

Update

As the cost of living bites there's no surprise that it's at the forefront of our minds – for customers and providers alike.

Households across the country face an income hit not seen in a generation and the situation for many of the people we're trying to help has worsened. [Increasing energy price caps](#) mean households need to find an extra £1,500 per year to cover the cost, and [Citizens Advice warn that food and fuel poverty has more than tripled in the space of a year](#). Add to that a reported [increase in the cost of living for 87% of UK adults](#), it paints a bleak picture for those most in need.

We also know many providers are struggling too with concerns over affordability of lending to customers in vulnerable circumstances, the increase in risk and potential for more defaults. Demand for financially inclusive products and services is rising at a time when responsible and legal routes to short term finance outside of the community finance sector are diminishing.

Yet as more people become financially squeezed it's clear that more long term funding is needed to tackle financial exclusion. We welcome recognition of this in the [recently launched consultation](#) on how the next £880m of Dormant Assets should be deployed and the Government's wish to continue focusing this funding on driving systems wide change. **If you agree that continuing to fund financial inclusion is incredibly important, we would appreciate your response to this consultation in support of this cause.** Further details are towards the end of this update.

Through collaboration with many of you our work is having an impact on the communities who need it most, right across the country. It's vital this work continues.

Headlines:

We've achieved a lot over the last six months and there's lots more to do. Highlights include:

- **Further investments from our Affordable Credit Scale Up Programme** with over 80% of available funds now deployed to community finance providers
- **Proof of concept for our no interest loan scheme pilot** up and running ahead of the wider pilot rollout in the autumn
- **Progressed several key pieces of research and sector support tools** with findings and outputs ready to be shared over the coming month

Read on for more details on these and other areas we've been focusing on as part of our priorities.

1 Expanding access to affordable credit

Since we started in 2019, the Covid-19 pandemic and ongoing cost of living squeeze have increased the number of people in vulnerable circumstances and the demand for fair and affordable credit. At the same time, the amount of legal borrowing options has dwindled as high-cost credit providers struggle or exit the market altogether. **The need to sustain and scale up the provision of affordable credit is more important than ever.**

Work continues on our [Affordable Credit Scale up Programme](#) and we recently announced a [new 1.63m investment into Bristol based Great Western Credit Union](#) who work across the South West region which will allow the team at Great Western Credit Union to continue to grow and help more people



We've now invested **more than £26.5m in 35 community finance providers** to sustain and grow the provision of affordable credit aimed at people in vulnerable circumstances. That's **over 80%** of the funds we earmarked for this work.

Innovation is key, and the organisations we've invested in continue to look for new ways to help the increasing number of people in vulnerable circumstances feeling the impact of the cost of living. For example [Fair for You have been trialling a partnership with Iceland to offer short-term microloans ranging from £25-£75](#) to help spread the cost of essential food shopping in the form of the Iceland Food Club. This allows people to buy in bulk and qualify for free delivery on shopping both of which help minimise costs on food.

Round-up:

- **Cost of living research and sector reporting:** We've funded research by the [University of Salford](#) into the impact of the cost of living squeeze on the community finance sector. We'll be sharing the findings at a webinar later in August along with the latest snapshot of the sector from organisations who participate in our quarterly reporting [Register for the webinar here](#)

Growing capability in the sector

- **Customer Segmentation:** We know how important it is that the right products and services are tailored to the right people. That's why we've been developing customer segments and profiles that will help build understanding of people in vulnerable circumstances across the whole financial services sector and allow providers to better shape their products and marketing strategies to the right audience.
- **£15 billion in unclaimed benefit entitlement annually – let's change that:** We're working with benefit calculator providers, including [Inbest](#), [Policy In Practice](#) and [EntitledTo](#), to make sure the community finance sector not only has benefit calculators featured on their websites (and effective signposting for customers) but also integrates these into key customer journeys such as member and loan application, declines process and arrears. For more information, best practice or tailored support get in touch with Senthan@fair4allfinance.org.uk
- **Investing in technology:** We're investing **£5 million** to develop new tech solutions for the sector. We've prioritised investing in Loan Management Systems to help community finance providers to better manage their customer data. We are in discussions with four technology suppliers as part of this investment and are supporting others who don't require the investment but want to work with community finance lenders. If you're interested in taking part, please email Jonathan@fair4allfinance.org.uk

