

**“TAKING EVERYONE
INTO
ACCOUNT”**

**FINANCIAL INCLUSION
STRATEGY FOR WALES**

July 2009

CONTENTS

	Page Number
1) Ministerial Foreword	3
2) Executive summary	4 -7
3) Setting the scene	8 - 13
4) Policy context	14- 16
5) Forging links – Working together	17 - 28
6) Theme 1 - Access to mainstream financial services	29 - 35
7) Theme 2 – Providing affordable credit and savings	36 - 48
8) Theme 3 – Improving access to financial and debt advice	49 - 55
9) Theme 4 – Increasing Financial capability	56 - 61
10) Theme 5 – Income maximisation	62 - 68
11) Making it happen	69
12) Monitoring and Evaluation	70 – 71
Annexe A - Welsh Financial Inclusion Steering Group	72 - 73
Annexe B – Useful Resources	73
Annex C - Policy Context Links	74 - 75

MINISTERIAL FOREWORD

The Welsh Assembly Government has long recognised that financial exclusion and over-indebtedness are issues that need serious consideration and concerted action. In 2005 we published the Review of Over-indebtedness; and in August 2007 we established our Financial Inclusion Unit and began to develop Wales' first Financial Inclusion Strategy.

But few of us could have predicted how necessary this action was to be. Over recent months we have seen how the uncertainty brought about by the disruption in international financial markets has impacted on our own economy. The need for a Welsh Assembly Government in these testing times is clear. Devolution allows us to use the powers at our disposal so that we can minimise the effect on Wales of the global economic downturn. The Assembly Government is therefore well placed to address the wider implications of the economic downturn and we are bringing forward a broad programme of business and skills support, alongside wider business issues such as leadership, innovation, and business planning.

In this current climate, financial exclusion looks set to remain a difficult problem to overcome. Exacerbated by the downturn in the economy and the resulting credit crunch, mainstream financial institutions are less likely to provide financial services to those seen as being "risky" and unprofitable. An increasing number of consumers are likely to have been priced out of the mainstream financial markets and denied access to affordable financial services, making it even more imperative for alternative solutions to be provided in their place.

The Assembly Government is fully committed to tackling exclusion throughout Wales and the Financial Inclusion Strategy gives our undertaking to address the barriers to financial inclusion and to support those who can least afford to be financially excluded.

Helping people gain the skills and confidence to manage their money is particularly important in these difficult economic conditions. We want to see all our citizens having access to affordable financial products and the confidence and capability to use them safely and responsibly. We want people to be able to plan for their futures with a reasonable degree of security and to have the right information and the skills to avoid getting into financial difficulties, as well as knowing where to find help should they need to.

To achieve financial inclusion, particularly in this current financial climate, we require a concerted effort from policy makers and key stakeholders. We need to be united in our determination to combat exclusion and to tackle the fundamental issues that sustain it. Our key role, as the Government of Wales, is to set out our goals to promote financial inclusion and tackle over-indebtedness, thus giving clarity to our long-term vision. Our Financial Inclusion Strategy, for the first time, achieves this.

The Strategy addresses access to mainstream financial services and to affordable credit and savings options; financial capability; access to debt and money advice and income maximisation. Supported by a comprehensive Action Plan, which will identify measurable outcomes, we will be able to monitor and assess our progress in the fight against financial exclusion.

EXECUTIVE SUMMARY

This first Financial Inclusion Strategy for Wales identifies the work which needs to be undertaken by the Welsh Assembly Government, in collaboration with all relevant stakeholders, to address the problems associated with financial exclusion. These organisations have been involved in the development of the Strategy from its outset and will be key players in the ongoing delivery of Financial Inclusion initiatives.

The overall aim of the Strategy is to facilitate a joint-agency response to financial inclusion that will improve the current financial landscape, including awareness raising, financial capability, advice on income maximisation and money management, specialist debt counselling, accessible savings opportunities and access to mainstream banking and sources of affordable credit through third sector lenders.

The Assembly Government believes that achieving financial inclusion is vitally important because financial exclusion causes considerable hardship amongst those who are already the most vulnerable and disadvantaged members of our society. We also believe that financial inclusion is a key under-lying determinate of health and wellbeing for individuals, families and communities throughout Wales and as such it is essential that financial exclusion is tackled and challenged at every possible opportunity.

The current financial and economic climate is having a particularly detrimental effect on the lives of those living on very limited incomes. The combined effect of a deteriorating labour market and pressure on wages for those in employment, together with continuing price increases from some key goods and services, is likely to result in greater difficulties for those on low incomes and in poverty, and in particular to increased problems of indebtedness. Our ongoing efforts to regenerate our most disadvantaged communities, tackle economic inactivity and support unemployed people to get into work, will be crucial in helping us to achieve our financial inclusion objectives.

Gaining access to mainstream financial services, even at a basic level, has obvious benefits for those on low incomes. The Assembly Government will work with the UK Government and the Welsh Financial Inclusion Champions Team to increase access to and take-up of transactional bank accounts and to encourage greater confidence in using direct debit payments and wider use of bank accounts. The Assembly Government will also liaise with both LINK and HM Treasury to ensure that Welsh communities benefit from the provision of free-to-use ATMs.

Post offices can also play an important part in tackling financial inclusion. For this reason the Assembly Government will be providing them with continued financial support which includes Business Rate Relief, a refocused Post Office Diversification Fund and a pilot project with Post Office Ltd. which will develop new services for local communities in partnership with local authorities.

People on low incomes have restricted access to affordable credit through the mainstream banking sector and as a result they are often forced to turn to the more predatory lending market. To counteract this trend the Assembly Government and the Welsh Financial Inclusion Champions Team will work to

increase awareness of third sector lenders as an alternative to high interest lending such as home credit and doorstep lenders.

To counteract the threat of exploitation by predatory lenders, the Assembly Government and the Champions team will work in partnership with the All-Wales Illegal Money Lending Unit to combat illegal lending and ensure support and referral systems are in place for victims.

Credit Unions are important players in the ongoing battle against financial exclusion. To support their growth in Wales, the Assembly Government will develop an Action Plan, aimed at creating a long-term sustainable future for the credit union movement, underpinned by a new funding programme in Convergence and non-Convergence areas.

As a way of preventing people on low incomes from falling into debt and to help them plan their finances, the Financial Inclusion Champions Team will encourage regular saving into formalised, secure products and promote active engagement with Government supported saving schemes including the Child Trust Fund (CTF) and the Saving Gateway. The Assembly Government will also introduce a CTF premium for all Welsh children starting full-time education, with a further payment for those living in low income households.

Effective debt and money advice is invaluable in the on-going battle against over-indebtedness and financial exclusion, both for individuals and the wider communities they live in. The Financial Inclusion Champions Team will increase awareness of sources of free, impartial debt advice, forming partnerships between debt advice agencies and local third sector lenders.

By improving knowledge, skills and understanding of financial products and services, people will be better able to manage their finances. To this end the Assembly Government is working with the Financial Services Authority to bring their financial capability resources and expertise to Wales.

From September 2008 financial education has been introduced into the maths and PSE curriculum in all maintained schools. In support of this the Assembly Government has established, in partnership with the FSA, a Welsh Financial Education Unit that will work with practitioners, to develop recommendations on a programme of support for schools and local authorities, by reviewing and disseminating best practice.

Income maximisation is a “stand-alone” theme in this Strategy because of the specialist nature of the advice and support required and the amount of time needed to ensure that the various benefits and tax credits are claimed by those entitled to receive them. Older people and carers are amongst the groups that are least likely to claim their benefit entitlement.

To address this problem the Assembly Government is building on the work already undertaken in partnership with local authorities in Wales and the Third Sector, in successfully increasing the uptake of Council Tax Benefit and Housing Benefit. One million pounds a year for 3 years has been allocated to further support this work and to widen the focus to families with children, as well as pensioners.

People on low incomes are far more likely to be victims of fuel poverty. Our Fuel Poverty Strategy, to be published later in 2009 and based on consultation of the

National Energy Efficiency and Savings Plan, will include changes to the Home Energy Efficiency Scheme to improve targeting of, and support for, the fuel poor.

The Welsh Assembly Government, through its One Wales commitments and the UK Government, through its Financial Inclusion Action Plan, are already acting to reduce the negative impacts of financial exclusion. The Financial Inclusion Strategy for Wales identifies the further work which will be needed by the Assembly Government and all relevant organisations working in collaboration. These organisations have been involved in the development of the Strategy from its outset and will be key players in its ongoing delivery.

FINANCIAL INCLUSION STRATEGY TOP 20

What we've done:

Established Financial Inclusion Steering Group

Appointed Financial Inclusion Champions Team for Wales

Provided £3m for Council Tax Benefit/Housing Benefit uptake

Established Welsh Unit for Financial Education

Embedded Financial Inclusion in the school curriculum

Introduced rate relief for post offices and credit unions

Achieved all-Wales credit union coverage

Introduced £9.5 million Mortgage Repossession Scheme

Brought FSA financial capability agenda to Wales

Delivered HEES fuel poverty scheme to over 93,000 households

Introduced all-Wales Credit Union funding programme

Increased the number of credit unions offering Child Trust Fund from 3 to 18

Introduced a £500k pilot project to help families with disabled children claim the benefits they are entitled to

Introduced a new Post Office Diversification Fund

What we are doing:

Establishing credit union links to all secondary schools by 2011

Publishing Credit Union Action Plan

Taking forward Making Legal Rights a Reality in Wales

Rolling out generic financial advice service (Thoresen Pathfinder) in Wales

Introducing Child Trust Fund Cymru Premium

Publishing our Fuel Poverty Strategy

Making it Happen

The Financial Inclusion Unit provides a focal point for co-ordinating and overseeing financial inclusion activity across the Assembly Government and for ensuring this work complements UK Government policies and actions.

The Financial Inclusion Unit is working closely with the Financial Inclusion Champions team in Wales, developing and promoting effective partnerships between key organisations, especially trusted intermediaries who work closely with the financially excluded.

The Welsh Financial Inclusion Steering Group advises on the further and wider policy requirements necessary to tackle financial exclusion in Wales. The Steering Group oversees how the Strategy is being taken forward across the Assembly Government, public and third sectors, taking into account the work of the UK Government, FSA , and other stakeholder organisations

The monitoring and evaluation framework of the Strategy is critical in assessing whether its objectives have been met and the extent of its impact on financial inclusion. It will play an essential role in developing a robust evidence base and in turn identifying areas in need of further research and informing future Welsh Assembly Government policies and initiatives around financial inclusion.

A detailed Action Plan accompanies the Strategy, identifying key tasks, indicators and timescales for action under each of the Strategies core themes, identifying who will be responsible for delivering each of the actions required. The Action Plan will act as a monitoring tool for the Strategy with an Annual Review and Progress Report being presented to Ministers and the Welsh Financial Inclusion Steering Group.

SETTING THE SCENE

The Financial Inclusion Strategy for Wales sets out the Welsh Assembly Government's vision, policy and plan to promote financial inclusion over the next three years. It incorporates our vision to deliver the commitments set out in One Wales and make a real difference to the lives of the people of Wales.

Our Vision for Financial Inclusion in Wales is for:

A well functioning, accessible and comprehensible financial system, for all people living in Wales, including those who are marginalised from society. This inclusive financial system should provide a broad range of financial products and services that are supported by the provision of easily accessible and free to use financial education and advice services.

Strategy Principles

To help achieve this vision the Strategy identifies the key areas in which actions need to be taken, underpinned by the following principles:

Equality and Inclusion

- Making it possible for all Welsh citizens to access financial services, financial education and advice services
- Challenging bad practice and discrimination in getting access to services and advice

Maximisation of Resources

- Using all available funding to promote the aim of financial inclusion
- Targeting and allocating resources to services and organisations best placed to achieve results.
- Encouraging information and best practice from existing financial inclusion activity

Partnership Working

- Exploring opportunities for partnership working on a local and national level, bringing together the expertise and commitment of all agencies with a stake in promoting financial inclusion
- Identifying gaps in the provision of services and making the best use of available resources to meet these needs.

The Strategy focuses on the five core themes of:

- Access to mainstream financial services
- Access to affordable credit and loans
- Accessible financial and debt advice
- Financial capability/literacy
- Income maximisation

Strategy Aims

The overall aims of the strategy are:

- To facilitate a holistic and co-ordinated joint-agency response to financial inclusion
- To tackle the causes of financial exclusion and reduce financial exclusion in Wales
- To improve the current provision of support services for all who experience difficulties as a result of being financially excluded
- To respond to the additional challenges to financial inclusion created by current economic difficulties.

Who is the Strategy aimed at?

The Strategy is aimed at all key stakeholders including the Welsh and UK Governments, local authorities, housing associations, advice providers, post offices, banks, utility companies, community organisations, Communities First Partnerships and credit unions.

What is financial inclusion and why does it matter?

Financial inclusion can be defined as everybody having access to an appropriate range of financial products and services, which allows them to effectively manage their money, regardless of their level of income, social status or ability. For financial inclusion to be achieved people need to be supported to have, as a minimum, some basic financial skills, product knowledge and understanding.

Financial inclusion matters because being financially excluded is likely to cause hardship amongst those who are already the most vulnerable and disadvantaged members of our society. Being excluded from mainstream financial services means that those who can least afford to do so will end up paying more for their basic needs, including the cost of energy as they cannot benefit from the cheaper tariffs linked to payments by direct debit. They will invariably pay more for their credit needs as they have no access to affordable rates from the mainstream banking sector.

Tackling the problem of financial exclusion is therefore an important part of the Welsh Assembly Government's commitment to social justice and the Financial Inclusion Strategy for Wales aims to break the cycle of disadvantage that causes financial exclusion.

The Causes of Financial Exclusion

The causes of financial exclusion are complex and varied and there are no easy solutions. It is not a new phenomenon. Historically there has always been a minority who have lacked access to the type of financial products that most of us take for granted. Those at the highest risk of being financially excluded are almost always those who can least afford to be left out. Research¹ has shown that those at highest risk include:

¹ Financial Services Authority, In or Out, Financial Exclusion: a literature and research review, 2000

- people who are unemployed
- people claiming means-tested benefits
- people unable to work through sickness or disability
- single pensioners
- those from the Pakistani or Bangladeshi communities;
- lone parents

Barriers to Financial Inclusion

Financial exclusion can be the result of one main reason or a combination of reasons that act as barriers to financial inclusion. These barriers have been well documented in the research review on financial exclusion commissioned by the Financial Services Authority. They include barriers which fall under three distinct headings:

1) Barriers Resulting from Market Failures

Market failure refers to a situation where the market has not and cannot of itself be expected to deliver an efficient outcome. In principle market failures provide an economic reason for intervening; in practice the case for such intervention rests on the existence of cost-effective ways of improving outcomes.

An example of market failure could arise where banks know that relatively “risky” individuals are more likely to apply for credit but they have only imperfect ways of identifying such people. In these circumstances, banks will be less likely to grant credit to people on average, including those who are a good risk. Here, the scope for cost-effective intervention is not clear. As a second example, people may simply lack the information on the availability and characteristics of financial services. In these circumstances, intervention may be able to secure the provision of impartial sources of advice.

Some specific barriers which may be regarded as examples of market failure include:

Identity Barriers – resulting from requirements to provide proof of identity before people can open bank accounts. Commonly a person wishing to open a new account must have either a passport or driving licence. Those who do not possess such documents may face difficulty accessing financial services. In common with many other barriers, this barrier is most likely to affect those in poverty or otherwise disadvantaged.

Marketing Barriers - where those at the “bottom end” of the market are not targeted by mainstream banks giving the impression that their needs will not be catered for and encouraging the belief that they will be refused access to services.

Technological Barriers – resulting from advances in technology, such as telephone and internet banking, which have reduced the opportunity for face-to-face transactions. This is again believed to have the greatest impact on those on low incomes and older people, as they are considered most likely to not use new technology advances and thus lack ready access to the new “gateways”.

Statistical Discrimination – where individuals find it difficult to obtain services because they have characteristics which are in general associated with adverse outcomes (eg defaults), even though they are themselves a “good risk”. This may result in e.g. discrimination based on residential postcode.

Market Disruption – where specific problems in financial markets, for example as a result of the recent “credit crunch”, temporarily inhibit the proper functioning of those markets, it is likely that such disruption will impact especially severely on access to financial services for particular marginal groups who are perceived to present greater than average risks.

2. Barriers obstructing the access of those who are otherwise creditworthy and/or could afford access.

Even where market failures do not exist, there may be a case for intervention on equity or social grounds to assist disadvantaged or excluded groups. Again, however, any interventions need to be cost-effective. Examples of the barriers faced by such groups include:

Access Barriers – when people are physically unable to get to a bank or building society. This problem is most common in disadvantaged areas in both urban and rural areas. Access barriers are particularly relevant to people with mobility problems and to those with visual, hearing and other impairments, which limit people’s ability to use cash machines, read printed literature or use the telephone.

Other Transport and Geographical Barriers - in both urban and rural areas people on low incomes without their own transport or with poor local public transport services will often find it difficult and expensive to get to a bank to carry out their financial business.

Language Barriers - people with little or no English may have difficulty communicating with staff in banks or other organisations. Similarly, people whose first language is Welsh often feel more comfortable discussing personal issues in Welsh.

3. Barriers arising from fundamental un-creditworthiness or inability to afford access.

Risk Assessment Barriers - where people on low incomes and those who have a history of bad debt are excluded on grounds of poor creditworthiness.

Affordability Barriers – where financial products are inaccessible because they are too expensive

Barriers of the third kind are perhaps the most problematic in that they are often linked to the fundamental problem of having to survive on a low income. However, there are actions that can be taken to reduce the impact of these barriers by maximising incomes wherever possible and providing access to more affordable forms of credit.

The Consequences of Financial Exclusion

The consequences of not having access to mainstream financial products today are far more serious than ever, with the increasing importance of debit card transactions, standing order and direct debit payments. Direct debit payments will often attract a discounted price, meaning that those who do not have access to a bank account will pay more for their basic services such as electricity, gas and water supplies. The move towards the payment of wages through the Bankers' Automated Clearing Services (BACs) system has also made the need to be financially included even more vital as most employers will now only pay employees wages through a bank account. Managing a household budget without access to a bank account will inevitably be more expensive and reduce the disposable income of people on low incomes.

