

# Communities and Culture Committee

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I am employed by Wales and West Housing Association (WWHA) as a Money Advice Officer. One of my role's is to develop and deliver the Association's own Financial Inclusion Strategy to it's 25,000 adult residents living in over 9,000 properties across Wales. This post forms part of the Association's wider Neighbourhood Initiatives Team.

Prior to joining WWHA in October 2008 I was employed by Flintshire CAB for 12 years initially as a specialist debt caseworker but later as a full time financial capability coordinator. My experience with debt clients convinced me, and I remain convinced, that debt advice could never be more than a 'firefighting' exercise and that a more long term educational approach was necessary. I later became involved in developing and delivering financial capability sessions to Year 10 students in 6 local secondary schools; 3 groups of students excluded from mainstream education; and to the staff and service users of over 25 community facing organizations.

I have been the lead person for the North Wales Financial Capability Forum since it's inception in January 2007. The role of forum lead organisation was transferred from Flintshire CAB to WWHA when I joined them in October 2008.

My involvement in the financial capability agenda in Wales has led to my being a member of various organizations during the last 5 years including: NIACE's Personal Economics Group; BBC Raw Skills Development Steering Group; Basic Skills Cymru's Financial Capability Advisory Group and the North Wales Financial Inclusion Steering Group.

In 2005, in partnership with students from Flint High School, I wrote a bilingual debt advice handbook for young people entitled 'Drowning in a sea of debt'. Funded by Cymorth 6,000 copies were subsequently distributed to schools and other interested organizations.

### Introduction:

The opinions expressed in this paper reflect both my own perceptions and those of forum colleagues as to how the Financial Inclusion agenda is developing in Wales. A more comprehensive written response to this Committee's inquiry will be forwarded in due course.

I begin with a brief resume of Wales and West Housing Association's Financial Inclusion programme followed by an outline description of the role of the North Wales Financial Capability Forum. I then list other observations under the 5 main themes of the 'Taking everyone into account' Consultation 2009. Finally I have outlined my reasons for requesting a much higher profile to be assigned by the Welsh Assembly Government to the whole financial inclusion agenda in Wales.

### Wales and West Housing Association's Financial Inclusion programme:

Wales and West Housing Association (WWHA) is one of the largest housing associations in Wales and provides homes and services to more than 25,000 people. We work in 16 local authorities and manage over 9,000 properties. WWHA has charitable status and we believe we should be more than just a landlord which is why we work with our residents and partners to develop and support the communities in which they live. We have over 300 staff committed to providing quality services to our residents and other customers. We have offices in Cardiff in South Wales and in Flint in North Wales, but most of our staff work out in the communities where our residents live.

The Association provides a holistic money management service to all of it's residents through it's Moneysaver project. Initially funded by a grant from Barclays plc, but now funded internally, the project seeks to improve opportunities for residents to access and manage:

Basic bank accounts

Affordable credit

Appropriate savings options

Home Contents Insurance

Budgeting skills training

Appropriate cheaper energy tariffs

Energy saving ideas within the home

Debt advice

To ensure that the service is both confidential and independent of the Association we buy in this range of support services from Pennysmart Financial Capability Advice and Training in the north and the DRAMA initiative in the south. The majority of appointments take place in the resident's home which makes this project quite unique and avoids the waste of resources traditionally caused by non-attendance at more traditional outreach venues.

We are developing a strong emphasis upon pre-tenancy initiatives which we hope will put potential residents on a stronger financial footing prior to moving in and thereby improve their chances of sustaining their tenancy. However, this is not an isolated intervention

but instead forms part of an ongoing support programme throughout the life of the tenancy designed to identify emerging issues and problems and help in their resolution before they become unmanageable. The project is deliberately tailored to the individual resident's needs at a particular point in time and provides flexibility as their circumstances evolve.

Evaluations undertaken to date strongly suggest that this model of delivery is now robust enough to be replicated in other social housing organisations.

### **A brief history of the North Wales Financial Capability Forum:**

Currently funded by the FSA through Citizens Advice the forum's main objectives are to: identify and prioritise local and regional needs for financial education; actively seek to coordinate local financial capability work; share good practice in the area of financial capability and develop and encourage partnership working.

