

Fair4All Finance Autumn Update

Introduction

Welcome to the latest regular update on our progress with details of the work we have coming up over the next few months. There's a lot going on and the update is suitably long to reflect that!

You can use the links below to jump to the relevant sections and we have some [dates for your diary](#) and [final words](#) too. We've also included **action points** throughout in orange boxes if you prefer to skim through to the areas that interest you the most.

As ever, please do [get in touch](#) if you'd like to know more about any of our work or want to get involved.

Our priorities

As a recap, we set ambitious goals for 2021 in line with our strategic priorities:



Fundamentally, all our work focuses on whether we're changing the financial services system for the better – so the whole sector provides financially inclusive products and services in a sustainable way.

Over the last few months we've focused on the following five areas, in line with our overall goals for the year:

- 1 [Manage Scale Up portfolio and next investments, alongside key capacity building support](#)
- 2 [Identify partnership opportunities with banks and financial services providers and seek commitments](#)
- 3 [New product and market development – develop No Interest Loan Scheme pilot and opportunities for community finance providers on price comparison sites](#)
- 4 [Research programme, including the greater financial exclusion of certain minority ethnic groups](#)
- 5 [Recruit to key open and upcoming job roles](#)

Manage Scale Up portfolio and next investments, alongside key capacity building support

Our 10x challenge for scaling up affordable credit provision is even more pressing following the recent exits of Provident, Perfect Home and others from the high-cost credit market.

Demand for credit isn't going to disappear with them. People who can't access mainstream credit will still need loans, whether that's for a cooker, a washing machine or for new school uniforms.

Community finance providers play an important part in delivering this challenge, grounded in their deep understanding of the customers they serve.

Affordable Credit Scale Up Programme

The programme is designed to provide tailored support to sustainably scale affordable credit provision as part of the wider transformation of financial services.

Investments from phase two programme

The next phase of our Affordable Credit Scale Up Programme has been in full flow and we were delighted to announce our [£5m investment in Salad](#), the award winning social impact FinTech.

[Salad](#) use Open Banking data to responsibly lend to public sector workers that might otherwise be reliant on high-cost credit. Our investment will be used in conjunction with Salad's commercial funding to expand their offering and further reduce the cost of credit for their customers.

We're also close to announcing four other new investments totalling £3.9m, with more community finance providers in due diligence. Look out for more details on these over the coming months.

Updates from our pilot organisations

The phase two investments build on our pilot programme with five organisations - [Enterprise Credit Union](#), [Fair for You](#), [Five Lamps](#), [Leeds Credit Union](#) and [Moneyline](#) - which has been running since July 2019. More details including the original case studies of the support given to our pilot partners are available [here](#).

We're continuing to work collaboratively with these organisations and their existing social investors to support their growth after a tough year.

[Moneyline](#) continue to transform their product and service offering. Ongoing investment in a new system infrastructure is supporting the development of intuitive and tailored customer journeys. This work is informed by detailed customer insights and their Fintech partnerships.

Moneyline are early adopters of emerging technology. They're using it to integrate flexible ways to make repayments and digital comms. These will enhance rather than replace their relationship-based lending operation.

They are also developing a digital savings solution and insurance protection products. Alongside their credit innovations, these wraparound services will improve the financial resilience and wellbeing of their customers.

It's clear that demand is growing for affordable financial products. Ones that fit with how customers on lower and variable incomes need to manage their finances. The support of Moneyline's current investors delivers the capacity to further grow their customer base and help meet this demand.

We are delighted that Simon Dukes has started as the new CEO of [Fair for You](#). We're currently working with them on brand and customer segmentation research to help further improve their customer experience.

Alongside their core lending proposition, Fair for You have partnered with Iceland supermarket to pilot their Food Club, an innovative affordable credit solution to help families facing food insecurity spread the cost of food over the school holidays.