Those living on low incomes are likely to suffer disproportionately from debt problems as they struggle to manage their limited budgets and cope with any unexpected changes or demands on their finances. Without access to mainstream services, money is often borrowed from the alternative lending market where interest rate charges are much higher.

The Current Financial Climate – Impact on the Financially Excluded

The current financial and economic climate is having a particularly detrimental effect on the lives of those living on very limited incomes. Over the past year there have been three major areas of change that are having potentially serious effects on those who are financially excluded:

Commodity prices increases - increases in prices for food, transport and energy over the last few years have impacted most on those individuals who have limited resources, although recent reductions in inflation are mitigating some of the worst effects.

Direct effects of the financial crisis on access to credit - under the current financial climate mainstream financial institutions are now even less willing to offer services to those who are perceived to be a poor risk as the fear of increasing levels of bad debts rises. As the economic situation improves, we will need to monitor carefully the changing impact on those who are financially excluded.

The overall economic slowdown resulting in higher unemployment - until early 2008, unemployment had been on a long run declining trend, but in spring 2008 it started to rise. A recession took hold over the latter part of 2008 and into early 2009 unemployment rose sharply. More recently there have been some encouraging signs, with the economy stabilising, however, there remains a measure of uncertainty about future prospects.

The combined effect of a weak labour market, pressure on wages for those who retain employment and prices that continue to rise for some key goods and

services, is likely to result in greater difficulties for those on low incomes and in poverty, and in particular to increased problems indebtedness.

The Welsh Assembly Government's view is that a successful Financial Inclusion Strategy will require a holistic approach, involving an integrated package of services including awareness raising, financial education, advice on income maximisation and money management, specialist debt counselling, accessible savings opportunities and access to sources of affordable credit.

Marginalised Groups

Available research indicates that financial exclusion is often exacerbated by some clearly identifiable traits linked to age, ethnicity, gender, and disability. Pensioners, certain ethnic minority groups, female single parents and people with a physical or mental disability have been identified as marginalised groups that require additional support to promote financial inclusion.

Financial exclusion represents a complex set of overlapping barriers that impact on individuals' and households' access to mainstream financial services; the extent to which they can obtain affordable credit; and levels of debt. The overriding factor, however, is low income, which is the single factor that cuts across most of the disadvantaged social groups who suffer financial exclusion.

In order to better understand the financial inclusion barriers faced by these marginalised groups and how best to address these challenges the Minister for Social Justice and Local Government commissioned a review of the specific needs faced by these particular groups. This research undertaken by our Research & Information Unit entitled "Problems and Interventions" has made the following recommendations for action and further research:

- Identifying proven examples of good practice in the design and implementation of interventions, with a view to providing advice and guidance to local authorities, housing associations and other outlets in designing their services.
- Using what little is known about 'what works' to assess the effectiveness of current interventions.
- Examining the existing provision of financial and debt advice in the light of new evidence on the mapping of demand across Wales' LSOA's, to identify areas where coverage is inadequate.
- Working with representative groups to more systematically capture the needs of specific social groups from a Welsh perspective.

The Financial Inclusion Unit will work with partners to follow up the recommendations of the "Problems and Interventions" research

POLICY CONTEXT

The profile of financial inclusion has risen markedly over the past 10 years, with major developments in Wales and at the UK level.

Wales

In Wales, the Review of Over-indebtedness² was published in July 2005 outlining the evidence and assessing the impact of the Assembly Government's policies and strategies and of debt on individuals, communities and the wider economy. Subsequent activity undertaken has included bolstering financial literacy in schools, establishing the Welsh Financial Education Unit, supporting the credit union movement and challenging illegal money-lending.

The first Financial Inclusion Strategy for Wales builds on the foundations of the Over-indebtedness Review and sets out the Welsh Assembly Government's vision, policy and plan to promote financial inclusion.

The *One Wales* programme for Government published in 2007 commits the Assembly Government to supporting those marginalised from society and to ensuring everyone can live free from poverty. A range of specific commitments and policies relevant to the financial inclusion agenda underpin this which are detailed in the Strategy including:

A Fair and Just Society – One Wales commits to addressing poverty, with a specific focus on tackling child poverty. Strands 2 and 3 of the Joint Agreement on Child Poverty, between the Welsh Assembly Government and other key stakeholders with a shared goal of eradicating child poverty, emphasises the importance of financial inclusion initiatives and of encouraging greater uptake of the UK Government tax and benefits support. Utilising the Wales Spatial Plan as an integrating tool in this area the Assembly Government is providing support to the credit union movement, introducing a Welsh premium to the Child Trust Fund, reinstate the Post Office Diversification Fund and develop Communities First into its next phase.

Learning for Life - We will continue to provide a distinctive curriculum in schools which inspires and encourages achievement recognising that the skills and knowledge required to plan and manage finance effectively play an important role in equipping people to make informed and independent decisions throughout life. It is also vital that we recognise the importance of other learning settings in this context including Adult Community Learning, Youth Services, Higher Education, Further Education and other community/alternative learning settings. For those who have completed compulsory education we will work with partners to offer a broad range of learning opportunities that are responsive to the needs of students and employers and tackle poverty and disadvantage.

Improving both basic and work related skills are important elements in our Financial Inclusion Strategy. The policies set out in our all age strategy for the promotion of basic skills "Words Talk, Numbers Count" and our Skills and Employment Strategy and Action Plan "Skills that Work for Wales" will make an important contribution to improving outcomes for vulnerable children and their families.

² Welsh Assembly Government, Deputy Minister's Review of Over-indebtedness, 2005

A strong and confident nation – The Assembly Government is bringing forward a strategy for the continual improvement of local services in Wales aimed at embedding the imperatives of efficiency and citizen centred services in the context of the Wales Spatial Plan. This will be achieved by establishing opportunities to take public services forward on a collaborative basis, and in this manner to improve them at the point of delivery.

A healthy future - Becoming over-indebted can impact negatively on people's lives and lead to demands on public funds. Unchallenged debt problems can often lead to increased levels of stress and anxiety. Over-indebtedness can often lead to physical and [mental health](#) problems such as depression, low self esteem, relationship breakdown, and even loss of employment. Addressing the issue of over-indebtedness will help to prevent health problems caused by financial stress. *One Wales* commits to a new priority for mental health, including child and adolescent mental health services.

A prosperous society - Stimulating social enterprise including sustainable credit unions, working alongside the Department of Work and Pensions to continue to introduce innovative programmes to help people back into work, improve skill levels and enhance business rate relief scheme for post offices and credit unions.

Living communities - The National Housing Strategy, 10 year Homelessness Plan and Supporting People Strategy all set out an agenda to maximise the impact of housing and housing related support providers in financial inclusion. Actions include preventing homelessness as a result of mortgage or rent arrears including the £9.5 million Mortgage Rescue programme and providing financial support to young people who can't afford to buy their first home in their own community.

A sustainable environment - Fuel poverty in Wales is on the increase as a direct result of the recent rises in utility prices. To tackle the problems associated with fuel poverty the Welsh Assembly Government will continue to provide energy efficiency grants, including a non-means tested element within the context of the National Energy Efficiency and Savings Plan.

A rich and diverse culture

All of our actions to promote financial inclusion will adopt an equality proofing approach to ensure that all solutions work equally well for all groups within the affected communities of Wales. Some groups face particular barriers to using financial services, for example older people, minority ethnic communities, disabled people and people with mental health problems. The support services they get must cater for their particular needs, including their preferred language and religion.

To support the development of the Financial Inclusion Strategy for Wales, we will be undertaking a 'Problems and Interventions' literature review, which will highlight barriers faced by such groups of people. Based on the outcome of this work, we will attempt to identify ways in which such barriers can be reduced.

UK Government

The UK Government's first financial inclusion plan covering England, Wales and Scotland, *Promoting Financial Inclusion*, published in December 2004³, included:

- the creation of a dedicated Financial Inclusion Fund of £120 million for the 2005-08 spending period;
- the prioritisation of the three areas of: access to banking; affordable credit; and free face-to-face money advice; and
- the establishment of an independent Financial Inclusion Taskforce to advise the Government and monitor progress.

Since 2006, the Financial Inclusion Fund has provided £42 million through the Growth Fund for over 100 third sector lenders. Run by the Department for Work and Pensions (DWP), the Fund provides capital for lending to financially excluded customers, with revenue support to meet costs. To date, over 46,000 loans have been made, totalling more than £20 million. Between October 2006 and March 2008 Welsh credit unions, and the communities they serve, have benefited from the Growth Fund, granting almost 5,000 loans totalling £2.3 million.

The Financial Inclusion Fund has been extended until 2011, with the new Financial Inclusion Action Plan⁴ aiming to ensure that everyone has access to appropriate financial services, enabling them to:

- manage their money on a day-to-day basis;
- plan for the future and cope with financial pressure; and
- deal effectively with financial distress.

In its report to HM Treasury⁵ for the 2009 Budget the Financial Inclusion Taskforce stated that:

“These objectives have never been more important to ensuring the welfare of vulnerable people than at the current time of national and international economic difficulty. Recent pressures on the economy and the banking system will particularly affect the most financially vulnerable people.”

In carrying forward these objectives the Taskforce highlights some key challenges that have resulted from the recent economic downturn including people being deterred from holding or using a bank account due to lack of confidence in the banking system. The Taskforce is now considering new technologies such as pre-paid cards that can offer consumers the benefits of banking without the need to hold a bank account.

The recent recession has also led to more and more potential borrowers being turned away by the mainstream financial services sector on the basis of risk leaving many vulnerable people without access to credit. To counteract this problem the DWP has been working with existing Growth Fund contractors to extend coverage to as many of the 25 “red alert” and 56 “amber alert” areas identified by the Taskforce as possible. The recession is also likely to put pressure on people's incomes, making them less likely to save. This will make savings initiatives such as the Saving Gateway more difficult to promote although with

³ HM Treasury, *Promoting Financial Inclusion*, Pre-Budget Report, December 2004

⁴ HM Treasury, *Financial Inclusion: the way forward*, March 2007

⁵ Financial Inclusion Taskforce, *Financial Inclusion: More important than ever*, Report for the Budget 2009

post offices and credit unions being able to offer such accounts it is hoped that those on low incomes will still be encouraged to kick start a savings habit.

| **The Welsh Assembly Government will ensure that the Financial Inclusion Strategy for Wales complements and runs seamlessly alongside the UK Government's Financial Inclusion Action Plan.**

Forging Links – Working Together – not in Isolation

Promoting financial inclusion requires a broad range of actions by key players committed to long-term involvement in the communities in which they operate. These include local authorities, housing associations, advice providers, post offices, banks, utility companies, community organisations, including Communities First Partnerships and credit unions. Each has an important role to play in the delivery of the Financial Inclusion Strategy and in creating partnerships between the various sectors to link the required strands of activity together. The strategic roles of Local Service Boards, Community Strategy Planning groups, Health, Social Care and Wellbeing (HSCWB) and Children and Young People's (CYP) needs to be taken into account in responding to financial exclusion at the local level. Local strategic partnerships will have an important role in promoting financial inclusion and should be actively engaged with as they are the main planning vehicles for local authorities and partner organisations' activity with regard to cross-cutting local issues and strategies such as financial inclusion. They should therefore be seen as key mechanisms in helping to generate and improve partnership working.

The Welsh Assembly Government and the Financial Inclusion Champions Team for Wales are working together with key stakeholders to encourage and promote partnership working and the delivery of joined up services.

| Local Authorities

Local authorities can make an important contribution to the financial inclusion agenda through their day-to-day contact with excluded individuals and as funders and providers of services. They can also provide a focus that draws together all existing financial inclusion initiatives in their region and shares examples of best practice with other local authorities and partnership organisations. They provide the momentum to drive forward the financial inclusion agenda in their region by encouraging the development of new and existing financial inclusion initiatives and engaging with other key stakeholders through local forums. Local authorities also have a key role to play in the delivery financial education in their schools to ensure young people have a good understanding in personal finance issues before they leave school.

Adopting a more holistic approach to the promotion of financial inclusion means that the local authorities' limited resources can be targeted on areas and groups of greatest need. They can also ensure that inclusion is embedded in delivery of all of their key policies and that all actions taken to promote financial inclusion are targeted in areas of greatest need.

An increasing number of Local Authorities are now developing their own strategies to promote financial inclusion and to tackle over-indebtedness. A UK-wide survey by the DWP⁶ revealed that 52% of all Local Authorities that responded to the survey did not carry out any financial inclusion activities or support to tenants, either within the Local Authority itself or through another organisation. Of the 108 Local Authorities that did promote financial inclusion activities the most common form of support was welfare benefits advice (provided by 91%), followed by debt

⁶ Research Report No 440. Local Authorities Omnibus Survey Wave 14, August 2007

advice (58%), income maximisation advice (49%), budgeting advice (47%) and advice on opening bank accounts (40%). This report was compiled from the responses received from 223 local authority managers, representing a total response rate of 55%. Response rates however varied by local authority type with 56% of Scottish and English Unitary authorities responding compared to just 36% of Welsh authorities. Of the Welsh Local Authorities that responded, 50% said that they did provide some form of financial inclusion support to tenants, with the most popular area being benefits eligibility.

Local authorities have the potential to play a huge role in promoting financial inclusion in Wales. Most will already have some policies addressing the various aspects of financial exclusion, such as supporting the development of local credit unions, anti-loan shark activity and providing debt and welfare benefits advice. However, the provision of these services varies throughout Wales and is inconsistent, meaning that some areas benefit more than others.

How Local Authorities can help to Promote Financial Inclusion

- Develop their own Financial Inclusion Strategy reflecting the needs of their areas and their local population
- Undertake a mapping exercise to identify areas of need and gaps in service provision
- Utilise social inclusion/anti-poverty teams and officers as 'Financial Inclusion Champions' within the local authority to raise awareness and understanding of these issues throughout all local authority services
- Develop mechanisms to allow 'Financial Inclusion' to be a fundamental consideration in the delivery of all local authority services
- Review the terms of their own banking contracts to ensure that the banks that benefit from the business relationship with the local authority work actively to meet the needs of people who are financially excluded through their Corporate Social Responsibility investments
- Provide home contents insurance schemes to their tenants tied to rent
- Provide money advice and welfare benefits advice and assess local need for such advice, including the needs of marginalised and vulnerable groups and the needs of Welsh speakers.
- Develop links and make referrals to specialist agencies such as Shelter Cymru, citizens' advice bureaux and Consumer Credit Counselling Service for debt advice
- Work in partnership with and support the development and growth of credit unions services in their area
- Address fuel poverty through promoting energy efficiency measures and shopping around for alternative tariffs or providers for utilities and other services
- Support credit unions by offering the opportunity for employees to make credit union payments via payroll deduction
- Work closely with the DWP Financial Inclusion Champions to deliver the UK Government's and the Welsh Assembly Government's key financial inclusion targets

Local authorities also need to work together with housing associations on addressing their financial inclusion objectives for their tenants, including the actions set out below.

Housing Associations

Housing Associations are becoming increasingly aware of the financial problems that many of their residents face and the impact these problems have on their wider communities if they are left unchallenged. They can take a lead role in combating financial exclusion amongst their tenants and residents by offering access to a range of financial services and impartial advice, particularly through the early detection of financial difficulties.

Although most housing associations provide informal advice to tenants on money management, some are beginning to adopt a more strategic approach to tackling financial exclusion. Pro-actively promoting financial inclusion makes sense for housing associations for both economic and social reasons. With the average cost of a failed tenancy being estimated at between £5,000 and £7,000, there is a clear economic argument for housing associations acting to address their tenants' financial difficulties.

A number of Welsh housing associations are now putting financial inclusion high on their agendas. RCT Homes has taken a unique approach to developing their own Financial Inclusion Strategy and are training over 100 staff in the principles of financial inclusion with a view to mainstreaming.

Both Community Housing Cymru and the Chartered Institute of Housing have recognised the importance of housing associations' role in financial inclusion and have appointed dedicated staff to assist their members to promote financial inclusion amongst their tenants,

How Housing Associations can help to Promote Financial Inclusion

- Develop their own Financial Inclusion Strategy reflecting the needs of their areas and their local population
- Undertake a mapping exercise to identify areas of need and gaps in service provision for their tenants
- Review the terms of their own banking services to ensure the banks that benefit from the business relationship with the housing association work actively to meet the needs of tenants who are financially excluded through their Corporate Social Responsibility investments
- Maximise tenants' income by providing welfare rights and benefits advice
- Develop links and make referrals to specialist agencies such as Shelter Cymru, citizens' advice bureaux and Consumer Credit Counselling Service for debt advice
- Increase access to financial services by encouraging the opening of basic bank accounts
- Work closely with local credit unions to encourage tenants to save and have access to a low cost source of credit
- Address fuel poverty through the promotion of energy efficiency measures and shopping around for alternative tariffs or providers for utilities and other services
- Offer low-cost home contents insurance
- Support credit unions by offering the opportunity for employees to make credit union payments via payroll deduction

- Raise awareness amongst housing organisations of good practice elsewhere and the significant role they can play in increasing financial inclusion amongst their tenants
- Work closely with the DWP Financial Inclusion Champions to deliver the UK Government's and the Welsh Assembly Government's key financial inclusion targets

Melin Homes – Financial Inclusion Strategy - “Investment in Futures”

In June 2009, Melin Homes launched its own Financial Inclusion Strategy at Garnteg Primary School, Garndiffaith, in recognition of the fact that financial inclusion goes to the heart of all of the services and functions that it delivers as a housing association. The Strategy entitled “Investment in Futures” recognises that financial exclusion affects all sectors and cross sections of communities and takes a cross-tenure approach to:

- Maximising incomes
- Improving financial capability
- Promoting access to a wide range of financial services
- Maximising access to benefits, grants and subsidies
- Tackling worklessness
- Preventing the spread of income poverty
- Improving the current financial landscape

“Investment in Futures”, represents Melin Homes long-term commitment to investing in communities to address all forms of poverty and exclusion. The Strategy aims to demonstrate by way of outcomes the ways in which financial inclusion activities contribute to the wider strategic agenda of partner Local Authorities. Melin Homes is working with partners including local schools and learning establishments to encourage financial literacy and engage existing partnerships and programmes like Job Match, Heads of the Valleys and others that support wider regeneration and community development activities that support financial inclusion,

Community and Town Councils

Community and Town Councils can also be important players in the promotion of financial inclusion through their role as representatives of local communities. They have a commitment to improving the quality of life and opportunities for the most vulnerable people in their communities.