The forum is open to all financial capability stakeholders in North Wales and forms part of a 14 strong national forum network. The North Wales Forum currently has a membership of approximately 150 representatives from a wide variety of organisations including housing associations; Financial Services Authority; Consumer Focus Wales; Credit Unions; BBC; Assembly Members; school teachers; Basic Skills Cymru, Communities 1<sup>st</sup> and many others. (Full list available on request). However, there has been little support from Local Authority staff and this is proving to be a major challenge.

The group meets quarterly in different venues to give equal access to all members across the region.

Forum leads attend other forums outside their region and meet together in London at least twice a year to ensure a robust exchange of information and good practice.

In the last 2 years the network of Financial Capability Forums across the UK have:

Acted as a conduit for all financial capability advice and information originating from both statutory and 3<sup>rd</sup> sector bodies

Brought together over 600 organisations - including housing associations, CAB's, credit unions, school leaders, and representatives from the Financial Services Authority (FSA), the Department of Work and Pensions (DWP), local authorities and the financial services industry.

Channeled £1 million of national funding to forum members to help them promote financial capability in their communities

Delivered initiatives that have helped people with financial decisions, for example, the best way to buy their energy or save for Christmas

Stimulated a wide range of collaborations to help organizations achieve their individual aspirations in the field of financial capability

A full evaluation of the forum network is being undertaken by NIACE and will be available shortly.

The 2 Wales forums are jointly hosting a conference in Llandrindod Wells on 15<sup>th</sup> July this year. On the 1<sup>st</sup> anniversary of the launch of the "Financial Inclusion Strategy for Wales": "Taking everyone into account", "the conference will track the development of financial capability in Wales since the publication of Huw Lewis' "Over-indebtedness in Wales' "review published in 2005 to the present day. The conference will seek to:

identify the key milestones

explore how the current strategic themes are developing

examine whether the primary agencies are forging the links as laid out in the Financial Inclusion Strategy

provide an opportunity for delegates to provide evidence to the Welsh Assembly's Communities and Culture Committee Inquiry into Financial Education and Inclusion

explore opportunities for the forums and other financial capability initiatives to support the "One Wales Delivery Plan 2007-2011" in relation to achieving a healthy future, a prosperous society, a lifelong culture of learning and achieve a fair and just society.

plan for the future

draw together the opinions and experiences of delegates in a report to be submitted to the Welsh Assembly Government later in the year

### **Theme 1. Access to mainstream financial services.**

The Association's own research supports that of the Welsh Consumer Council in their 'Access to Cash' report published in 2008 in that approximately 8% of our residents do not have access to a bank account. To reduce this figure will require a more honest approach to the opening of basic bank accounts than is currently displayed by some major banks. Our experience shows that some branches still have no information whatsoever about such accounts available in their public areas. Some others are refusing to deal with basic bank account queries in branch and advise customers to contact their head office by letter or by telephone which can create substantial barriers for some individuals.

Our research further suggests that the management of accounts is a more immediate problem so perhaps a change of emphasis would

bring more benefits.

Could more work be done by Jobcentre+, HMRC and LA benefit departments to identify those who do not have a bank account (as they would ask for this information) and possibly refer them for further advice?

The low take up of Home Contents Insurance (HCI) remains a challenge for social landlords despite the availability of low cost options. More publicity is required to promote the advantages of insurance protection. This forms part of the 'profile' debate outlined in the final part of this paper.

As CU's are a central part of the strategy could they not be encouraged to offer HCI as part of their package? I think some already do but there would be no reason why they could not work with Community Housing Cymru regarding this.

## **Theme 2. Providing affordable credit and savings.**

We should revisit the debate about placing a ceiling on the interest rates applied by home credit providers. Are we really saying that doorstep credit providers would vacate the market if rates were legally capped? Why do we constantly look for cheaper alternatives rather than address the extortionate costs of home provided credit in the first instance?

Credit Unions (CU's) are developing at too slow a rate to seriously challenge the home credit market in most areas. We must therefore look to better regulation of home credit providers using existing legislation whilst lobbying for an interest rate cap. There is currently little adherence to the requirements of the Consumer Credit Act by such providers. The ability of applicants to repay the amounts loaned is frequently ignored and the majority of credit agreements issued are totally unenforceable. A more robust approach by the Office of Fair Trading is required to address these issues.

