overall Housing Plus framework.

The scheme
There are two related schemes in operation. The Digiconnect scheme provides a laptop, software and internet package (and likely tablets in the future). The Essential Loans Scheme is for white goods (washing machines, dryers, fridges, freezers. TVs, microwaves, heater, vacuums), furniture, and health / medical equipment. Loans can be up to $1000. As noted, it is SGCH's own scheme, and is not associated with NILS (No Income Loans Schemes) or any other models. SGCH developed their own application criteria / process (below). It is a principal-only repayment scheme – i.e. no interest is charged. The normal expectation is that a loan will be paid back over 12 months Those on income support (or the Australian equivalent) can pay back in small increments over the period. SGCH had their model agreement checked with lawyers. They will refer on to alternative external loan schemes, such as those on the NILS and Good Shepherd models when the SGCH scheme is at capacity or loans are needed for purposes outside their criteria. For example, NILS also have low-interest and pseudo-commercial rates – can go up to lending $3000; they also do also residents insurance products which SGCH do not do. In practice, the SGCH scheme has never reached capacity (as the vast majority of loans are recycled). Any one resident can access the scheme provided they meet the entry criteria outlined in the terms and conditions. They do not do top up loans – residents can get a repeat loan for another item, but only after the first loan has been paid off. Part of the loan application process is to do a household budget and affordability test to demonstrate the ability to repay the loan without it becoming unaffordable against other expenses. If it is not affordable, this could be the trigger to refer on to financial advice. The application process is via an application form available in hardcopy and online. It is assessed by the Project Officer.

The principal terms and conditions are • A quote and satisfactory energy efficiency rating for the item. • Demonstrate tenancy agreement maintained for a minimum of three months. • Demonstrate ability to meet loan repayments. • No rent arrears, water arrears or have a current repayment agreement or debt exceeding $100. • Rent must be paid at least two weeks in advance. • To sign a contract with SGCH to repay the loan in full, within an agreed and specified period.

Partnership working arrangements
A successful relationship with two firms providing the products under the Digiconnect scheme is established. The Essential Loans scheme is not currently run in partnerships, but as noted there are referrals to NILS run by other organisations where loans for different purposes are called for.

Scheme outcomes
There is steady take-up at 40-50 a year. The scheme has not changed a great deal over time, except for the introduction of computers and medical / health supplies to the products funded. The scheme is so well established that it is generally problem free. Nine out of ten loan applications are approved. The 10% are not because are in arrears (this could be Former Tenants Arrears or water bills as well as current rent arrears). An initial rejection will lead to a discussion about the tenant getting their tenancy in order – that is, coming to an agreement about arrears, reducing them – and giving them an opportunity to do so. They would then be invited to reapply, when they probably would be successful. It is used as a ‘teachable moment’. With the educational grants (another element of the Housing Plus initiative), last year there were 200 applicants for 98 places. A similar exercise is carried out with tenants in arrears applying for grants: if they pay arrears down, they are given opportunity for educational scholarship. Default rate on main loans are commensurate with other schemes – 3-5% default rates. A number ‘walk away’ because of technical issues with laptops, especially overuse above data limits – SGCH has to cancel the deal if it is too high. Others leave or exit the tenancy. The main benefit to tenants was access to affordable, good quality white goods that were • Safer to use

- More reliable
- Cheaper to run (and therefore saved on energy costs)
- Access to subsidised IT / packages improved employment chances and educational opportunities

The other packages (work related and educational bursaries) had multiple positive effects in terms of employability, training, qualifications, and future independence from reliance on subsidised housing.

In terms of impact on SGCH the schemes are at least partly responsible for high levels of tenant satisfaction; contribute to good PR; encourage / incentivise good rent behaviour and responsibility; and encourage / incentivise a higher skilled tenant base that can more easily deal with money matters and be more self-reliant, therefore reducing reliance on frontline staff

Experience of delivering the scheme
It is accepted that the SGCH Essential Loans scheme is a 'bit of a hybrid'. It has been internally vetted by in-house lawyers, but is outside any other regulatory requirements because they do not charge interest and fees. If they charged fees, the scheme would come under Consumer Credit regulations. This is both strength and a challenge. The strength is freedom from bureaucratic overheads; the challenge is that SGCH cannot pursue loan debt as easily as a Credit Agency (such as a NILS) can do, and have to rely on contractual law. They also cannot take action under tenancy law to recover via rent; nor can they take them to tribunal. SGCH would have to go to Small Claims Court for a garnishee order – and they would not want to do so (and it's very expensive). There is some tension here between the landlord and loan provider roles.

Scheme funding arrangements and financial sustainability
As the scheme is based on recycling loans, it covers its capital costs in the main. The scheme is considered to be sustainable. There is theoretically an annual budget but it has not ever been hit. There are no specific targets, though around 40-50 loans are made per annum across the Essentials and Digiconnect schemes. The identified administration cost is 1 person working 15 hours a week, of which 2/3 time allocated to loans assessment, marketing, writing loans. This is at a rate of 23 dollars per hour 10 hours per week i.e. $11960 per annum; there would be some other costs (e.g. printing promotional material, the Manager's own time) but this did not appear to weigh as very significant.

Future outlook
The scheme is currently being assessed as part of a wider Social Impact Assessment Framework. This is about building a deeper understanding of the role SGCH has in the lives of our residents. The framework will help the organisation gather and build information to better understand requirements and design programs in a way that delivers positive outcomes for SGCH tenants and communities. The future direction of loans provision is under some consideration, including the issue of whether to expand the offer by bringing in other organisations, providing additional services; or indeed to expand the role of the SGCH scheme. SGCH are talking to Good Shepherd (a leading provider of a range of micro-finance products) in terms of getting them access to customers, to provide additional access to affordable credit; there is potential here for SGCH to mainstream these products to tenants. In terms of changes to motivations and drivers, from its origins ten years ago as a free-standing scheme, it is now one element of a much wider and more holistic role that SGCH has taken on, through the Housing Plus initiative.