Community and Town Councils are the grassroots level of government and with 736 operating in Wales, they are well positioned to take an active part in the financial inclusion agenda. Collectively they engage some 8,000 individuals in voluntary service as councillors, and are responsible for managing an aggregate annual budget in excess of £25 million to deliver a wide range of public services and community amenities. Most members of community and town councils live in the communities they serve and many councils also engage with local residents through surveys, newsletters and public meetings. As such they can often be more responsive to community needs and to the diversity of interests within a community.

How Community and Town Councils can help Promote Financial Inclusion

- Facilitate community focussed campaigns and activities
- Organise and sponsor community events and promote community spirit and inclusiveness
- Act as a vehicle for the representation of local interests to external bodies.
- Provide additional support to the services and facilities operated by county and county borough councils
- Work in partnership with and support the development and growth of services aimed at promoting financial inclusion in their area e.g. credit unions, debt advice providers

Mainstream Banks

The promotion of financial inclusion has in recent years become an increasingly visible part of the mainstream banking sector's approach to its corporate social responsibility. Banks can play an active role in financial inclusion in part through promoting their own products and services, such as the basic bank account and in part through supporting other organisations that actively promote financial inclusion. Many banks have financial inclusion teams that support organisations involved in delivering financial education, debt advice services and third sector lenders that provide access to affordable credit.

How Mainstream Banks can help to Promote Financial Inclusion

- Work with partners to remove identified barriers that discourage financially excluded people from opening a basic bank account
- Provide flexible financial products that are understandable to those who wish to use them
- Continue to provide support, both financial and in kind, to third sector lenders such as credit unions in Wales
- Continue to contribute to specific UK financial inclusion initiatives that have benefits for Wales, such as National Debtline
- Support financial education building through the FSA's national strategy and other financial capability initiatives in Wales
- Support debt and money advice initiatives aimed at addressing the problems caused by over-indebtedness in Wales
- Provide financial information and education for marginalised and vulnerable groups in Wales through organisations such as the Personal Financial Education Group (pfeg)

Consumer Focus Wales

Consumer Focus Wales is the statutory organisation campaigning for a fair deal for consumers in Wales. The organisation aims to be the voice of the consumer and work to secure a fair deal on their behalf. Created through the merger of three consumer organisations – energywatch Wales, Postwatch Wales and the Welsh Consumer Council, the new approach allows for more joined-up consumer advocacy, with a single organisation speaking with a powerful voice and able to bring cross-sector expertise to issues of concern.

How Consumer Focus Wales can help to Promote Financial Inclusion

- Work with the Assembly Government in taking forward the Financial Inclusion Strategy
- Build on former Welsh Consumer Council work by continuing to monitor trends in indebtedness and financial exclusion in Wales
- Work with National Energy Action Cymru to set up a cross-party group of Assembly Members to look at the issue of Fuel Poverty in Wales
- Conduct scoping work for a project to explore older people's finances in Wales
- Work with the Bevan Foundation and others, organise a working group to discuss and make recommendations about the poverty premium paid by people on low incomes who have pre-payment meters, no internet access, etc
- Promote sustainable development by advising stakeholders on consumers' attitudes to renewable energy and energy efficiency, and how to influence them
- Advise the Assembly Government on the needs of consumers in relation to energy pricing and switching rates in Wales.

Money Advice Providers

Recent research by the Legal Services Research Centre⁷ found clear evidence that gaining access to money advice has a positive impact on the lives of individuals with debt problems. "*A Helping Hand – The Impact of Debt Advice on People's Lives*" found that by accessing money advice, individuals with problem debts felt that there was a positive impact not just on their immediate financial circumstances but also on their general state of health and their family relationships. The report found that:

- 70% of the people who had accessed money advice felt that they had made headway against their debts twelve months after they were first surveyed
- Of those who reported health improvements, 75% linked this to the effect of receiving money advice

There is recent evidence to suggest that the current economic recession has made the demand for debt advice in Wales increase significantly. In 2008-2009, Citizens Advice Bureaux (CABx) across Wales saw debt enquiries increase by 6% on the previous year leaving debt enquiries accounting for more than 37% of the CABx total client base.

⁷ Legal Services Research Centre, *A Helping Hand – The Impact of Debt Advice on People's Lives*, March 2007

How Advice Providers can help to Promote Financial Inclusion

- Provide quality advice throughout Wales that includes and targets marginalised and vulnerable groups
- Help clients to avoid their debts rising to the point where they become unmanageable
- Help clients to avoid the build up of future debts by providing budgeting advice
- Maximise clients' incomes by providing welfare rights and benefits advice
- Guide clients towards adult learning, adult literacy provision and financial capability services, where appropriate
- Work in partnership with local organisations with a financial inclusion remit, such as credit unions, and registered social landlords, to identify potential clients and partnership initiatives
- Encourage partners and clients to adopt an "early intervention" approach to seeking money advice that strikes a balance between accessing advice too early and getting it too late

Credit Unions

Credit union membership in Wales has grown from approximately 10,000 at the end of 2000 to almost 48,000 by March 2009. The continual growth and expansion of the movement over the past eight years, with the support of the Welsh Assembly Government, has raised their profile and their potential role in providing affordable financial services.

Although credit unions are not, and should not, be set up for the specific purpose of providing financial services to the financially excluded, they can, under the right circumstances, have a key role to play in the delivery of an "all inclusive" range of affordable financial products. By offering a variety of financial products, credit unions are well placed to provide affordable financial services to those whose financial circumstances are less secure and, therefore, less attractive to the mainstream, profit-making financial services sector. For credit unions to be effective players in the delivery and promotion of financial inclusion, they need to be supported in ways that will help them grow and ultimately become self-sustainable.

How Credit Unions can help to Promote Financial Inclusion

- Provide a range of savings and loan products that meet the financial needs of all members, including those who have difficulty in accessing mainstream financial services
- Work with the DWP to deliver Growth Fund 2 commitment to providing instant loan service to individuals on low incomes
- Encourage a savings and asset building culture as a way to longer term financial stability including Child Trust Fund accounts and Individual Savings Accounts (ISAs)
- Improve access to credit union services by increasing office opening hours, establishing more outreach collection points and operating payment collection networks e.g. All Pay, Pay Point etc.
- Provide additional services such as low cost insurance products including home contents and travel insurance and a bill payments service to help members with budgeting plans

- Work with other local organisations such as money advice services and registered social landlords, to give members access to money advice and other services, such as budgeting and bill paying accounts
- Work to develop primary schools savings clubs
- Work with schools to ensure access to a credit union for every secondary school pupil in Wales
- Consider mergers and opportunities for shared services and joint working with other credit unions to provide better geographical coverage and consistency of service delivery throughout Wales
- Consider opportunities to promote energy efficiency

Post Offices

Post offices have a key role to play in promoting financial inclusion attracting, as they do, a high proportion of customers from vulnerable and disadvantaged groups such as the elderly, the disabled, the unemployed and low-income families. People from these groups are able to build a positive and supportive relationship with their local post office as a high proportion of them will be claiming some form of state benefit.

Save-easy Credit Union Post Office Project

This partnership project between the Wales Co-operative Centre, Llanelli Save-easy Credit Union and two local sub-post offices was set up in 2004, with the financial support of the Assembly Government. The project was established to support the on-going development of a sustainable Welsh credit union movement and the continued delivery of Post Office services in Wales.

Capital costs included the provision of credit union collection counters in each of the post offices and revenue funds the time of post office employees staffing the credit union counters. The project produced a number of positive results including:

- significant increase in both post office footfall and takings.
- above average, increase in credit union members and savings
- raised profile of the credit union in the local community
- interest from other local post offices in participating in the project

Save-easy are now working with 9 local post offices. In 2006-2007, the post offices collected £188,000 in credit union repayments; in 2007-2008 this rose to £204,000.

How Post Offices can help to Promote Financial Inclusion

- Offer the Post Office Card Account to customers as an alternative to mainstream banks
- Diversify to provide a range of financial services and community facilities linked to the needs of local communities, including accessing the Assembly Government's new Post Office Diversification Fund
- Develop links with local credit unions to provide mutually beneficial services and partnerships

- Promote and encourage people to join the Post Office Christmas savings scheme providing a safe and convenient way for people to put money aside for Christmas

Communities First Partnerships

Communities First areas generally having a higher than average number of people who are on low pay, are unemployed, have a long-term incapacity and / or are dependent on various forms of benefits. Addressing these circumstances and the issues arising from them is likely to be one of the highest priorities of Communities First Partnerships.

The next phase of the Communities First Programme places and emphasis on income generation at an individual and community level and the need for Partnerships to consider how to develop the core financial inclusion themes to maximise incomes and minimise debt within their communities, maximise benefit and tax credit take-up and promote and support credit unions

Even the most established Partnerships have yet to address the hard-edged economic issues relating to the income of local people. Communities First Partnerships are a mechanism to encourage and support the development of both maximising income initiatives and activities aimed at minimising debt within their community.

Communities First Outcomes Fund

From April 2009 Communities First Partnerships are able to benefit from a newly established “Outcomes Fund” aimed at encouraging a move to a more outcomes-focussed programme promoting programme bending among service deliverers.

The Assembly Government will provide not less than £25 million for the Outcomes Fund over the next three years from the Communities First budget. The Outcomes Fund is being structured to ensure that it will encourage Communities First Partnerships and their local partners to work together to deliver the real change that local people want for their areas. It is supporting real improvements at the local level in terms of tackling the key priorities for Communities First – child poverty, economic inactivity, job creation, income and maximisation etc.

Llanelli Communities First Debt and Benefit Advice Volunteering Project

Glanymor and Tyisha Communities First has been running a trial financial inclusion project training volunteers from the area in partnership with the Citizens Advice Bureau (CAB), to offer out reach debt and benefit advice in the community. The aim of this project was to help address the huge debt problems within the area, the current levels of which the CAB has unable to cope with. Communities First has provided an initial out reach support mechanism to residents in the community that has helped people applying for benefit, housing grants and dealing with debt. In cases where the problems were too severe clients were forwarded to the CAB directly via a fast tracking system.

Within the first 3 months the project helped 8 individuals and dealt with over 74,000.00 worth of debt. Based on this pilot project Communities First has devised a project that will recruit volunteer to provide Debt and Benefit advice within all five Communities First wards in Llanelli. The project will be part funded by the WCVA Volunteers fund and Carmarthenshire County Council and supported by Llanelli Citizens Advice Bureau. The extended project aims to train 15 volunteers per year via our local CAB on tailored specific training programmes. It is predicted that this project will assist 150 people in year one, dealing with over £1,385,500.00 worth of debt and benefit

Community Organisations

Key stakeholders in the delivery of the Financial Inclusion Strategy need to be engaging with people through local community groups and organisations working in rural and urban communities. Tenants associations, youth clubs and groups representing elderly people, disabled people and minority ethnic groups are best placed to deliver financial inclusion messages and actions to those they represent.

Community organisations will be well placed to identify what works best for local communities including how to ensure the effective delivery of local financial services, debt and income maximisation advice, basic skills and financial education.

Faith Groups

The promotion of financial inclusion in some parts of Wales' most disadvantaged communities will prove to be a challenging task. Faith groups are recognised as potential allies in the challenges created by both social and financial exclusion, as they have direct access to some of the most marginalised people in our society. Recent research by the Local Government Association⁸ shows that the majority of councils believe that partnership working with local inter-faith organisations helps to ensure that people from different backgrounds can interact positively and contributes to a greater sense of belonging within communities.

⁸ Local Government Association, Local Authority Engagement with Faith Groups and Inter-faith Organisations, December 2008

It is therefore important to build a dialogue with faith groups which will enable us to communicate more directly with financially excluded individuals that these groups represent. It is important that we interact with these groups at various levels and learn from their actions thus strengthening the pattern of interactions between people of different backgrounds.

How Community Organisations can help to Promote Financial Inclusion

The range of community organisations referred to above can have a key role to play in identifying and addressing financial exclusion at a very local level. Activities could include:

- working on local initiatives with partners such as Jobcentre Plus, citizens advice bureaux and credit unions, local authority economic development departments, and the Legal Services Commission
- ensuring maximum take-up of benefits, tax and pension credits and council tax rebate through awareness raising initiatives within the community
- active promotion of credit unions
- encouraging peer mentoring to demonstrate benefits of financial services and products such as basic bank accounts, credit union membership and affordable home contents insurance
- identifying specific local needs including cultural and religious requirements.
- facilitating childcare provision through specific projects with community groups.

Utility Companies

Utility companies generally acknowledge their responsibilities to their customers in addition to the commercial responsibilities that they have to their shareholders. These social obligations have historically been delivered through entering into a voluntary partnership with the UK Government, which has an ambitious strategy to transform the way UK homes are powered.

Although the utility companies already contribute a considerable amount to the UK Government-led energy saving initiatives, they are now under even more pressure to address fuel poverty as recent rises in utility bills have seen thousands more households plunge into fuel poverty.

How Utility Companies can help to Promote Financial Inclusion

- Identify energy efficiency solutions for hard-to-heat/treat properties
- Raise awareness of the opportunities to be gained by householders from deregulation of the energy market i.e. lower consumer prices through market competition and the ability to switch suppliers
- Ensure that all information and advice is accessible and understandable to all groups
- Joint action by energy suppliers to align all of their prepayment meter tariffs with their best standard credit rate
- Introduce and promote 'social tariffs' to ensure that low income households can access the energy services they need at prices they can afford.

Rural Development Plan Axes 3 and 4 Partnerships

Axes 3 and 4 of the Rural Development Plan 2007-2013 18 support a range of measures that are designed to improve the quality of life in rural communities. These Axes are being delivered jointly through combined Local Partnerships each with a Local Development Strategy that sets out the needs and priorities for their areas. There are 18 such Partnerships across Wales (with each of the Strategies agreed with the relevant Spatial Plan Area Groups) with the relevant Local Authority acting as Lead Body.

Although the activities of these joint Partnerships are not specifically designed to support financial inclusion measures, they can help address a number of the factors that lead to financial exclusion as well as helping with the provision of support and advice services.

How Rural Development Plan Axes 3 and 4 Partnerships can help to Promote Financial Inclusion

The projects that are taken forward are determined by the joint Partnerships but the Axes allow for action in the following key areas:

- Support for setting up and developing basic services for the economy and rural population which covers a very wide range of services including provision of child care / elder care, community safety, community transport, transport-to-work / training, support for young people / older people, community facilities, cultural and leisure activities, local produce and local box schemes.
- Grants for village renewal and development to support the renovation of buildings and upgrading the village environment such as improvements to public transport infrastructure (e.g. bus stops); provision of information exchanges; encouragement of joint service facilities (i.e. flexible design allowing a building to meet the needs of several service providers e.g. suitable for use for post office / community retail / advice session but also for a doctors surgery), green spaces, safe play areas, traffic calming etc.
- Training and Information - this cannot replace mainstream provision but can cover, for example, local provision of general life skills;

Axis 4 – also known as Leader – can support all of these but also allows the trialling of new things and the dissemination of the lessons learnt and opportunities found through this process.

THEME 1

ACCESS TO MAINSTREAM FINANCIAL SERVICES

Our vision for access to mainstream financial services in Wales

A Wales in which all citizens can access a wide range of affordable financial services and products that suit their individual needs

ACCESS TO MAINSTREAM FINANCIAL SERVICES

Gaining access to mainstream financial services, even at a basic level, has obvious benefits for those on low incomes, including the ability to make bill payments by direct debit or by standing order, therefore paying lower tariffs for some essential services including electricity, gas and water supply.

Basic Bank Accounts

Basic bank accounts offer an important contribution to the financial inclusion agenda by providing previously un-banked individuals with a first step to the ultimate goal of accessing a wider range of mainstream financial services. Basic bank accounts can provide people with a way of managing their money more effectively; make it possible for them to pay important bills on a regular basis as well and get cheaper goods and services by direct debit payments.

In 2004, the Government announced a goal, shared with the banks, of halving the 2.8 million adults living in 1.8m households without access to a bank account, and of making significant progress within two years. The evidence shows that 'un-banked' households are concentrated at the lower end of the income distribution scale, with 65 per cent of households with no account in the bottom three income deciles.

A series of past UK policy initiatives, led by HM Treasury and the mainstream Banking sector have already helped to reduce the number of people without a bank account significantly focused on getting previously 'un-banked' individuals to open bank accounts. The most recent figures from the British Banker's Association⁹ show that there are now 7.3 million 'Basic Bank Accounts' in the UK. These accounts are designed for people who might not meet the banks' criteria for opening a standard current account or who want to ensure that they cannot go overdrawn on their account. The numbers of those having no access to a bank account had fallen from 2.83 million adults in 1.84 million households in 2003 to 1.97 million adults in 1.3 million households by March 2006. In 2006-2007 the number of unbanked adults in the UK actually rose to 2.09 million in 1.37 million households.

Recent research by the Welsh Consumer Council¹⁰ estimated that 8% of adults in Wales aged over 16 years, still do not have a bank or building society account, meaning that all of their transactions are in cash. Although some of these will be self-excluded for a variety of personal reasons, many will face insurmountable barriers, including those to do with restrictive identification procedures for

⁹ British Bankers Association, Basic bank accounts and financial inclusion, 4th Quarter of 2007, March 2008

¹⁰ Welsh Consumer Council, Access to Cash, August 2008

opening accounts and a lack of appropriate customer information on display in bank branches.

Although there has been progress, there is still work to be done to reduce the barriers to opening accounts. A recent CAB Social Policy report¹¹ concerning access to basic bank accounts in Cardiff found that several of the banks and building societies refused Basic Bank account holders access to counter services, leaving them to complete all of their business by machine only. The lack of “face to face” support was seen as a real barrier to people who were new to the banking system. The report also found that people were being turned down due their previous poor credit history even though the banking code advises that applicants should not be rejected on this basis. Rejection on the grounds that applicants had no standard ID+ verification documents such as a passport, driving licence or utility bills, was also common in spite of the Joint Money Laundering Steering Group’s Guidance which allows the banks to use their discretion and accept lesser forms of ID and Verification for people who are financially excluded.

