# Fair4All Finance Limited
# Annual Report and Accounts

31 December 2021

Company Registration Number – 11810533 (England and Wales)

# Contents

# Why we exist

# Why we exist

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**What do you do if your cooker stops working? Or if the car you rely on to get to work lets you down? And what if you suddenly have to stop working because you're ill or looking after someone you love?**

In tough times many people can turn to financial safety nets like savings, credit cards or an overdraft at affordable rates. But for the millions of people in financially vulnerable circumstances these options are often out of reach.

Today there are over 14 million people with low financial resilience. That's more than a quarter of all adults in the UK – a number that's risen by 3.5 million people since the start of the Covid-19 pandemic.

People in financially vulnerable circumstances aren't spread evenly across the country – they are concentrated in some of the most left behind regions of the UK, hardest hit by the growing cost of living crisis and facing dwindling options as traditional finance providers struggle or exit the market altogether.

There are **27.7m adults** in the UK with characteristics of vulnerability

**14.2m people** have low financial resilience

**1 in 5 adults have less than £100 in savings**


Black African and black Caribbean groups are **4x and 3.5x more likely** to be denied a loan respectively compared to white groups

Lower income households pay an extra **£430 a year** for essentials like energy, credit and insurance

FCA, Financial Lives 2020 survey: the impact of coronavirus
MaPS, The UK Strategy for Financial Wellbeing 2020-2030
NatWest Group, Banking on Racial Equality
Fair By Design, The cost of living and levelling up

## 1 in 4 households in the UK have no insurance safety net.

**20%** of adults with less than **£500** in savings used credit as a safety net, compared to **4%** of those with more that **£1,000**

Over **2m households** live in appliance poverty costing them over £1,000 a year

Up to **8.5m adults** in the UK are over indebted

in

people in the UK are in financially vulnerable circumstances.

– each gingerbread person represents 1 person in the UK

Millions of families are living with the daily realities of financial exclusion. Unable to access mainstream products and services others rely upon - ones that can help them meet their day to day financial needs, absorb shocks, smooth incomes and make positive choices for their futures – people are prevented from playing a full part in their communities.

We think it's time to change that and make the financial services system fairer for everyone.

Actuarial Post, One in four UK households are uninsured

StepChange, Falling behind to keep up

Turn2us, Living Without

FCA, Financial Lives 2020 survey: the impact of coronavirus

# About us

# About us

## We're working towards a fairer financial sector

We're a not for profit organisation founded in 2019 in response to the government's commitment to use Dormant Assets money for financial inclusion.

# Our vision

Is a society where the long term financial wellbeing of all people is supported by a fair and accessible financial services sector.

# Our mission

Is to increase the financial resilience and wellbeing of people in vulnerable circumstances by increasing the availability of fair and accessible financial products and services.

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## We believe financial products and services can and should serve everyone

Right now, the financial sector is designed for people with predictable lives and incomes. Yet more and more people are living with unpredictability.

Circumstances such as ill health, low or unstable incomes and a lack of savings can all cause financial vulnerability. Life events like losing a job, separation or bereavement can put a strain on finances and affect wellbeing.

## The right financial products can transform lives and benefit society

Low financial resilience and financial exclusion are key barriers to opportunity, particularly felt in left behind communities. When people can access the products and services they need, it can help them avoid harmful alternatives that could see them spiralling into problem debt and allow them to play a full part in their communities.

Both society and the economy benefit too. Poverty is alleviated, physical and mental health is improved, and children's wellbeing and attainment increases.

## Financial inclusion is the responsibility of the whole financial services sector

Millions of people are excluded from mainstream banks and financial services providers, unable to access the financial safety nets many people take for granted. That's simply not fair and contributes to the growing inequality across the country.

We believe there's more the whole industry can do to serve all people, whatever their situation. Increasing financial inclusion and addressing low financial resilience has the potential to transform lives and help level up communities across the country.

## Our approach to change

Our job is to work with the financial services sector to understand how to serve people who are in vulnerable circumstances well, to ensure:

- Well designed products and services are available at scale
- People are aware of the choices
- Financial services organisations can develop sustainable business models to enable them to serve this customer group, identifying where subsidy is necessary and appropriate

We collaborate with a range of groups and organisations who are working to improve financial inclusion and with financial services providers delivering products and services to people.

**Our work is based on data and evidence to support the best possible design.**

It's about finding solutions that work and supporting providers to deliver these at scale and then sharing those lessons across the financial services sector to achieve the transformation we believe is necessary.

Fundamentally, all our work focuses on whether we're changing the system for the better – so that the whole sector provides financially inclusive products and services in a sustainable way, long after we cease to exist as an organisation.

## How we make a difference

Our programmes widen access to fair and affordable financial products and services across England:

- We invest in organisations already serving people in vulnerable circumstances well to help them grow and reach more customers
- We catalyse investment in new products and services development, supporting all financial service providers to better serve this customer group
- Our research programmes generate a rich evidence base to inform policy and regulation that supports serving people in vulnerable circumstances

Our goal is to create a market that delivers the right products and services for everyone who needs them. Whilst our funding is for England, we seek to collaborate across all four nations where possible.

We target investment to where it is most needed and in the most deprived areas in the country, where people's finances are most squeezed:

- The majority of customers we support live in the most deprived 20% of areas, based on the Index of Multiple Deprivation (IMD)
- 35% are lone parents with dependent children compared to 9% within the UK
- 58% are social housing tenants compared to 17% within England

Our initial focus has been on the availability of affordable credit, investing in the growth of community finance providers like credit unions and community development financial institutions (CDFIs). These organisations have fantastic expertise in serving customers sustainably and ethically in a way that helps people to a better financial position.

We've seen how this can have a positive impact on individuals and communities. So far we've committed over

**£26.5m to 35 community finance providers, supporting over 50% of affordable lending capacity**

to people in some of the most deprived areas in the country.

An independent report into one of our investees, Fair for You, showed how they have helped move over 70% of their customers away from harmful high cost credit and achieved estimated savings of over £2m from reduced use of NHS services in their first five years of operation.

But we know our funding alone isn't enough to deliver the size of change needed. It's vital that long term funding is directed to sustainable solutions to help build a pathway to greater financial wellbeing.

Our role is as a catalyst. By showing how businesses serving this customer group can thrive and scale sustainably, we aim to attract further funding from banks and other potential investors.

## We'd love to work with you

For far too long customers in vulnerable circumstances have been talked about as a problem area. We want to reframe that as a massive opportunity for the whole financial services sector. Do it right and you can make a huge difference to the lives of millions of people.

We believe it's possible to create a financial services system that enables financial wellbeing for everyone. We'd love to hear from anyone interested in working and investing with us at hello@fair4allfinance.org.uk

Together we can make a difference and improve the lives of millions of people.

**Richard Collier-Keywood** OBE
Chair

## Advisors

We are provided with expert support and services as follows:

### Bankers

**NatWest**
89 Mount Pleasant Road
Tunbridge Wells
TN1 1QJ

**Lloyds**
25 Gresham Street
London
EC2V 7HN

### Accountants

**Haysmacintyre**
10 Queen Street Place
London
EC4R 1AG

### Auditor

**Buzzacott LLP**
130 Wood Street
London
EC2V 6DL

### Legal advisors

**Bates Wells**
10 Queen Street Place
London
EC4R 1BE

**Wrigleys**
19-21 Cookridge Street
Leeds
LS2 3AG

**Stone King**
3rd Floor Bateman House
82-88 Hills Road
Cambridge
CB2 1LQ

### How to contact us

Our email address is hello@fair4allfinance.org.uk

Our office address is 2nd Floor, 28 Commercial Street, London E1 6LS

# Strategic report

# Strategic report

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## Overview

### Our mission has become even more important and plays a key role in levelling up

Financial exclusion and low financial resilience are key barriers to opportunity. Yet with access to fair and affordable financial products and services, everyday life events or financial shocks can be managed.

With over 14m people experiencing low financial resilience we can see the uneven outcomes from the pandemic: while many have been able to save more, lots of families have seen their savings eroded and around 11m people have built up some £25bn of debt.

Those who can least afford it have been hit the hardest – women, people from certain minority and ethnic communities and those already in financially vulnerable circumstances. Location plays an important part too, with problems more acute in areas of the country where local economies are weakest.

A person's financial stability is a cornerstone of them being able to participate in their local community. There is an established connection between over indebtedness and poor mental health. People in problem debt are three times more likely to have considered suicide and can get stuck in a destructive cycle, sometimes losing employment or falling out of the labour market altogether.

Those in problem debt are less likely to start a business, study, retrain or change jobs. And there's a connection between employment rates and problem debt.

Against this background, our mission has never been more important.

### The market is undergoing rapid change

Since we were established in 2019, the amount of regulated short term unsecured credit available to people in vulnerable circumstances has fallen from some £3bn to c£1.5bn with the collapse or withdrawal of many high cost providers from the market.

This rapid market contraction is creating a vacuum and the risk is that it's being filled by illegal money lenders – sometimes in the guise of family and friends. We've also seen the rise of Buy Now, Pay Later products which have potential to offer a good outcome for customers yet, in the absence of regulation that treats them as credit, has seen many customers fall into problem debt or pay unanticipated and expensive fees.