Action point

As we develop our investment plans for the coming years, we'll be seeking input from a wide range of affordable credit providers. If you're a community finance provider or social fintech not already in touch with us, we'd love to understand how we might be able to support your growth plans. Please contact [Holly Piper](#) to arrange a conversation.

In particular, we'll be more actively supporting technology providers with investment and other support. We'll provide more details early in the new year.

Supporting organisations with tools and resources

A key condition of any funding we provide is that it enables us to develop and test tools that can be used widely across the community finance sector and beyond to support system change.

We have lots of work in progress to develop and deliver toolkits and learning from the work with our Pilot Scale Up organisations:

• Technology Toolkit

Our toolkit is aimed at supporting the sector in fully embracing technology to drive more personalised and accessible support for customers and more efficiency in the delivery of services. We've created three modules so far:

- **Technology 101** – webinar recording [here](#), slides [here](#)
- **Digital Strategies** – webinar recording [here](#)
- **Cyber Security** – webinar recordings for board members [here](#) and executive management [here](#), plus supporting resources: [Board toolkit](#), [General guidance](#), [Small business guide](#) and [Exercise in a box](#)

We're working on developing these into easily accessible and consumable resources for lenders to use. And we plan to build on the content with new modules in 2022 as we learn more about the different innovations through our technology investments.

If you have any questions on our Technology toolkit please contact [Jonathan Turner](#).

Action point

We're holding an online **Serving the whole of society** event on 22 November, 12pm to 1pm, as part of Tech Nation's [Finclusion 2021](#) programme.

We'll be discussing how fintech can help reach the millions of people in vulnerable circumstances, what problems they should be trying to solve and the business case for doing so.

You can find out more and book your place [here](#).

- **Routes to market**

Housing association partnerships

We've been working to establish how effective partnerships can be built between social housing and community finance providers. Our new report **Unlocking tenant financial resilience** sets out

- The **case for partnerships** demonstrating the benefits for tenants, housing associations and community finance providers
- Guidance to help organisations in **building successful partnerships** including different partnerships, case studies and good practice

Action point

You can read the full report [here](#) and a summary slide deck [here](#).

We're offering to support up to three partnerships in 2022 to deliver on the learnings from the report. We're looking for partnerships where there's already an agreed commitment to working together. This could be a new partnership or refreshing an existing one.

Please complete [this short form](#) by **30 November** if you're interested in taking part.

Payroll partnerships

We're also in the early days of our work on **Payroll partnerships** working with a small number of organisations who are growing their capability.

We're identifying the gaps in this space and are keen to understand any specific challenges that providers are facing. We'd also like to hear more about things that have worked well and that could be shared across the sector. Please contact [Vince Cox](#) to arrange a conversation.

- **Customer insights**

In our last update we referenced our plans for customer insights. These include understanding more about low income customers and those who are financially excluded, and what's important to them when researching and choosing products. And understanding marketing and brand awareness for financial services.

We've now procured a supplier to conduct customer segmentation and marketing and brand research. And we'll be working with financial services providers who serve customers in vulnerable circumstances to scope the work. We'll be able to share the outputs of this work in Q1 2022. And we want to make these insights as useable as possible across the community finance sector and beyond.

Action point

To make this research as useable as possible, we must make sure it works for community finance providers. If you have customer insights from recent years that can be shared with us to shape early thinking, please send this to [Lauren Peel](#).

And if you're planning customer research in the next year, the outputs of this work might be able to help you. So Lauren is happy to have a conversation about timings and how this fits together.

We held our first customer insights webinar on the **Shrinking home collected and high-cost credit market**, where we explored:

- Who home collected credit customers are and how they can be served
- The latest customer and market sentiment towards home collected and high-cost credit
- Using customer insights to support your marketing and digital strategy
- Actions for lenders of all sizes to think about in response to the exit of high-cost credit providers

Action point

You can watch a recording of the webinar [here](#). We'd like to run more customer insight sessions like these and make them as helpful as possible.

Please do let [Lauren Peel](#) know if there are any topics or themes you'd like us to cover in the future.