Some customers opening a basic bank account will progress to gain access to other financial products, such as current accounts with an overdraft facility and even credit card accounts, if their financial circumstances improve significantly. However, the majority of account holders will not be offered access to additional services. Of the 7.7 million basic bank account opened between 2003 and the end of 2008 a total of 654,000 accounts (8.5%) had been upgraded to more fully featured accounts.

A recent Toynbee Hall evaluation of the success of the Basic Bank Account as a tool to promote financial inclusion¹², also reported that 25% of Basic Bank accounts opened with the support of the Services Against Financial Exclusion (SAFE) project, within the past two years, had subsequently been closed, with most being ended by the banks without notice, rather than at the request of account holders. Reasons for account closure were rarely given, but when they were, they included a lack of appropriate identification or address verification, direct debits being refused or over-use of the £10 buffer zone.

Restricted Usage of Basic Bank Accounts

Statistics suggest that many basic bank account holders do not use their accounts to the full and in ways that would maximise the benefits, including not paying bills by direct debit. This may be due to a lack of understanding of how the account operates or a fear of the high penalty charges imposed if there are insufficient funds in the account to pay a bill set up by direct debit.

Clearly the provision of just one financial service feature is unlikely to be enough to achieve financial inclusion. More needs to be done to encourage the banking sector to adopt a more customer focussed approach to basic bank account conditions taking account of the financial limitations of those on low incomes.

¹¹ Cardiff Citizens Advice, Emmons, Social policy report concerning basic bank accounts, August 2008

¹² Toynbee Hall Report, Devlin and Gregor, From Access to Inclusion, July 2008

The Welsh Assembly Government will work with the UK Government and the Welsh Financial Inclusion Champions Team to increase access to and take-up of transactional bank accounts and to encourage greater confidence in using direct debit payments and wider use of bank accounts or similar services that promote financial inclusion.

Robert Owen Montgomeryshire Credit Union Ltd – Community Banking Partnership

As part of its Community Banking Partnership, ROMCUL supports financially excluded individuals by linking their credit union savings account to a basic bank account via a bill payment service. With the support of a budgeting advisor individuals are helped to prioritise and agree the list of bills/debts to pay automatically out of their *Community Banking Account* through their credit union, such as their rent, council tax, utility bills and outstanding debts.

Once the member has set up a list of agreed payments the budgeting advisor also helps the member to open up a *basic bank account* with a local bank that is convenient to them, accompanying them, if necessary. When money arrives into the credit union Community Banking Account, the agreed sums are then swept across automatically into the Budget Plan system for paying the agreed schedule of bills, repayments on any credit union loans and for any regular sum to be deposited into their savings account. Any residual amount remaining in the members Community Banking Account is then automatically transferred to their new basic bank account. This remaining sum can then be withdrawn as cash via an ATM outlet.

Islamic Finance

Muslim families make up the largest religious group in Wales aside from Christians and according to a recent survey¹³ nearly 21 per cent of Muslim families live in the most deprived areas of Wales, compared to 10 per cent of the general population. The financial service opportunities that exist for low income Muslim households are likely to be limited. A recent exploratory review¹⁴ of Black and Minority Ethnic (BME) communities experience of exclusion in a wide range of financial fields, concludes that: “Disadvantages among BME groups indicate greater risk of financial exclusion, which in turn impacts not only access to banking or credit, but also a person’s economic well-being, autonomy and participation in democratic society”

Although it is often difficult to separate ethnicity related and poverty-related reasons for exclusion, the review goes on to recommend that: “Policy makers and researchers need a more refined understanding of race inequality, in particular to distinguish the different reasons for unequal outcomes for BME groups.”

Islamic finance is an ethical and equitable mode of finance which derives its principles from the tradition of Sharia Law. An underlying principle is that all forms of interest are forbidden and in recognition of this a growing market of Islamic financial products are becoming available in the UK from a number of High Street

¹³ Welsh Assembly Government – Social Audit of the Muslim Community in Wales - 2007

¹⁴ Runnymede Trust, Omar Khan – Financial Inclusion and Ethnicity – July 2008

banks. Whilst this development is welcomed, it is not clearly understood how Muslims on lower incomes might still be facing barriers to financial inclusion.

In a new venture which sees Cardiff Business School collaborate with the Islamic Banking and Finance Institute in Malaysia (IBFIM) and the Islamic Banking and Finance Centre (IBFC UK), Cardiff is set to be the UK hub for Islamic Finance education. The Islamic Finance Training Programme for Professionals launched in May 2009, aims to assist financial organizations aspiring to offer Islamic Banking courses of products. There are three main components of the course, covering training for finance industry professionals, finance regulators and those in educational roles who want to become accredited in Islamic finance training. The UK Programme has been launched in conjunction with International Business Wales (IBW), the Welsh Assembly Government's trade and investment arm and will be rolled out in Wales initially before other areas of the UK and the rest of the world are targeted.

The Welsh Assembly Government will work with the IBFC UK to explore the potential for opportunities for third sector lenders such as credit unions to fill this gap by offering appropriate Islamic financial products as achieved by a number of credit unions overseas and as is currently being explored by Tower Hamlets Credit Union in London

Free-to-use ATMs

Although basic bank accounts are an important starting point for the financially excluded there are still ways in which some groups can pay more for services that most people. The use of Automated Teller Machines (ATMs) that charge fees of up to £2 per transaction are more likely to be located in rural areas and more isolated urban areas where there is little or no access to the free ATM service offered by mainstream banks. The number of fee charging ATMs has risen in recent years with many convenience stores and pubs having them installed. Recent research by the Welsh Consumer Council¹⁵ found that 11% of people using fee-charging cash machines do so because they have no other choice.

In December 2006, the Treasury Committees ATM Working Group, concluded that many disadvantaged areas throughout the UK had restricted access to free cash machines. In Wales it identified 37 such areas with a combined population of 230,000. The Working Group's report recommended that an additional 600 free-to-use ATMs would be required across England and Wales to ensure access in some of the most deprived areas without a free-to-use ATM within 1km of the centre. The target areas in Wales were identified by the Welsh Index of Multiple Deprivation 2005. Of the 600 ATMs required, 198 were to be in Wales. By June 2009, 113 Target areas had been resolved by live ATMs, 25 have ATMs under contract whilst a further 60 areas remain outstanding.

Since the Working Group reported there have been significant changes in the ATM industry. Independent operators have gained direct access to the LINK network, virtually all the main banks and building societies now offer free ATM services and where charges are applied, transparency and the clarity of signage on pay-to-use cash machines has greatly improved.

¹⁵ Welsh Consumer Council, Access to Cash, August 2008

What the Assembly Government is doing

The Welsh Assembly Government believes that people should be able to obtain their cash free of charge regardless of where they live. Access to free-of-charge ATMs can make an important contribution to promoting financial inclusion and this is particularly important for those on low incomes. In addition, because cash withdrawn from an ATM is often spent in the local area, free cash machines can help to sustain local business, local economies and therefore local communities.

In September 2008 the Minister for Social Justice and Local Government wrote to all Assembly Members and elected leaders of local authorities asking them to encourage local organisations to directly house or suggest locations for the new free-to-use ATMs. In addition the Bank of Ireland is working in partnership with Post Office Ltd to deliver an additional 4,000 ATMs across the post office network by 2010. The Minister has asked the UK Government to ensure that this programme and that advanced by LINK will be complementary.

The Assembly Government will continue to liaise closely with both LINK and HM Treasury in order to ensure that Welsh communities benefit.

Post Offices

The Welsh Assembly Government has long recognised the social and financial importance of post offices to communities and their role as a trusted source of information and services. Post offices are important for many people but particularly for vulnerable groups and for those living in remote or deprived areas where there is no other means of accessing cash, financial and government services. They play a significant role in promoting financial inclusion and are well placed to help the Government fulfil its financial inclusion agenda.

Post offices have the potential to offer customers additional services, such as accessing the current accounts of mainstream banks. Although this facility is not currently available to customers of all major banks, it is something that the Assembly Government would like to see all banks agree to. **Welsh Ministers are continuing to discuss this issue with Post Office Ltd who are themselves working very hard in encouraging all of the major banks to allow access to their accounts at post offices.**

In December 2006, the UK Government announced that there would be a successor to the Post Office Card Account (POCA), which would be decided through a process of competitive tendering. However, in order to support the longer term viability of the Post Office network, the UK Government announced that Post Office Ltd. will continue to provide the POCA until at least 2015 in recognition of the importance of post offices to many communities and particularly to those living in already disadvantaged areas. The Welsh Assembly Government fully supports this decision and firmly believes that it will enable Post Offices to play a vital role in the delivery of the Financial Inclusion Strategy for Wales.

The Assembly Government's recognition of the important role post offices play is the reason for providing them with continued financial support. The Assembly Government funds a package of rates relief for small businesses to help local economies, and maintain the viability of businesses that provide important local services. Post offices benefit financially through the changes made to the **Small**

Business Rate Relief scheme. Those with a rateable value up to £9,000 will receive full relief; whilst those with a rateable value between £9,001 and £12k will receive 50%.

In line with the One Wales commitment a refocused **Post Office Diversification Fund (PODF)** was opened in January 2009. The PODF enables the non post office business to become more sustainable and therefore the post office as a whole more sustainable, through supporting business proposals that subpostmasters/subpostmistresses themselves say would make a difference to the viability of their business.

The Welsh Assembly Government is also funding a **pilot project with Post Office Ltd which will develop new services for local communities** in partnership with local authorities. One of the strands of the pilot, 'Validate' will enable post offices in Cardiff and Conwy to carry out Housing Benefit checks to ensure customers are being paid the right amount of benefit. This could have the potential to help with income maximisation for customers who are not claiming benefits they are entitled to.

Insurance

Home and contents insurance can often be seen as a luxury to those on low incomes but being unable to replace household necessities when an unexpected event, such as a burglary or flooding, results in their loss can have significant effects on the household. People on low incomes are unlikely to have much, if any, savings and are less able to access affordable sources of credit. Facing a crisis such as this can result in an approach to high interest lenders and loansharks.

At the UK level the Financial Inclusion Taskforce will continue to work with the insurance industry to ensure that appropriate low-cost home contents insurance products are available for people living on low incomes.

The DWP are addressing the issue of low home contents insurance (HCI) take-up by engaging with tenants and community groups directly, to promote the advantages of HCI to those who would benefit from such cover. In order to evaluate the effectiveness of this approach the DWP are piloting a number of Tenant Engagement Teams to work with Registered Social Landlords in north east and north west England.

The "Tenant Engagement Group (TEG)" initiative will target new tenants and those changing tenancy, who do not have a HCI policy. In line with the objectives of the DWP Financial Inclusion Champions initiative, the TEGs will also take the opportunity to increase awareness of wider financial services, such as the availability of affordable credit, access to banking, savings products, and face-to-face money advice. The trial will operate for 12 months from Spring 2009 to March 2010 and, if successful, could be extended by 12 months with a further rollout of the service through new contracts in strategic locations nationally.

In Wales, the Financial Inclusion Champions team will work to increase the proportion of housing authorities offering insurance with rent or other appropriate home contents insurance schemes and to encourage their take-up.

The Welsh Assembly Government and the Financial Inclusion Champions team will work with the DWP on any further rollout of the Tenant Engagement Group service into Wales.

City and County of Swansea Council – Insurance with Rent scheme

The City and County of Swansea manages approximately 14,000 properties and is one of the largest providers of housing in Wales. In recognition that a significant proportion of low income households are unlikely to take out home contents insurance, but that they may be more likely to be burgled than those who did apply for insurance cover would probably be discriminated against because of where they lived, Swansea Council introduced an all-inclusive insurance with rent scheme in 1996.

The scheme, run in conjunction with Royal and Sun Alliance Insurance plc., offers home contents insurance at competitive rates which are payable on a weekly basis. Premiums begin at £1.16 or £0.77 (if over 60) to £3.87 per week which can be paid with the rent. The insurance covers tenants' possessions against theft, fire, vandalism and burst pipes and includes all electrical goods, freezer contents damaged due to electrical failure, lost or stolen keys and internal decoration.

The scheme currently has 1,500 premium holders and is advertised through the Council's regular newsletters and in the tenants' "sign-up" pack.

THEME 2

PROVIDING AFFORDABLE CREDIT AND SAVINGS

Our Vision for Access to affordable credit and loans in Wales

A Wales in which a range of accessible and affordable credit options are available to people on low incomes and where the practice of predatory lending is eliminated

Access to affordable credit is probably more important to low-income consumers than to people on higher incomes. The credit needs of those on low incomes are unlikely to be for buying luxury goods or to pay for holidays and more likely to be for essentials such as household appliances, utility bills or to cover unexpected costs. Recent research by the National Consumer Council¹⁶ found that people on low incomes spend a disproportionately high amount of their incomes on borrowing, paying on average £129 per month in interest alone.

People on low incomes have restricted access to affordable credit through the mainstream banking sector and as a result they are often forced to turn to the more predatory lending market. These sources are likely to charge interest rates in excess of 180% APR for personal finance from licensed personal credit companies. No interest rate cap is imposed upon these licensed lenders, who often justify their rates because of the high level of risk they take compared to the mainstream banking sector.

The UK Government has recently reconsidered the case for interest rate caps. It's view is that a rate cap would not be the most effective way of protecting low-income consumers as this could lead to a withdrawal of products which could further exclude higher-risk consumers from sources of legal credit. The Government is concerned that this might increase the use of illegal lenders, charging excessive interest and potentially subjecting borrowers to violence and intimidation,

Mainstream banks maintain that their services need to be complemented by other providers for low-income groups:

“Affordable credit is one of the (UK) Government’s three financial inclusion priorities and banks believe that this can best be realised through Credit Unions, Community Development Finance Institutions (CDFIs) and a reformed Social Fund....Banks acknowledge that they are never likely to provide mainstream finance in small amounts to this client group, and therefore support Credit Unions and CDFIs in a number of ways, including direct financial support and support in kind, such as loan of premises or staff.”¹⁷

Given this open and clear acknowledgement that banks are not likely to provide mainstream financial services to many people on low incomes, the provision of more affordable sources of credit to this group of people is vital to the implementation of the Financial Inclusion Strategy for Wales.

¹⁶ National Consumer Council, *Affordable Credit, Delivering Financial Inclusion*, July 2005

¹⁷ British Bankers Association – *Financial Inclusion – Access to Advice, Banking and Credit*, November 2005

The Financial Inclusion Champions Team will increase awareness of third sector lenders as an alternative to high interest lending such as home credit and doorstep lenders. The Team will work to develop proposals for establishing new third sector lending provision in high priority areas.

The Social Fund

The UK Government's Social Fund is made up of a range of grants and loans intended to help people on low incomes meet "one-off" expenses for basic necessities and to cope with emergencies. The Social Fund, which is run by JobCentre Plus, is a discretionary fund that allocates on the basis of need and ability to repay.

A recent NCC research report¹⁸ found that more than one in five applications for budgeting and crisis loans were unsuccessful but that almost 50 per cent of crisis loan refusals were overturned on appeal. The report goes on to conclude that most people who are rejected by the Social Fund will either "do without", borrow from family or friends or borrow from high-cost credit providers, both licensed and unlicensed.

In December 2008 the UK Government sought views on proposals for interim and long-term reform of the Social Fund. Interim proposals included:

- The consolidation of the two separate existing loan schemes into one;
- The use of that loan scheme as an instantly accessible source of credit as soon as benefit eligibility is confirmed, repaid in instalments from benefit payments; and
- The retention of a distinct grant scheme.

Long-term reform proposals focused wholly on the eventual delegation of the Fund's administration to the third sector, namely credit unions and CDFIs.

The Government will be publishing further proposals in a Green Paper followed by a full consultation with interested parties to develop an agreed future for the Fund.

In recognition of its important role in the current downturn, the Government recently allocated an additional £260 million to the Social Fund over the next two financial years.

The Welsh Assembly Government will work with the UK Government and stakeholders in Wales to influence any changes to the Social Fund.

¹⁸ National Consumer Council, Affordable Credit, Delivering Financial Inclusion, July 2005

Credit Unions and Financial Exclusion

Credit unions are not-for-profit co-operative organisations that provide savings facilities and low-cost affordable loans to their members. They are mutual financial institutions that are owned and run by members who share a common bond based on where they live or work.

There are currently around 530 credit unions in the UK, with over 655,000 adult members, over 96,000 junior savers and £600m of combined assets. In Wales there are currently 29 credit unions, with around 48,000 members and in excess of £20 million of combined assets.

The UK and Welsh Assembly Governments have turned increasingly to the credit union movement as major contributors to help meet the challenge of achieving financial inclusion. The movement's potential to make a real difference rests in the co-operative and mutual principles that it is based upon. With both economic and social objectives, credit unions are committed to providing financial services to all sections of the communities in which they operate.

The growth and sustainability of the credit union movement in Wales is crucial to the delivery of the Financial Inclusion Strategy by:

- extending affordable credit to those excluded from mainstream services;
- teaching people the value of saving; and
- providing advice on money management and budgeting.

What the Welsh Assembly Government is doing

“One Wales” Credit Union Commitments

In recent years the credit union movement has made significant progress in Wales, with large increases in membership, savings levels, loan allocations and asset size making long term sustainability a reality for a small number of credit unions. A combination of Welsh Assembly Government, UK Government and European funding has given Welsh credit unions the opportunity to raise the profile of the sector and become far more accessible to all citizens.

One Wales makes three specific commitments on credit union development which have specific implications for the delivery of the Financial Inclusion Strategy:

- Establishing credit unions as a form of social enterprise throughout Wales;
- Encouraging more credit unions to offer Child Trust Fund accounts; and
- Providing every secondary school pupil in Wales with access to a credit union by 2011.

Establishing credit unions as a form of social enterprise throughout Wales

This commitment ensures that the opportunity exists for all Welsh citizens to become members of a credit union, in the area where they live or work. With the inclusion of Monmouthshire into the common bond area of the Gateway Credit Union in October 2008, all-Wales credit union coverage has been achieved. The challenge now is to ensure that the movement is supported in a way that ensures

that the standards of service on offer are, as far as possible, comparable and accessible throughout Wales.