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## Highlights from 2021

Against this challenging backdrop, we're pleased with the progress we've made this year, with key highlights as follows:

- **The impact and success of our Covid-19 Resilience Fund which preserved 50% of affordable lending capacity** in England during the pandemic and was independently assessed as having 'met its key objectives while demonstrating considerable best practice in fund design.' This combined with our ongoing investment in the expansion of affordable credit through community finance providers has increased the total availability of affordable credit by £19.5m, a 15% increase in provision for the 23 organisations for which we have data

- **Securing additional funding totalling £8m alongside our commitment of up to £5m to support a pilot of a No Interest Loans scheme across the whole of the UK** in collaboration with Toynbee Hall, Fair By Design and financial services providers. This shows the possibilities when governments across nations, financial service providers and community finance providers work together and will allow us to work in six initial locations to test the impact of providing small interest free loans to people otherwise excluded from accessing affordable credit

- **Attracting talented people from financial services and the social sector to build our delivery capacity** with 31 people we are now broadly at full complement for delivery of our mission

Our key challenges in the year came from partnering with large organisations for change. On the plus side banks, financial services providers and other consumer facing organisations showed great agility in pivoting to support their customers through the pandemic. However, it was challenging securing capacity and commitment within institutions to build deeper partnerships to:

- provide funding to community finance providers
- expand provision of services directly from mainstream providers
- collaborate to address major issues like appliance poverty

It will need sponsorship and commitment from those at senior executive level in major institutions to work with us to tackle the long term systemic issues. We will continue to work with them to find the best way to move this work forward.

## 2021 review

Over the last year we have built on the foundations laid in our first full year of operation in 2020, scaled our team to deliver on our mission, launched a number of key programmes and evidenced the difference our work can make.

## Our strategic priorities

### We are focused on three key areas

Our work focuses on whether we're changing the financial services system for the better – so that the whole sector provides financially inclusive products and services in a sustainable way – in order to:

- Expand the provision of affordable credit
- Partner with banks and financial service providers to increase provision of services
- Develop new products and services to address market gaps

This year we have also spent time considering the longer term change that our work needs to secure to leave in place a sustainable system serving this customer group beyond our existence as an organisation.

## Expanding the provision of affordable credit

We've set an overall 10x challenge for scaling up affordable credit provision. Community finance providers and other purpose driven businesses play an important part in delivering this challenge, grounded in their deep understanding of the customers they serve.

**Our goal this year was to build and sustain credit provision from community finance providers, with a target to increase provision from £300m to £400m of credit available to people in vulnerable circumstances**

Against a challenging backdrop, which required us to act to protect as well as increase capacity, our interventions:

- supported organisations delivering 50% of affordable credit provision in England to preserve lending capacity, with total committed cumulative investment to date of £26.5m
- delivered an increase in affordable credit provision through our investees of £19.5m
- provided tools and insight to enable organisations to develop and scale

The pandemic has presented major challenges to providers focused on people in vulnerable circumstances. We have moved rapidly to support them and in 2020 we quickly mobilised our Covid-19 Resilience Fund to direct grant funding to providers, supporting them to both pivot to a digital delivery model and to provide forbearance to their customers.

This support continued into 2021 and we commissioned an independent external review of the effectiveness of this programme. The key findings were:

- The fund met its objectives both with respect to organisational resilience and by ensuring continued lending to customers in vulnerable circumstances during the pandemic
- The fund was also used to provide considerable forbearance to customers which was likely concentrated among our target group
- The design of the fund demonstrated considerable best practice and the fund was open for applications just 3 weeks after the announcement of the first lockdown, with most grants deployed within 6 weeks of identifying need and the first payments made within 15 working days of the applications opening

Through our **Affordable Credit Scale Up Programme and Covid-19 Resilience Fund** our total direct deployment is now £19.1m out of a total committed of £26.5m.

Commitments this year included a £5m investment in affordable lender Salad and Board approval for four new investments into credit unions totalling £3.9m, with more in the pipeline.

# Investment case study

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## Investing to grow fair and affordable credit

Our £5m investment commitment in the affordable lender Salad in 2021 was the third major investment from our Affordable Credit Scale Up Programme, designed to increase the supply of fair and affordable credit to people in financially vulnerable circumstances. The £5m investment over five years will be used alongside Salad's commercial funding to expand their offering and further reduce the cost of credit for customers.

**The business plan targets an additional £100m+ of affordable credit capacity to underserved customers by 2025**

Salad are an innovative social impact fintech who offer short term loans of up to £1,000 alongside their free online financial education tool 'Money Mind'.

They use Open Banking data, rather than traditional credit scores, to lend responsibly to low income public sector workers who can't access mainstream finance and might otherwise be reliant on unaffordable payday loans.

**Currently, three quarters of their customers are public sector workers in the lowest 40% of incomes and half of their borrowers have dependent children**

Many struggle to access loans elsewhere to cover variable cash flow and unexpected costs and value the 'real time' use of Open Banking to assess their eligibility.

SALAD MONEY

We also continued to work with the five pilot organisations from our first scale up programme and their investors to support their growth over a tough year.

We have also supported organisations with tools and resources to help them sustain and grow the provision of affordable credit. 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 delivered several tools and resources over the year:

- **Navigating uncertainty and growing community finance** – helping providers to adapt and thrive in uncertainty, including a scenario planning toolkit and framework for providers to work with their boards to seize the opportunity to further transform their businesses

- **Technology toolkit** – providing tools for the sector to fully embrace technology to drive more personalised and accessible support for customers and more efficiency in the delivery of services

- **Unlocking tenant financial resilience report** – setting out the case for partnerships between community finance providers and housing associations, with guidance on building successful partnerships, case studies and good practice

- **Customer insights** – supporting marketing and digital strategies with actions for all lenders to think about in response to the shrinking home collected and high cost credit market

We also realise that a key constraint for organisations is them having capacity to use the tools against a backdrop of very challenging trading. So our collaboration with them to develop and test such solutions to ensure they are practical and easy to use is valuable. We'd like to thank all those who worked with us on this over the last year.

In addition to working with community finance providers we have engaged with high cost credit providers as the market contracts, to seek opportunities to transform the overall provision of fair and affordable credit.

We worked closely with Provident and the FCA to signpost customers to community finance providers following Provident's withdrawal from the home collected credit market and we're grateful to ABCUL and Responsible Finance for their support on this work. Nearly 40,000 Provident customers accessed this information, with 2,300 immediately clicking through to find out about affordable providers that could serve them.

Given the market changes that have occurred and that continue to unfold, this was an important proof point for how high cost and affordable credit can work together and overcome misconceptions about referrals working in practice to help preserve access to options for borrowers.

We continue discussions with the FCA on how to ensure that the regulatory framework not only prevents harms to customers but also creates the predictability necessary to convince investors to participate in funding this area.

## Partner with banks and financial services providers to increase the provision of services

Our goal is that mainstream financial services serve customers in vulnerable circumstances holistically through either funding community finance providers or direct product provision.

**This year our goal was to secure two commitments: funding of community finance providers through our debt fund and for two banks to take a lead on serving this customer base directly**

Major retail banks play an important role in a functioning market serving customers in vulnerable circumstances. While many have invested in financial education, provision of basic bank accounts and support for existing customers falling into financial difficulty, much more is needed to meet the significant market and customer need.

During the pandemic large financial institutions demonstrated their ability to move at pace to adapt their products and services to meet the changing needs of customers presented with major life challenges.

With stakeholders increasingly interested in the social impact of organisations, an important way for organisations to make a difference is through direct and indirect impact on people in financially vulnerable circumstances – from who they serve, to how they serve them and how they support other organisations dedicated to serving these customers. We continue to believe that, notwithstanding the steps that some of the banks have taken, overall they need to do more to play their part in this respect.

### Funding community finance providers

Access to affordable debt finance is necessary for many community finance providers to meet their growth plans. We've been working on ways to deliver this funding with two primary objectives of:

- Significantly increasing the provision of much needed affordable credit to customers in need
- Creating the conditions for funders to lend directly to community finance providers in the future

Making progress has been challenging and there are a number of issues which we have been trying to overcome, including the size of the organisations, their lack of track record and the view of the credit risk.

We've had positive collaboration with foundations and social providers and we remain committed to securing targeted funding in the short term while working with major banks to prove the case for a sustainable funding model for the long term.

JPMorgan Chase have taken a welcome lead through their investment in our No Interest Loan Scheme pilot, with a commitment of £1.2m to fund a sixth location and also test the impact of financial coaching.

## Establishing best practice

Alongside securing funding of community finance providers, we are building evidence and understanding of the role financial institutions can play and specifically how they can do this well and evidence the difference it makes. Key projects we've initiated this year are:

- **Commissioning research into what we can learn from retail banking practices during Covid-19** We're researching the impact of the temporary measures banks put in place for Covid-19. Indications are these were incredibly positive for customers and demonstrate the impact that well designed solutions can have as important financial safety nets. We'll use the insights to inform how retail banks can take learnings from temporary pandemic measures to best serve customers in vulnerable circumstances in the long term

- **Partnering with NatWest Group, Esmée Fairbairn Foundation and StepChange** on new research into how ethnicity influences access to financial products and services in the UK. The goal is to show how financial services providers can be more inclusive of people from black, Asian and minority ethnic backgrounds. We will use the insights to enable the development of well designed and effective solutions to 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 these communities

- **Establishing best practice in measuring financial inclusion activity in financial services** with the aim of integrating this into the 'S' of organisations' ESG frameworks and partnering with the sector to help shape financial inclusion indicators which institutions can benchmark their performance and progress against

## Develop new products and services to address market gaps

The general lack of investment in serving customers in vulnerable circumstances means that there is relatively little innovation in product and market development to ensure that current and evolving needs are met.

