

Ease and Accessibility



**Financial Capability
Strategy** for the UK



Ease and Accessibility

- At any stage of life, people's circumstances can make accessing financial services harder and the design and delivery of products can exacerbate difficulties people experience accessing the products and services they need.
- The overall aim in this area is to improve financial capability by enabling better access to appropriate and easy-to-use financial services and advice.
- The Strategy's work will build on the significant amount of activity already underway in the sector to improve the ease and accessibility of products and services, including current initiatives looking to improve information and choice in terms of simpler products and clearer, customer-focused communications.
- Issues the Strategy will seek to engage with include: filling the current gap in affordable credit; empowering people who are currently unbanked to start using a bank account; working with the sector to ensure that people can continue to have access to banking services; and working with digital inclusion initiatives to empower people new to the internet to use it for financial transactions.

Introduction

This section provides an overview of evidence and key issues surrounding ease and accessibility across the UK. Some of the areas of policy covered in this section are either wholly devolved or have separate delivery mechanisms in the devolved nations and where this is the case the priorities for action and initial action plan apply to England only, other actions are UK wide. In Wales, Ease and Accessibility factors are core themes in the Welsh Government's Financial Inclusion Strategy which is being refreshed for 2016. The Wales Forum will work with Welsh Government in taking forward priority issues and actions relating specifically to Wales.

The majority of the priority issues and actions identified in this section will be taken forward by the Working Age Steering Group. Others of particular relevance to older people will be taken forward by the Older People in Retirement Steering Group.

Being financially capable requires not only the appropriate skills, knowledge, attitudes and motivation, but also the opportunity to connect to financial services, support and advice. These need to be accessible and easy to use, with clearly understandable options, trade-offs and consequences.

At any stage of life, people's circumstances can make accessing financial services harder. For example:

- physical access to bank branches and cash machines is more difficult for people with low mobility;
- accessing appropriate credit quickly is more difficult for people with variable incomes or poor or incomplete credit records; and
- geographical remoteness and digital exclusion can significantly affect people's ability to access services.

The design and delivery of products can exacerbate difficulties people experience accessing the products and services they need. For example:

- use of technical and complex language in marketing and terms and conditions mean that the consequences of decisions can be unclear;
- automated approaches to product eligibility can mean people are locked out of mainstream products; and
- the closure of bank branches will have a significant impact on people who prefer to access their bank through this channel, particularly those who are not able or willing to use digital or phone services.



There is a significant amount of activity going on in this area, which has seen an increased focus in recent times, including: work led by the Financial Inclusion Commission; the Credit Union Expansion Project; and the Archbishop of Canterbury's Task Group on Responsible Credit and Savings.

Since the publication of the *Consultation Response and Next Steps* document in March, a Financial Services Vulnerability Taskforce has been launched in order to look proactively at the ways in which institutions can improve the experience of customers who may be in vulnerable circumstances. The Taskforce will be looking out for good practice in financial services – as well as other sectors – that can be adopted more widely. The Strategy will work with and seek to build on this activity.

Access to Banking

Basic bank accounts

Almost 2 million people are currently unbanked. The introduction of fee-free basic accounts by the end of 2015 should enable a range of people who are currently unbanked, or do not have access to a transactional bank account, to become banked. Approximately a quarter of unbanked people have previously had bank accounts, so there will also be attitudinal barriers to overcome, based on previous negative experiences.¹⁶⁵

HM Treasury (HMT) recently consulted on regulations that would place a duty on the Money Advice Service to raise awareness of Basic Bank Accounts. Through the Strategy, the Money Advice Service will work with partners to fulfil this duty to reach people who would most benefit from the new accounts.

Using current accounts

The Competition and Markets Authority (CMA) has published the provisional findings on the current account market.¹⁶⁶ This has noted that it is difficult for customers to understand and compare banks and products and highlighted the persistent low levels of current account switching. This may limit consumers' capability and opportunity to make choices that are right for them.

Debit cards account for the majority of card transactions in the UK. Their use is expected to rise over the next ten years, with credit card payments expected to remain steady.¹⁶⁷ One significant driver to this growth will be younger people, who have grown up more used to high-frequency debit card use and are more likely to adopt innovations like 'contactless' and mobile payments.¹⁶⁸

In addition to the unbanked, the Strategy also needs to consider people who do have access to a current account but who are not able or willing to use the transactional functions it provides, for example direct debits and chip-and-pin payments as well as emerging payments. Assisting people to use the functionality available to them should help them manage their finances more effectively.

