UNIVERSITY OF BIRMINGHAM | CHASM Centre on Household Assets and Savings Management

Achieving full financial inclusion in the UK:

current realities and potential solutions

Joint reporting from the Centre on Household Assets and Savings Management and the Financial Inclusion Commission

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Contents

Overview

This report summarises the findings of nine evidence gathering sessions held in England, Northern Ireland, Scotland, and Wales in April 2024. Four of these were face-to-face meetings with people with lived experience of financial exclusion. The remaining meetings brought together stakeholders with a professional interest in financial inclusion either face-to-face, online or in a hybrid meeting. The sessions were jointly organised by the Centre on Household Assets and Savings Management (CHASM) at the University of Birmingham and the Financial Inclusion Commission (FIC, or 'the Commission'), with the practical support of several partner organisations.

Everyday banking services

Most participants had a bank account, but a lack of trust in the financial sector was evident across all lived-experience groups. Some complained that ***'banks make things complicated'***, and several indicated that the lack of trust went both ways, with banks being overly cautious and asking intrusive questions. There was a somewhat contradictory sense that banks were both limiting options and making things more complicated than they need to be; people do want choice, but they want simple choices.

Some people were unhappy with the amount of information that their bank held about them and believed that the bank could be tracking their behaviour. This concern appeared to be driven by growing awareness of the possibilities of open banking. However, there was some support for some forms of digitalisation, and particularly digital tools that supported money management.

When discussing solutions to everyday banking challenges people focused primarily on the lack of access to bank branches and cash, or ways to improve trust through better communication and greater transparency, and efforts to encourage people to report scams and fraud. Whilst digital provision was considered to be part of the solution when a bank branch was closed, concerns were also raised about digital exclusion.

Credit

Various forms of borrowing were being used by people with lived experience, including credit cards, informal savings and loans clubs, Buy Now Pay Later, and credit union loans. At the same time, access to affordable credit was amongst the highest priorities for stakeholders and a major concern for participants with lived experience. Those turned down for credit were frustrated by the lack of information provided about the reason they were declined.

An apparent increase in people falling victim to illegal lenders ('loan sharks') was widely considered to be related to a lack of affordable credit. Opinions varied as to whether there was a significant gap in the provision of affordable credit or whether the gap was primarily related to awareness of the available options. There was evidence in England of a lack of awareness of credit unions amongst those with lived experience of financial exclusion, but some stakeholders also noted that many people who have been turned down for credit elsewhere could not borrow from a credit union because they do not meet the affordability criteria.

There appears to be a disproportionate focus on credit scores amongst consumers; this was observed in all discussions with people with lived experience and mentioned by stakeholders. This focus is shaping the extent to which people use price comparison sites and their willingness to see support with problem debt, for example: ***'Credit ratings concern people even when they need debt advice'***.

The emphasis on credit scores reflects the importance people place on accessing affordable credit, and the challenges that they face when having insufficient or negative data on their credit record.

Participants with lived experience suggested various approaches to improving access to credit, in particular calling for more information about the reason for being refused. Some asked for a product that builds credit scores and savings, and products that have a reducing interest rate to recognise improved credit scores. Interestingly one asked for data on how much providers are making in profit at each interest rate, and how many defaults there are, to understand whether these companies are treating customers fairly.

Whilst many stakeholders also spoke of increasing access to credit, some preferred other solutions such as bulk buying of expensive items to facilitate discounts (as discussed in relation to heating oil later in this report), better use of social tariffs, rental properties that included white goods, or small grants.

Repaying credit and managing problem debt

Participants wanted lenders and other creditors to facilitate good money management by allowing them to choose which day they made repayments and providing the option to pause repayments when things were difficult (as with the 'Breathing Space' initiative).[1]

Many of the participants with lived experience of financial inclusion had been, or were currently, in debt: ***'None of us want to get into debt, but look at the way the world is going.'*** Getting out of debt seemed to be a distant dream in some cases, and several felt that companies did not care because they stood to get even more money with late payment fines: ***'They'll watch you drown'***.

Several issues made people reluctant to seek early support when facing repayment difficulties. Not only were some participants concerned about their credit scores, but some felt that there was a stigma in seeking help, and others were worried about being seen to be a burden on overwhelmed services if their issues were not deemed to be sufficiently serious.

Both participants with lived experience and stakeholders called for action to remove the stigma around seeking debt advice, increase empathy and maintain dignity. Several of those who had sought help from creditors, debt advisors or debt solution companies spoke of their preference for being spoken to in a friendly way without judgement and requested consistent, predictable treatment. Participants also asked for dedicated helplines for when they needed to seek help from creditors. Some stakeholders felt that a longer-term solution to problem debt would incorporate a process to build savings alongside debt repayments, to facilitate a fresh start.

Savings and pensions

Neither participants with lived experience nor stakeholders prioritised savings and pensions when discussing access to different types of financial products and services. Even so, some recognised the importance of having rainy day savings, and welcomed initiatives such as workplace savings schemes.

Participants in the lived-experience groups did not fully appreciate the intention behind auto-enrolment, and complained about various aspects, from the difficulty in cancelling payments to uncertainty as to their retirement age.

[1] https://www.gov.uk/government/publications/debt-respite-scheme-breathing-space-guidance/debt-respite-scheme-breathing-space-guidance-for-money-advisers

> ***'Don't see the point in a private pension, I might not live to see it, and there's government support.'***

Suggestions for improving financial inclusion in the area of savings included building on existing initiatives to incentivise savings amongst lower-income groups, including Help to Save and opt-out payroll savings. In terms of pensions, participants with lived experience sought more information about how to manage their auto-enrolment pension, whilst stakeholders identified gaps in the take up of existing information and guidance, suggesting the need for more awareness raising.

Insurance

Various kinds of insurance were discussed across the sessions, although car insurance was mentioned most frequently. People were frustrated about the rapid increase in car insurance premiums, the apparent loyalty premium charged on renewal and the cost of paying monthly. Some tried to negotiate their insurance premium, often *with* success, but this led to further frustration that the sector was so flexible on prices and yet proposed such high prices, reducing trust in providers.

One of the key findings relating to home insurance was that people are buying insurance that covers items within their home but dare not claim when something goes wrong for fear of increased premiums, meaning that they are, in effect, paying for unnecessary cover in order to acquire the catastrophic risk cover that they seek.

Discussion of challenges faced in the insurance market led to a call for action to address perceived unfairness rather than actual solutions. In particular, participants with lived experience asked for efforts to address the wide variations in premiums charged for customers renewing their policy compared with the rates offered new customers (the loyalty premium), the cost of paying monthly, and the apparent variations in willingness to cover certain conditions and age-groups.

Stakeholders were also keen to increase access to home contents insurance for low-income renters, suggesting that housing benefit could include an element for basic contents insurance.

Education, information and guidance

It was common for participants with lived experience and stakeholders to suggest that improved financial literacy or better access to financial education was necessary to increase financial inclusion. However, there were various inconsistencies. Most thought that adults needed to know more, yet many put the onus on parents to educate their children. Some wanted children to learn how to avoid debt, whilst arguing that many current debt issues were beyond the control of individuals. As one stakeholder, noted, for example: ***'you cannot financially educate yourself out of debt'***.

People also called for information and guidance to be readily available. Stakeholders spoke of ***'understandable and meaningful advice'***, ***'resources to help maximise incomes'***, ***'one stop shops'*** and ***'access to credible information'***. They felt that consistency was important, and that this meant a joined-up approach.

Participants with lived experience and stakeholders typically supported widespread provision of financial education in school from an early age and increasing funding for advice services, and stakeholders spoke of addressing issues with the advice guidance boundary.

Poverty, disadvantage, and vulnerability

Financial exclusion is associated with poverty, disadvantage, and vulnerability. Stakeholders in every session referred to these three challenges, and some expressed concern that they created barriers to full financial inclusion.

Poverty and disadvantage were observed across the participants with lived experience in various ways, from precarious living conditions and difficulties affording food through to an inability to afford the childcare needed to start work. Being in receipt of an irregular income was identified as a ***'hidden vulnerability'***.

Many stakeholders raised concerns about the benefits system, including the (slow) speed with which people could access benefits – a situation deemed unacceptable for terminally ill claimants in particular. As one noted ***'you don't apply for a benefit in advance'***.

Participants also identified several issues relating to council tax, from the treatment of the single-adult discount to the way in which arrears are dealt with. Several participants with lived experience were in multiple year arrears. They called for changes to the way in which council tax arrears are collected, noting that the current approach is ***'adding insult to injury, you're already struggling without the bailiffs knocking'***.

Potential solutions to the barriers caused by poverty, disadvantage and vulnerability included bringing together various services under a strategic umbrella, increasing awareness of social tariffs, and using a consistent definition of vulnerability across services and organisations. There was also a call for more funding to provide 'handholding' services for the most vulnerable to help them to access a range of services. Including debt advice.

Conclusions

There are many financial challenges facing people in the UK. Combined, they create a complex set of challenges for consumers that would be best addressed through a national strategy, as called for by the Financial Inclusion Commission and others, and highlighted in Atkinson and Overton (2024).

It is clear from the evidence sessions that the needs of consumers are not always being put first. Some issues could be addressed by the Consumer Duty or the Advice Guidance Boundary Review proposals for 'targeted support'. There is also striking evidence that the current approach to collating and storing credit records is not working as intended and appears to be leading to potentially harmful behaviours amongst consumers. Further work is required on this topic.

Trust is also an issue, with evidence that consumers neither trust their providers nor feel trusted by them: ***'How can you trust if you do not know how you have been treated.'***

Whilst many people with lived experience of debt got into difficulties through no fault of their own, there is still a strong appetite for programmes designed to teach people (children in particular) how to avoid debt. Further work is therefore needed to understand which mechanisms might best help young people to avoid problematic borrowing in adulthood and help people to manage changes in circumstances. These could include incentives to build financial resilience through savings, as well as education, information, and guidance, for example.

Introduction

This report summarises the findings of nine evidence gathering sessions held in England, Northern Ireland, Scotland, and Wales in April 2024. The sessions were jointly organised by the Centre on Household Assets and Savings Management (CHASM) at the University of Birmingham and the Financial Inclusion Commission (FIC, or 'the Commission'), with the financial support of Mastercard, and the practical support of several stakeholder organisations. Participants were chosen to achieve a deeper understanding of current challenges preventing full financial inclusion and seek information that could help to develop more targeted solutions. This report complements new desk research undertaken by CHASM and commissioned by FIC with the financial support of Mastercard, drawing on existing data and literature (Atkinson and Overton, 2024).

Financial inclusion can be measured across various dimensions, from income and employment to access to current accounts and pensions and from financial wellbeing to problem debt (Fair4All Finance, 2023; FIC, 2015; McKay et al., 2022). The Commission's vision is one where everyone has access to their own transaction account, affordable credit, appropriate insurance and necessary advice. They are encouraged and empowered to save both for precautionary reasons and for retirement, and they receive financial education in school and throughout life (Financial Inclusion Commission, 2015).

Method

This study draws on primary data collected from nine evidence gathering sessions: four two-hour, in-person events with people with lived-experience of financial exclusion, three two-hour, in-person roundtables with stakeholders, one two-hour, hybrid roundtable with stakeholders and one one-hour, online stakeholder event.