Our longer term goal in this area is that scaled products exist across the areas required for this customer group and there are systems in place to support ongoing product growth for these customers.

Our goal in 2021 was to test and pilot two areas, focused on the most financially excluded customers - a No Interest Loan Scheme pilot and a pilot for addressing appliance poverty. Limited progress was made in appliance poverty but we expect this to be an area of focus for next year.

### No Interest Loan Scheme pilot underway and foundations laid for future product pilots

We were delighted to announce a partnership with Fair By Design and Toynbee Hall to deliver a UK wide No Interest Loan Scheme (NILS) pilot, with £3.8m funding from HM Treasury, matched in England by us, up to £1m of lending capital from each of Wales, Scotland and Northern Ireland. We've also secured £1.2m of funding from JPMorgan Chase to increase the number of people the pilot can support and test the impact of financial coaching alongside provision of loans.

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

The scheme kicked off at the end of 2021 with proof of concept loans delivered by South Manchester Credit Union. Alongside this we held a period of market engagement on the pilot design and assumptions to help us shape the scheme ahead of launching procurement for the wider two year pilot. Successful bidders will be announced in the summer with lending due to start in September 2022.

We're also using this procurement to appoint providers who we will work with on other product pilots we have planned for 2022. These include solutions aimed at tackling problem debt, likely through affordable consolidation loans, and appliance poverty aimed at the 2.7m households currently living without a fridge, cooker or washing machine.

We've set up the procurement and contracting for these pilots to enable them to be scaled and continued smoothly, as the evidence of their effectiveness is established and additional funding is made available.

## Our impact

It's important that we have a robust way to assess if our activity is making a difference for people in vulnerable circumstances by building sustainable mechanisms (business models, know how, regulation and policy) that persist well beyond our existence as an organisation.

We're working to change both supply and demand of fair and affordable products and services. In addition we want to improve the operation of the market as a whole. These goals lead us to the six areas in which we consider and measure our impact:

**Systems change and impact**
Are we creating the conditions for a sustainable market tailored to people in vulnerable circumstances?

**Availability**
Are we increasing provision for key groups of people? Are we increasing availability in key places?

**Appropriateness**
Are products and services meeting the needs of customers?

**Attractiveness**
Are appropriate products and services appealing to customers in vulnerable circumstances?

**Awareness**
Are people aware of the services tailored to their needs?

**Accessibility**
Are people able to access products and services? Are they directed to the right support for them?

We aim to create impact in these areas directly through our investments and partnerships, indirectly for the consumers they serve and in respect of the wider market and how it operates.

## We will measure this impact in three distinct ways

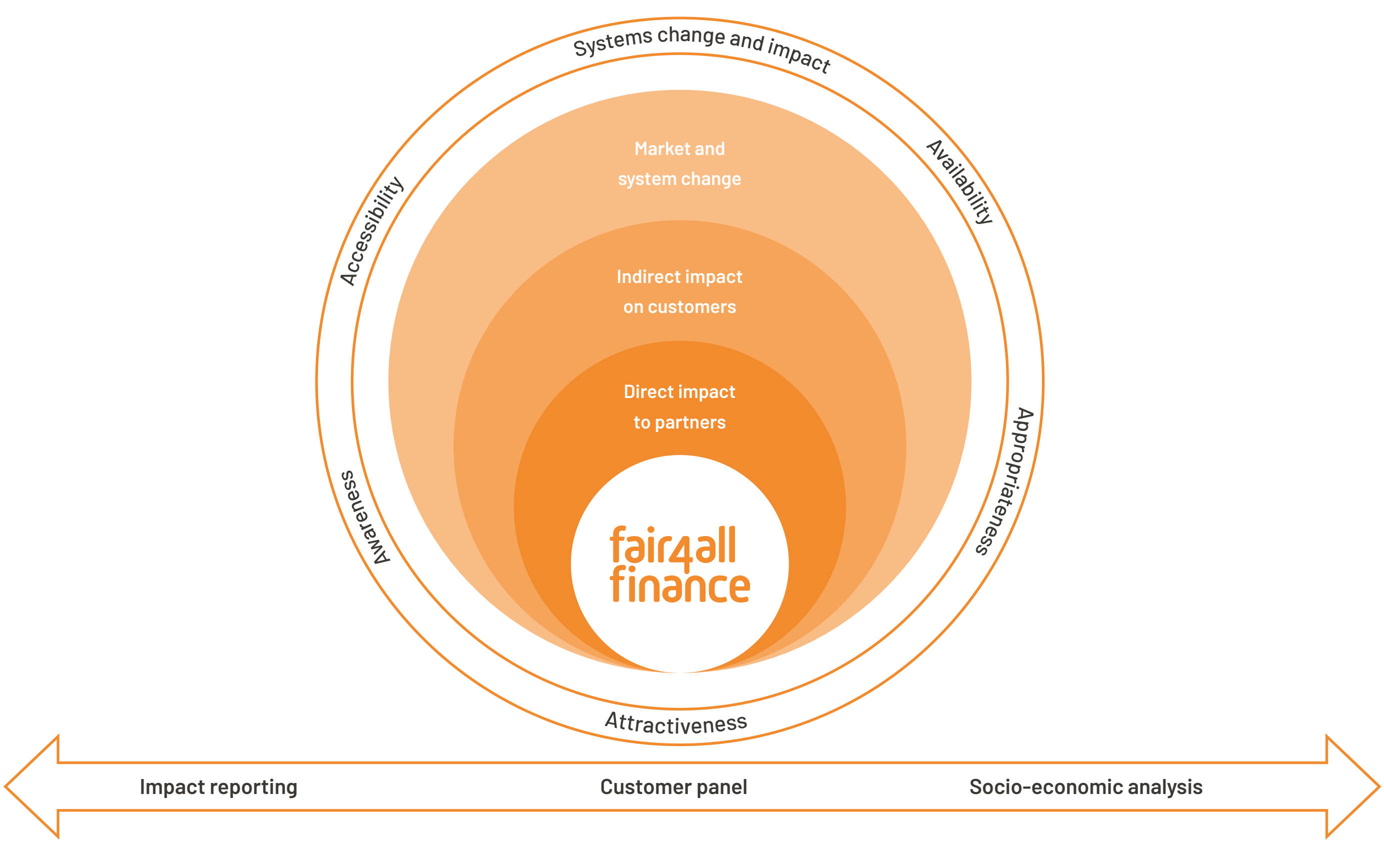
1 Our **impact reporting** which will measure the

- **direct impact** we have on partners via our investments and targeted engagement work
- **indirect impact** of our work on consumers (the customers of our partners)
- the **impact our work is having on the market** including our work with mainstream finance providers, policy makers and through our systems change activity

2 A **customer panel** including consumers from our partner (investee) companies and a control group

3 **Socio-economic analysis** to calculate the wider value of our interventions to improve financial inclusion across the UK

While we are not yet able to measure the impact fully in each of these areas, we are working on building our evidence base where gaps exist as set out below.



## 2021 impact in headlines

### Direct impact on investees

**Availability**

Our initial focus on affordable credit has committed £22.6m to scaling community finance providers, backing business plans projected to **triple the availability of affordable credit to approximately £900m by 2025**. These will require significant further investment, particularly lending capital as they scale. This year this has delivered targeted increases in provision where it is needed most:

- Fair for You, Moneyline and Salad increased their net loan books from £16m in 2020 to £24m in 2021
- In 2021, Fair for You issued over 43,000 new loans totaling c£12.7m. 100% of these loans were equal to or under £1,000, with an estimated 60% of these customers being lone parents with dependent children and 72% estimated to be social housing tenants
- In the first three quarters of 2021, 93% of loans from Moneyline were equal to or under £1,000, 39% were to lone parents with dependent children and 51% to social housing tenants

**Appropriateness**

A condition of all our investments is that providers demonstrate they are fulfilling the requirements of our Affordable Credit Code of Best Practice and that they sign up to an ongoing commitment to it.

Following the work with Fair for You to conduct detailed impact reporting, we are working with providers on a cost effective ongoing impact reporting framework for them. We will further develop our approach to monitoring adherence to the Code in 2022.

### Attractiveness and awareness

The key areas we wish to measure here are brand awareness, market share of organisations, the level of customer drop offs from initiation and levels of customer satisfaction. These are all indicators that providers are successfully delivering products and services that people will choose over other potentially detrimental options available to them.

We don't have all of those measures in place yet. However in 2022 we are conducting customer segmentation and brand awareness research to establish the baseline and working with organisations to further develop data on drop offs.

We know anecdotally that our investment in improved processes and digital access is already improving the attractiveness of the services of the providers we work with.

Our investee organisations have higher numbers of online customer reviews, better scores and better engagement when compared to other providers in the affordable credit sector (as seen on Trustpilot, Google review, Facebook and Smart Money People).

### Accessibility

We know from direct customer feedback that the providers we work with have designed their products and services based on a deep understanding of the circumstances that individuals face. This sets customers up to both succeed in securing appropriate products and also to get the intended benefits from using them.