Sustaining and growing community finance through and beyond Covid-19

Covid-19 Resilience Fund

We've deployed **over £3.8m of grant finance** into the sector as part of our Covid-19 Resilience Fund, supporting **31 providers** who collectively lend **£138m** each year and serve **136,000 customers**. We're pleased our grants have helped to **preserve c50% of affordable lending capacity** for customers in vulnerable circumstances.

An independent evaluation of the effectiveness of the fund is underway and we're aiming to share this in early 2022.

Identify partnership opportunities with banks and financial services providers and seek commitments

We remain focused on two key goals for 2021:

Delivering funding from banks to the community finance sector

We recognise access to affordable debt finance is necessary for many community finance providers to meet their growth plans.

So we're working with the banking sector on an **Affordable Credit Debt Fund**. The fund has two primary objectives:

1 Significantly increase the provision of much-needed affordable credit to customers in need

- This will help Community Development Financial Institutions (CDFIs), social fintechs and other social lenders to access the capital needed to grow their loan books

2 Creating the conditions for banks to lend directly to community finance providers in the future

- Many banks don't typically serve this customer group directly due to perceived risks and a lack of profitability
- The fund is an opportunity for banks to address the recommendation raised by the FCA in the [Woolard Review](#). Specifically, to overcome the barriers to serving this market
- Investment from the fund will allow CDFIs, social fintechs and other social lenders to build greater scale, profitability and track record of taking on finance. This should enable banks to be confident about investing in CDFIs and social lenders

Action point

We're looking to partner with a fund manager to successfully launch the fund. We're targeting an **initial launch of £15 to £17m in Q2 2022**, with a pioneering commitment from a major retail bank, a matched commitment from a social investor, a commitment from a trust/foundation and a £5m equity commitment from Fair4All Finance.

We're planning for an **additional £25m late 2022/early 2023**. We expect this further funding to come from other mainstream banks, foundations and mission-aligned family offices.

Please get in touch with [Stefan Felix Rajendra](#) if you'd like to find more.

Work with pioneer banks to innovate and scale best practice to serve this customer group

Research into what we can learn from retail banking practices during Covid-19

We're in the process of appointing a provider to research the provisions that retail banking lenders put in place to support customers through the financial shocks they faced because of the Covid-19 pandemic.

The purpose of the research is to understand the best practice put in place by these lenders due to the pandemic and understand the implications this had operationally to them, the benefit to their customers and recommendations for future practice.

We'll use the insights to inform how mainstream banks can take learnings from the temporary measures and best serve customers in financially vulnerable circumstances in the long term. The insights will help formulate recommendations at a product and policy level.

Action point

We're seeking collaboration from the largest retail banks in the UK to deliver this work. If you're interested in getting involved or would like to find out more, please contact [Tom Lake](#).

Measuring financial inclusion activity

We're exploring best practice in measuring financial inclusion activity in financial services, with the aim of integrating this into the 'Social' element of organisations' Environmental, Social and Governance frameworks.

Eventually we'll be partnering with the financial services sector to help shape a financial inclusion index. This will be used to assess performance against peers and will inform best practices in financial inclusion.

New product and market development - develop No Interest Loan Scheme pilot and opportunities for community finance providers on price comparison sites

We have two specific programmes of work underway with more in the pipeline for early next year:

Pilot for No Interest Loan Scheme in the UK and future product pilots

We were delighted to announce that we're teaming up with [Fair By Design](#) and [Toynbee Hall](#) to deliver [a UK wide No Interest Loan Scheme \(NILS\) pilot](#), with £3.8m in funding from HM Treasury and up to £1m of lending capital from each of the devolved administrations, matched in England by Fair4All Finance.

We believe NILS loans will provide a vital financial cushion for people unable to access or afford exiting forms of credit, but who can afford to repay small sums, by offering a way to spread essential or emergency costs.