Sessions focused on the question **'what does full financial inclusion look like, and how can it be achieved?'** and were structured to first identify issues that participants saw as priorities, and then discuss potential solutions. Participants were invited to consider financial inclusion in terms of saving, affordable credit/borrowing, access to cash/places to spend cash, addressing debt, investing and pensions, using digital financial services/fintech/digital access, insurance, places to get advice/help, avoiding financial frauds and scams and were also given the option to consider 'other' factors. Two 'other' factors were identified in every session: 1) education, information, and advice, and 2) poverty, disadvantage, and vulnerability.

This study received ethical approval from the Humanities and Social Sciences Ethics Committee at the University of Birmingham (application no. ERN_1462-Jan2024).

People with lived experience

A specialist agency was used to recruit participants with lived experience. Potential participants were screened to ensure that they fitted the necessary profile, and those who took part were offered thank-you payments for their time. A total of 60 people were invited to the four lived-experience sessions, 15 in each nation. In total, 57 people attended.

The distribution of responses to the screening questionnaires amongst the 60 participants invited to participate is reported below:

	Ages		Gender		Financial exclusion indicators* (multiple possible)		Income above or below £1,400 a month	
Belfast	18-30	**3**	Female	**9**	Bank account	**2**	Less than £1,400 take-home last month	**11**
	31-50	**4**	Male	**6**	Insurance	**5**		
	51-70	**7**			Credit	**6**		
	71+	**1**						
Birmingham	18-30	**4**	Female	**8**	Bank account	**3**	Less than £1,400 take-home last month	**10**
	31-50	**2**	Male	**7**	Insurance	**11**		
	51-70	**6**			Credit	**1**		
	71+	**3**						
Cardiff	18-30	**3**	Female	**8**	Bank account	**4**	Less than £1,400 take-home last month	**10**
	31-50	**3**	Male	**7**	Insurance	**11**		
	51-70	**6**			Credit	**5**		
	71+	**3**						
Glasgow	18-30	**3**	Female	**9**	Bank account	**1**	Less than £1,400 take-home last month	**12**
	31-50	**8**	Male	**6**	Insurance	**7**		
	51-70	**4**			Credit	**9**		
	71+	**0**						

* The screening questionnaire asked: in the last 3 years have you: a) Found it difficult to open a bank account; b) Found it difficult to find insurance that meets your needs; c) Needed to borrow money, but been unable to find a company that would lend to you?

Stakeholders

UK stakeholders were invited by email to any of the evidence gathering sessions. Regional managers at the Money and Pensions Service also forwarded the email to potential participants. Stakeholder events were held under Chatham House Rule.

Stakeholders were identified through three main routes. 1) Organisations/individuals known to CHASM or FIC, 2) Organisations/individuals known to regional managers of the Money and Pensions Service and 3) Organisations/individuals identified during the desk research phase of the project (Atkinson and Overton, 2024). Priority was given to organisations with direct experience or recent research evidence of issues relating to financial inclusion.

Each event was also attended by Financial Inclusion Commissioners and members of the CHASM research team. The sessions were not recorded; detailed note taking by CHASM members and Commissioners facilitated this report of findings.

Context

There are differences across the four nations of the UK which impact on financial inclusion. The table below provides links or short summaries of those that were most frequently mentioned during the evidence sessions.

	England	Northern Ireland	Scotland	Wales
National delivery plans for the UK Money and Pensions Service National Strategy for Financial Wellbeing	See Delivery plan for England I Money and Pensions Service (maps.org.uk)	See Delivery plan for Northern Ireland I Money and Pensions Service (maps.org.uk)	See Delivery plan for Scotland I Money and Pensions Service (maps.org.uk)	See Delivery plan for Wales I Money and Pensions Service (maps.org.uk)
Credit union interest rate ceiling	42.6% APR	12.68% APR	42.6% APR	42.6% APR
Insolvencies	See Commentary - Individual Insolvency Statistics October to December 2023 - GOV.UK (www.gov.uk)			
Debt relief order (DRO)	Available	Available	Not available	Available
Breathing space	Available	Not available	Not available	Available
Bankruptcy	Available	Available	Available (known as sequestration)	Available
Protected trust deeds	Not available	Not available	Available	Not available
Individual Voluntary Arrangements (IVAs)	Available	Available	Not available	Available
Financial education in schools	Included in the national curriculum in secondary schools only, as part of citizenship and maths.	Included in the national curriculum from age 4 to 14, mainly through maths and numeracy.	Included in the broad general education phase curriculum for students aged 3 to 14 years, primarily in maths and numeracy across learning.	In the new Welsh curriculum at primary and secondary level, and will be examined; provided to parents and children through Talk Learn Do.
Access to emergency funding	Some local councils provide hardship grants.	There is a discretionary crisis fund.	Crisis grants available through local councils.	There is a discretionary crisis fund.
Financial Inclusion policy and research	English Partnership Team, MaPS headquarters, England.	Financial Services in Northern Ireland I Consumer Council	Financial Inclusion for Scotland I Social Investment Scotland	Financial Inclusion Steering Group I GOV. WALES
Access to funds from dormant assets for financial inclusion	Yes	No	No	No

Challenges faced and potential solutions

Everyday banking services

Access to cash and bank branches is still expected

For most people, the bank provides an essential service. Stakeholders voiced concern about people without bank accounts; particularly those who were receiving their benefits into someone else's bank account. They argued that this left them open to various forms of fraud, abuse, and manipulation, as well as a lack of privacy. Some also commented that certain basic bank accounts were too basic because they did not give people the tools they needed to manage their money, a message reinforced amongst some participants with lived experience.

Some participants were worried about bank branch closures: ***'I want to go into a branch; it's my money'***. They were concerned about a lack of cashpoints and options to change coins for notes at the bank. It appeared that these everyday transactions were missed more than full banking services, as other services provided over the counter were not mentioned in the lived-experience sessions. This may reflect the continued reliance on cash amongst many people in the groups; as also indicated by those unhappy about the increase in 'card-only' automated tills in supermarkets. As one put it ***'cash is king, but it's so hard'***. Some spoke of keeping coins and small notes at home in case of need. Another commented: ***'They're forcing you to use a card – every time you use a card they're making money'***, which also highlighted a lack of trust amongst participants in the motives of financial service providers, an issue discussed further below. Others were not operating in cash themselves but worried that the reduction in access to cash was impacting others, particularly older people. Some felt that ***'anyone over 40 likes to have cash in their pocket'***. They were concerned that people would be moved over to digital payments against their will.

People unable to exchange coins over the counter talked about feeling cheated by the machines that charged to count their loose change. For those in Northern Ireland, a similar issue was raised with fees for exchanging euros and pounds, leaving some holding cash in both currencies.

One participant with lived experience suggested drawing cash out regularly even if it was unnecessary, just to keep the bank, or at least the cashpoint, operational.

Some stakeholders also commented on how the lack of cashpoints in rural areas was problematic for independent shops trying to avoid the higher cost of card payments. Many also discussed branch closures, with some arguing that waiting until the last branch was about to close was the wrong approach. They noted that having only one bank in an area meant that consumers had no choice. They were also concerned that the promised banking hubs were not a quick solution because of the delay in getting planning permission for a change of use of possible buildings[2]. There were also concerns that banking hubs would still not be easy to reach for some people, due to the lack of accessible public transport for people to get to their nearest branch, and a 'rural premium' affecting those with furthest to travel. Whilst digital provision was considered by stakeholders to be part of the solution when a bank branch was closed, this requires better access to digital infrastructure, which stakeholders noted was a problem in some areas. It is also important to note that reliance on digital solutions will not address the issues raised by people with lived experience.

Bank account use is commonplace, but lack of trust is an issue

Many participants spoke about their bank. Most had been with the same provider for many years despite an apparent lack of satisfaction. Some commented that they were afraid of switching accounts in case missed direct debits resulted in future problems for their

[2] This note offers some guidance on the topic: [Flexible use on the high street: key facts brief - GOV.UK (www.gov.uk)]

credit scores (as discussed later, credit scores appear to shape behaviour in various unhelpful ways).

There was a general feeling of distrust toward the financial system and institutions, which seemed especially acute in Northern Ireland. Some complained that ***'banks make things complicated'***. For young people, there was even more of a prevailing sentiment that ***'everything is stuck up*** (sic)[3] ***against'*** them, exacerbating feelings of disillusionment and lack of trust in the system.

The lack of trust in banks appeared to be driven by a combination of factors. Some of these may also explain why participants mostly valued branches because of access to cash. There was a somewhat contradictory sense that banks both limit options and make things more complicated than they need to be. It was clear that people did want choice, but they wanted simple choices. What they did not want was bank staff to be incentivised to sell. Some had been mis-sold packaged accounts, others had received inconsistent messages, and several believed that bank staff were only trying to sell products to meet their own sales targets. One had also received very poor service when going to a branch to discuss debt issues. They were told in the bank to get help online and ended up sat in the car outside on their phone. This participant was not alone in missing a more personal service. As others said: ***'I wanted to speak to someone, I just wanted a cup of tea'; 'Sometimes you need [the] human touch and [to] talk to someone.'***

It was not uncommon for participants to note that the lack of trust went both ways. Several felt that their bank was overly cautious and asked questions that felt excessively intrusive, e.g. ***'I won money in the bookmakers and when I want to put money into my account I got grilled about where I got the money from.'*** Many participants wanted an approach in which they were known sufficiently well by their local branch that such questions would be unnecessary. However, a few liked the anonymity of apps, and some were happy to use a chatbot.

Access to, and use of, bank accounts with overdrafts was varied (access to other forms of credit is discussed later in this report). One participant reported that he had been turned down for an overdraft when in need of credit many years ago and had subsequently got into difficulties repaying a payday loan. This perhaps suggests that the bank had good reason to refuse his application, but it is also an important reminder that people in need of credit continue to look for options when the first door is closed. Others reported that they were in debt because of their overdraft, and some were very wary of taking bank accounts with overdraft facilities. However, basic bank accounts were not seen as a full solution to banking exclusion by lived-experience participants or stakeholders, not only because they were rarely offered, but also because they were little more than a ***'kiddy's account'***.

Some participants had taken complaints about their bank to the Financial Ombudsman Service (FOS), with some success. Whilst not specifically asked, it appeared that amongst the lived-experience participants, awareness of FOS was higher than awareness of the Money and Pensions Service or their consumer facing brand MoneyHelper. This may reflect the frustration that people feel when something goes wrong; it may also be related to the use of ombudsman services more generally across different sectors.

Digitalisation has benefits but disadvantages persist

The rapid digitalisation of financial services - intensified by lockdowns during the global pandemic - creates benefits and challenges. For the most part, participants embraced basic digital services such as online banking and contactless payments, although views were polarised.

Some participants with lived experience described the ways in which technology helped them to keep track, whether printing out their balance at a cashpoint or checking their account through Internet banking or their bank's app. Some participants appreciated services that supported budgeting, with Monzo and PayPal being mentioned frequently. The found that they were able to manage their spending and appreciated tools to keep an eye on their account: ***'I like it because I can check my account online'***.

Challenger banks were being used by some participants to help them to manage their money better. They appreciated the ability to create ***'pots'*** or ***'jars'***, for example. Whilst most users of challenger banks appeared to have kept their traditional bank too, one participant reported that the reason to use Monzo was ***'normally when you can't get a bank account on the high street'***.