To both measure the impact and codify what works to ensure that people in vulnerable circumstances can access products, we are starting research to explore different customer groups where we know there are potentially accessibility issues contributing to their financial exclusion.

The first area we are researching in depth is the financial exclusion of people from diverse ethnic communities. We plan that the insights from this research will help us set best practice in this area against which we can assess progress.

# Case studies

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### Indirect impact on consumers

As we do not serve consumers directly, our impact is through the work of organisations we invest in. We are supporting the development of impact reporting with them to give us robust data on the difference we are making to the lives of people in vulnerable circumstances through this route.

Most powerful are the stories of individuals as examples of the difference that well designed financial products and services can make to their lives:

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# Lee

## Single, on benefits as unable to work through ill health

Lee was diagnosed with bowel cancer three years ago. Suddenly unable to work and reliant on benefits for his income he found it hard to get a loan for a cooker when his broke during lockdown. Moneyline were able to help.

‘Even though I'd been with my bank a long time, unless you're working it's very difficult to get a loan. Going into lockdown, if I would not have been able to buy a cooker, I would have had to wait and maybe not pay other bills to get the money together to buy one. That on my mental health would have been horrendous.'

**‘Even though I'd been with my bank a long time, unless you're working it's very difficult to get a loan.'**

Lee is rebuilding his life after making a recovery and his new cooker helps him eat healthily. Being able to choose a fortnightly loan repayment with Moneyline is helping him manage his money and recently his mental health has ‘been in a better place than ever.'

# Mary

## Single Mum, previously reliant on high cost credit

Mary (not her real name) had previously borrowed from high cost lenders, leading to rent arrears and the threat of eviction. If she hadn't found Fair for You she would have struggled to keep feeding her children properly:

'I've got two sons that live with me and I wouldn't have been able to give them as much food. We would have had to ration our food and they wouldn't have been able to have anything special. We were even getting evicted from our house at one time because I just couldn't afford the loan repayments and the rent'

**'I've got two sons that live with me and I wouldn't have been able to give them as much food.'**

Mary has been able to get out of debt with the money she has saved by using Fair for You. She has greater control over her finances and is now able to pay her bills.

# Lisa

## Sister, struggling to pay for her brother's funeral

Lisa was struggling pay for her brother's funeral after he had sadly taken his own life. She was facing a pauper's funeral where no one could attend.

Lisa and her brother lost both their parents when they were younger, which had a huge impact. Lisa got into a lot of debt as a result and was just getting her life back on track.

She had scrimped some funds together but it wasn't enough. And because of her previously damaged credit score, she thought there was nowhere else to turn.

**'The credit union was like my guardian angel. I was in tears knowing I could say goodbye to my brother.'**

Luckily a friend recommended South Manchester Credit Union who were able to help Lisa with a no interest loan, as part of the pilot we're running. This meant she was able to afford a proper funeral for her brother and still keep on track with paying off her previous debts.

'The credit union was like my guardian angel. I was in tears knowing I could say goodbye to my brother.'

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## Indirect impact on the wider market

This area is the hardest to measure quantitatively. Instead, we have set out our longer term goals for what we believe a well functioning market looks like and we will be reporting qualitatively on the work we are doing and the indications that progress is being made in respect of the following goals:

- Financial inclusion remains integrated into mainstream government policy agendas
- Financial services will be better regulated to support those in vulnerable financial circumstances – supporting a nimble, responsive sector with a focus on financial inclusion
- Financial services is led by a new generation of innovative, compassionate, skilled and authentic leaders
- Financial services complete the shift from serving shareholders to serving all stakeholders
- Sector wide, sustainable processes, capital and subsidy mechanisms are in place to address market gaps and serve vulnerable groups

Early in 2021 we were delighted to see our recommendations being reflected in the Woolard Review - a review of change and innovation in the unsecured credit market. While progress is slower than we would like we are continuing to work with others in taking those recommendations forward.

We made recommendations to consultations on the Consumer Duty and Future Financial Services Regulatory Framework to ensure that an enabling environment is established for sustainable provision of financial services to people in vulnerable circumstances.

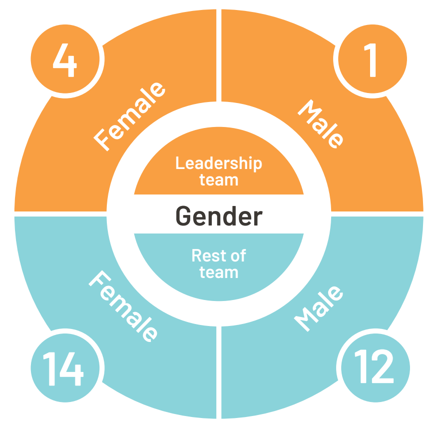
# Team and operations

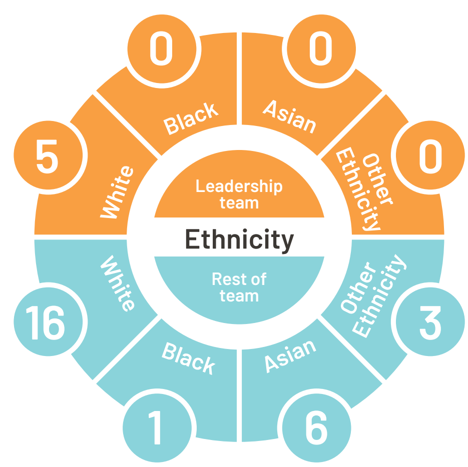
We have decided to keep our team small and focused, collaborating with others and procuring specialist support where appropriate on a programme by programme basis.

We started 2021 with a team of 12 and we've attracted and brought onboard some great talent to grow the team. Working in a hybrid way has enabled us to hire people from across the UK, bringing richer connection to the communities we ultimately seek to impact.

We remain committed to being a diverse organisation that is representative of the people and communities we serve. We have sought to build an increasingly diverse team, using the BeApplied platform across our recruitment which reduces unconscious bias from the hiring process and instead focuses on alignment to our purpose, skills and lived experience.

By the end of 2021 our team had 31 people as follows:




We are also committed to ensuring our work reflects and amplifies a diverse set of voices, including consciously involving experts with experience in the design of our research programmes.

We include below data on our pay ratio, gender pay gap and our diversity pay gap.

## Our overall pay ratio (between CEO and most junior team member)

| Pay Ratio |
|---|
| 6.5:1 |

## Our average gender and ethnicity pay gaps

| | Gender pay gap (mean) | | Ethnicity pay gap (mean) | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Including CEO** | | | | |
| Manager and above | (21%) | (21%) | 26% | 34% |
| Below manager | (8%) | 0% | 8% | 0% |
| **Excluding CEO** | | | | |
| Manager and above women | (8%) | 0% | 20% | 23% |
| Below manager | (8%) | 0% | 8% | 0% |
| () means in favour of women | | | | |

## Operational costs

Our operational costs increased from £0.7m to £0.9m and stayed within our target of under 10% of our total annual deployment of funds.

## Future funding

Our work to date has shown the value of catalytic funding to support scaling well designed products and services to increase the financial wellbeing of people in vulnerable circumstances.

The evidence shows the close link between financial wellbeing and people's ability to participate in society and contribute to the economy[1]. The scale of the challenge means that to deliver on our mission we will need to secure further funding.

We were delighted to see the expansion of the Dormant Assets Bill receive Royal Assent and that ministers confirmed that the existing causes, including financial inclusion, remain at the heart of the consultation.

Too many initiatives that have set out to deliver sustainable long term change have foundered through failure to secure ongoing funding. Our indicative assessment of what it will take to deliver our longer term mission is in excess of an additional £200m and we will use our best efforts to secure funding to enable us to deliver on this.

[1] Centre for Economics and Business Research (2018), Financial wellbeing and productivity: A study into the financial wellbeing of UK employees and its impact on productivity; Baker Tilly (2014), Transforming Lives: a review of the social impact of debt advice; Facts and statistics from the Money and Mental Health Policy Institute

## 2022 outlook

Financial exclusion and low financial resilience remain key barriers to people playing a full part in their communities. As the country looks to recover post pandemic the need for a financial system that is truly inclusive of all potential customers is more important than ever.

We've set ambitious goals for 2022 in line with our longer term strategic priorities

| | Goals | Measures |
|---|---|---|
| **Expand affordable credit provision** | • Sustain and grow provision of affordable credit delivered by community finance providers<br>• Develop and prove efficient operating models with focus on customer acquisition and loan management systems | • Adding £70m affordable credit provision for our customer base<br>• New models established, adopted and demonstrating early benefits |
| **Partner with mainstream finance** | • Deliver funding from banks to the community finance sector<br>• Gain commitment from pioneer banks to serve this customer group<br>• Complete key research pieces to delineate gaps and influence policy and regulation | • Adding £70m affordable credit provision for our customer base<br>• New models established, adopted and demonstrating early benefits |
| **Address market gaps** | • Deliver No Interest Loan Scheme pilot<br>• Deliver agile investments to address market/product gaps<br>• Complete customer segmentation research | • NILS on track (#lenders, #loans) £10m deployed on new pilots<br>• Customer segmentation used as an industry reference point |

## Key risks and mitigating controls

We regularly review our strategic and operational risks and our top three risks and associated mitigating actions remain the same as in 2021:

| Relevance | Impact delivery | Reputation |
|---|---|---|
| Risk:<br>We have the wrong strategy. It becomes irrelevant or can't flex to sudden change in the market | Risk:<br>We fail to create impact through failure to prioritise appropriately or fully understand | Risk:<br>Loss of confidence from key stakeholders due to adverse publicity from our actions or communications |
| **We will:**<br>Regularly review our strategy in the context of the environment | **We will:**<br>Conduct systemic evaluations of our impact | **We will:**<br>Have open and transparent engagement and seek regular feedback |

## Key uncertainties

The wider economic environment has deteriorated significantly since we were established in 2019, reflecting the ongoing impacts of the Covid-19 pandemic, global trading uncertainties and latterly the knock on impacts of the Russian invasion of Ukraine. The sharp rise in the price of essentials like fuel, energy and food is driving a growing cost of living crisis.