The scheme will kick off with proof of concept loans by the end of this year and we're delighted to announce that we've appointed [South Manchester Credit Union](#) as the lender for those.

We'll follow the proof of concept with a wider two year pilot in up to six areas facing high deprivation starting in Autumn 2022. We're encouraging local councils, housing associations and charities to form partnerships with lenders and provide co-funding to help increase the number of people the pilot can reach.

We kicked off a period of market engagement with two webinars and a request for feedback on the pilot design and assumptions to help us shape the scheme. We expect the procurement to commence soon and bids will be due back in early 2022. The NILS procurement will also see us appointing partners for other pilots (see below).

Action point

If you missed the webinars or would like a copy of the market engagement materials, please email us at programmes@fair4allfinance.org.uk.

Products pilots for 2022

We're using the NILS procurement to also appoint lenders with whom we'll work on other product pilots. These could include consolidation loans, appliance poverty solutions and other product development.

The NILS contracts will enable us to extend the duration of the pilots if they're working and further funding becomes available. And to extend either NILS lending or the delivery of other products once they're underway. We're planning to run products pilots next year for two key areas.

One will be aimed at **tackling problem debt**, likely through consolidation loans at affordable rates to help customers build their financial resilience.

The other will focus on **appliance poverty** aimed at the 2.7 million households currently living without a fridge, cooker or washing machine, as highlighted in the [Turn2us Living Without report](#).

Action point

We're likely to pick this work up in Q1 2022. If you already offer solutions in either of these spaces that you think could be scaled or would like to work with us on these pilots **Lauren Peel** would love to hear from you.

Price comparison sites

Price comparison websites are a key route to market for many credit providers. We have started to assess how we can help community finance providers use them more widely.

We're focusing on overcoming the current commercial, loan quality and technology challenges many providers face when sourcing loans via price comparison sites.

Action point

If you're currently using price comparison sites as a route to market – successfully or not – [Jonathan Turner](#) would love to hear your experiences so we can feed them into our work.

Insurance Theory of Change

Early in 2022 we'll lead the development a Theory of Change for the UK general insurance and protection market. This will help define how insurance products can better respond to the challenges facing the 14m people currently in financially vulnerable circumstances.

The Theory of Change will be evidence based and will focus on the provision of motor, contents and travel insurance, plus income protection and critical illness cover.

It will be co-created with the insurance industry, community and consumer groups and other key stakeholders. Together we aim to identify both demand and supply side issues, barriers and opportunities to improve the current system.

Action point

Over the coming months we'll be looking for partners to help us develop the **Theory of Change**.

We'd love contributors from across the insurance sector, including community and consumer groups, charities and others with experience and insight into the challenges and potential solutions to improving access to fair and affordable insurance for vulnerable groups.

Please contact [Jake Attfield](#) if you'd like to find out more or get involved.

Research programme, including the greater financial exclusion of certain minority ethnic groups

Increasing the financial inclusion of people from Black, Asian and minority ethnic communities

We're delighted to be partnering with [Esmée Fairbairn Foundation](#), [NatWest Group](#) and [StepChange](#) on new research into how ethnicity influences access to financial products and services in the UK.

The research aims to fill current gaps in understanding and will explore practical short, medium and long term solutions to current inequalities, such as:

- Fraud victims from minority ethnic groups are [more than twice as likely](#) not to get their money returned compared to White fraud victims
- 60% of Asian and 63% of Black households [have no savings](#), compared to 33% of White households

- Black African, Black Caribbean and Bangladeshi groups are [4x, 3.5x and 2.5x more likely to be denied a loan](#) respectively compared to White groups

The goal is to show how financial services providers can be more inclusive of people from Black, Asian and minority ethnic backgrounds.

Action point

As a group we will use the insights to enable the development of well designed and effective solutions. Ones that increase the financial inclusion of these communities.

Regulators, policymakers and people working in financial services will also be able to use the findings to inform their decisions on how to improve outcomes for Black, Asian and minority ethnic communities.