Some people were unhappy with the amount of information that their bank held about them, and

[3] The participant was searching for the phrase 'stacked against'.

believed that the bank could be tracking their behaviour. This concern appeared to be driven by growing awareness of the possibilities of open banking. General attitudes towards open banking reflected the lack of trust in general with comments such as ***'huge invasion of your privacy'*** and ***'a dangerous way forward'***.

Others were particularly afraid of the increased risk of scams whilst others believed adequate security was in place. Similarly, some felt digital tools made it too easy to spend: ***'Cash makes you aware of what you have. You lose control with constant card tapping.'*** In all groups, people mentioned their dislike of being tracked, or having their spending observed. Some also felt that there were higher risks from losing a payment card than losing cash, because a pin is no longer required.

Some people in the lived-experience groups had heard of FinTechs providing financial education and banking to children. The general perception was rather negative, with comments that the model was counterintuitive, with parents having to pay for an app so that their children could save. The general perception was that this type of tool was not for them.

In the stakeholder sessions there was general agreement that digital exclusion is posing a significant challenge for older people and in rural areas. They commented that the post office network is providing a partial alternative for those in rural areas[4], but does not offer the privacy required for certain banking transactions. In Wales however, it was noted that the public sector has an obligation to maintain non-digital routes for all services.

Frauds and scams

Participants with lived experience were very aware of various types of fraud and scam; in particular those pretending to be from HMRC or delivery companies, highlighting alarmingly widespread experience. These were most commonly APP[5] scams; sometimes indicating that participants would receive a refund (£934 'from HMRC' in one case; fortunately the participant spotted that this was a scam).

Several participants felt that telephone scams were more dangerous than online scams, and particularly for older people. Some suggested that they had used smart responses when receiving such calls themselves saying, ***'I am sorry I am not allowed to take personal calls here at the Cardiff Police Station'*** or ***'Oh, nice to meet you, I work for HMRC too, where are you based?'***

Some participants had also experienced card fraud; in one case an unexpected payment from a carpark ticket machine, and in another, regular very small payments (less than £1 each time) from a petrol station that she had never used. Participants' banks had refunded these amounts. Another participant faced more serious consequences on losing his card, with £7,000 spent on the card and debt collectors targeting him whilst he tried to prove he was not responsible.

Stakeholders were concerned about various forms of fraud and scams such as romance frauds, those pretending to be from a family member in need of help (so-called 'mum and dad scams') as well as people threatening to send the bailiffs for missed tax payments. Extortion frauds, sometimes threatening to post photos on the internet, where suicide is a risk factor were also a worry. Some stakeholders mentioned that they refer potential victims to Action Fraud.

Potential solutions

Participants in the evidence sessions primarily focused on finding solutions to the lack of access to bank branches and cash. Some suggested that the Financial Conduct Authority (FCA) could work more closely with local organisations to gather relevant data and insights around banking needs, and possibly create local offices to ensure information sharing and coordination with local bodies. Some also suggested ways to improve trust through better communication, the provision of beneficial tools and efforts to reduce scams and fraud, as summarised below:

- Expand the roll out of banking hubs, taking into account public transport and parking facilities as well as the provision of private spaces. Ideally hubs will provide support for people who are digitally excluded at home and offer broader support services.
- Encourage banks to offer simple choices and regain trust through a branch model that does not rely on selling financial products.
- Use plain English in all communications with consumers. This does not mean using overly familiar approaches. The use of 'friendly' language

4 See for example: Access_to_Postal_Service_report.pdf (consumercouncil.org.uk)
5 Authorised Push Payment (APP) scams happen when someone is tricked into sending money to a fraudster posing as a genuine payee. APP scams | Payment Systems Regulator (psr.org.uk)

needs to be matched with action.

- Provide people with the information that they need to understand why they have been turned down for certain products and what they can do about it. This is relevant for declined credit and insurance, as well as bank accounts and overdrafts.
- Test and promote banking tools that help people to budget and save for the future.
- Encourage victims of scams and fraud to come forward, and make sure they know their rights.
- Do not assume that all scams and frauds will come through digital channels. People are concerned about telephone scams.

Credit

Access to affordable credit is seen as a priority

Access to affordable credit was amongst the highest priorities for stakeholders, and a major concern for participants with lived experience. Some stakeholders commented that the current lack of affordable options was contributing to the poverty premium[6].

Many of the participants with lived experience had been turned down for much-needed credit. They had a variety of assumptions about why this might have been, but no clarity. Consequently, they were frustrated by the lack of information provided and asked for ***'more transparency on why lenders decline credit applications - and share it with the customer!'***.

One participant noted how she had been forced to change plans after a revised affordability calculation left her unable to access a previously approved loan, despite no changes in her income. Others were also aware that their lack of choice often led them to take high-cost credit, or to make decisions that they later regretted.

> ***'...because I hadn't borrowed before, I didn't have the credit score – so much interest'.***

> ***'You already have to have money to get a loan!'***

Some participants spoke of situations that they found perplexing such as being accepted for a mortgage but not for a hire-purchase agreement. In part, the confusion illustrated that some people do not understand things such as how lenders assess their credit worthiness or the difference between secured and unsecured loans.

Credit exclusion was seen to impact some groups more than others. Stakeholders spoke of difficulties for certain groups such as those with fixed term or zero-hour contracts and variable incomes. Several mentioned the loss of doorstep lenders and payday loan companies from low-income communities. Whilst this reduction in high-cost credit was seen as somewhat positive, it has also made it more difficult for people to access credit in times of need.

Some stakeholders argued that the gap in provision should be filled with affordable credit options. Others countered that options exist, but are not widely known about, and recommended widespread promotion of options such as credit unions and CDFIs. However, it was also pointed out that many people who have been turned down for credit elsewhere cannot borrow from a credit union because they do not meet the affordability criteria (they do not have enough disposable income to repay the loan). Some commented that banks that could not lend to an applicant because of their credit score took a risk in recommending them to a credit union because they were not warning the client against borrowing more. At the same time, some stakeholders felt that banks would need to be cautious in supporting credit unions to provide loans to higher risk borrowers.

Stakeholders had different opinions as to whether people in receipt of benefits should be receiving loans. Some felt that credit could be empowering, and that, if lent to responsibly, benefit recipients were low risk customers due to their guaranteed income. Others believed that this income was for essential needs and should not be used to repay credit. Some stakeholders also felt that very few older people would take out a loan even if they were in desperate need, making this a moot point for many low-income adults. Some stakeholders were aware that, in the absence of other forms of credit, some social housing tenants ***'use arrears like an overdraft'*** as there is support for them if they fall behind. Given this tendency, the Flex My Rent[7] scheme may offer insights.

There was a similar divergence of opinion in relation to salary advances – which are being trialled in various

6 'The idea that poorer people pay more for essential goods and services' The Poverty Premium - When low-income households pay more for essential goods and services | School of Geographical Sciences | University of Bristol
7 FlexMy Rent - HACT

places and sometimes offered by credit unions. Such approaches usually expect repayment in the next salary cycle and charge a relatively small fee. Whilst the general concern about lending to low income households remained, some stakeholders argued that users of payday advances provided through payroll services found it fair and reasonable and that employers have not reported significant numbers of defaults.

Credit cards are valued but concerns remain

Credit cards were considered to be useful sources of credit, although the providers that were willing to lend to most of the participants charged very high interest rates, and participants were frustrated that they were rarely offered the advertised rate: ***'it all goes against you'***. There was frustration that people with previous credit problems had to pay more for a card, with one questioning: ***'how is making the interest rate higher helping? If you can't pay, you can't pay'***. Another commented that high interest is basically ***'asking the customer to pay for the opportunity to improve their credit score'***.

Even though credit cards were considered beneficial in some ways, some participants also noted that they made it easy to spend and overspend (in the same way as debit cards, but with potentially higher consequences): ***'you just wave the card'; 'I play tap roulette – no idea if there is any money on there'***.

Stakeholders noted that credit cards could help people to build a positive credit record, but they were also concerned about some of the ways in which people used such cards. In Northern Ireland, this included using credit cards to gamble[8]. Some were particularly worried about the self-employed using personal credit cards for business debt, whilst others were concerned about people borrowing up to their credit limit as it if was a ***'target'***. For some, this was seen as a bigger challenge than the ability to make minimum payments, since it encouraged higher levels of debt.

Several stakeholders noted that credit cards seemed to have replaced overdrafts as the preferred way for smoothing income fluctuations, with many buying basic provisions on their cards. Some commented that no other lender can deliver new credit at the speed of a credit card.

Other forms of borrowing

Several stakeholders felt that credit unions had an important part to play in providing affordable credit – as well as other banking services such as debit cards and insurance. However, some stakeholders in England and Wales also recognised that such providers had limited budgets for advertising, making them less visible. And indeed, very few people in Birmingham had heard of a credit union (this was not the case in Northern Ireland or Scotland and was not discussed amongst the lived-experience participants in Wales). When one participant in Birmingham mentioned that he was a credit union member through work, there was noticeable interest amongst participants in hearing more about this option for borrowing. This member liked that his loan repayments were automatically deducted from his salary but another reported that ***'there was one [credit union] in town but they don't lend anymore'***.

In contrast, most people in Scotland had heard of credit unions, but they did not appear enthusiastic about this option, noting that they now also look at credit scores and still charge more, making them less attractive as alternative lenders.

> ***'they used to be better before; they are now like banks – too privatised! They lost their real purpose.'***

> ***'Credit unions are more like banks now – years ago they wouldn't check you, and their interest rates are sometimes not as good as a bank.'***

Stakeholders in Northern Ireland commented that people had a strong ethos of repaying their credit union first, seeing their loan as ***'granny's money'***, even though it is not a priority debt.

In England, there was some discussion amongst participants of informal savings-and-loans groups (sometimes called ROSCAs (for Rotating Savings and Credit Association), ***pardna*** schemes or ***kommittees***) - with some reporting that they had been members and others being surprised by this approach. The amounts discussed were significant – one participant had paid £150 a week into such a scheme. Those with experience argued that the main benefit of them was that no interest is paid or received, making them Shariah compliant. Opinions were mixed in the group as to whether they were high risk or not.

[8] This is not permitted elsewhere in Great Britain: [Gambling using a credit card (gamblingcommission.gov.uk)]

Some other participants also borrowed informally from friends and family, but, as one put it ***'friends run out'***, a message that also rung out clearly in the stakeholder meetings: ***'falling back on family was their alternative safety net, but they have exhausted their safety net'***.

According to stakeholders, some people use such informal approaches to prevent themselves spending money that is going to be needed soon: ***'It's "I'll give you £50 now so I don't spend it, then you give it back just before I need it" '***. It was also noted that borrowing from informal networks also puts people at risk of falling foul of illegal lenders (discussed below).

Many participants used Buy Now Pay Later (BNPL) options – typically mentioning Klarna and ClearPay, and sometimes PayPal. Some users did so despite claiming to be credit averse, and a few suggested that this type of credit had replaced catalogues in helping them to spread the costs of larger purchases. A few were using BNPL as part of a considered money management strategy, but some participants had experience of falling behind with payments, and some spoke of how they had used it just because they did not have the cash, even for buying things they did not really need: ***'You forget you have debt'; 'Technically you're not in debt if it's interest free'***.

Some participants felt that they did not get the best deal when using BNPL. Some were also frustrated that using BNPL did not seem to be improving their credit score, and others had been charged high fees for missing payments, leading to regret. As a result of negative experiences, some cautioned others against using this type of product. However, BNPL was not the only form of credit that people took without really thinking about the consequences. This was exemplified by a lived-experience participant discussing getting a car loan ***'You don't see the interest rate. You see that the money is going to pay to do this'***.