The combination of these factors has placed significantly more people into financially vulnerable circumstances and also created challenges for the financial institutions that serve them.

The key uncertainties which present both challenges and opportunities in the delivery of our overall goals are:

**Scale of the issues increases our need for future funding**

We were set up in 2019. Since then the scale of the issue has increased. This means that our need for future funding has also increased. Securing this additional funding will be key to fully achieving our mission

**Provider resilience and market fractures**

How regulators will focus to create an environment to enable growth and innovation from responsible providers

**Investor appetite**

The propensity of other investors, including mainstream providers, to invest in this marketplace given the unpredictable nature of this market and the difficulty in making a risk weighted return

fair4all finance

## Summary

We have shown the power of catalytic investment in scaling provision of affordable credit on people's lives. We're building evidence to prove sustainable business models for this customer group.

Our research is providing deep insight into customer needs and the root causes of financial exclusion to inform great product design.

We're also establishing where longer term subsidy may be needed to serve particular customer groups and the societal and economic benefit of doing so.

All of our work is in collaboration with others. We remain grateful for their generosity and insight in working with us.

Together we are focused on the vital changes to ensure that those in vulnerable circumstances have access to fair and appropriate financial products and services, to provide the stepping stone to financial resilience.

Sacha Romanovitch

**Sacha Romanovitch** OBE
CEO

# Governance report

# Governance report

fair4all finance

## Governance structure including the role of The Oversight Trust

The Board of Fair4All Finance is responsible for the governance of the company including strategy, risk management, policies and procedures, day to day operations and ensuring that its funds and resources are at all times applied in a manner that is compatible with its obligations.

Fair4All Finance is funded from the England portion of funds for financial inclusion under the Dormant Bank and Building Society Accounts Act 2008. This funding is distributed via the National Lottery Community Fund (NLCF) under a funding agreement.

The Oversight Trust – Assets for the Common Good (The Oversight Trust) is the sole member of Fair4All Finance and a governance agreement is in place. The Oversight Trust's aim is to ensure that Fair4All Finance remains true to our objectives and in particular to:

- ensure that we are well governed
- ensure that our strategic plans are in accordance with our objects
- review achievement of social impact
- review transparency of financial and impact reporting
- ensure that any proposed changes to our objects are appropriate
- provide guidance and advice if appropriate and practicable, or as requested

A governance agreement between Fair4All Finance and The Oversight Trust sets out the key processes and powers that enable these responsibilities to be fulfilled. Fair4All Finance reports regularly to The Oversight Trust on its financial performance, investments and impact as well as Board and senior manager appointments. The Oversight Trust is not involved in making investment decisions or other operational issues.

## Principal risks and uncertainties

Our overall approach to risk management is in line with best practice with clear 'lines of defence' established including the Board and the Audit and Risk Committee that, among other things, are responsible for ensuring a robust risk management framework is in place and operating effectively.

This seeks to ensure that we embed a positive risk culture, supported by robust processes to help us to make well considered decisions in delivering on our vision and mission.

| | | |
|---|---|---|
| **Governance and culture** | Establishes operating structure, defines culture, demonstrates commitment to values | |
| **Strategy and objective setting** | Sets business strategy, objectives, risk appetite and levels | |
| **Risk identification and assessment** | **Risk analysis**<br>Risk identification<br>Risk description<br>Risk estimation | Risk evaluation |
| **Risk response** | Avoid, accept, reduce, share | |
| **Control activities** | | |
| **Information and communication** | | |
| **Review and monitoring** | | |

## Statement of risk appetite

**We exist because the current financial services system has failed to deliver material improvements to increase the financial resilience and wellbeing of people in vulnerable circumstances. We have been funded through Dormant Assets and have a duty to ensure we use our funding to deliver impact and be scrupulous in how we conduct ourselves.**

**We will be bold in pursuing sound opportunities to transform the market**, after appropriate due diligence and risk mitigation. We may invest in organisations at an early stage in their growth journey. We may also invest in novel solutions that may not ultimately prove successful, taking managed and proportionate risks.

**We will apply high standards of propriety** as set out in the Seven Principles of Public Life, including impartiality and due process in procurement and grant awards, and incorporated into everything we do.

We will establish ourselves as an **exemplar of best practice in regulatory and compliance** and minimise risk in these areas for ourselves and our investees.

## The Board

The Board of Directors of Fair4All Finance is responsible for the governance and oversight of the company. The Board comprises ten non-executive directors and two executive directors and reflects the purpose of the company through financial and social sector expertise. All Board members have signed up to The Seven Principles of Public Life.

The Board meets regularly and is committed to undertake regular reviews of its effectiveness, including the Senior Independent Director, Sir Leigh Lewis KCB, feeding back on the Chair's performance. Fair4All Finance has three Board Committees which also meet regularly:

### Finance, Investment and Grants Committee

Chaired in 2021 by Richard Collier-Keywood OBE, this committee is responsible for providing oversight and considering all issues related to the financial, grant and investment performance, strategy, policies, and processes of the Company along with its compliance with all regulatory requirements. All investments require approval by the Board based on the recommendations from the Committee. Jennifer Rademaker took over as Chair of this Committee in February 2022.

### Culture, Talent and Remuneration Committee

Chaired by Joanna Elson CBE, this committee leads the process for Board appointments, CEO succession, remuneration and makes recommendations to the Board for approval. In addition, the Committee has responsibility for monitoring the activities of, and providing advice to, the executive team on issues related to the culture and the people strategy of Fair4All Finance including diversity, equity and inclusion.

### Audit and Risk Committee

Chaired by Sir Leigh Lewis KCB, this committee is responsible for overseeing management processes and other arrangements to ensure the appropriateness and effectiveness of systems and controls, including risk management. The Committee is also responsible for reviewing the Company's Annual Report and Accounts and making recommendations to the Board in respect of their approval.

## Our Board

We are fortunate to have a Board with a breadth and depth of skills and experience:

### Non-executive directors

**Richard Collier-Keywood OBE, Chair**

Previously Global Vice Chairman at PwC, Richard was working with DCMS on financial inclusion in an advisory capacity from 2018 to March 2021. He is currently Chair of a number of companies, charities and social enterprises, including the School for Social Entrepreneurs, Big Education, New Forest Care and is the Chair of the finance committee of the Women of the World Foundation, CoGo and St George's House in Windsor Castle. A full list of Richard's roles can be seen on our website.

**Sir Leigh Lewis KCB, Senior Independent Director**

Sir Leigh spent 37 years as a civil servant, latterly as Permanent Secretary at the Department for Work and Pensions from 2005 to 2010. He is also Vice Chair of the Holocaust Memorial Day Trust and a visiting fellow at Greenwich University Business School.

**Mike Anderson**

Mike had a 34 year career in the financial services sector, 26 years of which were with the HSBC Group where he held various senior leadership positions, including Global Head of Asset & Liability Management, Group CFO roles and Secretary to the HSBC Group Risk Committee. Mike is currently a Trustee and Treasurer of The Papworth Trust.

**Faith Reynolds**

Faith is a consumer finance expert and employed as Consumer Lead at Amplified Global. She is a non-executive director at the Payment Systems Regulator and until recently was the Independent Consumer Representative on the Open Banking Implementation Entity Steering Group. She is also a non-executive director for the Current Account Switch Service and was previously a member of the FCA's Financial Services Consumer Panel, as the lead for technology and innovation.

### Joanna Elson CBE

Joanna is Chief Executive of the Money Advice Trust and was previously Executive Director at the British Bankers' Association. She is also a director of UK Finance representing vulnerable consumers, Chair of the Advisory Panel at Birmingham University's Centre on Household Assets and Savings Management and Vice Chair of the Friends Provident Foundation and a Chartered Director.

### Fozia Irfan OBE

Fozia is Director of Children and Young People at Children in Need, a Churchill Fellow and a Leadership Fellow at St Georges, Windsor. Fozia was also a trustee of the Association of Charitable Foundations and is an advisor to the International Public Policy Observatory and is a visiting Lecturer at Bayes Business School.

### Ria Bailes

Ria has worked in and around social housing for 14 years and has led numerous organisation wide change and growth programmes. Ria has a breadth of experience leading human resources, corporate communications, training, community engagement and social mobility teams. She is also Co-Chair of the National Housing Federation's diversity, equality and inclusion group.

### Ingrid Kukuljan

Ingrid has a long career in the financial sector and a wealth of experience across asset management, capital markets and venture capital. She is currently Head of Impact at Federated Hermes.