- **Wider support for smaller credit unions – toolkits and learning:** Following your feedback, and building on our learnings from our Covid support measures, we're developing practical resources that can be quickly adapted to your organisation, including a Financial Reporting tool and a Strategic Business Planning template.
- **Social Impact Reporting:** This research aims to improve understanding of six credit unions impact on their customers and the wider Liverpool community and will support the participating organisations to build their internal systems for better customer data tracking. We'll be publishing our findings in Autumn.
- **Marketing Support:** We're working with a leading financial services marketing agency to improve the marketing capability across the sector. Many of the community finance providers we support have identified marketing as a priority area and we're putting in place support to develop that capability. We'll be sending out a survey to get a more in-depth picture of marketing capability across the sector. Your input will really help us understand the challenges you face. We're aiming to deliver our marketing toolkits and templates to providers in Q1 of next year.

Don't miss:



We'd love to see you at our cost of living webinar on 13 September. [You can register here.](#)

And if you'd like to be included in our next quarterly reporting on the community finance sector, please email Kayleigh@fair4allfinance.org.uk.

2 Partnering with mainstream finance

We know our funding alone isn't enough though, as demand increases due to the impact of the Covid-19 pandemic and the cost of living. **We're working with banks and mainstream providers** to deliver affordable funding to help community finance lenders access the capital needed to grow their loan books.

We continue to encourage other funders and stakeholders to join us in providing both short and long term funding to scale up the provision of affordable credit and help fill a growing gap and to create the conditions for banks to lend directly to community finance providers in future.

Round-up:

- **Funding community finance providers:** We're bringing together mainstream finance and the community finance sector and social providers to identify short and long term opportunities to increase investment in the sector in line with demand whilst identifying regulatory and other market constraints. This includes holding roundtable with leaders from across the industry with the aim of building a joint programme of activity to make affordable credit provision sustainable.
- **Establishing best practice across the banking sector:** We are also developing our thinking on how we encourage Financial Inclusion as part of the wider Environmental, Social and Corporate Governance (ESG) dialogue, paying particular attention to the 'Social' element. We'll have more to share on this in our next update.

- **1 in 4 households have no insurance:** We have been working closely with Aviva on a proposal to set up a 'Financial Inclusion in Insurance' Action Group with the aim of increasing the financial resilience and wellbeing of people in vulnerable circumstances through improving the availability of fair and accessible insurance products and services. The group will be convened by Fair4All Finance and will include key representatives from major insurers, brokers and price comparison sites. We're planning for the first meeting to take place in October. For more information please contact Jake@fair4allfinance.org.uk

3 Address market gaps

One of our priority areas is to identify and address any gaps in the market, and work with the community finance sector, finance providers and innovators to provide solutions that benefit customers in vulnerable circumstances.

SPOTLIGHT: No Interest Loan Scheme Pilot

We're making good progress on rolling out the UK wide No Interest Loan Scheme (NILS) pilot with [Fair By Design](#) and [Toynbee Hall](#).

We were delighted that [JPMorgan Chase](#) committed £1.2m to [expand the pilot](#) to more people in vulnerable circumstances and test the benefits of providing additional financial coaching support for some NILS customers.

Ahead of the full pilot starting in September, we've been running a small proof of concept pilot with [South Manchester Credit Union](#) which is providing us with some [valuable early learnings](#).