Stakeholders were concerned that BNPL providers were positioning themselves as 'affordable credit' and that its use was promoted by well-known brands to support ***'a lifestyle that isn't sustainable'***. Furthermore, on the one hand they worried that borrowers did not understand the implications of falling behind with BNPL payments, and on the other hand some were concerned that overly tight regulation would remove this form of credit, as it had with payday lenders.

More people borrowing from illegal lenders

Several stakeholders were concerned about the propensity for people to end up turning to illegal lenders (loan sharks). There was a general perception that more people were reliant on these kinds of loans since the demise of payday lenders and the cost-of-living increase: ***'with incomes so low and so many destitute communities they're all feeling it, including shops, and loan sharks thrive'***.

Some noted that victims might be borrowing for anything from food to funeral costs. People living in short-term or insecure tenancies were thought to be particularly vulnerable, and it was reported that loan sharks are now more likely to be lending to people in employment than before, particularly to those people on zero-hours contracts or in precarious work. Furthermore, concern was raised that illegal money lenders increasingly expect payments via banks, sometimes even insisting that a borrower's income is paid directly to their account.

Stakeholders reported that victims of loan sharks rarely seek help. Some may not be aware that they are victims, and many are scared to get help because of the likelihood of being ostracised in the community.

Illegal lenders are a significant threat, particularly in Northern Ireland

Illegal lending, debt and poverty were key discussion points in all the stakeholder sessions. Often, they were discussed in relation to the lack of alternative lenders. However, in Northern Ireland, despite the availability of lower cost loans through credit unions[a], the cost-of-living crisis was seen to be fuelling debt and poverty and leading to increased illegal lending, with several generations of some families now caught up with illegal lenders. One stakeholder suggested that more than one in ten social housing tenants were using illegal lenders. This is of particular concern given that various reports indicate that illegal lenders in Northern Ireland are often either members of, or involved with, paramilitary groups.

In a move to address the issue, the Police Service of Northern Ireland (PSNI) is developing a reporting code for illegal lending. Several organisations also run training sessions to help stakeholders to spot signs that someone is the victim of an illegal lender[b]. Stakeholders welcome the premise but report that the initiative is hindered by underreporting and competing policing priorities.

Stakeholders consistently argued for a two-pronged approach, with efforts to prevent illegal money lending funded alongside better access to formal, accessible financial services. The role of media in spotlighting issues and fostering public awareness was also considered to be important.

a Bank of England data shows that 37% of all adult credit union members in the UK live in Northern Ireland [Credit union quarterly statistics - 2023 Q4 | Bank of England]

b See for example [Exposing the dangers of predatory money lending | PSNI]

There are various concerns around credit scores

In general, people in the lived-experience sessions spoke about credit scores almost as much as they spoke about borrowing. Across all groups, people were particularly protective of good scores and concerned about low scores. For this reason, some people were reluctant to ***'keep pushing buttons'*** on price comparison sites to find the best deals in case their searches had a negative impact, and some worried that having to repeatedly search for credit because of frequent refusals was further reducing their credit score. Conversely, others periodically applied for credit they did not need, just to check whether they would be eligible (without accessing the funds).

Some participants had paid to gain access to their credit scores, even though they felt that it was unfair to pay to see their own data. Some had been shocked to discover that different agencies held different data, and equally, some argued that it was unfair that they had ***'no choice'*** as to which agency a provider used.

> ***'Each credit reference agency has different data on me; Experian, Clearscore…'***

Some reported that they had poor credit scores, which they put down to various factors from having a phone stolen to missing bills. Several referred to negative events that had occurred over 10 years ago. Only a few were aware that they could ask for entries to be corrected if they were inaccurate.

Young adults reported struggling to rent property, obtain loans, pay for insurance monthly or get a mortgage because they didn't have a credit record: ***'I applied for a loan and was denied due to zero credit history'***. Even older adults with stable incomes faced issues due to past debt or limited credit history. Some also shared how their credit score had implications for their career[9].

Participants in the lived experience sessions were dissatisfied with the high cost of credit for people without a credit score, noting that they felt they were being treated the same as those with poor credit histories. There was a clear sense that first time borrowers should not be treated the same as non-payers when they have not had a chance to prove themselves.

> ***'Because I hadn't borrowed before, I didn't have the credit score – so much interest, higher rate.'***

Stakeholders were also aware of the complex relationship people had with their credit scores, with one noting that people are ***'not even choosing between eating and heating, they are neither eating nor heating to protect their credit score'***, and another commenting ***'credit ratings concern people even when they need debt advice'***. They explained that this was because of the heavy reliance on credit cards to survive. Given that statutory debt solutions affect credit scores, they felt that this was creating further reluctance to get the help needed.

Help for people seeking to buy a home

Some participants spoke of trying to buy a property for themselves, or wanting to help their children to buy something. Several felt that there should be more support for people looking to buy, and some also felt that **rent payments should be taken into account in credit scores.** In all locations, people were frustrated that rents were often more expensive than a mortgage would be, but they could neither save nor access credit because of the challenge they faced paying rent and associated living costs.

9 Certain firms are legally obliged to check the credit records of potential employees.

Potential solutions

Both participants with lived experience and stakeholders suggested ways to address credit exclusion.

Stakeholders spoke of the challenges inherent in offering affordable credit, and some welcomed the ability to use funds from dormant accounts to create solutions (currently only available in England). In Wales, stakeholders spoke of a successful pilot scheme that supported credit unions to lend to some clients who would otherwise be turned down. It guaranteed the loans in the event of non-payment, without the borrower's knowledge. Few of the borrowers defaulted, leading to Welsh government support. The proof of concept has also encouraged credit unions to widen their lending criteria, something that was mentioned as a challenge in other parts of the UK.

A small number of stakeholders voiced concerns about increasing access to credit. For them, better solutions included bulk buying of expensive items to facilitate discounts (as discussed in relation to heating oil later in this report), better use of social tariffs, rental properties that included white goods, or small grants.

Lived-experience participants had a variety of suggestions to improve access to credit and transparency around decisions to lend. They would like to see:

- Some kind of life course product that builds credit scores and savings (perhaps simultaneously) in a low-risk way.
- Products with a reducing interest rate to reward repayments and recognise improved credit scores.
- Data on how much providers are making in profit at each interest rate, and how many defaults there are, to understand whether they are treating customers fairly.
- A scheme that returned some of the interest payments to the borrower if they paid on time and in full.
- Information about how affordability is calculated, and what would be needed to access the desired loan.
- A scheme to exchange time or goods for services or goods needed rather than accessing credit when money was tight (this recommendation was based on something that had been circulating on TikTok).

Other potential solutions cut across possible changes to the way credit scores are collected, used and shared with consumers; consumer understanding and access to affordable credit. The suggestions below reflect and expand on the discussions in the evidence sessions.

- Urgent attention is needed to address the distortions created through an over-emphasis on credit scores.
  - Potential borrowers need to know what is in their record and how it is affecting them. This information should be free and unlimited access to personal records should be the norm, possibly provided on credit card statements or similar.
  - There could be a system to prevent one-off repayment mistakes or previous circumstances from having longstanding consequences.
  - At the same time, efforts should be made to prevent consumers making decisions that may be harmful in the (often false) belief that they will somehow help to strengthen or maintain their credit score.
  - It may be helpful to include rent payments in credit records. However, given the potential demand for flexible rent payments, further research could be beneficial in this area.
- Participants recommended that lenders place greater emphasis on current financial circumstances rather than relying heavily on historical data. They sought a reduction in the amount of time that earlier repayment issues remained on their credit records and information about how to clear their record and rebuild their ability to borrow. As one put it: ***'if you commit a crime, it's forgotten sooner'***.
- Borrowers do not want to be put in a position of applying for a product before knowing what rate they will pay. Changing rates at the last stage can exploit those in desperate situations. If credit scores were more readily available, lenders could advertise their products with information on the interest charges in each credit score band.
- The credit industry could explore ways of reducing consumer misunderstanding and overconfidence (as highlighted in the use of BNPL, for example).
- Credit unions and CDFIs need additional support to promote their work more widely and increase their reach, lend to higher risk borrowers, and test their internal risk assessment models.
- More effort is needed to ensure that agencies in contact with vulnerable clients know how to recognise the signs that someone may be borrowing from a loan shark. The borrower can

then be provided with the support they need to escape the situation they are in and address their other debts, and ensure that they are receiving all of the financial support that they are entitled to. Importantly, victims are usually not in a position to borrow more money, so this kind of support is essential to get back on their feet: 'it would be irresponsible for a credit union to lend to some of the victims'.

Repaying credit and managing problem debt

Participants in all sessions expressed the need for better protection for those in debt, as well as more accessible support services. Many of the participants with lived-experience of financial inclusion had been, or were currently, in debt: ***'None of us want to get into debt, but look at the way the world is going.'*** Some had also been left with debt from a previous relationship, in some cases referring to abusive ex-partners, whilst others were borrowing to pay off other commitments: ***'it's not by design, it's to repay bills'.***

People were in debt to a variety of organisations, including their phone companies, utilities and banks, and some also owed money on platforms such as eBay. Several owed council tax, and some had benefits and tax credits to repay. Getting out of debt seemed to be a distant dream in some cases, and several felt that companies did not care because they stood to get even more money with late payment fines: ***'They'll watch you drown'***. At least one participant felt that there was an element of collusion between government and banks because ***'more people in debt is good for them'***. At the same time, some stakeholders recognised that many people did not want to write off their debt because they were so reliant on credit.

Some participants reported getting into a spiral of debt as a result of one missed payment or mistakes they had made as young adults. They felt that they had not been sufficiently aware of the implications of their defaults when they were younger and were now paying the price in two ways: the financial cost and a loss of privacy.

> **'You have to disclose full outgoing[s] i.e. shopping, haircut – they take your history into account for things you did in your youth.'**

A BBC programme about someone being driven to suicide by debt had hit hard for some respondents. One noted how she too had suffered worsening mental health as a result of debt: ***'there needs to be a policy to protect people - in debt - because debt kills'***.

Income and payment flexibility

Participants with lived experience sought greater flexibility when paying bills to reduce the likelihood of falling into debt. The inflexibility around the date in which a direct debit went out was one of the most frequently mentioned challenges faced by participants across the four nations.

Participants in England were relatively satisfied with the 'Breathing Space' initiative set up during the global pandemic. As one described it, it was as simple as asking creditors to ***'give me more time'***. Some of those who had asked for a mortgage holiday had also found it beneficial, although the subsequent increase in payments was a problem for some.

Whilst most found that their request to pause payments had been dealt with fairly, one was told that they would have to miss a payment to ***'show I was in difficulty'*** before they could benefit from a break in payments. Some also commented that 30 days might not be enough for everyone, since circumstances rarely improve so quickly.

Stakeholders in Scotland reported that the Breathing Space scheme is not available to borrowers, but there is a debt moratorium which has broader coverage. However, interest and charges continue to mount up whilst it is in place. Work is underway to create a new moratorium specifically for people with mental health issues, but concerns remain as to how criteria will be set.