To help us achieve this, the Assembly Government has secured funding from WEFO for a project to support credit union development and deliver *One Wales* commitments within the European Convergence area covering [15 local authority areas in the West Wales and the Valleys](#) region. The Assembly Government is match funding the Convergence funding and adding further resources to create an all-Wales funding programme totalling £750,000 in year 1. In April 2009, credit unions were invited to apply for Service of General Economic Interest (SGEI) contracts to deliver specific services.

Out of a total of twenty nine credit unions pan Wales, nineteen have applied for funding. The activities to be supported include provision of core services and staff diversification into other activities, for example, initiatives targeting schools, child poverty, financial inclusion as well as activities such as shared financial harmonisation projects

The overall aim of this funding is to support the movement to become more commercially sound and helping it to expand and improve the delivery of financial services being offered will underpin the development of an all-Wales funding programme for credit unions. By diversifying their range of services and products, credit unions will increase their potential membership and contribute to their long-term financial stability.

The Assembly Government aims to secure a second phase of funding from March 2010 to March 2013, which will build on the outcome of the recently commissioned research from the University of Wales Institute Cardiff. For phase 2 the project may be adapted in line with the finalised research and the experience of phase 1.

There is still work to do, both within and outside of the Convergence area, to develop the capacity of credit unions. The overall aims of supporting the movement to becoming more commercially sound and helping it to expand and improve the delivery of financial services being offered will underpin the development of an all-Wales funding programme for credit unions. By diversifying their range of services and products, credit unions will increase their potential membership and contribute to their long-term financial stability.

Encouraging more credit unions to offer Child Trust Fund accounts

The Assembly Government has provided funding of £350,000 for credit unions wanting to become Child Trust Fund (CTF) account providers. The target of ensuring that 18 credit unions in Wales could now offer CTF accounts by June 2009 has been reached. This represents more than 60 per cent of credit unions in Wales and a quarter of all Child Trust Fund providers across the UK are now Welsh credit unions.

Credit unions are able to provide CTF customers with an accessible and competitive service, whilst at the same time providing a welcoming environment, particularly important for those who do not feel comfortable dealing with the mainstream banking sector. It is believed that through a combination of local marketing and financial education, the CTF accounts will be better understood and the credit union non-stakeholder account option will become a viable option for parents.

Providing every secondary school pupil in Wales with access to a credit union by 2011

Many Welsh credit unions already work with primary and some secondary schools in their areas. Credit unions were able to apply for SGEI contracts for 2009-10 to build their capacity to extend this work. It is anticipated that, by Summer 2009, around fifteen credit unions will be directly funded to do so.

In addition a new learning resource for credit unions to use with secondary school pupils is being funded by the Assembly Government and developed by the Wales Co-operative Centre. The resource has been designed as a mini-website centred around a street scene pupils can explore on their own or with a teacher or credit union representative. A short film tells the story of pupils finding out about the credit union difference and there are lots of other resources including a quiz and a lesson plan. The resources also aims to encourage more schools to set up collection points. It will be available for preview by teachers and credit unions in July and launched in the autumn.

These initiatives will be linked into the PSE and mathematics curriculum and to the Welsh Financial Education Unit.

Credit Unions and Transaction Banking

To explore credit unions' potential to reach out even further to financially excluded individuals, a pilot project is being undertaken in north Wales looking at the financial needs of people on low incomes.

The Credit Union Current Account (CUCA) – Llandudno Credit Union

Llandudno Credit Union is now able to offer members a Credit Union Current Account (CUCA) providing members with an ATM and/or debit card which provides them with access to 30,000 LINK ATMs across the UK. The debit card can be used wherever the VISA Debit sign is displayed to pay for goods or services and to get cash at many supermarkets and other shops. Wages, salary, pension or benefits can be paid into the CUCA and standing orders or direct debits can be set up to pay regular bills. Since it was introduced in March 2007, over 15,000 credit union members have opened a credit union current account.

There are currently eighteen credit unions in the UK that are offering a CUCA but this is set to rise to thirty in 2009. Each of the participating credit unions will adopt their own system of charges for the use of the CUCA service, with the most common method being a monthly tariff (average £2).

In support of this initiative the Assembly Government has provided Llandudno Credit Union with a funding support package of £187,000 that will help them to become the first credit union in Wales to offer a CUCA. As part of this package it is also planned that this service will be extended to include Caledfryn Credit Union, Clwyd Coast Credit Union, Wrexham Credit Union, and Y Llechen Credit Union.

Meeting the Challenges

Credit Unions are undoubtedly important players in the ongoing battle against financial exclusion and, as community focussed providers of financial services, they represent one of the few affordable options to people who are unable or unwilling to access mainstream banking services. They are not the complete solution, but they are set to play a key role in the delivery of the Financial Inclusion Strategy for Wales. To fulfil their potential credit unions are increasingly organising themselves in ways that are more responsive to the needs of their members and moving away from restrictive practices that were often self-imposed.

Having now achieved all-Wales coverage the credit union movement needs to focus on how it can attract new members who, for whatever reason, are borrowing from high interest alternative money lenders. The impact of the UK Government Growth Fund contracts in Wales has already raised the profile of credit unions in some of the most disadvantaged Welsh communities and their profile seems likely to rise higher still with the new Growth Fund contracts that run until 2011. **In Wales, there are currently eleven credit unions offering growth fund loans to their members, either as main contractors with the DWP or as sub-contractors with neighbouring credit unions.**

Credit Union Research and Action Plan

The success of the *One Wales* commitments will be dependent upon the ability to target support appropriately across Wales through the policies we develop and the activity we promote on a delivery level. The Assembly Government has commissioned research to provide a deeper and more detailed understanding of the size, scope, nature and health of credit unions in Wales.

Building on the outcome of this research, the Assembly Government will develop a Credit Union Action Plan aimed at creating a long-term sustainable future for the credit union movement in Wales beyond direct Government assistance. The Action Plan will support the movement to provide an accessible, affordable and comparable, high quality financial service, that meets the needs of all Welsh citizens, but which specifically supports those in greatest need of these services. Working in partnership with credit unions throughout Wales, the Credit Union Action Plan will address:

- sustainability and growth issues that credit unions face in delivering accessible and affordable financial services throughout Wales.
- levels of support needed to address these issues
- awareness raising of credit unions and promotion of the services provided by the movement
- ways in which credit union membership can be increased, particularly amongst those unable to access mainstream financial services
- ways in which credit unions can increase the numbers and skill levels of staff, volunteer workers and directors
- the feasibility of shared services and mergers to enhance the long-term sustainability of the movement

The Assembly Government, the Wales Co-operative Centre, ABCUL and credit unions will work together to develop Wales' first Credit Union Action Plan.

Proposed Legislative Reform Order (LRO) for Credit Unions and Industrial & Provident Societies in Great Britain

To support the growth and development of UK credit unions and to enhance their ability to contribute to financial inclusion and financial capability, HM Treasury plans to introduce a Legislative Reform Order (LRO) relating to credit unions which will include:

- Liberalising credit union membership criteria and radically changing the “common bond”, so that credit unions can provide their services to a wider range of people.
- Allowing credit unions to admit bodies corporate, unincorporated associations or partnerships to their membership. This will allow credit unions to provide ordinary credit union services to small businesses, incorporated voluntary organisations and social enterprises.
- Allowing credit unions to offer interest on deposits provided certain conditions are met. This reform is aimed at making saving with a credit union a more attractive and competitive option.
- Allowing credit unions to charge the market rate for services such as chequebooks and money transmission services.

HM Treasury has now issued its response to the consultation on the LRO for credit unions and industrial and provident societies, outlining the Government's intention to:

- Set the maximum potential membership limit for Credit Unions with a geographical common bond at 2 million.
- Allow a combination of any number of membership qualifications.
- Repeal the 10% non-qualifying member rule and allow Credit Unions to set their own limits via their rules.
- Allow Credit Unions to admit corporate members and choose whether to offer ordinary shares or deferred shares, with a proposed cap of 10% on the proportion of total assets held and lending to Corporate members.
- Allow Credit Unions to pay interest on deposits restricted to Credit Unions with the financial strength and operational ability to offer this.
- Abolish the 8% per annum maximum dividend rule.
- Continue to allow each Credit Union's Board to decide on whether the share attachment rules would apply to loans
- Remove the restriction preventing Credit Unions from charging the market rate for providing ancillary services to their members.

The Legislative Reform Order itself will be published shortly and a further consultation period will follow to ensure that the terms of the order fit with the needs of the movement and are of sufficient public interest to warrant their passing via secondary legislation. It is hoped that the LRO will be passed by Parliament before the 2009 Summer Recess and that the legislative changes will come into action in April 2010.

The Welsh Assembly Government responded to the HM Treasury consultation, supporting the legislative changes, and will work with credit union movement in Wales to ensure credit unions can benefit from these reforms.

Community Development Finance Institutions (CDFIs)

Community development finance institutions (CDFIs) are not-for-profit organisations which provide lending and investment facilities at competitive rates in disadvantaged communities. The CDFI business model relies on external investment and the long-term sustainability of the sector depends on CDFIs' ability to attract external investors.

Historically, most CDFI activity has been focused on lending to small businesses, including social enterprises. However, in recent years there has been a rise in the amount of personal lending. CDFIs offering personal loans typically charge interest of between 35% and 50%, with many varying the rate according to the level of perceived risk. CDFIs can also help clients to obtain money advice in the course of the loan application procedure, which can be a major benefit for those with little experience of mainstream financial products.

The increasing move towards personal lending is noticeable in parts of England and Scotland, where CDFIs have developed where alternative providers of affordable credit have been missing or lacked the willingness or capacity to cater for disadvantaged and higher risk communities.

The Welsh Assembly Government is interested in exploring how CDFIs might help social enterprises to develop and grow and also how they might contribute towards the wider financial inclusion agenda. To further this interest the Assembly Government is currently supporting the development of a CDFI in Powys as part of the Robert Owen Community Banking Partnership. The CDFI will work in partnership with the Robert Owen Montgomeryshire Credit Union (ROMCUL), delivering both small business loans and personal loan products to specific markets. The CDFI is currently being used to make personal loans to financially excluded private sector households for home improvement measures throughout Powys, matched where possible with County based grants.

In addition, under the auspices of Community Housing Cymru, Registered Social Landlords in south Wales have come together to develop an affordable, responsible lending model for tenants and other financially excluded people. The model will create and promote the use of mainstream financial products by building partnerships with banks and will work closely with credit unions and Citizens Advice Bureaux to increase financial capability and encourage savings, providing a real alternative to high interest, often door step, lending for the financially excluded.

Upfront, in-depth debt advice is a key feature of the lending model along with increased financial capability, re-scheduled debt repayment and income maximisation. The model has been developed following an assessment of best practice in other parts of the UK including the East Lancs Moneyline. The new Moneyline Cymru will start with a loan capital fund of £1.2m, from which it aims to grant up to £6 million in personal loans to people on low incomes over a five year period. Moneyline Cymru will seek to work closely with the Legal Services Commission to support its delivery of *Making Legal Rights a Reality* and promote cohesion within the advice sector.

Illegal Money Lending

In some extreme cases financially excluded people turn to illegal money lenders, or loan sharks, charging extortionate rates of interest, sometimes in excess of 1,000% APR. Illegal money lenders will often use violence to recover money owed to them.

To counter the damage caused by illegal money lenders, the Department of Business, Enterprise and Regulatory Reform funded the establishment of an all-Wales Illegal Money Lending Unit (ILMU). Hosted by Cardiff Trading Standards, but operating with an all-Wales remit, the Unit works closely with the police and a range of partnership organisations, to bring more prosecutions against illegal money lenders and help their victims.

Since it opened for business in Wales in November 2007, the ILMU has identified 70 illegal money lenders and commenced 48 investigations, resulting in the arrest of 25 loan sharks by March 2009. There have been four successful prosecutions to date, one of which has resulted in a lengthy prison sentence being imposed. The total value of identified illegal money lender loan books is just over £1million. The value of assets, seized under the Proceeds of Crime Act 2002, is estimated to be in excess of £750,000 with an additional £54,000 seized in cash. The direct savings to victims of identified loan sharks is estimated to be £558,000

Geographically the loan shark picture of “hot spots” in Wales is largely indicative of initial research findings highlighting the south Wales valleys and areas of south-east Wales. There is now, however, a wider spread of referrals across the majority of Welsh Local Authority areas including Flintshire and Denbighshire in north Wales.

The IMLU’s Client Liaison officers are also supporting victims of loan sharks towards financial inclusion schemes and welfare support. Many of the individuals being targeted by loan sharks are truly vulnerable adults with victims who struggle with financial literacy, who are living chaotic lifestyles, and who often have alcohol or drug dependency problems. The ILMU has discovered that one in three victims of loan sharks are in receipt of disability benefit.

The IMLU have found that for the majority of individuals struggle to find alternative sources of credit once the illegal money lender has been removed. Credit unions are not in the majority of cases proving to be a viable option as they are in so much debt that any additional money that they have is needed to pay these off.

The Welsh Assembly Government welcomes the rapid progress made by the IMLU and fully supports its mission to investigate and prosecute illegal money lenders across Wales. Removing the loan sharks from the alternative credit market will undoubtedly make life easier for thousands of people but sources of affordable credit must be made available to take their place.

The Assembly Government and the Welsh Financial Inclusion Champions team will work in partnership with the All-Wales Illegal Money Lending Unit to combat illegal lending and investigate alternative credit options to ensure that relevant levels of support and referral systems are in place for victims.

Housing

Housing has an important part to play in tackling financial exclusion. Local authorities and housing associations house significant proportions of the financially excluded and many who engage with public services for advice and assistance in dealing with housing problems have associated money and debt issues. People who are homeless or marginally housed are likely to be particularly vulnerable to financial exclusion and its effects, which undermine people's ability to sustain their home.

Social landlords have an important role to play in helping their tenants to access advice and support to improve the sustainability of their tenancies, including advice on financial capability.

The Assembly Government is supporting a range of services to prevent homelessness linked to debt, including a new telephone-based helpline service to help people who risk losing their home due to financial problems

The Assembly Government has also adopted a Mortgage Rescue Action Plan to address the specific issues around struggling home owners, based on the work of its multi-agency working group on mortgage repossessions. This programme of action will seek to improve access to debt advice for people threatened with repossession proceedings, and promote good practice so that repossession is used only as a last resort. It is being backed up by the £9.5 million Mortgage Rescue Scheme which enables people to remain in their home on a rental basis through purchase by a housing association.

The Assembly Government is providing funding through its Social Housing Management grant programme to Community Housing Cymru to employ a Financial Inclusion Support Officer. Linking closely with the main themes of the Financial Inclusion Strategy for Wales, the project aims to reduce financial exclusion amongst tenants of housing organisations through:

- Improved partnership working and promoting more joined up working between all stakeholders including credit unions, debt advice organisations, banks, tenants and landlords
- Raising the profile and value of good financial management
- Raising awareness amongst housing organisations of good practice elsewhere and the significant role they can play in increasing financial inclusion amongst their tenants
- Increasing access to money advice, affordable credit and income maximisation.

Financial problems are one of the main causes of homelessness. The Assembly Government is supporting a range of services to prevent homelessness linked to debt, including a new telephone-based helpline service to help people who risk losing their home due to financial problems.

The Assembly Government has also adopted a Mortgage Rescue Action Plan to address the specific issues around struggling home owners, based on the work of its multi-agency working group on mortgage repossessions. This programme of action will seek to improve access to debt advice for people threatened with repossession proceedings, and promote good practice so that repossession is

used only as a last resort. It is being backed up by the Assembly Government's mortgage rescue scheme which enables people to remain in their home on a rental basis through purchase by a housing association.

The Welsh Financial Inclusion Champions team is also working in partnership with the Chartered Institute of Housing (CIH) and is using CIH toolkits to deliver key financial inclusion messages to partners working to promote financial inclusion in Wales. In addition to this the Champions team is also working closely with the CIH to highlight the problem of homelessness with Local Authorities and will be delivering a series of seminars and workshops on homelessness issues throughout Wales in coming months.

Preventing Over-indebtedness

Saving & Asset Building

As a way of preventing people on low incomes from falling into debt and to help them plan their finances, new initiatives are being introduced by the UK Government which use a range of incentives to encourage people to save.

A large proportion of UK households fail to put any money aside for expected events, such as Christmas and birthdays, or for unexpected events, such as loss of employment or car breakdowns. Savings makes it easier to cope with unexpected slumps in income or the need to pay emergency expenses, such as the breakdown of fridges and washing machines. Savings also make it easier to plan for the events that we know will happen and be costly, such as Christmas, birthdays and the start of the new school year. People who survive on low incomes are the least likely to have any significant savings and this leaves them even more vulnerable and exposed to exploitation by predatory money lenders.

Over the last ten years, the UK Government has introduced several initiatives to encourage saving among people on low and moderate incomes.

The Financial Inclusion Champions Team will encourage habitual saving into formalised, secure products and promote active engagement with Government supported saving schemes.

Individual Savings Accounts (ISAs)

The UK Government introduced ISAs in 1999, encouraging people to save by offering tax incentives. Every UK resident over 18 can save up to £7,200 in an ISA each financial year. ISAs can be held in either cash or stocks and shares with the cash element being invested in a bank or building society deposit account or a credit union cash mini ISA. In these accounts savers get back the sum they invested plus the interest earned tax-free.

HM Treasury reports that over 17 million people - around one in three adults - now have an ISA and that they have also increased take-up among both low-income groups and the young.

The Assembly Government will work with credit unions to develop their capacity to provide ISAs to their members.

Child Trust Fund Accounts

The Child Trust Fund (CTF) is a UK-wide scheme which became operational in April 2005. All children born on or after 1st September 2002 receive an initial payment of £250 into a designated account. Those from low income families and looked after children also receive an additional £250. Family and friends can contribute up to £1,200 a year.

CTF accounts have been introduced to give children a head start as young adults and to help them better understand personal finance and the importance of saving for their futures. The account belongs to them and when they turn 18 the money is theirs to use as they think best. Until they reach 18, no withdrawals can be made from the account.

The accounts are provided by independent financial institutions including banks, building societies, friendly societies and credit unions. As previously noted, the Assembly Government has supported 18 Welsh credit unions to date to become CTF providers.