### Jennifer Rademaker

Jennifer leads Global Customer Delivery at Mastercard. She brings over 30 years of financial services experience, including leading financial inclusion initiatives at scale in developed and developing markets. Jennifer is also committed to an inclusive workforce and has been recognised for her advocacy in advancing women, ethnic minorities and the LGBT community. Jennifer is the Chair of Fine Cell Work, and a non-executive director at ICM Mobility Group and Snapper.

### James Invine

James is a sell-side equity analyst at Societe Generale. His focus is the banking sector and its various commercial, regulatory and macroeconomic drivers. He is also a trustee at The Limehouse Project and a non-executive director of Thrive Homes, a housing association.

## Executive directors

### Sacha Romanovitch OBE, CEO

Sacha has a background in driving purpose led change in business through her previous roles as CEO at Grant Thornton and Chair of Access Accountancy. She has extensive experience of working with businesses, government and civil society to address key systemic issues. Sacha is on the Levelling Up Advisory Council and is also a non-executive Director at Leapfrog Investments.

### Linda Stevens, Company Secretary

Linda worked with PwC for 27 years and has extensive experience of leading and working with dynamic, complex and diverse leadership teams, developing strategies for successful business performance. A chartered accountant and chartered tax professional with an MBA, Linda is also a Parish Councillor and a Trustee for St Michaels Hospice, Hastings and Rother.

**As a Board we are conscious that we have responsibilities across four domains:**

- Governance – ensuring that the Executive make the highest quality decisions and investments in accordance with agreed processes
- Ambassadors – we represent Fair4All Finance in all that we do
- Experts – in our respective areas of expertise we bring experience, knowledge and an external perspective to our decision making
- Critical friends – where appropriate we aim to provide real time support and constructive challenge to the Executive

The Board is committed to Fair4All Finance being a diverse organisation that is representative of the people and communities we serve. The Board believes that this begins with setting the tone from the top and strives to ensure that its members reflect diversity in its broadest sense across culture, demographics, skills, experiences, age and gender.

The Board believes that having access to a range of perspectives and evidenced based research is critical to support good decision making, strong business performance and sustainable social impact. All members of the Board have signed a diversity, equity and inclusion statement and have appointed one of its members, Fozia Irfan as the Diversity, Equity and Inclusion Sponsor.

## Board attendance record for 2021

| Meeting | Main Board | Finance, Investment and Grants Committee | Audit and Risk Committee | Culture, Talent and Remuneration Committee |
|---|---|---|---|---|
| **Number of meetings held** | 11 | 12 | 4 | 4 |
| **Non-executive directors** | | | | |
| Richard Collier-Keywood | 11 | 12 | - | - |
| Sir Leigh Lewis | 10 | - | 4 | - |
| Mike Anderson | 9 | - | 3 | 4 |
| Ria Bailes | 10 | - | - | 4 |
| Joanna Elson | 11 | - | - | 4 |
| Ingrid Kukuljan | 9 | 9 | - | - |
| Fozia Irfan | 7 | - | - | 3 |
| James Invine | 10 | 12 | 3 | - |
| Jennifer Rademaker | 11 | 11 | 4 | - |
| Faith Reynolds | 10 | - | 2 | 4 |
| **Executive directors** | | | | |
| Sacha Romanovitch | 11 | 11 | 4 | 3 |
| Linda Stevens | 11 | 11 | 4 | 4 |

## Report from Culture, Talent and Remuneration Committee

The Culture, Talent and Remuneration Committee met four times in 2021. The Committee has overseen the development of the culture and people strategy, including diversity and inclusion, and the resourcing strategy for ensuring that the company has access to the right skills and experience. The Committee has also overseen the remuneration policy and benefits package which supports Fair4All Finance being a financially inclusive employer.

Our approach to setting salaries reflects the fact that Fair4All Finance occupies a unique position bridging mainstream financial services and financial providers focused on serving people in vulnerable circumstances who are often community based and asset locked social enterprises.

The Culture, Talent and Remuneration Committee reviews our people related policies for their appropriateness in the context of our Governance Agreement. Specifically it sets the reward for the CEO and reviews reward for employees earning more than £60,000, reporting to the Board on its view of the appropriateness of the reward in the context of the reward policy. All other salaries are set by the CEO.

## Report from Finance, Investment and Grants Committee

The Finance, Grants and Investment Committee met twelve times in 2021. The Committee has overseen the budget and financial plan, established principles of investment, reviewed investment proposals for recommendation to the Board, monitored existing investments and undertaken reviews of market sectors for potential future investments.

## Report from Audit and Risk Committee

The Audit and Risk Committee met four times in 2021. The Committee's main areas of focus have been:

- The development and oversight of a comprehensive enterprise risk framework and risk register covering reputation, strategic, operational, financial and compliance risks

- Considering and making recommendations to the Board in respect of key areas of audit and accounting policy

- Reviewing key areas of internal process and controls

2021
**Richard Collier-Keywood** OBE
Chair

# Directors' report

# Directors' report

fair4all finance

**for the year ended 31 December 2021**

**The directors present their report and the audited financial statements for the year ended 31 December 2021.**

## Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Governance report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors

The directors who served during the year were:

Richard Collier-Keywood OBE, Chair
Sir Leigh Lewis KCB, Senior Independent Director
Mike Anderson
Ria Bailes
Joanna Elson CBE
James Invine
Fozia Irfan OBE
Ingrid Kukuljan
Jennifer Rademaker
Faith Reynolds
Sacha Romanovitch OBE, CEO
Linda Stevens, Company Secretary and Executive Director

## Disclosure of information to auditors

Each of the directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Auditors

The auditors, Buzzacott LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

## Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Board on 19 May 2022 and signed on its behalf.

**Sacha Romanovitch** OBE
CEO

**Richard Collier-Keywood** OBE
Chair

# Auditor's report

# Independent auditor's report

## to the member of Fair4All Finance Limited

### Opinion

We have audited the financial statements of Fair4All Finance Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit

## Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the sector in which it operates. We determined that the following laws and regulations were most significant: the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006

- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit and Risk Committee

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the design effectiveness of controls in place to prevent and detect fraud
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
- Challenging assumptions and judgements made by management in its significant accounting estimates
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations
- Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the relevant financial statement item to which they relate

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

**Edward Finch**
(Senior Statutory Auditor)
for and on behalf of
**Buzzacott LLP**
Statutory Auditor

130 Wood Street
London
EC2V 6DL
Date: 27 July 2022

# Statement of comprehensive income

## for the year ended 31 December 2021

| | Note | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|---|---|---|---|
| Grant recognised from National Lottery Community Fund distribution | 4 | 8,307,535 | 17,000,870 |
| Monies to fund investment activity | | (5,000,000) | (12,000,000) |
| Release from Capital Fund Reserve | 13 | 400,000 | - |
| **Gross surplus** | | **3,707,535** | **5,000,870** |
| Grants awarded | 18 | (1,378,356) | (3,658,828) |
| Programme delivery | | (1,360,071) | (839,589) |
| Other operating costs | | (864,708) | (695,258) |
| **Operating profit/(loss)** | | **104,400** | **(192,805)** |
| Impairment of Fixed Asset investment | | (400,000) | - |
| Income from unlisted investments | | 284,929 | 147,055 |
| Bank interest receivable and similar income | | 9,299 | 79,424 |
| **(Deficit)/surplus before tax** | | **(1,372)** | **33,674** |
| Taxation | 6 | 1,372 | (36,470) |
| **Result after tax for the financial year** | | **-** | **(2,796)** |
| **Other comprehensive income for the year** | | | |
| Monies transferred to Capital Fund Reserve | 13 | 5,000,000 | 12,000,000 |
| Monies released from Capital Fund Reserve | | (400,000) | |
| **Total comprehensive income for the year** | | **4,600,000** | **11,997,204** |

The notes on pages 59 to 77 form part of these financial statements.

# Balance sheet

## as at 31 December 2021

| | Note | 2021<br>£ | 2020<br>£ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 7 | 68,340 | 47,046 |
| Investments | 8 | 12,450,000 | 7,350,000 |
| | | **12,518,340** | **7,397,046** |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 9 | 246,291 | 207,646 |
| Cash at bank and in hand | 10 | 29,616,292 | 18,328,389 |
| | | **29,862,583** | **18,536,035** |
| Creditors: amounts falling due within one year | 11 | **(25,456,988)** | **(13,453,081)** |
| **Net current assets** | | **4,405,595** | **5,082,954** |
| **Total assets less current liabilities** | | 16,923,935 | 12,480,000 |
| Creditors: amounts falling due after more than one year | 12 | (323,935) | (480,000) |
| **Net assets** | | **16,600,000** | **12,000,000** |
| **Capital and reserves** | | | |
| Capital fund reserve | 13 | **16,600,000** | **12,000,000** |

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 19 May 2022.

**Sacha Romanovitch** OBE
CEO

**Richard Collier-Keywood** OBE
Chair

The notes on pages 59 to 77 form part of these financial statements.