Could more CU's be encouraged to merge (or greater partnership working) in order to offer an improved service and solve part of the problem of inconsistent services across common bond areas? A higher profile for them would also allow the mainstreaming of CU's with many people (mostly those who could do with using them) not being aware of their existence.

The number of "credit poor" people in our society appears to be growing. Many people are impoverished by a lack of understanding of the real costs of borrowing money and then demoralised by inappropriate collection practices on default. Consideration should be given to providing a "credit scrappage scheme" - service which gives individuals the opportunity to have their current credit agreements scrutinised and cheaper alternatives identified (subject to early payment surcharges). This service could be provided by Money Guidance. Credit Unions could also have a role in this by providing affordable loans to appropriate borrowers without increasing their exposure to bad debt. The fact that higher repayments are being maintained should give confidence to the new lender offering a reduced repayment option.

A conflict is occurring between debt advisers and Credit Unions (CU) who have differing opinions as to the status of CU debts on default. Advisers rightly regard them as non priority whilst many CU staff take the opposite view. This conflict is slowing down CU progress by creating antipathy between organisations which should be promoting the same agenda. There is a need for both sides to draw up a joint national agreement to guide staff in such situations.

With the growing problem of illegal money lending there is also a need for the police to be more proactive on social housing estates. Community police officers are ideally placed to monitor the "credit traffic" in their areas and should be able to differentiate between individuals engaged in such activity. The collection of low level intelligence could make a positive contribution to the work of the Illegal Money Lending Unit.

## **Theme 3. Improving access to financial and debt advice.**

There is a need for advice agencies such as CAB, CCCS and Shelter to develop additional money management support programmes to enhance their current specialist casework role. Without this additional element their superb work can only be regarded as 'firefighting' as it does not address the underlying causes of an individual's presenting problem and can lead to 'revolving door clients' which is a potential drain on finite resources.

Citizens Advice is currently engaged upon a programme to encourage all bureaux to develop a financial capability programme and they should be supported in this endeavour. Local Authorities should be encouraged to include such requirements in any core funding arrangements they may have with CAB's as a way of promoting their own financial inclusion strategies.

If organisations like CAB and Shelter are not in a position to develop such initiatives, whether it be due to a lack of capacity or funding, then robust referral protocols should be put in place with other agencies who are in a position to provide such services. This may seem grandiose on the face of it but if we assume that a fair proportion of CAB clients are social landlord tenants AND social landlords continue to develop their own financial capability initiatives then there will come a point when a convergence of supply and demand becomes feasible.

Could FIF funding (or part of) be targeted at RSL's (through CAB) to provide a resource for them to use. As CAB clients are very likely to also be RSL tenants it would allow RSL's a route into CAB's and provide automatic partnership working.

The Financial Inclusion Fund (FIF) initiative which supports additional capacity to deliver face to face debt advice across Wales should also include an element of financial capability training. Without this it can only mirror the firefighting role of many agencies. The inclusion of a preventative element in the overall package would give better value for money in the long term. The current round of FIF funding expires in March 2011 so now would be an ideal time to try to influence the thinking of the Westminster Government as it reflects upon

future delivery.

#### **Theme 4. Increasing financial capability/financial literacy.**

The North Wales Financial Capability Forum has been instrumental in helping other organizations to develop their own financial capability programmes and is now regarded as the first point of call for many emerging initiatives in the region. Recent successful partnerships include Barnardos Young Carers, Flintshire Public Health Board, Flintshire CC's Parenting Strategy Group, Communities 1<sup>st</sup> SW Rhyl Ward and the Clwyd Coast Credit Union.

Wales and West Housing Association's commitment to supporting the money management needs of residents has led us to be an active member of the North Wales Financial Inclusion Forum. This group is an offshoot of the main Financial Capability Forum but specifically dedicated to serving the vested interests of housing associations in the region. This group has developed a pre-tenancy support package entitled 'My Home...making every penny count' which is now being promoted by all the associations in north Wales and has received much acclaim from a wider stakeholder audience. The resource is being uploaded onto the partner agencies' websites and can be accessed not only by residents but by other associations across Wales.