The Assembly Government will work with credit unions to develop their capacity to provide CTFs to their members.

Child Trust Fund Welsh Premium Scheme

The Assembly Government has made a commitment in *'One Wales'* to "implement an extra Children's Bond for all children entering school".

With this in mind, the Welsh Assembly Government aims to provide a Welsh Premium to the CTF of all eligible children living in Wales from Autumn 2009. These eligible children will receive an additional £50, with those from low income families receiving an additional £50.

The Assembly Government will continue to deliver the Welsh CTF scheme in 2009.

Top ups to the Child Trust Fund Accounts of looked after children

The Welsh Assembly Government established its CTF reimbursement Grant Scheme in September 2006, to encourage local authorities, as corporate parents to top up the CTF accounts of the children they are responsible for looking after.

Following a review of the Scheme the top up payments were increased from £50 per year per child to £100 per year per child from 1 April 2008. In addition the Assembly Government is administering a UK scheme in Wales which tops up the CTF accounts of all looked after children in the UK by £100 annually.

The two schemes have been combined and from 1 April 2008, all children who spend a year in care in Wales from 1 April 2007, receive a top up of £200 to their CTF account annually.

Saving Gateway

The Saving Gateway is a cash saving account intended to encourage people on lower incomes to build up savings. It provides a financial incentive to save by matching money which people put into the scheme with money from the UK Government. The Saving Gateway also promotes financial inclusion by encouraging people to engage with financial institutions such as banks, building societies and credit unions, sometimes for the first time.

In the 2008 Budget, the Chancellor announced that the Saving Gateway will be rolled out from 2010 to people on the lowest incomes, those in receipt of specific income-related benefits. The monthly match limit is likely to be £25, with savers able to access their own savings, but not matched savings, at any point during the two-year life of their account. With around 8.5 million people being eligible to open a Saving Gateway account there exists a real opportunity for financially excluded people on low incomes to benefit from this UK Government savings initiative.

The Saving Gateway also presents a real opportunity for the credit union movement in Wales to significantly increase its membership by offering a new financially inclusive savings product. Credit unions will be invited to register as Saving Gateway account providers along with banks, building societies and post offices. HM Revenue & Customs believes that credit unions are well placed to participate in the initiative as trusted providers of financial services in their local communities. Credit unions will be familiar with the targeted low income population and should market the new savings product as a major attraction to existing and potential members. Detailed technical specifications will be shared with financial institutions in Autumn 2009, with the Saving Gateway being launched to savers from April 2010.

The Welsh Assembly Government will work with the UK Government and providers to ensure that the delivery of the Saving Gateway reflects the needs of the eligible population in Wales.

THEME 3

IMPROVING ACCESS TO FINANCIAL AND DEBT ADVICE

Our Vision for Financial and Debt Advice in Wales

A Wales in which “free to the client” financial and debt advice service is readily available and accessible, meeting fully the needs of individuals requiring assistance

The Problem of Over-indebtedness

For most of us some form of credit facility is a useful tool for purchasing goods and services when we do not have sufficient funds to pay up front. Credit enables us to spread the cost over a longer period of time but at the expense of paying interest in addition to the capital borrowed. If the repayments are manageable then our credit commitments become part of our regular outgoings and we are able to budget for them. It is only when credit repayments become unmanageable that credit becomes problematic and over-indebtedness can follow.

Over-indebtedness can potentially affect anybody, but people who are financially excluded are more likely than others to become over-indebted because they don't have enough money to meet all of their financial needs.

The current financial climate, which has seen the price of basic food items, petrol and utility prices soar in recent months, is likely to have had a detrimental effect on many low income households as they struggle to pay for things that were previously just affordable.

The home credit industry is particularly dominant in some of the most disadvantaged areas of Wales, with some credit companies building up long-standing relationships with many communities and developing a level of trust between their representatives and individual families over many years. Even though home credit companies may be charging interest rates in excess of 180% APR, there still exists a hard core section of disadvantaged communities that pay excessive rates for their credit needs.

The UK Government is shortly due to publish a new Consumer White Paper on modernised consumer rights law to give people a fairer deal with proposals to simplify and modernise consumer rights. The Welsh Assembly Government has worked with the UK Government on the development of the White Paper to ensure that the needs of Welsh consumers are reflected in any new proposals.

The Need for Debt Advice

When people find themselves with credit commitments that become unmanageable, they need to seek advice. Ideally they should attempt to access this help before the debt becomes uncontrollable.

In 2006-2007 debt enquiries to Citizens Advice Bureaux in England and Wales hit a record high, increasing by 20% from the previous year to 1.7 million. In Wales alone more than 105,000 people contacted Citizens Advice Bureaux in 2007-2008 over debt problems, making debt advice the number one client issue in Wales. Debt advice now accounts for 36% of the total client base of Citizens Advice Bureaux in Wales.

Figures from Citizens Advice Services in Wales May 2009 show notable increases in recession related problems comparing 2008-09 with 2007-08. For example there has been a 61% increase in clients seeking advice on Jobseekers Allowance; 124% on redundancy issues and 57% on mortgage/secured loans arrears. Debt related enquiries in 2008-2009 rose from 105,000 to 111,339, an increase of more than 6%.

A recent report by the Consumer Credit Counselling Service (CCCS) ¹⁹ estimates that in 2008 they will have helped around 6,000 people in Wales with their debt problems. In 2003 they helped just under 1,400 people. The number of CCCS debt advice cases in Wales increased by almost 40% between 2007 and 2008.

The CCCS report also gives a clear indication of the impact of the recent rise in the cost of providing for basic products, showing that debt clients in general now have less money to repay creditors. In 2004, the average monthly budget surplus was over £130 but by 2008 this had plummeted to just £21. The report further points out that across the UK, clients' housing costs had risen by an "inflation busting" 40%, with spending on utilities increasing by 24%.

The Provision of Debt Advice

Debt and money advice services are a fundamental component of the on-going battle against over-indebtedness and financial exclusion in Wales. Effective advice is invaluable both for the individuals concerned and the wider communities they live in. Experienced debt advisers can help people in several ways including:

- providing advice on budgeting and income maximisation;
- reaching agreement on affordable repayments with creditors;
- negotiating with creditors to freeze interest rates and other charges; and
- providing information on court action, Individual Voluntary Arrangements, bankruptcy and County Court administration orders.

¹⁹ Debt in Wales, CCCS Research, September 2008

The Impact of Debt Advice

The positive impact of debt advice on people's financial circumstances and wellbeing has been well documented. A study on the impact of money advice on clients undertaken by the Legal Services Research²⁰ found that "the great majority of clients perceived their circumstances to have changed for the better following advice". The report also concluded that the vast majority of clients receiving money advice found that their financial circumstances had changed for the better and that as a direct result they felt more able to live a normal life. Clients also felt more knowledgeable about financial matters following the receipt of money advice.

The UK Government has made a commitment to improve support for individuals who become over-indebted and recognises that providing free debt advice is crucial in achieving this. The UK Government has long been a major funder of debt work, both centrally and locally through councils, who also provide some advice directly.

Face to Face Debt Advice Project

As part of the first phase of the Financial Inclusion Fund (FIF), £45 million was allocated in 2006 to increase the provision of free face-to-face debt advice in England and Wales up until April 2008. The primary aim of the project was to increase the number of advisers, and hence the number of clients assisted, within geographical areas and/or social groups characterised by high financial exclusion.

Working closely with leading organisations like Citizens Advice, AdviceUK, the Money Advice Trust and the Advice Services Alliance, which collectively represent the vast majority of advice providers, the FIF Project has trained and recruited around the vast majority of advice providers, the FIF Project has trained and recruited 544 new Specialist Money Advisers since it started in November 2006. Between November 2006 and March 2009 the FIF Project has helped 219,813 clients

In 2006 Citizens Advice Cymru successfully bid to lead on an all Wales FIF project worth £3.15 million. This resulted in the employment of 37 new advisers across the whole of Wales with four of these working through Shelter Cymru offices.

Phase two of the FIF involves spending £85 million from April 2008 to 2011 to support the infrastructure in place and enable existing debt advice services to continue. To date 15,146 new clients have been seen in Wales as a direct result of this project.

²⁰ Legal Services Research Centre, A Helping Hand: the impact of debt advice on people's lives, March 2007

Pre-Budget Report 2008

The Pre-Budget Report, announced on 24th November 2008, confirmed a further investment in debt advice from the UK Government:

- Debtline has been awarded £5.85 million from November 2008 until March 2011 to recruit and train approximately 45-50 additional staff which will mean 70,000 extra calls can be fielded each year.
- £10 million (from November 2008 to March 2010) has been allocated to the CABx network, distributed to individual bureaux across England and Wales by Citizens Advice. 23 bureaux in Wales are receiving funding totalling £631,977. This funding will provide an additional 205 hours of service, weekly, across the Welsh network, benefiting 34,786 clients in Wales by the conclusion of the added investment in March 2010

Debt Redemption and Money Advice Scheme

Since 2003 the Debt Redemption and Money Advice (DRAMA) scheme has been addressing the problems of debt and financial exclusion in some of the Wales' most disadvantaged areas. The scheme, funded over a 5 year period by the Coalfields Regeneration Trust, the Oak Foundation and the Assembly Government, is run by the Wales Co-operative Centre.

DRAMA is under-pinned by a Loan Guarantee Fund and works through partnerships between Welsh credit unions and advice providers, including the Citizens Advice Bureaux and the Consumer Credit Counselling Service. People with problem debts are referred to the scheme and counselled by a money adviser to decide if they could benefit from an instant credit union loan to settle a pressing or priority debt. In cases where the individual will not have enough disposable income to repay a loan, alternative solutions will be sought.

Over a six year period, DRAMA has allocated loans of £350,000 to over 500 beneficiaries. 53.5% of all DRAMA loans approved were provided for people's priority debts to prevent homelessness, to address basic housing needs and to maintain their employment status. In 2007 the DRAMA scheme was granted additional funds to employ its own Specialist Money Adviser (SMA) through a contract with the Consumer Credit Counselling Service. Since this time the SMA has counselled over 500 individuals with the majority of these being referred for housing debts. Only 20% of those counselled since 2007 have received a DRAMA loan, with the majority of the remainder being supported by working with Housing Associations being prepared to accept repayment agreements instead of looking for payment in full. In all, sixteen credit unions and seventeen money advice providers have taken an active part in the scheme.

What the Welsh Assembly Government is doing

One Wales commits the Assembly Government to “embedding and implementing in full the strategy relating to the support and co-ordination of advice services in Wales, so that comprehensive benefit advice is available in all local authority areas”

Wales’ Financial Inclusion Champions Team will increase awareness of sources of free, impartial debt advice, forming partnerships between debt advice agencies and local third sector lenders.

Although financial exclusion is an issue that is not geographically bound it is often local solutions with a strategic focus that are most effective in tackling the problem. The Financial Inclusion Champions Team will work closely with local strategic stakeholders to promote understanding and effective partnerships in sensitivity to local need, dynamics and the availability of services.

Making Legal Rights a Reality in Wales

The Welsh Assembly Government is committed to having a comprehensive, high quality advice service in place across all of Wales and has been working with the Legal Services Commission and local authorities to take forward “Making Legal Rights a Reality in Wales”.

However it was recognised that concerns had been increasing about the possible loss of investment in third sector organisations and their potential closure as a result of the proposed new joint commissioning arrangements. Toward the end of 2008 you held a round of discussions with the key agencies involved to see if there was another way forward.

The Assembly Government has commissioned a feasibility study to establish whether there could be an alternative advice services commissioning model for local authority and Assembly Government funding that would meet the aims of “Making Legal Rights a Reality in Wales” without compromising the future of third sector providers. This will report in September 2009.

As a result of these developments, there will not be any joint commissioning of Community Legal Advice Networks in Wales in April 2010. The LSC will however be commissioning alone in 2010.

Local Legal Advice Study

In December 2008 the Ministry of Justice established a cross-sector group, under the chairmanship of their Minister Lord Bach, to review the issues currently facing the advice sector on the ground. The supporting study aimed to bring together and analyse the available evidence across England and Wales to improve understanding of how legal advice is delivered and funded locally and establish what further information may be needed to inform future decisions.

The study findings were published on 10 June 2009 and an action plan will be produced in September 2009. The study concludes that the recession is clearly increasing the demand for legal advice, particularly in debt, housing and welfare benefits. With regard to Community Legal Advice Centres, the report states that it

is very early days to draw firm conclusions about their impact and recommends further monitoring of their impact on local advice provision and other funding streams. The findings of the Lord Bach study will be taken into account in the Assembly Government's feasibility study.

Mapping of Debt and Money Advice

It is acknowledged that existing data on the availability of debt and money advice services is inadequate and that such data is needed if accessible all-Wales coverage is to be achieved. The Assembly Government has therefore commissioned a mapping exercise to provide a more detailed understanding of the provision of debt and money advice across Wales and to identify those areas where there is either a surfeit in the provision or insufficient coverage.

The research will build on existing work that has been undertaken internally within the Assembly Government and will involve a small scale commissioned study to provide an understanding of services across Wales. Debt and money advice will prove the first of the social law categories to be mapped in this way, to be followed by the types of advice available across Wales.

In October 2008 Welsh Assembly Government commissioned Experian to map the provision of debt and money advice in Wales in order to provide a better understanding of the coverage and capacity of these services throughout Wales. The final report, which is due to be completed in July 2009, will identify areas where demand for debt and money advice is greatest, quantify and allocate weightings for supply outlets and then identify mismatched areas based on demand and supply deciles. The data collected will result in a range of resources including reports, databases and maps at a number of different levels.

Better Advice: Better Health

The Better Advice Better Health service provides a range of advice at local outreaches in all 22 local authority areas for clients referred by medical practitioners, clinicians, and support workers. The service aims to improve general health by tackling the causes of non-medical problems such as debt, poor housing and relationship issues.

The Assembly Government has supported citizens advice bureaux to deliver advice through the project which, since 2001-02, has achieved benefit gains of over £28 million for over 52,000 people.

Advice on Finance, Benefits and Debt for Offenders

Research by the Legal Services Research Centre 'Putting Advice Where The Need Is' found that 90% of prisoners with acute financial difficulties had not received any money advice and that financial problems were cited as a main reason for offending.

The LSC's money advice pilots have been reconfigured to focus on prisons, where early evaluation indicates support to be very effective, with a service for both prisoners and, where appropriate, their families. The new outreach service has been commissioned jointly by the LSC and the National Offender Management

Service (NOMs) Wales, under NOMs Finance, Benefit and Debt Pathway for tackling re-offending.

Face-to-face legal advice will also be made available via independent, quality assured providers in prisons in Bridgend, Cardiff, Usk/Prescoed and Swansea.

The Financial Services Authority and NOMS Wales have also provided £67,000 to support the work of the Finance, Benefit and Debt Pathway. Developed by Bridgend CABx and NOMS Wales, and delivered in conjunction with HMP Parc (Bridgend) and HMP Swansea, which will develop a standard training pack for offenders and their families on a range of financial capability issues.

Housing Debt Helpline Cymru

In response to the current economic climate, which is resulting in more people struggling to meet their mortgage and housing rental payments, the Assembly Government is working in partnership with the Wales Co-operative Centre and the Consumer Credit Counselling Service (CCCS), to fund a Housing Debt Helpline for Wales which will offer support to both home owners and those in rented property who are experiencing housing difficulties.

The helpline is being operated by the CCCS, a registered charity, whose purpose is to assist people who are in financial difficulty by providing free, independent, impartial and realistic advice. The helpline will aim to help people with their housing difficulties, assist them to look at all available options and find a solution which is most suitable for their circumstances.

Council Tax – Collection in the Recession

The impact of the economic recession means that those on the margins will struggle to pay even their priority debts such as their rent and Council Tax. Citizens Advice Cymru data for 2008-2009, showed that the number of enquiries for Council Tax arrears in the year rose by 17%. Recognising that these are very difficult times for many people living in disadvantaged communities across Wales, the Assembly Government has been working closely with the Welsh Local Government Association and the Citizens Advice Bureau to develop a good practice guide for council tax collection during the recession which was launched in June 2009. The guide aims to assist Councils with practical suggestions that will help ensure that people are supported in making their payments and in providing people with access to the financial support they need.

Advice Provision for Minority Groups

Delivering advice and improving access to advice to refugees, migrant workers and other minority groups is problematic. These groups often have specialist needs and will need to be clear about their rights to benefits etc. The Assembly Government's problems and interventions research should provide examples of how best to deliver advice services to marginalised groups.

Other sources of help

There are a range of useful resources available such as telephone helplines and website which provide free, impartial and independent advice and information to people worried about debt. These include the National Debtline, Consumer Credit

Counselling Service, Community Legal Advice, Citizens Advice and the FSA's MoneyMadedclear website.

As part of the Welsh Assembly Government's response to help people, businesses and communities through the current global recession, a new section has been added to the Assembly Government's website entitled '*Leading Wales out of the recession*': www.wales.gov.uk / www.cymru.gov.uk.

The leaflet "*Support when you need it*" has also been developed as a one-stop-shop for advice on where to get support for individuals affected by the economic downturn. The leaflet can be found at: www.wales.gov.uk/socialjustice / www.cymru.gov.uk/cyfiawndercymdeithasol

The Welsh Assembly Government is committed to promoting the use of Welsh and increasing the availability of bilingual services. Public sector providers are obliged to provide services in both languages under the Welsh Language Act 1993, but some private and voluntary sector organisations also do so on a voluntary basis. When publicising sources of financial and debt advice we will endeavour to highlight those services which are available in Welsh to provide as much choice as possible for people who prefer to receive advice through the medium of Welsh.

The Welsh Assembly Government will work with partners to publicise these resources through the Financial Inclusion newsletter, partners' websites, events and other promotional opportunities

THEME 4

INCREASING FINANCIAL CAPABILITY

Our Vision for Financial Capability in Wales

A Wales where people are actively involved in financial education from childhood to later life, where they are constantly acquiring new knowledge and skills that will help them to better manage their finances and make more informed financial decisions

Financial capability is a term that is used to define the depth of people's skills, knowledge and confidence in terms of financial matters. Far too many people today are excluded from full participation in society by a lack of financial capability. By improving knowledge, skills and understanding of financial products and services and providing advice on how to use them, people are:

- able to manage money better;
- keep track of finances and are able to plan ahead;
- choose appropriate financial products; and
- stay informed about financial matters.