Debt advice; debt solutions

Both people with lived experience and stakeholders felt that there was a gap in services for anyone trying to avoid falling into debt, and a stigma in seeking help. Some participants with lived experience were unaware of the solutions available – reportedly hearing about some for the first time during the evidence sessions. Some also felt that they would be wasting people's time by going to Citizens Advice or similar if their issues were not sufficiently serious, and several commented that such services were overwhelmed. However, some also reported positive experiences with debt charities: ***'Once you get through to someone, it's great'***.

One stakeholder highlighted a successful programme providing debt advice within a doctor's surgery. It was felt that potential clients would be more trusting and comfortable in the surgery environment. They recalled data indicating that 23% of primary care GP time is spent dealing with financial problems because people don't know where else to go. Stakeholders also talked about ***'expensive debt journeys'*** that involved hand holding services. They argued that these were more likely to be successful.

When talking about debt, participants with lived experience did not clearly differentiate between discussions with individual creditors, debt advice services and other debt solution providers, making it difficult to ascertain where their issues lay. However, several messages were clear:

- Many people noted that there is a significant element of luck in the system when it comes to negotiating problem debt, and no predictable outcomes when contacting creditors.
- Some participants had little understanding of the length or complexity of the process of addressing problem debt, even having started the process. They commented how they continued to receive letters about their arrears, even after preparing a statement of income. They indicated that they had expected the letters to stop immediately: ***'the letters keep coming, you're trying, you see letters, you think, I can't be opening these'.***
- Some people were keen to draw a distinction between aggressive, unhelpful or intimidating providers and those with friendly, empathetic staff.
- Negative experiences included the lack of consistent treatment across providers and even across staff within an organisation, the expectation that families or friends should help to make up shortfalls, and the seemingly dishonest language used in letters (such as 'we are here to help'): ***'the people they say, "call us, we'll be sympathetic", they're not'.***
- Some creditors were identified as being particularly forceful, including local councils.
- It was not uncommon for participants to talk of being scared to open letters or answer the phone.

Some participants reported that debt collection agencies had suggested that they would get a better rate on debt repayment plans if they repaid early. Some felt that this indicates a lack of understanding that it was simply not possible for them to increase their repayments. However, others considered that incentives for early repayment of overdue debts might work for them.

These findings underscore the varied circumstances of people in debt, and the importance of 'soft skills' in supporting people facing difficulties with repayments. Friendly and supportive advisers have an important role to play in helping people to clear their debts, providing that their words are consistent with their actions: ***'If someone's coming across in a friendly way, you want to sort it out. You don't want to be judged.'***

When people with lived-experience shared information about the complexity of their current situation, it was clear that current debt solutions were not working for all of them. Whilst some reported that they had never missed a payment on their agreement, others continued to fall behind with renegotiated debts, and some were continuing to seek new options to borrow, a situation created by the depth and length of the current cost-of-living crisis, and lack of alternatives for making ends meet.

Some stakeholders wanted to reduce the length of time that people with a debt arrangement can have ***'someone controlling [their] disposable income'***, to lessen the impact that this has on their lives and mental health. Some stakeholders were also concerned that certain ***'trigger figures'*** in financial statements raise questions about expenditure simply because they are above the average, which can leave debt clients feeling unnecessarily judged.

Potential solutions

Participants with lived experience suggested practical solutions to help them to avoid falling behind with payments. They wanted to choose which day money was taken out of their account and asked for the option to pause repayments when things were difficult. At the same time, some participants asked that creditors ***'make me accountable'*** if payments were missed, but without making frequent telephone calls.

They also requested more support for people in, or close to being in, debt. They suggested funding this using unclaimed lottery winnings and ***'taxing celebrities'***.[10]

Various suggestions were made around the treatment of arrears, as summarised below:

- The sense of stigma in seeking debt advice should be removed to encourage people to seek support sooner: ***'so many things we're judged for in this world'.***
- Empathy is an essential component of debt

10 The term 'celebrity' appeared to be used to refer to wealthy individuals.

collection. People in debt frequently suffer feelings of shame, guilt and depression. These could be if they're being treated with empathy, dignity and respect, and such an approach may even lead to better outcomes for the creditors.

- The language used in debt collection letters and by agents/agency staff should be softened to reduce stress on the indebted individual. The principles of dignity and respect should be universally applied when dealing with individuals in debt.
- All lenders and providers should offer a dedicated helpline to offer assistance and guidance to those facing payment issues.
- Debt relief could lead more directly to a fresh start if it was wiped from credit records and if it incorporated an element of precautionary savings to decrease the likelihood of a return to debt.
- More ways should be developed to extend the length (in months), product coverage and geographical coverage of breathing space for overdue debt; care is needed to discourage people from taking on new borrowing during this time.

Savings

Many participants with lived experience commented that they were unable to save. However, several were trying to put money aside, and for some, even being overindebted had not reduced their appetite for savings products.

For some, the key was to be able to lock money away or make it hard to reach. One participant spoke of saving £10 per week, something that the others agreed would make a significant difference over the course of the year. This was also echoed by a stakeholder who noted that when money flows (even slowly) into savings, people start to think ***"I am a saver"***, illustrating the benefit of changing mindsets by encouraging action. However, some participants with lived experience felt that the discrepancy between interest on borrowing and saving made it unwise to prioritise saving.

Two government initiatives were mentioned:

- One participant in England had participated in the Help to Save initiative, and liked the matched savings aspect of this. Others were curious to know more about the scheme, showing a general lack of awareness across potential beneficiaries, but also indicating an appetite to save amongst those who may otherwise argue they have too little money.
- Some of the younger participants had a Child Trust Fund (CTF) in their name. However, there seemed to be confusion and frustration in terms of accessing this money. For example, one participant spoke of the conditions placed on withdrawal, which prevented them from withdrawing the money for general use. Whilst this could not be verified, it raises concerns that some CTFs may be automatically switched to a Lifetime Individual Savings Account or similar.

Several stakeholders were aware of individuals who had managed financial shocks because they had put money aside, and some argued that precautionary savings were essential. Some mentioned recent pilots to test workplace savings, and had learned of the benefit of using an opt-out approach rather than opt-in (applying behavioural insights). There was some discussion about the (relatively small) amount that could be saved by employees on a low or unpredictable incomes, and whether it would be in the interest of the saver or the provider to do so. It was generally felt that such approaches worked for employers partnering with credit unions but that banks would not see any opportunity for profit; Some noted that there may be competition amongst payroll providers to provide such services.

One stakeholder noted that people with debt problems were trapped in a ***'perfect storm'*** where they could not save because available money was going to repay debts, meaning that when they came out of a debt management plan, they had no reserves to provide them with essential resilience: ***'putting money aside is virtually prohibited if going through a debt solution'***. Others made similar points, stressing that debt solutions should help people to change their trajectory.

The treatment of savings for benefits claimants was discussed by stakeholders. Some commented that the amount disregarded has not increased for over 10 years. They noted that people are often reluctant to mention their savings when making a claim, since the money has been earmarked for other purposes such as sending their children to university or their funeral. This can lead to them being overpaid benefits, resulting in harshly worded letters and fixed penalties.

Potential solutions

Participants and stakeholders highlighted several opportunities to increase savings amongst those with experience of financial exclusion. Key suggestions included:

- Consider building on the Help to Save[11] initiative to support low-income households to create a rainy-day fund.
- Expand access to payroll savings learning from recent pilots for opt-out workplace savings schemes[12].
- Create policies that further incentivise low-income households to save, possibly by redirecting benefits currently accruing to higher-income savers through tax incentives.

Pensions

Pensions were not mentioned spontaneously in any group discussion, indicating that pension products were not seen as part of the financial landscape. This perspective was confirmed on probing. When encouraged to think about pensions (beyond state pension), participants first and foremost spoke about their employer rather than their provider. Further comments relating to auto-enrolment highlighted once again a significant lack of trust (in this instance, focused on the government), as well as misunderstanding or misinformation. The complaints raised included:

- Employers don't let employees choose how much: ***'they don't discuss it with you - £70!'***
- It is hard or impossible to cancel.
- The money is going to the government and who knows how much of it you will get back,
- It's hard to access accounts from previous employers.
- Retirement age seems set to continue to increase into 70s and even maybe to 80 which seemed very far away.

One adult in a lived-experience session noted that she ***'paid the minimum amount necessary into her pension to ensure she got the maximum benefit'*** from her employer. Another reported that she was on a debt management plan and wanted to cancel her auto-enrolment to help with repayments but could not work out how to.

Some stakeholders commented that ***'surviving in the moment'*** was the big issue, not retirement or insurance (discussed next). However, others had come across people seeking advice about pensions, and believed that there is widespread lack of knowledge about the best way of saving for old age or accessing pensions.

There was cynicism amongst participants with lived experience in all four nations regarding the value of private pensions, and concern amongst people with lived experience that they could not predict the level of government support, and that the age of retirement was being pushed up because ***'they want everyone to die'*** so that they would not have to pay. There was also concern that some jobs were simply too hard to do into old age.

> ***'I do not see the point in private pension! My mum had a widow's pension and got no help when going into a care home, the house had to be sold to pay for care.'***

> ***'You may not make pension age so why pay into it, especially where we live. A lot of people live for the day!'***

> ***'Don't see the point in a private pension, I might not live to see it, and there's government support.'***

Some older lived-experience participants felt that more information was needed to explain how planned pensions increases would be taxed and what that would mean for their actual income level. Only one volunteered that they had received any advice related to their pension - from a union representative - although several believed that they could go to Citizens Advice for such guidance. Another had spoken to a private broker, only to be put off when told that they would have to pay to withdraw money: ***'someone taking a wee bit'***, which they described as ***'utter madness'***.

A lived-experience participant explained why they had not received pensions advice, noting ***'the people on the phone need so much information, which, if you had that info, you wouldn't need their help in the first place.'*** Some stakeholders commented that take-up of PensionWise services remains relatively low despite offering access through multiple channels.

Potential solutions

Discussion of possible solutions to the challenges relating to pensions focused on improved

[11] Get help with savings if you're on a low income (Help to Save): How it works - GOV.UK (www.gov.uk). Other incentivised savings schemes are also being tested such as https://bdcu.co.uk/uniformsavers-3/ in West Yorkshire.
[12] See for example Payroll-deducted saving schemes I Money and Pensions Service (maps.org.uk) and Opt-out-payroll-saving-the-regulatory-considerations.pdf (nestinsight.org.uk)

communication and information sharing, as summarised below:

- Take steps to increase engagement with, and understanding of, pensions across the adult population.
- Communicate the purpose of, and flexibility of, auto-enrolment to employees.
- Make it clear to employees that they can move out of the default and explain the implications of doing so.
- Work with stakeholders to increase their own awareness of the importance of pensions for the financial wellbeing of current and future generations of retirees.
- Promote Pensions Wise[13] more widely.

Insurance

Participants with lived experience had attempted to buy various insurances. The most common were car, home contents, and pet insurances, but others spoke of building insurance, life policies and income protection. Travel insurance was not discussed.

Accessing affordable car insurance

In general people did not feel that car insurance companies treated them fairly. Lived-experience participants reported issues such as:

- Car insurance premiums kept rising, even when they had made no claims and drove safely.
- Having being in a car accident that was not their fault and then being charged more.
- The high cost of adding a young driver.
- The high premium quoted after reporting a medical condition.
- Increasing the overall cost of the insurance for paying monthly.
- Prices going up for auto-renewal, forcing people to switch provider each year (the so-called 'loyalty premium'): ***'why [do they] chase the money'.***

They felt that these price increases were entirely unfair and should not be permitted: ***'it's not fair to people that haven't got the money.'*** One person commented that she was paying 50% more because she could not afford to pay the whole amount at one time: ***'I'm a single parent and need my car'***.