# Statement of cash flows

### for the year ended 31 December 2021

| | Note | 2021<br>£ | 2020<br>£ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the financial year | | - | (2,796) |
| **Adjustments for:** | | | |
| Depreciation of tangible assets | | 17,833 | 10,065 |
| Interest received | | (277,111) | (226,479) |
| Taxation charge | | (1,372) | 36,470 |
| (Increase) in debtors | | (38,641) | (154,152) |
| Increase/(decrease) in creditors | | 11,884,309 | (16,950,900) |
| Transfer from deferred income to capital reserve for investment commitments | | 5,000,000 | 12,000,000 |
| Corporation tax (paid) | | (35,098) | (656) |
| **Net cash generated from operating activities** | | **16,549,920** | **(5,288,448)** |
| **Cash flows arising from investing activities** | | | |
| Purchase of tangible fixed assets | 7 | (39,128) | (49,546) |
| Purchase of unlisted and other investments | 8 | (5,500,000) | (7,350,000) |
| Interest received | | 9,299 | 79,423 |
| Income from investments | | 267,812 | 147,055 |
| **Net cash outflow for investing activities** | | **(5,262,017)** | **(7,173,068)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **11,287,903** | **(12,461,516)** |
| Cash and cash equivalents at beginning of year | | 18,328,389 | 30,789,905 |
| **Cash and cash equivalents at the end of year** | | **29,616,292** | **18,328,389** |
| **Cash and cash equivalents at the end of year comprise:** | | | |
| Cash at bank and in hand | | 29,616,292 | 18,328,389 |
| | | 29,616,292 | 18,328,389 |

The notes on pages 59 to 77 form part of these financial statements.

# Notes to the financial statements

# Notes to the financial statements

**for the year ended 31 December 2021**

## 1 General information

Fair4All Finance Limited is a not for profit company, limited by guarantee registered in England and Wales, registration number 11810533. The principal place of business is 2nd Floor, 28 Commercial Street, London, E1 6LS.

The principal activity is to increase the financial wellbeing and resilience of people in vulnerable circumstances in society by increasing access to fair, affordable and appropriate financial products and services. We are a public benefit entity as our primary objective is to deliver social benefit and any equity or funding is provided to us with a view to supporting this primary objective rather than with a view to providing a financial return to stakeholders

The presentational and reporting currency is GBP.

## 2 Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost model unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least one year from the date of the approval of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## 2.3 Oprating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss, after taking into account the effect of lease incentives, on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

## 2.4 Interest income

The company recognises interest income on an accruals basis in line with the coupon rate agreed for each debt instrument.

## 2.5 Income – funding allocations from Dormant Assets

The company's principal source of funding comprises monies released from dormant accounts under the Dormant Bank and Building Society Accounts Act 2008. The body that manages these funds is the Reclaim Fund Limited. Funds are transferred from the Reclaim Fund Limited to the National Lottery Community Fund (NLCF) for onward distribution to Fair4All Finance, under direction of the Secretary of State at the Department for Digital, Culture Media and Sport, in line with a grant agreement dated 11 December 2019.All income distributed by NLCF is therefore categorised as restricted, as is any additional income arising from balances held.

Amounts are drawn down periodically based on requests to the NLCF to support cash requirements for the subsequent period. As the funding is provided to support activity it is initially recognised as deferred income in the balance sheet and taken to the statement of comprehensive income in the period in which it is used. The income is conditional on it being used to fund expenditure furthering the social purposes to increase the financial resilience of people in vulnerable circumstances by increasing access to fair, affordable and appropriate financial products and services.

Where monies are legally committed for investments, this is shown on the face of the Statement of Comprehensive Income and then transferred to a separate Capital Fund Reserve to recognise the balance sheet nature of the transaction. The company shows funds relating to investments as Other Comprehensive income in order to appropriately reflect the underlying substance of such transactions.

## 2.6 Pensions

### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

## 2.7 Taxation

Tax is recognised in the Statement of Comprehensive Income except that a charge attributable to an item of income and expense recognised as other comprehensive income is also recognised in other comprehensive income or directly in equity respectively.

The tax assessed for the period is calculated, ie on the basis that the company is operating without a view to make a profit and so is only subject to corporation tax on its investment income and non-trading relationships, less any assigned management expenses.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## 2.8 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

- Long-term leasehold property
  – 20% per annum based on the life of the lease
- Office equipment
  – 25% per annum based on cost
- Computer equipment
  – 25% per annum based on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

## 2.9 Financial Instruments including fixed asset investments

Our fixed asset investments are financial instruments that are not publicly traded. The contractual terms of our investments include linking the return to the social impact achieved, which per 11.9A of FRS102 introduces exposure to risks or volatility unrelated to the instrument itself. This therefore means that our investments are not deemed to be 'basic' financial instruments and are accounted for under section 12 of FRS 102.

### Valuation of investments

The company only holds investments in unlisted organisations with no reliably determined market value. Investments are therefore stated at historic cost less impairment with any impairment recognised in the statement of comprehensive income for the period. Our criteria for considering impairment is based on the guidance on the relevant indicators of impairment as set out in 11.22 FRS102:

a significant financial difficulty of the issuer or obligor

b a breach of contract, such as default or delinquency in interest or principal payments

c the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession the creditor wouldn't otherwise consider

d it has become probable that the debtor will enter bankruptcy or other financial reorganisation

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

The Company also enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

## 2.10 Debtors

Debtors receivable within one year are recorded at transaction value. Prepayments are valued at the amount prepaid.

## 2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions on a short term basis with maturity of two months or less.

## 2.12 Creditors

Creditors and provisions are recognised when there is an obligation at the balance sheet date due to a past event, it is probable that a transfer of economic benefit will be required to settle it and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the company anticipates it will pay to settle the debt.

Deferred income is solely restricted monies distributed via the National Lottery Community Fund, held for the purpose of increasing the financial wellbeing and resilience of people in vulnerable circumstances by increasing access to fair, affordable and appropriate financial products and services, and by analysing, promoting and developing inclusive financial services. Expenditure due in greater than one year relates solely to commitments associated with our leasehold property.

## 2.13 Capital fund reserve

Where monies are committed for investments, this is shown on the face of the Statement of Comprehensive income and then transferred to a separate Capital Fund Reserve to recognise the balance sheet nature of the transaction. This includes monies relating to investments where there is a binding legal commitment albeit subject to further conditions and where monies have not yet been drawn by the recipient organisation.

# 3 Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements have been made are:

- The deferral of a portion of funding income received to future periods
- The impairment of investments

## 4 Grant recognised from National Lottery Community Fund distribution

| | 2021 | 2020 |
|---|---|---|
| Receipt of funds from National Lottery Community Fund during the year | 20,051,762 | - |
| Transfer of funds to Deferred income | (11,744,227) | - |
| Grant recognised from National Lottery Community Fund distribution | 8,307,535 | 17,000,870 |

## 5 Employees

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Salaries | 1,222,089 | 562,605 |
| Social security costs | 127,759 | 57,053 |
| Other pension costs | 81,825 | 9,989 |
| | **1,431,673** | **629,647** |

The average monthly number of total employees, including both executive and non-executive directors, during the year was as follows:

| | 2021<br>No. | 2020<br>No. |
|---|---|---|
| Executive and non-executive directors | 12 | 12 |
| Programme/ Operations | 20 | 6 |
| | **32** | **18** |

## Non-executives

The remuneration for the Chair of the Company is set at £12,000 per annum and the non-executive directors of the Company is set at £6,000 per annum. The Chair and two of the non-executives have waived their remuneration. The aggregate value of emoluments paid to the non-executive directors in the period was £42,000.

## Executives

The total cost of employment of the key management team members for the period (including employer's national insurance and pension contributions) was £623,125 (2020: £385,471). Those defined as key management team members of the Company include the CEO, the Company Secretary and employees earning more than £60,000 per annum.

In the year to 31 December 2021, six individuals received more than £60,000 in remuneration. On an annualised basis the salary bands for employees paid over £60,000 are as follows:

Highest paid employee £150,000 (2020 £145,000)

| | 2021 | 2020 |
|---|---|---|
| £110,000 - £150,000 | 1 | 1 |
| £100,000 - £110,000 | 1 | 0 |
| £90,000 - £100,000 | 0 | 1 |
| £80,000 - £90,000 | 1 | 1 |
| £70,000 - £80,000 | 2 | 1 |
| £60,000 - £70,000 | 1 | 0 |

On an annualised basis our key ratios are as follows: highest salary of £150,000 (2020: £145,000) to our median salary £44,000 (2020: £56,405) is 3.41x (2020: 2.57x). This calculation excludes the non- executive directors.

The lowest salary represents 0.52x the median salary (2020: 0.58x). This calculation excludes non- executive directors.

## Pay principles

Our pay principles are set in the context of our purpose, strategy, values and culture:

### Fair

- equal pay for equal work
- appropriate to the role level, discipline and experience of the individual
- consistent with our market informed pay ranges

### Clear

- individual role pay range benchmarked to individual factors (knowledge, skills and values, experience) and external organisational factors
- how and when pay adjustments are made
- policies for promotions, moves to another role within the same band and short- term assignments such as secondments.

### Appropriate

- reflective of a good financially inclusive employer
- market informed pay ranges
- value for money

## How we decide how much to pay our people

Our approach to setting salaries reflects the fact that Fair4All Finance occupies a unique position bridging mainstream financial services and financial providers focused on serving people in vulnerable circumstances which are often community based and asset locked social enterprises. This means that the CEO and other members of the senior team require a breadth and depth of expertise which requires drawing from the best senior level talent in a competitive market.

To deliver on our strategy with a small team it is key that we can recruit high calibre people with relevant experience of financial services and the social sector. We believe in rewarding people fairly for the roles that they do and in creating a positive working environment.