There is a good mix of advice provision available from the FSA, Consumer Focus Wales and other organisations. The provision of information and resources in the written form is firmly established and achieves a high quality of delivery. However, they do not address the basic skills challenges which we have in Wales. Therefore there needs to be more emphasis upon the availability of these resources in both an aural and visual format. The involvement of the 'arts' in general has been very effective in delivering messages on a range of important issues to date and this trend should be encouraged and expanded to embrace all issues of money management. A partnership between Welsh Assembly Government's Financial Inclusion Unit and the Arts Council for Wales may prove beneficial in developing this extra tier of resources.

The decision by the Welsh Assembly Government to locate financial education within the school curriculum is to be applauded. However, despite the sterling work of the Financial Education Unit it still has a long way to go to identify its true place within mainstream education. Placing the subject within mathematics places too much emphasis upon the 'numbers' and cannot alert individuals to the real life consequences of mismanaging money. Placing the subject within a PSE framework offers wider opportunities for partnership initiatives but the responsibility often falls upon teaching staff who are already fully committed and may not feel confident in their own financial capability on many issues.

The reality of energy supply disconnection, home repossession and a legal recovery process involving bailiffs and debt enforcement companies can only be brought to life by outside agencies actually involved in the process. In my experience the involvement of CAB's, HM Court Service for Wales, local authority Trading Standards and housing staff really does enhance the message we are trying to convey.

Consideration should be given to the inclusion of financial capability as a GCSE subject. Ysgol Maes Garmon in Mold has already successfully explored this opportunity with their 6<sup>th</sup> Form drama students. This development would bring home to parents and children alike the real importance of being financially included.

#### **Theme 5. Income maximization.**

There is a perception amongst frontline advisers that the benefits system is kept deliberately complicated to discourage potential claimants. Whatever the accuracy of this perception the fact remains that many people are not accessing the benefits to which they are entitled. Poor literacy skills and the additional needs of vulnerable people are clearly factors in this scenario. To address this both national and local government should consider creating a database which identifies such individuals so that additional support can be offered when benefit forms need to be completed. Some local authorities claim to have such a resource but updating is erratic and staff are not aware of its potential.

#### **Does the financial inclusion agenda need a higher profile in Wales?**

At a time when politicians are trying to convince us that their policies can save us money or increase our potential net income we are missing out on an opportunity to educate people about the many financial benefits of becoming financially included.

There needs to be more emphasis on financial capability as a necessary life skill and less upon it being something required only by those experiencing over-indebtedness. Learning the 'hard way' is not an acceptable option. However, many people not experiencing debt problems may find talking about money quite boring. To overcome this an awareness of the real consequences of mismanaging money may be an effective way to drive the debate forward and dissuade individuals from becoming over-committed.

There should be a sustained media campaign to help people to understand the benefits of financial inclusion and how they can access support locally. Organisations working in partnership often find themselves in a position of being able to deliver such support but are challenged by a lack of take up. They then have to divert resources to remedy this element which dilutes the service they offer and delays their effectiveness.

Financial capability is still regarded by many as an emerging discipline. For this strategy to succeed participants will require a 'national identity', an image of their role in a massive national enterprise. Media campaigns should be sponsored by, and led by, the Welsh Assembly Government through its Financial Inclusion Unit to achieve this profile. The '5 a day' healthy eating campaign is a good example of what can be achieved through a simple message.

## **Summary/Recommendations**

To address the main points raised in this paper the Welsh Assembly Government should actively consider:

a sustained media campaign to help people to understand the benefits of financial inclusion and how they can access support locally.

revisiting the national debate about placing a ceiling on interest rates charged by home credit and pay day loan providers .

exploring the possibility of encouraging more local authorities to become actively engaged in financial inclusion.

increasing usage of the existing financial capability forum network to distribute information.

lobbying the major banks to take a more positive approach to the opening of basic bank accounts

requiring local authorities, banks and energy providers to develop and maintain a vulnerable customer database in relation to benefits and bill payments

elevating financial education in schools to a GCSE subject

engaging with police forces in Wales to raise the profile of illegal money lending on socially deprived housing estates

encouraging debt advice providers to adopt a more holistic approach by including an element of financial capability in their work