Participants had seen significant increases in their car insurance – more than 100% over two years in one case. Those with young adults in the family were particularly aware of the high cost of car insurance, with one reporting insurance costs of around £350 a month. Most people found it unfair. They agreed with the principle of compulsory motor insurance, but they were also adamant that the cost of it should be manageable.

Issues with car insurance were raised in all four nations but appeared to pose the biggest challenge in Northern Ireland. Participants and stakeholders spoke of rates increase or renewals being denied due to changes in postcodes or addresses, rather than solely based on driving history. This lack of transparency intensified distrust amongst people with lived-experience, since ***'How can you trust if you do not know how you have been treated?'***

Feeling trapped by pet insurance

Some, but not all participants with pets felt that pet insurance was a necessity. Some of those with policies reported being effectively locked into a policy as their pet got older and there were fewer options to switch providers. Several noted that premiums were very high, and there was some uncertainty about the value. However, some also noted that, unlike home insurance, they expected to claim on pet insurance, so they felt it was a different kind of product.

Difficulties acquiring suitable home insurance

Home insurance also raised differences of opinion. Some had experienced refusals on claims for items they expected to be covered. Others felt that the minimum cover was far too high compared with the value of their goods. Some were not claiming for items that would be covered for fear of increased premiums, meaning that they bought the insurance policy for catastrophes only despite paying for broader cover. Some said that they did not hold insurance because they could not afford the excess in the event of a claim, so it did not seem like a wise financial decision.

Some were also disappointed with home insurance. One participant was particularly confused and frustrated when trying to get insurance for a home in an area known to have high flood risk, sharing how she would ***'dread the renewal'***, because ***'I just don't understand it, I've given up trying to understand it'***.

[13] https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise

Stakeholders discussed the difficulty in protecting low-income households from home content losses. Some noted that even when social housing providers offer low-cost insurance most renters opt out. One stakeholder commented that once housing costs are paid there is no money left for people to pay for insurance.

Other forms of insurance

One participant noted how a life insurance policy he wanted to buy had an exclusion in the small print that meant that it would not pay out for the first five years. For this reason, he did not buy it. Another was frustrated by a life insurance policy that would not pay out for someone with Coeliac disease if they died from unrelated stomach or abdominal issues.

Stakeholders commented on the difficulty in offering affordable income-protection insurance, noting that the more a person needed the insurance, the less likely they are to get it.

Paying a fair price

The additional cost of paying insurance premiums monthly was considered by many to be a challenge. Some people with lived experience of financial exclusion were paying for their insurance(s) annually to minimise the overall cost, including some of those with a heavy debt burden. However, others were unable to do so, and felt forced into taking the more expensive option of paying monthly, to smooth their payments.

Some tried to negotiate their insurance premium, often *with* success, but this led to further frustration that the sector was purposely setting an excessively high initial price. One participant questioned whether individual telephone operators had the ability to set the price, a practice considered unfair since it led to arbitrary variations in the price of the same product. Such practices were reducing trust in the sector.

The quality of insurance products was also debated. In one session the conversation turned to whether people would pay more if they knew an insurer was more likely to pay out in the event of a claim. Some would, but others preferred low premiums.

Suggested action points

Discussion of challenges faced in the insurance market led to a call for action to address perceived unfairness rather than actual solutions. Stakeholders were also keen to increase access to home contents insurance for low-income renters.

Participants suggested that the insurance industry could:

- Address the wide variations in premiums charged for customers renewing their policy compared with the rates offered new customers (the loyalty premium).
- Reduce the cost of paying monthly.
- Apply consistency over decisions to cover certain conditions and age-groups.
- Stop offering lower prices to those who negotiate.
- Offer more products that use telematics.
- Offer partial refunds for claim-free years.

Other suggestions included:

- Look at putting a cap on the price of insurance.
- Stop insurance companies from charging more than competitors for automatic renewal.
- Look at ways of increasing insurance provision in Northern Ireland.
- Provide low-income renters with housing benefit that includes an element for basic contents insurance.

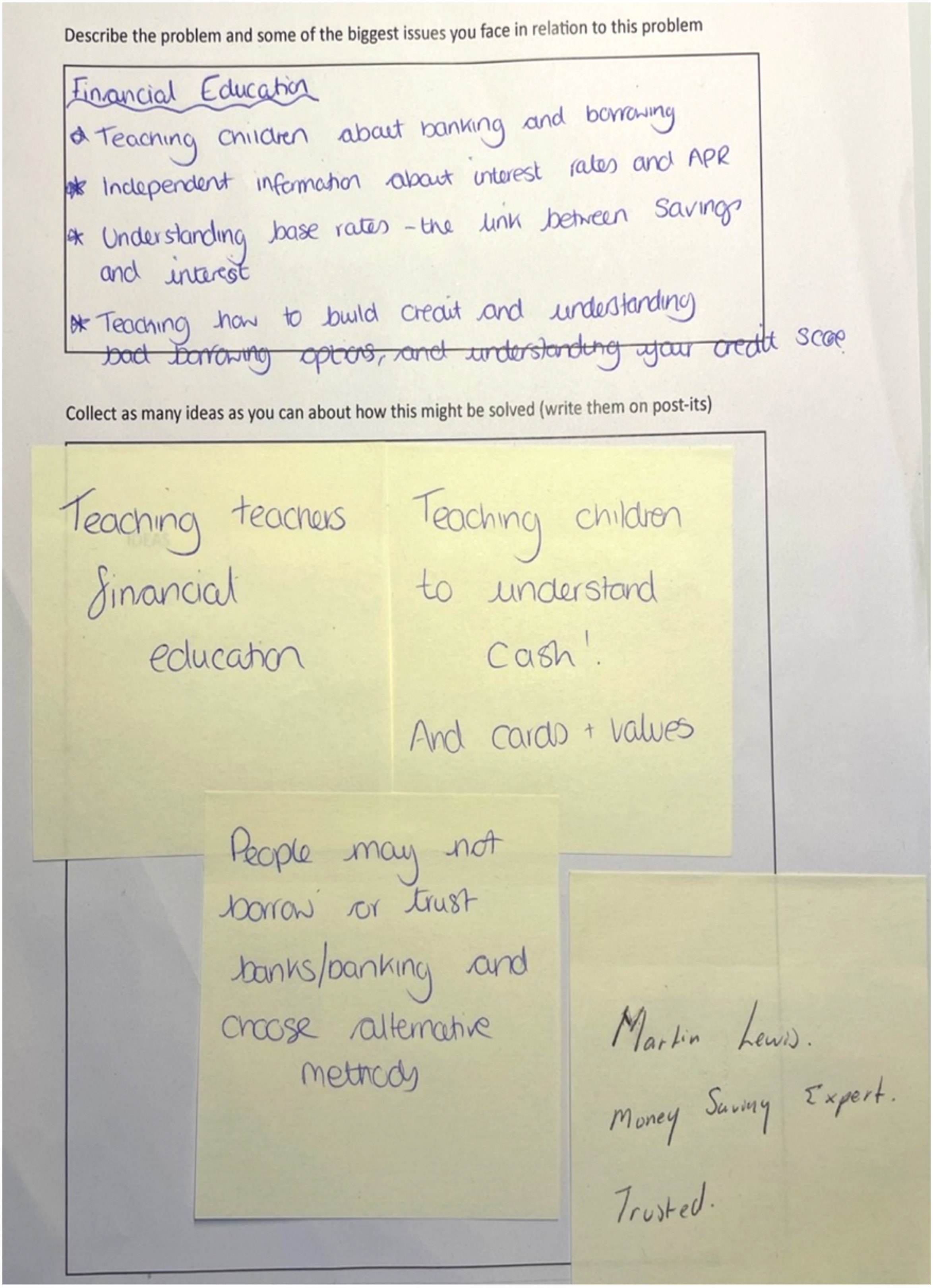
Education, information and guidance

It was common for participants with lived experience and stakeholders to suggest that improved financial literacy or better access to financial education was necessary to increase financial inclusion. Various stakeholders argued that bridging the lack of trust between the public and financial institutions would require a rigorous effort to improve financial literacy across all age groups, coupled with greater transparency and accountability measures from institutions.

Participants valued knowledge. There was a real hunger amongst lived experience participants to know more about the types of products available and curiosity when hearing how other people were managing their money. Several took notes during the sessions and commented how useful they had found the experience of discussing the issues and solutions with others.

In general, people with lived experience had limited knowledge of where to go to find information or guidance. Some mentioned StepChange and Citizens Advice for debt advice, and several reported positive experiences with these organisations. Some had also

Figure 1 **Discussion on financial education - lived-experience session**



had positive experiences with mortgage brokers, but no other forms of financial advice or guidance were mentioned.

Stakeholders argued that people did not know enough, and that education, information and guidance had a role to play, although some were keen to stress that financial education cannot solve a debt crisis: ***'you cannot financially educate yourself out of debt'***. They felt that the necessary education should primarily come from schools, but some also identified specific organisations that they felt were doing useful work outside of schools. Some commented that digital provision was a potential solution for reaching some people who would otherwise not access information or guidance but could not be used to engage all sectors of society.

School education

Many participants called for mandatory financial education from a young age. Across all groups, several people argued that compulsory financial education should start young and be a long-term commitment. Some stakeholders also commented that young people are already seeking information from places such as TikTok, suggesting that there is an appetite for targeted education.

Those with lived experience in particular saw financial education as a solution for many of the problems people face with managing their money and avoiding debt, even though, when probed, they were less certain that they would have taken note themselves. In Northern Ireland, some participants spoke nostalgically of the benefits of the practical education provided to previous generations which included skills such as ***'how to wire a plug'***.

Despite identifying their own lack of knowledge, many also felt that parents had a role to play in educating their children about money matters. Some explained that this was more about habits than knowledge, teaching them to think before they spend and encouraging them to contribute to the family budget when they start working.

People with lived experience wanted to see the following to be included in the school curriculum:

- Budgeting and money management skills.
- Spending awareness: and ***'if you can't afford it, don't buy it'***.
- Navigating financial decisions during key life events and major life transition such as obtaining a first mortgage entering a relationship or getting a job. ***'[The] world is changing and it's changing very quickly'***.
- Decisions around university and work.
- The cost of owning a car and running a home.
- The types of credit and the repercussions of falling into debt.

Some, but not all, felt that children understood the value of money but there was concern about the invisible way in which money changes hand with cards and contactless payments. Some were worried about the ease with which children could make in-app and game-based purchases.

In some lived-experience groups, participants noted that teachers might not be good with money and might need some courses too. However, they almost all felt that it was the responsibility of teachers, rather than external speakers, to deliver the education, and some felt it would be inappropriate for banks and other institutions to provide trainers.