Improving Financial Capability

As part of its overall responsibility to promote public understanding of the UK financial system the Financial Services Authority (FSA) is delivering the national UK strategy for financial capability in partnership with the UK Government, financial services industry, voluntary sector and consumer and education groups.

This strategy aims to improve the nation's financial capability with a programme of work that will see financial education, information and advice reaching further into schools, Further and Higher Education institutions, the workplace and organisations that help young and often excluded adults.

In July 2008, the Financial Capability joint action plan, "Helping you make the most of your money" was launched by the FSA and HM Treasury. The action plan highlights where steps to promote financial capability will be targeted, with a goal of reaching out to ten million people by 2011. The activities include:

- the provision of a one-stop-shop for impartial information and support on money matters based on the FSA's Moneymadeclear website;
- the introduction of a Money Guidance Pathfinder in response to the Thoresen Review of generic financial advice; and
- a range of measures that offer education and support, targeted to reach people at key points in their lives.

To ensure that people's needs in these recessionary times the FSA has looked carefully at their existing offerings and new areas for development. Whilst committed to existing projects, they will now focus in particular on people affected

by unemployment, possible redundancy, family breakdown, and older people preparing for, or in retirement.

The resources within the FSAs existing programmes of work will also change where necessary to reflect today's financial climate. To achieve this the FSA will explore new ways to reach adults in these difficult times, to address the needs of people in mid-life and older, planning for or managing in later life, and those going through divorce and separation.

The FSA will continue to work to address the needs of vulnerable groups by working with partners to embed financial capability in the non-profit sector. They will be concentrating resources on five key sectors for the next three years: autism; learning disabilities; mental health; offenders; and social housing.

The Welsh Assembly Government will continue to work closely with the FSA in delivering its financial capability agenda in Wales.

Money Guidance

In 2007, having identified what was seen as a significant gap in the provision of a free and easy to access money guidance service, the UK Government appointed Otto Thoresen (CEO of Aegon UK) to lead a feasibility study to design a national approach to generic financial advice aimed at helping consumers to manage their finances better, rather than intervening once crisis point has been reached.

In response to the Thoresen review²¹, the UK Government has announced a £12 million, two-year pilot to establish how a national money guidance service could be delivered. The pathfinder programme is being piloted by the FSA in north west and north east England and is jointly funded by the UK Government and the FSA.

The service is using the FSA brand 'Moneymadeclear' to offer impartial, easily understood financial guidance that is sales and jargon free and can be accessed online (www.moneymadeclear.fsa.gov.uk), by telephone (0300 500 5000) or through face to face appointments with a 'Money Guide'.

The Moneymadeclear website also offers visitors information and guidance on a wide range of other financial issues and includes many downloadable guides free of charge, many of which are available in Welsh.

The UK Government announced its 2009 Budget that it intends to roll out the money guidance service nationally in 2010, providing that the evaluation of the pilot confirms the effectiveness of the service.

The Pathfinder will deliver the money guidance service through a combination of telephone, face-to-face and web-based channels, and setting up appropriate referral systems. Signposting by trusted intermediaries such as housing associations, credit unions and community organisations will play an important part in ensuring that the 750,000 beneficiary target can be reached.

The Welsh Assembly Government wholeheartedly welcomes the recommendations of the Thoresen review and the UK Government's response.

²¹ HM Treasury, Thoresen Review of generic financial advice, March 2008

The Welsh Assembly Government will work with the FSA and HM Treasury on the plans for a national roll-out of the money guidance service and how it will be delivered in Wales.

What the Welsh Assembly Government is doing

Working with the FSA in Wales

The Welsh Assembly Government is continuing with the FSA to bring their financial capability resources and expertise to Wales. A jointly hosted conference, with the FSA, was held in the autumn of 2008 to highlight the importance of financial capability.

The Assembly Government and trade unions have teamed up with the FSA to deliver "Making the Most of Your Money" sessions in the workplace designed to help staff understand more about managing their money, financial planning and budgeting. The programme is being rolled out across all Assembly Government offices to be made available to over 6,200 staff.

The FSA is also working in partnership with those who work with young people for example:

Further Education: Working with Fforwm, the association for colleges in Wales, to provide training to colleges through its professional development networks. The FSA are aiming to work with 15 Welsh colleges who are branding their work "Arian am Oes" or "Money for Life"

Higher Education: The FSA are currently working with 6 Welsh Universities on the higher education Financial Capability Project – 'Money Doctors' – working in partnership with Student Money Advisers in universities to provide proactive education and support to develop students' financial skills.

Young People Not in Education Employment and Training: *"Young People and Money"* is a free, one day training course that delivers financial capability training to those working with 'NEET' young people. The course is designed to improve their confidence by better equipping them to support their young people in becoming financially capable and is delivered by A4e in Wales

The FSA's Parent's Guide to Money is now available for all expectant parents in Wales. The Guide is a practical, reliable, impartial and free hardback folder containing a variety of items, including printed information leaflets and calculators on a CD-ROM, which can answer parents' questions about their changing financial circumstances and to help them prepare for the arrival of a baby. By June 2009, 22,000 guides had been distributed through midwives and children centres across Wales.

The Welsh Assembly Government will continue to work with the FSA and stakeholders to promote its range of financial capability initiatives in Wales.

Financial Education in the school curriculum

The skills and knowledge required to plan and manage finance well help equip young people to make informed and independent decisions in their adult and working lives. Schools help to develop such skills through a range of subjects but, as part of the recent review of the school curriculum, it was recognised that there was a need for a more focused approach to ensure that both primary and secondary school pupils have the opportunity to learn and practice the skills required to manage money in a responsible and informed way.

To address this, the Assembly Government has worked with partners across Wales to embed financial education in the curriculum applied in all maintained schools from September 2008. The skills and knowledge that underpin financial education are set out in at the relevant points in the curriculum for primary and secondary schools including Mathematics, Personal and Social Education and Careers and the World of Work.

Flint High Schools Project

In North Wales, Flintshire Citizens Advice's 'Money Matters' project has been working with a local high school, Ysgol Maes Garmon, on financial capability issues. As a part of their lessons, the students (aged 14 and 15) were challenged to write a series of poems and create a play about debt. This initiative has been sponsored by Prudential plc and Barclays Bank.

The CAB worked with the students and their teachers to produce 16 poems and the drama which were performed by the students in the medium of Welsh at the National Eisteddfod in Mold. The students also performed their work at the National Assembly Senedd in Cardiff and were accompanied by students from Flint High School who have also created a drama on the same topic. A video of the students' performances was recorded on the day and will be available for people to view in due course. These performances show how young people can recognise the affects debt has on families and is a lesson they will follow in their adult life.

Welsh Financial Education Unit

Practitioners need support and advice to make the most of the opportunities for financial education provided in the revised school curriculum. The Assembly Government has therefore established, in partnership with the FSA, a Welsh Financial Education Unit. In partnership with practitioners the Unit is developing recommendations on a programme of support for schools and local authorities, by reviewing and disseminating best practice. In due course it is hoped that the Unit's remit will be extended to include support for young people and adults in further and continuing learning. The Financial Education Unit is currently staffed by secondary school adviser who was appointed in September 2008. A primary schools adviser is due to be appointed in September 2009.

The key activities of the Financial Education Unit are to:

- Map support mechanisms for financial literacy education across home nations;
- Make links with key stakeholders in Wales such as Basic Skills Cymru, the National Grid for Learning, General Teaching Council for Wales;
- Identify existing materials and resources; and
- Devise secondary school financial literacy pilot support mechanisms.

The Welsh Financial Education Unit will establish by April 2010 a programme of support and advice for practitioners in the planning and delivery of financial education for young people aged 7-19 in full time education.

Financial Literacy and Basic Skills

Words Talk-Numbers Count is the Welsh Assembly Government's all-age strategy to improve the literacy and numeracy skills of people within Wales. The Financial Literacy project uses financial literacy as a meaningful and relevant context for improving these skills, in addition to improving financial capability. The project recognises and draws upon the knowledge that poor financial literacy skills are often the direct result of having poor underlying basic skills, and therefore, basic skills and financial literacy can be delivered hand-in-hand.

The project has sought to raise awareness and increase the profile of basic skills and financial literacy provision across Wales by delivering a number of awareness raising events and training sessions. In addition, various pilot projects in a range of sectors have been initiated working with families, prisoners, housing associations and with jobseekers; to increase activity and to generate sector specific materials and guidance.

A wide range of publications and resources are available to support the delivery of programmes, ranging from Entry Level 1 learners up to Level 2 learners. In addition, a package of financial literacy resources, including both student and tutor resources and an interactive CD Rom, have been developed to support key stage 4 basic skills learners in schools across Wales. This module will be rolled out to all schools in Wales throughout 2009.

A suite of financial literacy accreditation has been produced through OCN Wales and is available for use by all practitioners throughout Wales. The accreditation comprises 25 different units suitable for each level of basic skills learner, covering a range of financial literacy topics and themes

Skills that Work for Wales

A radical improvement in our national skills base will require more investment shared between the Assembly Government, business and individual learners. Public funding should ensure that everyone is equipped with an essential platform of skills necessary to secure sustainable employment. No fees should be charged to learners aged 16-19, adults following a basic skills course, or people who would otherwise be unable to access learning, such as those on income-related benefits.

Switching to Save

The practice of switching utility providers to save on fuel bills has become increasingly common in recent years, with people often able to save as much as 20% on their annual utility bills. However in Wales, customers are less likely to shop around and, as a result, fail to take advantage of the range of deals available to them.

For example, households living in South Wales, with medium-usage, who pay for both their gas & electricity by quarterly bills and have never switched from their traditional supplier, could save £143 a year by moving to the cheapest provider in the area. If they switched providers **and** payment method i.e. they went from quarterly bills to direct debit they could save an extra £21 – giving a total saving of £164 a year. Even just changing from quarterly bills to direct debit customers could save around £25 a year.

In addition to switching energy suppliers consumers can also save money by switching suppliers in the highly competitive telephone, broadband and financial products markets.

Although switching utility providers can be beneficial in many cases there is some evidence to suggest that it is most successful when linked to the receipt of impartial energy efficiency advice. Without this it is possible that people on low incomes could pay more for their utility supplies, particularly when encouraged to switch by providers cold calling.

Fuel poverty campaigners have therefore stressed the need for improved financial literacy drives to help people make better informed decisions about switching. vulnerable customers may also need a more intensive support and advice service to see them through the process, particularly where they do not have access to the internet, which is the simplest way to switch. Recent pilot programmes with HEES and Warm Front have shown that where applicants were given help and advice on tariffs, 41% found a better tariff than they were previously on.

In support of these money saving options the Assembly Government will look at ways in which service supply switching options can be promoted. This support could include the education of younger people through the new financial literacy aspects of the school curriculum.

THEME 5 - INCOME MAXIMISATION

Our Vision for Income Maximisation in Wales

A Wales in which people are encouraged and supported to maximise their income through the take-up of Welfare Benefit and Tax Credit entitlements both for the benefit of the individuals concerned and ultimately for the benefit of Wales

Income Maximisation

Financial exclusion affects those on low income most and a major contributing factor is the failure of many people to claim all of the benefits and tax credits they are entitled to. In other words those who can least afford to do so are failing to maximise their potential income. Pensioners, disabled people and carers, in particular older carers, frequently fail to claim their eligible benefits.

Maximising income is a key goal in providing money advice and will usually be dealt with by organisations that deliver a debt advice service. Income maximisation is a “stand-alone” theme in this Financial Inclusion Strategy because of the specialist nature of the advice and support that is required and the amount of time needed to ensure that all of the various benefits and tax credits are claimed by those entitled to receive them.

In concentrating on maximising the income of those who are eligible to receive State benefits the importance of addressing the problems of economic inactivity, rising unemployment and the ever increasing threat of redundancy caused by the economic downturn should not be underestimated. Assembly Government work aimed at reducing levels of economic inactivity and unemployment is vitally important in addressing the problem of financial exclusion in Wales.

Initiatives such as ReAct and ProAct have been introduced to help redundant workers to gain new employment or training to help them to gain new skills required by prospective employers and ProAct to help businesses survive the economic upturn by increasing the skill levels and providing a more flexible and multiskilled workforce

The Extent of the Problem

Unclaimed Benefits

- Up to £100 million in council tax benefits goes unclaimed in Wales every year
- 44% of couples with children in Wales are paying out much more than they need to in council tax as they fail to claim the council tax benefit that they are entitled to claim.

Older People

- An estimated 117,000 pensioners in Wales are living in poverty (Age Concern)
- 46% of pensioners in Wales are paying out much more than they need to in Council tax as they fail to claim reductions on their council tax or claim their council tax benefit entitlement

Carers

- Carers in Wales are missing out on an estimated £49.4 million in unclaimed benefits (Carers Wales)

- In Wales around 12,500 carers over 60 years of age are missing out on their entitlement to Pension Credit

Barriers to Accessing Benefits

The reasons people do not claim their benefit entitlement are varied but a lack of knowledge and awareness about benefits and how to claim them are amongst the main ones. Even when awareness is raised many people remain confused and put off by the complexity of the claim forms, meaning that they often fail to complete or return them.

The findings of a recent Assembly Government report on the take up of Council Tax Benefit and Housing Benefit in Wales²² identified a significant number of barriers preventing people from claiming their full benefit entitlements. These barriers included:

- Over-complicated application form & documentation requirements;
- Timescale for dispatch of application form;
- Literacy, language & communication barriers including the 'usability' of many local authority websites and lack of multi-lingual forms;
- Lack of support in dealing with benefit queries with first contact not always professional, friendly and sympathetic;
- Savings threshold barrier - anyone with £16,000 or more in savings is unable to claim CTB. This threshold is a particular barrier for potential pensioner claimants as it does not exclude pension savings;
- Stigma associated with claiming benefits;
- Lack of information;
- Fear of losing current benefits & previous negative experience; and
- Access barriers including barriers for people with disabilities, for example steps to buildings, lack of available disabled parking spaces.

There is also some anecdotal evidence from the debt advice sector that the financial problems of many low income households in Wales are made worse by the fact that they have non-dependant family members who are not paying their way. Many parents that have non-dependant children living with them rent free or paying just a small contribution to their upkeep are unaware that housing benefit and council tax benefit, deductions will be made from their entitlement depending on the non-dependents' income.

²² Welsh Assembly Government, Council tax benefit and Housing benefit- Barriers to take up in Wales, July 2008

Fuel Poverty

Households are defined as being in fuel poverty if they need to spend more than 10% of their disposable income on their fuel bills to maintain a satisfactory level of heating in their homes.

Fuel poverty in the UK is on the increase. The Assembly Government's "Living in Wales" report shows that in 2004 there were 240,000 fuel poor households in Wales, needing to spend more than 10 per cent of their household income on energy. This number will have increased substantially as a consequence of recent rises in the cost of fuels.

Fuel poverty arises through a combination of income levels, energy prices and the energy inefficiency of dwellings. Unsurprisingly, people on low incomes are far more likely to be victims of fuel poverty and in Wales the problem is exacerbated by the limited coverage of the gas network and a high proportion of solid wall houses, which are hard to insulate effectively.

What the Assembly Government is doing

The Assembly Government's commitments in relation to fuel poverty are set out in *Warm Homes and Energy Conservation Act 2000: A Fuel Poverty Commitment for Wales*. The Assembly Government is committed to eliminate fuel poverty, as far as practicable, amongst vulnerable households by 2010, households in social housing by 2012 and all households by 2018.

The UK Government's Carbon Emissions Reduction Target and Community Energy Saving Programme (obligations placed on all energy suppliers which requires them to help improve household energy efficiency) also provides funding for energy efficiency measures. The Assembly Government is working to ensure as much of this funding as possible comes to Wales.

The Assembly Government's own Home Energy Efficiency Scheme (HEES) is a capital scheme to provide funding for energy efficiency measures in vulnerable households. Since the scheme was introduced in November 2000 over 100,000 households have received measures such as cavity wall insulation, loft insulation, draught proofing, and replacement central heating. In addition to receiving energy efficiency grants all households applying to HEES are also automatically offered a Benefit Entitlement Check.

The Fuel Poverty Strategy, to be published later in 2009 and based on consultation of the National Energy Efficiency and Savings Plan, will include changes to the Home Energy Efficiency Scheme (HEES) to improve targeting of, and support for, the fuel poor. The Plan is a *One Wales* commitment and includes a number of actions to help fuel poor households improve the energy efficiency of their home, and therefore reduce their fuel bills.

Reducing Energy Bills

Encouraging and supporting ways of reducing utility bills will play an important part in the promotion of financial inclusion and could be achieved in several ways including:

- encouraging switching utility suppliers to get the best deals on offer;
- helping to ensure the most vulnerable households take advantage of 'social tariffs' to ensure that they can buy energy more cheaply;
- making homes more energy efficient; and
- making sure that householders vulnerable to fuel poverty contacting advice agencies and the Energy Saving Trust receive an appropriate range of advice to help them reduce their energy bills and deal with any utility related issues

The Assembly Government will also be running a pilot project to provide grants for micro-generation heating units in vulnerable, hard to heat households. This will be targeted at off-gas, hard to treat properties. The detail of this scheme will be developed in 2009.

Domestic Energy Efficiency Targets

The Home Energy Conservation Act 1997 requires all local authorities to report on improvements in domestic energy efficiency in all properties within their boundaries. In England, the Act is due to be repealed, and a new local authority indicator on county-wide carbon dioxide emissions has been included in the national indicator framework. **The Assembly Government is minded to repeal the Act in Wales, and is currently considering what indicators or targets could be used to continue the aims of the Act.**

Developing Affordable Warmth Action Plans

The Assembly Government would like to see all local authorities work with their partners to develop affordable warmth action plans, and it provided National Energy Action with funding to assist local authorities and their partners develop the plans. 21 out of 22 local authority areas have adopted an affordable warmth action plan.

The Assembly Government will be considering how any new indicators, targets and schemes could be integrated with the affordable warmth action plan approach, and will explore this in more detail as part of the National Energy Efficiency and Savings Plan.

