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# What Do We Know About Financial Exclusion in Britain?

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*Financial Inclusion, Can You Afford Not To?* Dundee, 18<sup>th</sup> November 2009

# Introduction

- **Introduction: *Understanding Financial Inclusion* knowledge exchange project**
- **What did we what to find out? - project aims**
- **What did we do? - project methods**
- **What did we find?**
  - #1: areas of agreement**
  - #2: areas of disagreement**
  - #3: policy reform proposals**



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# Do We Need Another Research Report?

- **Financial exclusion - a substantially researched area**
- **Al Gore: ‘We have warehouses of unused information “rotting” while critical questions are left unanswered and critical problems are left unresolved’**
- **Challenge - not *new* research but more effective use of what is known**



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# What Did We Want To Find Out?

- **Objectives:**
  - **clarify what is genuinely known**
  - **identify what remains unknown or disputed**
  - **improve dialogue between researchers, policy-makers, practitioners, and financially marginalised groups**
- **Six aspects of financial exclusion:**
  - **access to banking services**
  - **access to credit**
  - **access to insurance**
  - **savings and assets**
  - **money advice**
  - **financial literacy and capability**



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## What Did We Do?

- **Three stages of research:**
- **Stage 1: rapid research reviews**
- **Searches identified 7,688 sources**
- **Evidence review précis produced**
- **Stage 2: evidence appraised by stakeholders -**
  - **government and regulatory bodies (London)**
  - **private sector service providers (London)**
  - **third sector and social enterprises (London, Cardiff)**
  - **advice services (Glasgow)**
  - **marginalised service users (Glasgow)**



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## What Did We Do?

- **Key questions:**
  - **do findings correspond with your experience?**
  - **any gaps or deficiencies in existing research?**
  - **can experiences illuminate the research?**
- **Stage 3: knowledge exchange conference - results from forums discussed and appraised**
- **Participants:**
  - **considered the views of each sector**
  - **discussed areas of consensus and disagreement**
  - **proposed measures to enhance inclusion.**
- **Online discussion forum**



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## What Did We Find?

### *Research Findings #1: Areas Of Agreement*

- Fewer households without a bank account
- Banking access still problematic
- Basic Bank Accounts and Post Office Card Account successful uptake
- But limited services and not sufficient for genuine 'inclusion'
- Mainstream credit too inflexible for lower income groups
- Costs of accessible credit not easily reduced
- Credit unions / CDFIs have insufficient capacity
- Social Fund inappropriate



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## What Did We Find?

- **Lower income households under-insured**
- **Insurance with rent schemes have low take-up**
- **Many households have no savings nor assets - particularly lower income groups**
- **Demand for money and debt may become unsustainable**
- **Many are poorly informed about financial services and have financial capability problems**



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## What Did We Find?

### *Research Findings #2: Areas Of Disagreement*

- **Continuing barriers to basic bank accounts?**
- **Regard opening a bank account as the first step in a financial inclusion ‘career’?**
- **Is further market regulation required?**
- **Can those who remain unengaged with financial services be reached?**
- **Should credit unions and CDFIs charge more commercial interest rates or fees?**
- **Is it realistic to encourage saving in low-income households?**
- **How should the Social Fund be reformed?**



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## What Did We Find?

### *Research Findings #3: Policy Reforms*

- **Third sector and excluded groups advocated significant reform of private financial sector**
- **Private sector disputed need for regulation**
- **Improve local partnership working required**
- **Use procurement powers to require inclusive best practice among contractors**
- **Use credit unions and CDFIs to supply financial services**
- **Publicise costs of doorstep lenders**



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## Conclusions

- **Consensus exists on *some* important aspects of scale and causes of exclusion**
- **But continuing dispute over key policy responses**
- **There is a need to make research accessible:  
'I think the problem for anybody... is the confusing nature of the volume [of information] and where to start. If I were looking at a strategic approach, I would invest much more in distillation reports and pulling together the literature on particular issues, and really enabling people to make some sense of it, and to make decisions'**



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## Conclusion

- **Interest in further knowledge exchange, but few have the necessary resources**
- **Small organisations lack capacity to keep abreast of research and best practice**
- **Many unable to disseminate own good practice**
- **Result: ‘reinvention of the wheel’**
- **Market failures are not addressed by markets themselves**
- **Financial inclusion is now a necessity**
- **Should financial services be similar to essential services and utilities?**
- **Challenge of devising sustainable alternative provision**



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**Thank you for listening  
Questions...?**

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<http://www.friendsprovidentfoundation.org/>**