A few stakeholders noted that financial education was being provided in schools, but awareness of the extent to which it was officially or practically incorporated into the curriculum was generally patchy. Many felt that current provision failed to provide ***'learning for life'***. A few spoke of curriculum overload and the difficulty of finding time in the school day to give sufficient attention to financial education content. Some suggested that it was difficult for schools to identify reliable teaching resources, whilst others mentioned a textbook circulated by Martin Lewis and a similar book developed for Northern Ireland with Young Enterprise. Stakeholders with knowledge of the challenges of integrating financial education into schools commented that even when teachers have been trained on the content and have adequate classroom resources, they often do not feel confident to tackle the questions posed by students, given their different home lives, cultures and experiences. Some suggested using external trainers and spoke of successful school savings systems and bank initiatives, but others echoed concerns raised in the lived experience groups and suggested that banks could be sending staff into schools as a way of ***'ticking the compliance box'*** or differentiating themselves from the competition.

Some stakeholders argued for lessons on the practical application of maths and money. They felt that children needed to:

- Understand the value of money.
- Know about different forms of borrowing (including BNPL).
- Understand payslips.

- Know what a pension is for.
- Recognise the risks of following investment recommendations and similar posts on social media: ***'if it comes up on Facebook, don't do it!'***.
- Know where to get help to manage money: ***'if you've got this go to your GP, if that go to debt advice'***.

Stakeholders saw financial education as a long-term vision that required changes in the education system, including specific training for teachers. Some were aware of the difficulty in getting financial education into secondary schools, with subject teachers preparing students for exams. Some also felt that caution was needed, since they had heard that the evidence of the impact of financial education was mixed.[14]

Education and guidance beyond school

Some stakeholders felt that employers had an important role to play in educating people about financial matters. Some argued for a standard curriculum or similar. However, none of the participants with lived experience suggested that their employer should provide education. Overwhelmingly they saw education as something that was specific to schooling.

Not all stakeholders supported the idea of educating adults. As one explained ***'they don't need education on how to spend a pound, they know how to budget, but they don't have the money coming in'***. However, whilst some people with lived experience did budget, some others said that they did not budget and would not know where to start. There was also some indication that the barriers may be behavioural as much as knowledge based; on hearing one participant explain how she budgeted another commented ***'I'd love to be more like that!'***.

People did want information and guidance to be readily available. Stakeholders spoke of ***'understandable and meaningful advice'***, ***'resources to help maximise incomes'***, ***'one stop shops'*** and ***'access to credible information'***. Some also wanted to see a normalisation of debt advice, with more general discussion and awareness raising. They felt that consistency was important, and that this meant a joined-up approach. Some recognised that this was what the Money and Pensions Service (MaPS) tries to provide but felt that there were still gaps in awareness of MaPS. services. Most did not feel that technology would provide the solution, because of the complexity of people's lives.

Stakeholders in Wales noted that credit unions play an important role in financial education of children and adults, working with other organisations such as schools and prisons. This effort is supported by funding from the Welsh government.[15]

Could the Single Advice Fund in Wales provide a model for others?

The single fund for advice services in Wales encompasses advice related to benefits, housing, finance and more. This allows for collaboration within the delivery model and creates a sustainable approach, focusing on preventative measures across areas of advice.

Stakeholders were under the impression that such a service would not currently be viable in England, largely due to funding services being separate and the complexities of bringing them together in a common pool. This would need much more collaboration between government departments, and as a result much more political will.

Providing guidance and avoiding the advice boundary

Some stakeholders asked for more funding for advice, and better access for people in the places that they tend to discuss their concerns, including housing offices and doctors' surgeries.

The review of the advice boundary was mentioned by some stakeholders. In general, there were concerns that the boundary did not help the people it was meant to help – the most vulnerable. It was argued that this was because it is not designed to address the advice coming from non-profit organisations: ***'ordinary people don't care about the boundary, they just want help'***. Several noted that frontline workers need to be confident that they don't risk stepping over the

[14] Some financial education initiatives will be less successful than others, but a high-quality meta-analysis of financial education in schools reports: 'We find that financial education treatments have, on average, sizeable impacts on financial knowledge (+0.33 SD), similar to educational interventions in other domains.' (Kaiser & Menkhoff, 2019).

[15] See [Extra £600,000 of funding for credit unions to support ethical and affordable lending during cost of living crisis | GOV.WALES]

line, and whilst others argued that this is the role of money guidance it was evident that, for some,the boundary creates tension during the delivery of essential services.

Recognise that some people need personalised support

In one lived experience session suggested providing vulnerable people with **financial advocates** who could help them to navigate the complexities of the system and protect their interests. Some stakeholders also asked for more hand-holders to support vulnerable consumers, indicating wider recognition of the need for individualised approaches in some cases.

Suggested action points

Education, information, and guidance were largely discussed as possible solutions to the other challenges identified. However, in discussing their role, participants with lived experience and stakeholders also identified ways in which provision could be improved. As with insurance, the discussion primarily led to action points:

- Support efforts to ensure the integration of high-quality financial education content in schools from an early age and throughout compulsory education.
- Involve parents in financial education delivery, breaking down the taboo about talking about money.
- Provide more funding for money advice (including, but not limited to, debt advice) to increase access and avoid organisations using valuable time to compete for scarce resources.
    - In particular, support is needed for 'handholding' or advocacy services to take the most vulnerable consumers through the entire journey.
- Rethink the definition and communication of the advice/guidance boundary. Currently this overlooks the issues most relevant to the majority of consumers in making informed decisions around products and services related to savings, credit, insurance or pensions.
- Look for novel ways to encourage budgeting. Do not assume that people in difficulties have the skills to budget – whilst some do, some are completely lost, and would welcome guidance[16].
- Consider whether debt advice could be part of the public health agenda.
- Develop a new funding model for advice that groups regions together based on similar needs or populations rather than geography, building stronger cooperation and benefiting from synergies.
- Work with organisations with a grassroots presence to provide tailored education, information and guidance through trusted sources.

Poverty, disadvantage, and vulnerability

Financial exclusion is associated with poverty, disadvantage, and vulnerability. Stakeholders in every session referred to these three challenges, and some expressed concern that they created barriers to full financial inclusion.

Poverty and disadvantage were observed across the participants with lived experience in various ways, from precarious living conditions and difficulties affording food through to an inability to afford the childcare needed to start work. Some single parents faced particular challenges meeting the needs of older children, mentioning issues such as driving lessons, deposits for flats, and car insurance. Even those who had managed when the first child reached teenage found it hard as their younger children got older: 'the money is gone by the youngest'. Some stakeholders were also concerned about the struggles facing people in work, and the lack of funding for childcare, healthcare, and care in old age.

The cost-of-living was having a significant negative impact on some of the lived-experience participants. Many felt that shops added ***'50p on everything'***. They spoke of issues relating to the cost of formula milk, everyday shopping and public transport. Some were looking for every saving possible, which included significant shopping around and the use of coupons and discount codes.

16 It is often argued that people managing on a very tight budget are excellent money managers, but some participants with lived experience shared that they were not good at budgeting and that this was something that they would like to be able to do better.

Food banks are essential, but they are not a long-term solution

Food poverty is a growing issue in the UK.[a] Several lived-experience participants agreed that creditors could just ***'look in my fridge'*** to see how little money they actually had. Similarly, stakeholders felt that policy makers only need to see the people using food banks to understand how urgent the situation is.

However, food bank services were not considered to be an acceptable longer-term solution to the problem of negative budgets. They were seen as essential but insufficient both by participants with lived experience and stakeholders. Some stakeholders felt that supermarket vouchers were preferable, whilst others preferred cash transfers. Some stakeholders noted that distribution was not always equitable – for example they had observed a hesitance amongst older residents to use such services, whilst also hearing of households accessing food more frequently than they were ***'entitled'*** to by sending several family members.

[a] Food poverty: Households, food banks and free school meals - House of Commons Library (parliament.uk)

Stakeholders recognised that low-income households pay more for basic services, including energy and financial services. Some also noted that many people were unaware of the possibility of requesting to be put on a social tariff, with different criteria adding to the problem of awareness and take-up. Stakeholders were also concerned by the lack of consistency in support for people across a county border on aspects such as subsidised public transport, leading to perceived unfair treatment.

The holistic perspective

The wide variety of concerns facing consumers and stakeholders indicates a significant overlap between financial inclusion and (general) wellbeing[a]. Some stakeholders argued that 'inclusion' rather than 'financial inclusion' was the most appropriate goal, and many stressed that deep-seated problems are creating a lack of social cohesion. Many called for an approach to financial inclusion that brings solutions from across government – **not only in relation to issues such as taxation, finance, employment and social security, but also health, housing, the environment, transport, education and social work.**

The necessity of bringing so many actors to the table highlights **the need for a national strategy led by government, since *'government has most of the levers'*** as one put it. In the UK context, the implementation of such a strategy also requires consultation and collaboration across the four nations[b].

With a strategic approach to financial inclusion, policies around issues such as council tax collection; benefits assessments, payments and repayments; access to appropriate housing and healthcare could be assessed to monitor their impact on financial inclusion.

[a] The Well-being duty in Wales, for example aims to improve 'social, economic, environmental and cultural well-being'. https://www.gov.wales/well-being-future-generations-act-essentials-html

[b] The following document provides an overview of useful principles when developing policy across the four nations: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/769115/Devolution-Guidance-for-Policy-Makers.pdf

Simplify benefits and speed up the assessment process

In all evidence sessions, people argued that the current benefit system is flawed and has contributed to financial hardship and vulnerability. Across all the nations, stakeholders requested a review of benefit policies and deduction practices. People with lived experience lacked hope that the government would make improvements to the system.

Many stakeholders were concerned about the (slow) speed with which people could access benefits – a situation deemed unacceptable for terminally ill claimants in particular. As one noted ***'you don't apply for a benefit in advance'***. The lack of support for people waiting for a decision following a claim for Universal Credit was flagged. Some felt that credit could be useful at this point, although they realised that no lender would want to advance money to such vulnerable clients. One stakeholder sharing the frustration voiced by many at the sanction rules and the wait for payment, stated ***'You're in a mess from the moment you start'***. Some also had concerns that the system was unpredictable and operating to external pressures, noting that they had experienced ***'waves'*** of claims being accepted followed by ***'clamping down'***.

Stakeholders also spoke of the delays and complexity in claiming for essential costs associated with housing for older people and those with disabilities. They argued that there are differences in what can be claimed for that have no basis in logic and voiced frustration that ***'The rules on service charges and what can be covered by Universal Credit are so opaque I couldn't tell you what they are'***. At the same time, they had observed how the delays forced people into debt, or risked them being accused of deprivation of capital (i.e. spending their savings) if they tried to pay down debt or address pressing needs from their savings.

Issues facing unpaid carers were also highlighted. It was noted that their claims were not being updated using real time HMRC data, leading to significant lags between income changes and benefit adjustments.

Additional problems were observed around the way in which people claim benefits. One stakeholder explained that once an individual had chosen a channel to make a claim, they were expected to remain in that channel indefinitely. This denied them the option to switch to more efficient digital channels at a later date or make a simple phone call to check on progress once they had started the process online.

Some organisations have developed templates to help people to complete online forms. Some also provide human support in person or over the telephone to help claimants to manage their affairs online. These are beneficial, but care is required since such approaches could also increase the possibility of fraud.

Some stakeholders highlighted their concerns about the state of pension credit. Issues that they felt needed addressing included lack of understanding about the 'types' of pension credit available and low take up[17], the lack of resources being put into managing claims, and the treatment of associated benefits. Several also noted that disabled adults reaching retirement age were no longer entitled to the same support for mobility as they had been when they were job-hunting, leaving them worse off, despite still having complex mobility requirements. One stakeholder noted that he tries to encourage those in need to claim pension credit by suggesting that they consider it to be equivalent to claiming on an insurance policy. There was support amongst stakeholders for automatic payment of benefits without complicated assessments leading to delays. It was also clear that the framing of benefits could be improved so that people do not see the support as a ***'handout'***.