Physical access

As more customers use technology for banking, the number of transactions completed in bank branches is declining. The British Bankers Association (BBA) have reported that one major bank saw a 40% decline in transactions in branch between 2009 and 2014.¹⁶⁹ Banks are continuing to reduce their high-street presence, closing unprofitable branches.

Branch closure can have a significant impact on older people who typically prefer to bank in branch and are less likely to use digital services. Government and the British Bankers Association (BBA) have developed the 'access to banking protocol', an industry-wide agreement to work with customers and communities to minimise the impact of branch closures by making sure that customers still have banking services close at hand if a branch closes. The agreement also commits the industry to making sure there is the right support to help customers use internet or mobile banking.

¹⁶⁵ Financial Inclusion Annual Monitoring Report (Karen Rowlingson and Stephen McKay, University of Birmingham 2014)

¹⁶⁶ Retail Banking Market Investigation Summary of provisional findings report, CMA 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/470032/Banking_summary_of_PFs.pdf

¹⁶⁷ UK Card Payments (UK Cards Association, 2014)

¹⁶⁸ UK Cards Payment Summary (UK Cards Association, 2015).

¹⁶⁹ World of Change (BBA, 2015)



Access to affordable credit

There are over 30 million credit card customers who together account for an estimated £56.9 billion of outstanding credit card balances. 36% of credit card users revolve their credit balances, with working-age credit card holders (43%) the most likely to do so.¹⁷⁰

Recent changes in regulation, for example the payday lender price cap, has led to an estimated reduction in the availability of high-cost short-term credit of £1.25 billion in 2015. The FCA estimates that around 70,000 people will no longer be able to access payday loans and that this will disproportionately affect those under 35 who make up 50% of payday loan customers.¹⁷¹ The Community Development Finance Association have suggested that potential demand from small organisations and individuals unable to access affordable credit from mainstream sources could be as high as £6bn per year.¹⁷²

Existing sources of credit do not fully meet the needs of low-income groups. There is considerable interest in exploring the potential of credit unions and Community Development Finance Institutions (CDFIs) to fill this gap and develop sustainable models of delivery. A number of credit union pilots have trialled alternatives to payday loans, offering similar speed of access and flexibility but with more affordable repayments. These do not currently operate at scale and the distribution of credit unions varies significantly across the UK.

The Credit Union Expansion Project has been funded by the Department for Work and Pensions (DWP) to make the credit union sector financially self-sustainable and provide one million more people with access to affordable loans, debt advice and other financial products. The Association of British Credit Unions Limited (ABCUL) is leading the delivery of this.

The Strategy will seek to share learning and insights into what works to meet the current gap in affordable credit and test the feasibility and sustainability of different models and approaches; including hand-offs or overlaps between providing affordable credit with broader money advice and financial capability interventions.

Digital Exclusion

78% of adults (39.3 million) in Great Britain used the internet every day or almost every day in 2015.¹⁷³ It is estimated that the number of people who have never been online is reducing by approximately 3% a year.¹⁷⁴ 44% of people aged 65 and over (4.8 million people) have never been online. Reasons people give for not having internet access vary with 53% across all age groups feeling that they don't need the internet because it is not useful or not interesting and 32% saying that they don't have the skills to use it.¹⁷⁵ There is still significant variation across the UK in access to reliable broadband and for some cost remains a barrier.¹⁷⁶

People who use the internet for financial transactions can make significant savings from gaining access to the best deals and comparison sites that make it easier to shop around. BT has calculated direct financial savings to individuals of digital inclusion to new users to be £560.¹⁷⁷

¹⁷⁰ Financial Capability Survey (Money Advice Service, 2015)

¹⁷¹ Press release, FCA confirms price cap rules for payday lenders (FCA, November 2014)

¹⁷² CDFA, *Mind the Finance Gap* (2013) www.cdfa.org.uk/wp-content/uploads/2013/02/CDFA-Mind-the-Finance-Gap-full-report-WEB-VERSION1.pdf