Wider research programme

Over the last six months we have been refining and prioritising the research projects we think will enable the development of well designed and effective solutions to support the financial resilience and wellbeing of people in vulnerable circumstances.

We will be moving into the research phase on all the below over the next few months:

- **Brand research and customer segmentation** - See page 4
- **Managing good declines** - This research will improve understanding of the needs and experiences of people who are declined credit. It will help enable lenders to improve their decline practices
- **Payroll and benefit deduction lending** - We're kicking off research into lending where repayments are deducted at source from people's payrolls or benefits. This is to better understand the impact of these lending models on customers and lenders, and to establish good practice in their delivery to maximise benefits and mitigate any potential risks
- **Illegal moneylending** - We're commissioning a comprehensive research report into the scale and trajectory of illegal moneylending. We want to establish the current volume and value of both face to face and online illegal moneylending. And understand how international experiences and lived experience can help inform the practice changes of regulators or the wider financial services sector

Recruit to key open and upcoming job roles

It's been a busy time for recruitment these last few months and I'm delighted we've managed to grow the team with some brilliant new people:

- [Diana Kamil](#) joined us as a Key Accounts and Partnerships Manager
- [Mel Jarra](#) arrived as our Financial Controller
- We welcomed [Niall Alexander](#) as our Markets and Consumer Insights Manager
- [Rebecca O'Brien](#) joined us as Operations Manager
- [Samuel Burrell](#) arrived as an Investment Manager
- We welcomed [Shanaka Dias](#) as our Digital Innovations Lead
- We've also grown our project management and delivery capacity with the additions of [Ayesha Begum](#), [Gabor Balint](#), [Jake Attfield](#), [Senthana Balachandiran](#), [Stefan Felix Rajendra](#), [Tamar Jokhadze](#) and [Vince Cox](#) as Programme Managers.

Action point

You can read more about the team on our website [here](#). And if you'd like to reach any members of the team directly, we use firstname@fair4allfinance.org.uk as our email format.

Dates for your diary

- **22 November, 12pm to 1pm** – [Serving the whole of society](#) A panel discussion on how fintech can help reach the 14.2m people in vulnerable circumstances (part of Tech Nation's [Finclusion 2021](#) event programme)
- **30 November** – Deadline to [register your interest](#) in our plans to **support up to three partnerships** between housing associations and community finance providers in 2022.

Final words

As we look to the end of the year we're likely to see further increases in people in vulnerable circumstances.

We're in the middle of a growing cost of living crisis. The furlough scheme and the Universal Credit £20 weekly uplift have both ended, along with other pandemic measures such as the no evictions provisions. One in four working age families will be affected.

At the same time we're seeing a further reduction in regulated credit options following the exits of Provident and Perfect Home, and with Amigo failing to reach a settlement with the courts.

All of the above and more will inform our planning for 2022 in the next few months. The growth in our team comes at a welcome time!

As ever, a big thank you to all of you who give your time and insight to our work so generously. We appreciate the ongoing support and collaboration.

As I write this update we've just had [Talk Money Week](#) – the annual campaign aimed at getting the nation to talk about money. Which is a good reminder for those organisations serving customers in vulnerable circumstances to refer them to [MoneyHelper](#) – if you don't already of course!

MoneyHelper is the free and impartial money guidance service from the Money and Pensions Service. It has a wealth of resources for customers, including [debt advice](#), [income maximisation](#) and [how to borrow if you can't access mainstream lending](#). As well as online help, you can order free printed guides for your customers [here](#).

I hope this update on the work we've been doing over the last few months is useful to stimulate areas where you'd like to engage with us. And that it also gives you a heads up on what to expect from us over the next few months.

Our **Strategic Communications Manager** [James Corke](#) would be delighted to hear your feedback on what you found useful and any other ideas you have on our ongoing communications.

We look forward to continuing to collaborate with you to deliver on our mission and make a real difference to those who need it most.

All the best

Sacha

Sacha Romanovitch OBE, CEO