Ofgem probe

Ofgem published the initial findings of a probe into gas and electricity retail supply markets for domestic and small business consumers in October 2008²³. The report highlighted that customers, particularly vulnerable customers, are paying more for electricity and gas than they need too. It also reported that some customers, for example those in rural areas who are not connected to the gas grid, often have no choice but to use more expensive energy suppliers.

²³ Ofgem, Energy Supply Probe: Initial Findings Report, October 2008

Ofgem looked specifically at whether Welsh customers are paying more for electricity and gas and found a mixed picture, with differences between the position in North and South Wales and between payment methods. It is certainly the case that consumers in Wales are less likely to switch supplier and therefore less likely to take advantage of the best price deals available.

The Assembly Government will be working with Ofgem, consumer groups and the energy suppliers to address these issues.

Inclusive Water Charge Schemes in Wales

A number of initiatives are currently being piloted aimed at reducing the water charges of people on low incomes.

Dŵr Cymru and the Valleys to Coast's *Watercollect* initiative

This scheme affords Dŵr Cymru customers a £10 discount when social landlords collect water charges on behalf of the company itself. This arrangement is presently being piloted via a partnership between Dŵr Cymru and Valleys to Coast Housing.

The *Waterdirect* meter-based direct collection from benefits

Dŵr Cymru provides a £25 incentive discount to customers who agree to have their payments directly deducted from their benefits: this scheme is restricted by the Department for Work and Pensions to customers in arrears and is targeting 17,000 customers.

The *Watersure* reduced tariff

In England the WaterSure (Vulnerable Group Scheme) provides protection for low income metered customers who have high essential water needs due to a large family or medical condition and charges are capped at the level of the average bill for the region. This initiative was applied voluntarily in Wales by both Dŵr Cymru and Dee Valley Water.

Dee Valley Water will continue to use the WaterSure scheme but from April 1st 2009 Dŵr Cymru Welsh Water will replace the WaterSure scheme with 'Welsh Assist'. The scheme will have the same eligibility criteria but will also be open to unmeasured customers: in addition, charges will be capped at a lower figure of £250.

Council Tax Benefit and Housing Benefit

The Assembly Government is building on the work already undertaken in partnership with local authorities in Wales and the Third Sector, in successfully increasing the uptake of Council Tax Benefit (CTB) and Housing Benefit (HB). The previous benefits take-up scheme, which was focused on pensioners, saw a significant increase in the number of pensioners claiming. Approximately 7,000 more over-60s claimed CTB between May 2005 and February 2007; that amounts to an extra £4.3 million per annum being paid out in benefit.

One million pounds a year for the three years 2008 – 2011, has been allocated to further support this work and to widen the focus to families with children, as well as pensioners. The take-up of HB is also being promoted. Benefits officers in local authorities are being encouraged to work with colleagues in various departments, such as Welfare Rights officers, and with voluntary organisations in their local areas to maximize the impact of the funding.

In and Out of Work pilot

In September 2007, the In and Out of Work pilot was introduced across six UK local authority districts including Merthyr Tydfil. The process relies on closer working relationships and the sharing of information across the organisations involved in delivering benefits to individuals as they move in and out of work – Jobcentre Plus, Tax Credit Offices and local authorities. Some of the key elements of this pilot process are:

- a single point of contact for key in and out of work support and a “tell us once philosophy”;
- verification of evidence required for a HB/CTB being carried out in the Jobcentre and then passed to the local authority for processing.

The pilot areas have seen significant improvements with:

- payments made to customers 15% more quickly;
- 74% of customers finding the process easy to understand;
- completed local authority input documents increasing from 23% to 73%.

The process will be rolled out nationally by December 2009.

Children with disabilities

In December 2007 the Minister for Children, Education, Lifelong Learning and Skills invited representatives of the Disabled Children Matter Wales Campaign to join senior Assembly Government officials in a task group - the Rights into Action for Disabled Children and Young People Task and Finish Group - to advise on prioritising their objectives and to enable the Assembly Government to forward plan spending in this area.

One of the Task Group’s first recommendations was that the Assembly Government deliver a benefit uptake campaign to families with disabled children. Citizens Advice Cymru are now delivering a £500,000 pilot campaign to increase benefit up-take for families with disabled children, as part of the existing Better Advice Better Health initiative.

Older People

The Strategy for Older People in Wales was launched on 30 January 2003 and provides a structured basis for the Welsh Assembly Government and other public bodies in Wales to develop policies and plans to address implications of an ageing population. The Strategy recognises that poverty is a problem for a significant minority of older people and reducing poverty and increasing benefit take-up is also one of the priority issues for Phase 2 of the Strategy which will be supported by an additional £7 million from the Welsh Assembly Government (on top of the £13m for the first phase) to ensure that it is effectively implemented.

As part of the Financial Inclusion Strategy the 'Problems and Interventions' literature review will highlight barriers faced by specific groups such as older people and attempt to identify ways in which such barriers can be reduced.

Financial exclusion can impose costs that older people are poorly placed to bear. It can increase the cost of basic services, leave people vulnerable to crime and reinforce social exclusion. Organisations representing older people have told us that many older people find themselves excluded from the full range of financial services available to other groups as the result of explicit age barriers to certain financial products, or because they lack either the information or the skills needed to negotiate the financial services environment. Financial literacy and financial capability are also key concerns and there is a clear need to ensure that older people are included in strategies to raise levels of financial capability.

The Welsh Assembly Government will work through the Financial Inclusion and Older People in Wales Strategies to build on existing initiatives such as Link-AGE Wales. Older people will be regarded as a priority group with particular needs that merit specific attention.

Making it Happen

WELSH ASSEMBLY GOVERNMENT'S FINANCIAL INCLUSION UNIT

The Financial Inclusion Unit provides a focal point for co-ordinating and overseeing financial inclusion activity across the Assembly Government and for ensuring this work complements UK Government policies and actions. The Unit can be contacted at: financialinclusion@wales.gsi.gov.uk.

FINANCIAL INCLUSION CHAMPIONS

Building on the success of the Now Let's TalkMoney Campaign the DWP has announced a follow-up programme led by a team of "Financial Inclusion Champions". The new "Champions" campaign is supported with £12 million funding from the Financial Inclusion Fund which will be split across all the English regions, Wales and Scotland.

FINANCIAL INCLUSION CHAMPIONS TEAM WALES

The Welsh Assembly Government is jointly funding, with the DWP, a national Champions team in Wales, consisting of one national strategic champion and two sub regional champions covering North Wales and South Wales. Based within the Wales Co-operative Centre, the team is working to address financial exclusion in urban and rural areas in line with UK Government policy and the Welsh Assembly Government's National Strategy on Financial Inclusion. Focussing on developing and promoting effective partnerships between key organisations, especially trusted intermediaries who work closely with the financially excluded, the initiative promotes strategic thinking on financial inclusion and supports the mainstreaming of activity that tackles exclusion.

WELSH FINANCIAL INCLUSION STEERING GROUP

The Minister for Social Justice and Local Government has established a Steering Group of experts in the field of financial inclusion and over-indebtedness to advise him on the further and wider policy requirements necessary to tackle financial exclusion in Wales. Details of the membership of the Group and its terms of reference are at Annex A.

FINANCIAL INCLUSION NETWORK AND NEWSLETTER

The Assembly Government fully recognises the input from key stakeholders in the development of this Strategy and the important role they will play in its delivery. We have established a Stakeholder Network detailing partners across Wales and beyond, to whom updates on major developments in the field are provided via our Financial Inclusion Newsletter. The Newsletter provides updates about issues at the local, Wales and UK levels, highlights best practice and advises on upcoming events and publications.

Stakeholders wishing to join the Network can register at:
financialinclusion@wales.gsi.gov.uk.

The Assembly Government website is also used to raise awareness of financial inclusion activity:

<http://new.wales.gov.uk/topics/housingandcommunity/regeneration/debt/?lang=en>,

MONITORING AND EVALUATION

Through this Strategy the Welsh Assembly Government has committed itself to a range of actions which aim to tackle financial exclusion and over-indebtedness in Wales (see Action Plan). We will monitor progress in achieving these actions and how we will evaluate whether or not we are being successful.

Progress will be reported on to the Welsh Financial Inclusion Steering Group at their meetings three times per year and on an ad hoc basis to the Minister for Social Justice and Local Government. The Steering Group will also consider and approve an annual progress report on the Financial Inclusion Strategy.

The monitoring and evaluation framework of the Strategy will be critical in assessing whether its objectives have been met and the extent of its impact on financial inclusion. Moreover, it will play an essential role in developing a robust evidence base (and thereby identifying evidence gaps) and in turn identifying areas in need of further research and informing future Welsh Assembly Government policies and initiatives around financial inclusion.

This section, sets out our broad approach to monitoring and evaluation, under the following terms of reference:

- The approach to monitoring and evaluation needs to evolve in parallel with the Strategy's development and implementation, taking account of, for example, the prevailing economic climate and emerging issues around financial inclusion;
- As such, periodic 'meta-review' of the framework may be necessary to ensure it remains sufficiently focussed and fit for purpose;
- The distinction between indirect/general indicators of financial inclusion and those that can be used to specifically monitor the Strategy's objectives needs to be explicit;
- The detailed framework of indicators and activities for evaluation will be developed over the coming months;
- Improving financial inclusion is a long-term process and it is unrealistic to expect significant shifts in 'global' indicators in the early years of the Strategy's implementation.
- Similarly, the setting of improvement targets for specific indicators may also be unrealistic at this early stage;
- The monitoring and evaluation framework will be developed and overseen in conjunction with SJLG's Research & Information Unit, which has been involved from the outset.

Approach and evidence requirements

The proposed framework will seek to assess the Strategy from various perspectives (i.e. a 360° evaluation involving key stakeholders), at various spatial levels and at various stages in its life cycle. It is suggested that the following elements be included:

Monitoring and evaluation element	Possible sources/methods to consider
1. A set of consistent high-level indicators of financial inclusion and more general socio-economic conditions which will demonstrate change over time and set the Strategy in its wider context	Baseline data currently being compiled on financial inclusion, Labour Force Survey, Family Resources Survey, Wealth and Assets Survey, Living in Wales Survey, British Household Panel Survey, Census data, HBAI data, etc.
2. A set of core statistical indicators for each of the five key themes of the Strategy and the action plan objectives below these key themes	Variables for which change can be directly associated with Strategy interventions; acknowledged that existing survey data or official statistics will probably not support this activity. Inclusion (and repetition) of specific questions in household surveys, for example, may offer a way forward.
3. Bespoke research activity (where statistical information alone may not be sufficient or appropriate) to assess whether particular approaches or interventions linked to the Strategy have been successful in delivering their intended outcomes	<p>Dependent on the nature of the intervention and the intended outcomes to be measured; elements of evaluation and monitoring that might necessitate bespoke research activity would include:</p> <ul style="list-style-type: none"> – assessing which approaches have been effective and which have not – identifying benefits that have arisen for individuals or groups facing financial exclusion – implications for partner organisations and wider service provision – implications for how policy on financial inclusion is implemented and communicated.
4. An independently commissioned evaluation of the Strategy.	To be determined.

WELSH FINANCIAL INCLUSION STEERING GROUP

Terms of Reference

The role of the Group is to:

- a) provide expert, evidence-based, advice to the Welsh Assembly Government on the further and wider policy requirements necessary to tackle financial exclusion and over-indebtedness in Wales
- b) consider responses to the Financial Inclusion Strategy for Wales consultation and agree the final document for publication
- c) oversee how the Financial Inclusion Strategy for Wales is being taken forward across the Assembly Government, public and third sectors, taking into account the work of the UK Government, FSA, and other stakeholder organisations
- d) consider and approve an annual progress report on the Financial Inclusion Strategy for Wales.

Membership

Chair: Dr Caroline Turner: Director, Communities Directorate, Welsh Assembly Government

Public appointment members:

Carol Adams: Communities First Co-ordinator 3Gs Development Trust

Lesley Jones: Deputy Executive, Wales Co-operative Centre

Shereen Williams: Director (Wales), Council of Ethnic Minority Voluntary Sector Organisations (CEMVO)

Lesley Ann Thomas: Alzheimer's Society (formerly Deputy County Manager, Caerphilly County CAB)

Ex-officio members:

Cath Mitchell: Department for Work and Pensions

Anna Deibel-Jung: HM Treasury

Lee Phillips: Financial Services Authority

Jane Shepherd: WLGA

Jacqueline Latter: Personal Finance Education Group

Katija Dew: Financial Inclusion Champions for Wales

Fran Targett: Director, Citizens Advice Cymru

Keith Edwards: Director, Chartered Institute of Housing

Paul Milbourne: Director of the Rural Observatory

Liz Jenkins: National Partnership Forum for Older People

Tiana Williams: Wales Policy Manager, Legal Services Commission

Lindsey Kearton: Senior Policy Advocate, Consumer Focus Wales

Stefan Marx: British Bankers Association

Secretariat:

Lynne Schofield: Head, Financial Inclusion Unit, Welsh Assembly Government

Stephanie Smith: Policy Officer, Financial Inclusion Unit, Welsh Assembly Government

Bill Hudson: Financial Inclusion Strategy Manager; Financial Inclusion Unit, Welsh Assembly Government

USEFUL RESOURCES

Assembly Government Financial Inclusion Website:

<http://wales.gov.uk/topics/housingandcommunity/regeneration/debt/?lang=en>

FSA moneymadeclear website: <http://www.moneymadeclear.fsa.gov.uk/>

DWP (inc benefits advice and social fund):

http://www.jobcentreplus.gov.uk/JCP/Customers/WorkingAgeBenefits/Dev_013949.xml.html

HM Treasury: <http://www.hm-treasury.gov.uk/>

Wales Co-op: <http://www.walescoop.com/>

ABCUL: <http://www.abcul.org/page/index.cfm>

Pfeg: <http://www.pfeg.org/>

Consumer Focus: <http://www.consumerfocus.org.uk/>

Consumer Credit Counselling Service: <http://www.cccs.co.uk/>

National debtline: <http://www.nationaldebtline.co.uk/>

Basic Skills Agency: <http://archive.basic-skills.co.uk/>

Citizens Advice: <http://www.citizensadvice.org.uk/>

Shelter: <http://www.sheltercymru.org.uk/shelter/home/>

Legal Services Commission: <http://www.legalservices.gov.uk/>

Community Legal Advice (helpline/website): <http://www.communitylegaladvice.org.uk/>

Child Trust Fund (HMRC Website): <http://www.hmrc.gov.uk/ctf/>

Illegal Money Lending Unit (Wales Trading Standards):

<http://www.tradingstandardswales.org.uk/index.asp?itemid=55>

British Banking Association:

<http://www.bba.org.uk/bba/jsp/polopoly.jsp;jsessionid=apQC2IOPrF9d?d=103>

Community Housing Cymru: <http://www.chcymru.org.uk/index.html>

Chartered Institute of Housing: <http://www.cih.org/>

Welsh Local Government Association: <http://www.wlga.gov.uk/>

Transact: <http://www.transact.org.uk/>

Policy Context Links

Wales

One Wales – A Progressive Agenda for the Government of Wales, June 2007

<http://wales.gov.uk/about/strategy/publications/onewales/?lang=en>

Deputy Minister's Review of Over-indebtedness, Welsh Assembly Government, July 2005

<http://wales.gov.uk/dsjlg/publications/communityregendevlop/overindebtedness/report?lang=en>

Wales: A Vibrant Economy, Welsh Assembly Government, November 2005

<http://wales.gov.uk/about/strategy/publications/business/935778/?lang=en>

Making the Connections: Delivering Beyond Boundaries, Welsh Assembly Government, November 2006

<http://www.welshconfed.org/companyData/1898/resources/BeechamResponseEnglish.pdf>

Housing and Homelessness

10 year Homelessness Plan Consultation, Welsh Assembly Government, February 2009

<http://wales.gov.uk/consultations/closedconsultations/housing/homelessnessconsult/?lang=en>

Supporting People Strategy - Housing Related Support Strategy Consultation, Welsh Assembly Government May 2009

<http://wales.gov.uk/docs/desh/consultation/090212housingsupportingconsultation.pdf>

Sustainable Homes: A National Housing Strategy for Wales Consultation, February 2009

<http://wales.gov.uk/consultations/closedconsultations/housing/?lang=en>

The All Wales Community Cohesion Strategy Consultation, Welsh Assembly Government, January 2009

<http://wales.gov.uk/consultations/closedconsultations/housing/?lang=en>

Advice

Making Legal Rights a Reality in Wales, Legal Services Commission, December 2006

http://www.legalservices.gov.uk/docs/cls_main/CLS_strategy_wales.pdf.pdf

Financial Education

Words Talk, Numbers Count Welsh Assembly Government, September 2007

<http://wales.gov.uk/topics/educationandskills/publications/guidance/words-talk-numbers?lang=en>

Skills that Work for Wales, Welsh Assembly Government, July 2008

http://wales.gov.uk/topics/educationandskills/policy_strategy_and_planning/skillsthatforwales/?lang=en

Child Poverty

Joint Agreement on Child Poverty, Welsh Assembly Government, March 2009

<http://wales.gov.uk/topics/childrenyoungpeople/childpoverty/jointagreement/?lang=en>

A Fair Future for Our Children The Strategy of the Welsh Assembly Government for tackling Child Poverty, February 2005

<http://wales.gov.uk/topics/childrenyoungpeople/childpoverty/strategy/?lang=en>

Fuel Poverty

National Energy Efficiency and Savings Plan, Welsh Assembly Government, March 2009

<http://wales.gov.uk/docs/desh/consultation/090316energysavingplanen.pdf>

UK

Promoting Financial Inclusion, HM Treasury, December 2004

http://www.hm-treasury.gov.uk/prebud_pbr04_adexclusion.htm

Financial Inclusion: The Way Forward, HM Treasury, March 2007

http://www.hm-treasury.gov.uk/press_38_07.htm

Financial Inclusion: An Action Plan for 2008-11, HM Treasury, December 2007

http://www.hm-treasury.gov.uk/d/financialinclusion_actionplan061207.pdf

Making a Difference: Tackling Poverty, DWP, March 2006

<http://www.dwp.gov.uk/publications/dwp/2006/poverty/tackling-poverty.pdf>