¹⁷³ Internet Access - Households and Individuals (Office of National Statistics, 2014)

¹⁷⁴ Government Digital Inclusion Strategy (Government Digital Service, 2014)

¹⁷⁵ ONS, Internet Access - Households and Individuals, 2014

¹⁷⁶ *ibid*

¹⁷⁷ Valuing digital inclusion, 2014, BT

A majority of adults in the UK use the internet for banking and financial transactions and mobile banking is becoming a more accepted part of money management with almost four in ten (37%) of mobile internet users accessing their bank account via their mobile phone at least once a month. One in four (24%) mobile internet users reported making an electronic payment or money transfer with their mobile phone.¹⁷⁸

Within that broad picture of increasing use of the internet for banking and financial transactions there are significant variations by age. Ofcom statistics show that only one-third (32%) of people aged 55 and over use the internet for banking, compared to two-thirds (66%) of 35-54 year olds.¹⁷⁹ The percentage of older people who would be happy to use the internet for day-to-day banking transactions declines slightly above the age of 60 and drops very sharply above the age of 70.¹⁸⁰ Of people over 55 who already use the internet, 53% don't use it for banking and 41% don't use it for purchasing goods and services.¹⁸¹

The Strategy can work with digital inclusion initiatives to promote the financial benefits of being online to those who are currently not interested in accessing services; and it can assist people who are interested to develop the necessary skills and knowledge. As older people who currently use the internet for non-financial reasons already have some digital skills and confidence using technology, the Strategy will initially prioritise this group for joint financial capability / digital inclusion interventions.

Developments in financial technology (“fintech”)

Technology has already changed the way we access banking and financial services and is likely to continue to do so in the future. Many organisations are already exploring the potential of “fintech” to make it easier for people to access, understand and engage with their finances. At the moment we know less about the extent to which different products and platforms help to boost engagement. A key area for the Strategy to consider and learn more about is the extent to which different “fintech” solutions can be shown to improve financial capability of people in addition to providing new ways for the already financially capable to increase their engagement with their savings, budgeting and planning.

Improving information and choice

‘Simple Products’

The Sergeant Review in 2013 concluded that UK customers would benefit from the option to purchase simple, standardised, easy to understand and comparable savings and protection insurance products.¹⁸² The Association of British Insurers (ABI), British Bankers’ Association (BBA) and the Building Societies Association (BSA) have worked together, and consulted many stakeholders, to develop a ‘Simple Products’ framework. The framework has gained approval under the Trading Standards Institute (TSI) Consumer Codes Approval Scheme (CCAS). Three product standards to be launched under the scheme have also been approved: a simple life insurance product and two deposit savings accounts. Work is now underway to ensure that the name and logo to be used by companies wishing to offer ‘simple products’ can only be used under licence, following accreditation and subject to monitoring. Once this work has been completed, the framework, new name and logo will be launched and companies will be able to offer products meeting the scheme standards to the public.

¹⁷⁸ The Communications Market, Ofcom, 2015 http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr15/UK_5.pdf.

¹⁷⁹ Technology Tracker data tables, Wave 1 2015, Ofcom

¹⁸⁰ Financial Capability Survey, Money Advice Service, 2015

¹⁸¹ Technology Tracker data tables, Wave 1 2015, Ofcom

¹⁸² Sergeant Review of Simple Financial Products: Final report, March 2013
<https://www.gov.uk/government/publications/simple-financial-products>



Clearer customer-focused communication

Evidence from the FCA has highlighted that there is more for firms to do to empower people to make the best decisions for them, including, better understanding of what people need to know and when they need to know it.¹⁸³ Through the *Smarter Communications* discussion paper, the FCA has shown its willingness to work with providers to address regulatory requirements that can be shown to be preventing or inhibiting effective customer communications.

Improving inclusivity of products and services

Despite the fact that most financial services firms have policies in place to provide assistance to people that need it to access their services, frontline staff may not be aware of or implement them or refer people on to specialist teams able to provide assistance. As a result, many people dealing with events or 'non-standard situations' continue to face barriers to accessing services.¹⁸⁴ For example, a lack of forms of identification or a transaction record for a credit history can prevent people from accessing mainstream financial products.

There has been a welcome increase in focus on this issue in recent years. A number of charities including Macmillan and Age UK proactively raise issues and work with industry to develop and promote solutions.