Concerns about the implications of additional income

Work was seen as an important pathway out of the debt cycle amongst participants in the lived experience sessions, but the impact on benefits and tax, plus the cost of childcare and other uncertainties made some reluctant. One person claimed to be ***'treated better when out of work'*** than in work, with an attachment of earnings for council tax arrears eating into disposable income and taking away an end-of-year bonus. Others shared the opinion that taking on a second job was not worthwhile because of the implications on taxes and benefits, and there was some confusion and frustration about the new tax rules around selling things online on platforms such as Vinted.

Concerns around council tax

Various concerns were noted in relation to council tax, with comments made about banding, single person's discount and the treatment of arrears. One participant in the lived-experience sessions spoke of the additional burden of losing the single-person's discount when their child became an apprentice, despite their very low pay.

Council tax arrears, which are treated as priority debt, are causing some to fall into serious financial hardship. Amongst several participants with lived

17 [A detailed guide to Pension Credit for advisers and others (April 2024) - GOV.UK (www.gov.uk)]

experience, council tax arrears had created a cycle of debt. Participants explained that it was impossible to pay off arrears without falling behind with current council tax payments, leading to them being taken to court and fined each year; ***'If you haven't got it today, you haven't got it tomorrow'***. Consequently, several participants were in multiple year arrears despite making regular payments and lived in fear of the bailiffs. They called for urgent revisions to the policies around council tax arrears rather than ***'adding insult to injury, you're already struggling without the bailiffs knocking'***.

Energy costs remain a challenge

Some stakeholders reported challenges relating to heating. They spoke of people moving onto pre-paid meters as a money management tool, with some people self-disconnecting because they could not afford the costs. Some were also concerned about the difficulties facing people trying to shop around for better deals on their utilities if they had no internet connection. They noted that people were often told to go to the library if they did not have access to the internet at home, but many libraries have closed, and confidentiality is also an issue in such settings. There were also concerns about the difficulties faced in accessing online services by people with certain disabilities such as sight loss.

In Northern Ireland it was also noted that heating oil made up a large proportion of household expense, and prices were not regulated. Stakeholders were concerned about the voluntary code of conduct in the sector and likelihood of consumer detriment. Households also faced the challenge of having to buy oil in bulk, with a minimum fill of 300 litres. Various solutions have been developed to help consumers with their payments. For example, credit unions provide loans for oil and some self-help groups monitor prices on a widely used price-check website and then bulk-buy when the price is low, to reduce costs. However, these initiatives do not reach everyone.

Healthcare costs are a problem for some

The cost of healthcare in general (including non-emergency ambulances/transport), and dental treatment in particular, was a concern for some people with lived experience. There was widespread agreement that it is better to wait until an issue becomes urgent and then go to Accident and Emergency rather than try to get healthcare from any other NHS provider. Stakeholders also mentioned that some of the costs related to disabilities such as buying a mobility scooter are not necessarily covered by benefits.

Vulnerable groups need more support

There were concerns amongst stakeholders about the lack of support for various vulnerable people in the population, including persons with disabilities, people living in shared accommodation or sleeping rough, recent immigrants and asylum seekers, people in rural communities, and young people. In one of the lived-experience groups there was also a request for more support for victims of domestic abuse.

In one meeting, a stakeholder commented that ***'irregular income is a hidden vulnerability'***, and some felt that the issues of precarious work and unpredictable incomes were as important a challenge as the gender gap in financial resilience. There were also concerns that the benefits system is not suited to people with fluctuating earnings.

Stakeholders working with vulnerable adults discussed the intersection of health, disability, joblessness and age. They highlighted issues such as the challenges facing newly disabled people who were previously on Jobseeker's Allowance; difficulties when one partner in a couple reaches retirement age, creating a so-called 'mixed age' couple; and the inconsistent treatment of service charges depending on whether someone is in receipt of Universal Credit or living in sheltered accommodation or special housing. Some spoke of a vulnerability register allowing data to be shared across sectors, creating a 'tell us once' service[18]. This would require consistent definitions and inclusion criteria across sectors and may face challenges if NHS data is required.

Some stakeholders were working with extremely vulnerable groups and commented that there are far fewer safety nets today than there were in the past, with possibilities such as the social fund and local authority grants disappearing. One described a situation of ***'absolute vulnerability'*** across ***'status, health, finances'*** and another spoke of a ***'spectrum of vulnerability'***. They felt that many of those people who had their heads above water were still at risk, arguing that: ***'It's, "I'm surviving in this moment"'***.

[18] This is an ongoing discussion, see for example: Universal PSR must be shaped by lived experience (moneyandmentalhealth.org) or Vulnerability Registration Service

Stakeholders felt that the solution to such complex needs was to work with gateway organisations that can address the multitude of issues facing individuals by signposting and collaborating across sectors. Some were concerned, however, that organisations or providers with roots most firmly in local communities were hard to identify, let alone involve: ***'How do you get voices like ours – we are in the heart of our community'***. Some also recognised that not all organisations had the capacity to contribute to other initiatives and frequent requests could create an unsustainable burden. Comments were made, for example, about the requirement for already stretched GPs to assess people accessing Universal Credit. In England, GPs are no longer allowed to charge for this service[19], but stakeholders in Scotland reported that GPs were charging fees of up to £180.

Potential solutions

Participants in all sessions offered potential solutions that could help to remove some of the barriers related to poverty, disadvantage and vulnerability that currently hinder full financial inclusion. With this in mind, stakeholders in Wales spoke of the Discretionary Assistance Fund which is intended to supplement income following job loss or a change of circumstance whilst people wait for their first benefit payment. It was initially created to support vulnerable people such as prison leavers, rough sleepers and victims of domestic abuse but is increasingly being accessed by families with children in financial difficulties.

Other possible solutions discussed in the evidence sessions are summarised below:

- Bring together different services under a strategic umbrella – either virtually or within a physical location. ***'It's always about joining up the different services'.*** This more holistic approach to vulnerability could potentially occur within a banking hub.
- Create the equivalent of 'Tell Us Once'[20] for benefits claimants and people seeking advice.
- Remain alert to the potential impact on financial inclusion of various other challenges facing households. These may include accessing decent housing and state benefits, repaying money owed to local government, funding certain healthcare costs, or maintaining mobility, for example.
- Do not restrict people to accessing support through a single channel. Make phone numbers and webpages equally visible and allow people to switch between contact via different channels, recognising their complicated lives and changing needs.
- Raise awareness of social tariffs[21].
- Use the same definition of vulnerability across services and organisations.
- Monitor progress on the Consumer Duty requirement for local authorities and public bodies in Scotland[22].
- Seek alternative solutions to the current treatment of council tax arrears.
- Allow people more flexibility in the frequency with which they receive benefits and/or pay bills. Managing everything monthly is not always possible, particularly if income is received in weekly increments.
- Collect and analyse diversity data when supporting vulnerable groups. Use outreach methods that are sensitive to cultural needs.
- Provide funding for more 'handholding' services for the most vulnerable; in some areas, this funding should go to address the shortage of social workers.
- Monitor and learn from the implementation of the mental health moratorium in Scotland, which offers a critical opportunity to protect consumers experiencing mental health issues from further financial distress.
- Work closely with NHS mental health services and charities to ensure widespread understanding of financial exclusion.
- Apply segmentation models to allocate more targeted support for vulnerable individuals.

19 Certificates GPs cannot charge fees for (bma.org.uk)
20 What to do after someone dies: Tell Us Once - GOV.UK (www.gov.uk)
21 See for example Low cost broadband and mobile phone tariffs - GOV.UK (www.gov.uk);
22 See The Consumer Scotland Act 2020 (Relevant Public Authorities) Regulations 2024 (legislation.gov.uk). In Wales there is the Socio-economic Duty Socio-economic Duty: an overview I GOV.WALES

Conclusions

There are many financial challenges facing people in the UK. Some of these can be resolved, or at least minimised through small changes in the types of financial products and services available and the ways in which they are regulated, promoted, and managed. However, combined they create a complex set of challenges for consumers that would be best tackled through a national strategy that addresses demand and supply side issues, as called for by the Financial Inclusion Commission and others, and highlighted in Atkinson and Overton (2024). Stakeholders expressed frustration at the current fragmented system for financial inclusion, with a lack of strategic direction, cohesion, and coordination. This could be improved with ***'the convening powers of government'*** as one stakeholder suggested, referring to the successful partnership approach in Wales.

Each nation of the UK has its own challenges, policies and differences in factors such as cultural norms and geographical constraints that need considering when addressing issues from a UK perspective. At the same time, there are opportunities to learn from approaches in one or more nations and apply them elsewhere.

In addition to the suggestions summarised throughout this report and those discussed in Atkinson and Overton (2024), some general points stand out from the evidence sessions:

- **The needs of consumers are not always being put first.** A variety of examples highlight how consumers feel marginalised and treated unfairly, such as the loyalty premium on insurance and the lack of information on reasons for being turned down for financial products and services. Such issues highlight how poor service from some providers creates general dissatisfaction with the sector as a whole. The Consumer Duty or the Advice Guidance Boundary Review proposals for 'targeted support' should address such unacceptable treatment of consumers; regular monitoring would help to identify areas that require further effort.

- Unsurprisingly, given that consumers do not always believe that they are treated fairly, **trust is an issue**. There is evidence that consumers neither trust their providers nor feel trusted by them. Improved transparency could help: ***'How can you trust if you do not know how you have been treated.'***

- **The current approach to collating and storing credit records is not working as intended and appears to be leading to distortions.** There is considerable evidence that a significant focus on credit scores is leading to supply and demand side issues, and harmful behaviours such as delaying asking for help with problem debt and avoiding shopping around.

- Whilst many people with lived experience of debt got into difficulties through no fault of their own, **there is still a strong appetite for programmes designed to teach people (children in particular) how to avoid debt**. This appetite is also visible amongst stakeholders. It is an important reminder that many people believe in individual agency and the ability of people to shape their own outcomes, despite the significant challenges facing society. Further work is needed to understand which mechanisms might best help young people to avoid problematic borrowing in adulthood. A measured approach could combine preventative measures such as savings incentives and widespread access to education, information and guidance.

- Financial exclusion affects many aspects of life, indicating the need for holistic support that **incorporates issues such as taxation, finance, employment and social security, health, housing, the environment, transport, education and social work**.

- **There remains a disconnect between what consumers say they want and what they access or receive**. This reflects issues on both the demand and supply side, suggesting that in addition to well designed financial products and services, targeted awareness campaigns and more behaviourally informed approaches to enhance use (as with auto-enrolment) could be beneficial.

- Some national and local government policies or actions are contributing to financial distress in various ways, such as slow assessment of benefits and the treatment of benefits overpayments and council tax arrears. A national strategy for financial inclusion could **monitor related policies for unintended consequences and flag those that are creating barriers to full financial inclusion**.

- Policy makers and providers stand to benefit from learning from good practices and effective approaches. It would be useful to have **a central repository of evidence from pilots that test solutions to the challenges experienced** by current and potential financial consumers in the UK and help secure funding for wider roll-out. This could build on the approach taken by the Money and Pension Service's Evidence Hub.

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