We want to ensure that our pay strategy does not significantly restrict the availability of specific high level skilled candidates for key professional roles. These include operations, finance, investment management and technology. We therefore use a combined approach and, where relevant, review the lower quartile finance and banking salaries and the salaries of large charities.

We accept that salaries will always be significant when it comes to attracting new talent. Although most candidates understand that salaries will be lower in the social sector, there are still expectations that pay should reflect the responsibilities of the role and the skills and knowledge that they bring. We also need to ensure we don't create an insurmountable barrier for people moving from the private to the social sector that makes it impossible to attract people with the necessary skills for the delivery of our strategy.

We set our salary bands to be in the bottom quartile in mainstream financial services in direct comparator roles and against the large charities range in the social sector. Fair4All Finance is working towards formal accreditation as a Real Living Wage-accredited employer, meaning that all our people and contractors are paid at least the Real Living Wage/London Living Wage.

We do not apply any form of performance-related pay, nor do we have a bonus scheme. For anyone on a salary of more than £60,000 the absence of performance related pay and a bonus scheme is a requirement of our Governance Agreement with The Oversight Trust.

The CEO and Director of Operations review salaries and benefits annually with a half year anomaly review. The Culture, Talent and Remuneration Committee review the policies for their appropriateness in the context of our Governance Agreement. They review the reward for the CEO and employees earning more than £60,000 and report to the Board on their view of the appropriateness of the reward in the context of the reward policy. All other salaries are set by the CEO.

All employees are entitled to participate in a stakeholder pension scheme where employee contributions are matched 2:1, which for 2021 was set at a maximum 12% employer contribution and 6% employee contribution. This enables employees to save for their future at appropriate rates.

We also launched a health cash plan scheme in April 2021 which provides the team with cover to claim back routine medical, dental and wellbeing expenses, up to a set limit.

## 6 Taxation

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| **Corporation tax** | | |
| Current tax for the year | **(1,372)** | **36,470** |

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

| | 2021 | 2020 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | (1,372) | 33,674 |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | (261) | 6,398 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 627,164 | 36,633 |
| Adjustments to tax charge in respect of prior periods | (1,372) | - |
| Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment | (628,432) | - |
| Changes in provisions leading to an increase (decrease) in the tax charge | - | (6,561) |
| Other differences leading to an increase (decrease) in the tax charge | 1,529 | - |
| Total tax charge for the year | **(1,372)** | **36,470** |
| **Factors that may affect future tax charges** | | |
| There are no factors affecting future tax charges. | | |

## 7 Tangible fixed assets

| | Leasehold improvements £ | Office equipment £ | Computer equipment £ | Total £ |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2021 | 32,083 | 17,393 | 10,156 | 59,632 |
| Additions | - | 2,262 | 36,866 | 39,128 |
| At 31 December 2021 | 32,083 | 19,655 | 47,022 | 98,760 |
| **Depreciation** | | | | |
| At 1 January 2021 | 5,313 | 4,715 | 2,558 | 12,586 |
| Charge for the year | 6,417 | 4,004 | 7,413 | 17,834 |
| At 31 December 2021 | 11,730 | 8,719 | 9,971 | 30,420 |
| **Net book value** | | | | |
| At 31 December 2021 | 20,353 | 10,936 | 37,051 | 68,340 |
| At 31 December 2020 | 26,770 | 12,678 | 7,598 | 47,046 |

## 8 Fixed asset investments

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| **Cost or valuation** | | |
| At 1 January 2021 | 7,350,000 | - |
| Additions | 5,500,000 | 7,350,000 |
| Impairments | (400,000) | - |
| At 31 December 2021 | 12,450,000 | 7,350,000 |

All our investments are made with a view to generating social impact and supporting the creation of a sustainable market. They are made for the long term and include an impact adjusted return to reflect the inherent value of the social impact they generate.

East Lancashire Moneyline (IPS) is a leading CDFI serving customers in vulnerable financial circumstances. Fair4All Finance has made a significant equity investment to invest in its long term growth including providing leverage for debt finance for future lending growth.

Fair for You C.I.C. is a socially responsible rent-to-own provider, enabling customers to buy essential household items such as washing machines. Alongside grant-making trusts and foundations, Fair4All Finance has committed £5m to a £10m bond as long-term patient capital to fuel its lending growth.

Salad Finance Limited is a fast-growing affordable credit provider that uses Open Banking data, rather than traditional credit scores, to lend responsibly to public sector workers that might otherwise be reliant on unaffordable payday loans.

In assessing whether there has been an impairment we consider the likelihood of the organisation being able to fulfil the purpose for which it was made in light of information available to us at the balance sheet date alongside the impairment indicators set out in note 2.9. In this context we have made an impairment adjustment of £400,000 against the value of our investments. We do not consider any other impairment adjustments are required.

## 9 Debtors

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Other debtors | 53,496 | 53,496 |
| Prepayments and accrued income | 192,795 | 154,150 |
| | **246,291** | **207,646** |

## 10 Cash and cash equivalents

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Cash at bank and in hand | **29,616,292** | **18,328,389** |

## 11 Creditors: Amounts falling due within one year

| | 2021<br>£ | 2020<br>£ |
|---|---:|---:|
| Trade creditors | 36,298 | 6,309 |
| Corporation tax | - | 36,470 |
| Other taxation and social security | 55,409 | 26,580 |
| Other creditors | 15,783 | 3,268 |
| Accruals and deferred income | 25,349,498 | 13,380,454 |
| | **25,456,988** | **13,453,081** |

Included within accruals and deferred income is £25,193,778 (2020: £13,293,496) of deferred income.

Deferred income is solely restricted monies allocated from the Reclaim Fund Limited which are distributed by the National Lottery Community Fund, held for the purpose of increasing the financial wellbeing and resilience of people in society in vulnerable circumstances by increasing access to fair, affordable and appropriate financial products and services, and by analysing, promoting and developing inclusive financial services. The Company's funding is drawn on a basis to match the period of planned spend and investment. In order to leverage its funds, as intended by its strategy, funds are drawn and allocated to key market transformation activities to attract and secure commitments from other funders/investors as necessary to deliver the strategic goals.

## 12 Creditors: Amounts falling due after more than one year

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Accruals and deferred income | **323,935** | **480,000** |

## 13 Capital Fund Reserve

At 31 December 2021 the Company had Capital Fund Reserve as follows:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Commitments contracted for but not invested in this financial period | 4,150,000 | 4,650,000 |
| Funds deployed in investments | 12,850,000 | 7,350,000 |
| Release relating to impairments | (400,000) | - |
| **Total Capital Fund Reserve** | **16,600,000** | **12,000,000** |

The Capital Fund Reserve has been created in order to separate investment activity (both invested and committed) from programme and operating activities and reflect the balance sheet nature of the activity. This approach has been adopted to clearly separate the different tranches of draw down activity to better align with the nature of the business activity.

## 14 Share Capital

Fair4All Finance Limited has no share capital. The liability of members is limited by guarantee and does not exceed £1 per member.

## 15 Investment commitments

At 31 December 2021 the Company had investment commitments as follows:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Commitments contracted for but not invested in this financial period | **4,150,000** | **4,650,000** |

At the reporting date 31 December 2021, Fair4All Finance Limited is committed to investing a further bond of £2,650,000 to Fair for You C.I.C by 31 July 2022.

At the reporting date 31 December 2021, Fair4All Finance Limited is committed to investing further amounts of £1,500,000 to Salad Finance Limited.

In addition to the formal legal commitments recognised in the accounts, the Board has approved the allocation of further funds to specific organisations which are currently being progressed through the relevant legal processes. These additional obligations total £4,441,146, which, when taken in conjunction with other commitments, represent the cumulative direct allocation of funds to community finance providers of £26,478,330.

## 16 Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £81,825 (2020 £9,989). Contributions totaling £15,184 (2020 £2,695) were payable to the fund at the reporting date and are included in creditors.

## 17 Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | 2021<br>£ | 2020<br>£ |
|---|---|---|
| Not later than 1 year | 163,762 | 128,390 |
| Later than 1 year and not later than 5 years | 323,935 | 487,697 |
| | **487,697** | **577,756** |

## 18 Grants awarded

During the year ended 31 December 2021, £1,378,356 grants were made: £665,496 (2020: £463,158) to Scale Up Pilot organisations, in relation to our Affordable Credit Scale Up Pilot programme; £712,860 (2020: £3,195,670) to credit unions and Community Development Financial Institutions from our Covid-19 Resilience Fund.

| Covid-19 Resilience Fund grants paid in 2021 | £ |
|---|---|
| Castle and Crystal | 81,000 |
| Central Liverpool Credit Union | 100,000 |
| Clockwise Credit Union | 100,000 |
| East End Fair Finance | 100,000 |
| London Community Credit Union | 150,000 |
| Business support provided to a number of credit unions | 70,860 |
| Street UK | 111,000 |
| **Total** | **712,860** |

| Scale Up Pilot grants paid in 2021 | £ |
|---|---|
| East End Fair Finance | 25,000 |
| East Lancashire Moneyline | 370,000 |
| Enterprise Credit Union | 50,496 |
| Fair for You | 200,000 |
| Five Lamps | 20,000 |
| **Total** | **665,496** |

## 19 Related party transactions

There were no related party transactions in the period.

## 20 Controlling party

Fair4All Finance Limited's parent company and ultimate controlling party is The Oversight Trust - Assets for the Common Good, company no. 07611016.

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Company number: 11810533