The FCA recently published an Occasional Paper on consumer vulnerability and an accompanying Practitioners Pack for firms.¹⁸⁵ Amongst other initiatives, the BBA has set up a Vulnerability Taskforce that will look to co-ordinate an industry response to the address the issues raised by the FCA.

As there are currently a number of initiatives already underway the Strategy is not proposing any new work in this area. The Strategy will continue to monitor progress of initiatives and encourage the sector to implement evidence based recommendations.

Extra costs

Around 15 million adults in Britain have long-term health conditions¹⁸⁶ that can place extra financial demands on individuals, families and carers. Macmillan's research has highlighted the significant financial impact of cancer, while the impact varies, 83% of people affected by cancer are, on average £570 a month worse off following their diagnosis.¹⁸⁷ As well as the additional higher costs of living, the impact of a life event or a change in circumstances on confidence, skills and motivation can be profound.

The Extra Costs Commission has highlighted the additional costs faced by disabled people as a result of their impairment(s). This can be, for example, around £200 a week for someone with a neurological condition, or around £300 per week for someone living with a physical impairment. Extra costs have an impact on disabled people's financial resilience. Disabled people have lower levels of savings and assets than non-disabled people and are more likely to experience debt.¹⁸⁸

Scope is taking forward the Extra Costs Commission's recommendations for disability organisations to develop information resources and peer-to-peer platforms that have a greater focus on disabled people's needs as consumers. The Money Advice Service is working with Scope to build financial capability support and insight into these resources.

¹⁸³ FCA, *Smarter Communications paper* (2015)

¹⁸⁴ Occasional Paper Number 8: *Consumer Vulnerability*, FCA, 2015

¹⁸⁵ Occasional Paper Number 8: *Consumer Vulnerability*, FCA, 2015

¹⁸⁶ Department of Health *Long-term conditions compendium of Information: 3rd edition* (2012).

¹⁸⁷ Macmillan, *Cancer's Hidden Price Tag* (2013)

¹⁸⁸ Scope, *Priced out: ending the financial penalty of disability by 2020*, (2014)



Action Plan

The following actions have been included in the priorities for action and action plans for Working-age people (page 50) and older people in retirement. (page 66) The following actions will be taken forward by the Working Age Steering Group.

1 Improving the accessibility of financial products, services and advice

- a. Support existing cross-industry initiatives on access to mainstream banking including:
 - ▶ work on identity requirements for opening current and savings accounts;
 - ▶ monitoring the take-up of basic bank accounts and ‘jam-jar’ facilities and the introduction of ‘simple products’; and
 - ▶ understanding the impact of industry approaches to improve access to banking services.
- b. Embed financial capability in the development and delivery of the *Digital Passport* project to help consumers open and switch providers of savings accounts more easily and flexibly, in collaboration with *TSIP*.
- c. Work with organisations, in particular credit unions, to co-ordinate existing projects monitoring access to affordable credit and to investigate and pilot different approaches to meeting identified gaps in demand.
- d. As innovative products and payment systems are rolled out, partners involved in the Strategy will monitor their take-up and, where possible, develop shared understanding of their impacts on consumer behaviour.
- e. Building on the *Financial Conduct Authority (FCA) Smarter Communications* paper, work with partners to co-ordinate industry initiatives to test and learn from different approaches to product communications that help consumers engage with the features, costs and risks of different financial products.

The following actions will be taken forward by the Older People in Retirement Steering Group.

2 Improve the accessibility of products and services for older people in retirement

- a. Engage with existing initiatives looking at access to financial products and services and encourage the implementation of evidence-based recommendations. Existing initiatives to be considered include:
 - ▶ *The British Bankers Association (BBA) Vulnerability Taskforce*;
 - ▶ *Council of Mortgage Lenders (CML)* and *Building Societies Association (BSA)* projects looking at Lending in Retirement;
 - ▶ *FCA* market study on big data and accessibility in the insurance market;
 - ▶ *FCA* study on access to financial services;
 - ▶ *BBA, Department for Business Innovation & Skills (BIS)* and *HM Treasury (HMT)* planned independent review of the Access to Banking Protocol.
- b. Work with the sector to develop innovative solutions to encourage older people to seek out better deals.