Early indications from the proof of concept suggest that by offering a way to spread essential or emergency costs NILS loans are providing a vital financial cushion for people unable to access or afford existing forms of credit, but who can afford to repay small sums

The full pilot, launching this autumn, will deliver support to people in financially vulnerable circumstances across the UK and test whether the scheme can be scaled to make resources go further to improve financial wellbeing

Millions more people became financially vulnerable during Covid and millions more are at risk because of the increasing cost of living, requiring urgent support – the pilot will target such people



We've had lots of interest in our NILS pilot since the publicity recently on [Moneybox](#) and other channels. There is scope for us to extend the pilot and if you're interested in delivering NILS as a pilot partner please get in touch with Kate Pender at kate@fair4allfinance.org.uk.

Round-up:

- **Consolidation Loans:** Our plans to pilot affordable consolidation lending are developing rapidly. Many lenders we've spoken to consider this an important product offering for the cost of living squeeze and we've received an additional £4m funding from Dormant Assets to use in this area. We're currently designing a partial bad debt guarantee to enable more of this lending to be piloted and we'd like to work with lenders on the delivery.
Interested in the pilot? Want more information? Email Vince@fair4allfinance.org.uk

4 Our Research

Round-up:

- **Covid-19 banking best practice:** We're researching the way that the retail banking sector responded to the challenges customers have faced during the pandemic, particularly in 2020. Much of the work banks did during this period was unprecedented and was a great help to customers during this difficult period. We want to understand this more to highlight successes and inform potential approaches to handling the current cost of living pressures. We'll publish our findings in the autumn so keep an eye out on our website and social media channels for more information.
For more information or to work with us on this research, contact Ayesha@fair4allfinance.org.uk
- **Increasing the financial inclusion of people from black, Asian and minority ethnic communities:** In partnership with [Esmée Fairbairn Foundation](#), [NatWest Group](#) and [StepChange](#), this research will fill current gaps in understanding and explore practical short, medium and long term solutions to current inequalities. We've completed the first part of this research and are convening a Practitioner Group from across the financial sector, including banks, regulators and money advice services that serve minority ethnic communities. The group will use these findings to turn recommendations into actionable solutions. We'll publish findings and more details on next steps later in the autumn.
For more information or to work with us on this research, contact Ayesha@fair4allfinance.org.uk
- **Illegal moneylending:** We're conducting new research to better understand the current illegal moneylending situation in the UK. This includes in person interactions and more recent developments that take place online. We'll do this by:
 - better understanding the lived experience from both a borrower and lender perspective
 - understanding the impact of UK regulatory changes on trajectory of illegal moneylending based on international experience, better understand the emergence of digital illegal lending.

We're currently speaking to borrowers and lenders across four locations in the UK (South London, Glasgow, Port Talbot, Preston) and look to highlight the current scale and future trajectory of illegal moneylending by the end of 2022.

- **Deductions Lending:** We've been working with the [Financial Inclusion Centre](#) to research into lending where repayments are deducted at source from people's salary or benefits. This is to better understand the impact of these lending models on customers and lenders, and to establish good practice in their delivery to maximise benefits and mitigate any potential risks. We're working with seven credit unions on this and analysed lender data along with a wide ranging survey, interviews with borrowers and further insight from the lenders themselves and other stakeholders. Huge thanks to everyone who has been involved so far. We plan to publish our full findings in autumn.

In other news – Dormant assets consultation

We were pleased to see the [Government's consultation](#) on how the next £880m of Dormant Assets should be deployed open recently. This consultation is a [key opportunity in the fight against financial exclusion](#), which as you know is an ongoing and growing problem for millions of families across the country.

The consultation is [open to all interested parties](#) for 12 weeks and runs until Sunday 9 October.

In July we hosted our **Tackling financial exclusion through Dormant Assets** parliamentary event (pictured above) and were proud to be joined by some fantastic panellists including Sheenagh Young (South Manchester Credit Union), Emma Goodwin (Fair for You), Shamraz Begum (NatWest Group), and Muna Yassin (Fair Money Advice) as well as John Glen MP, Nigel Huddleston MP and Guy Opperman MP.

In our short existence, we've already seen the difference Dormant Assets funding can make to the communities who need it most (read more in our [Tackling financial exclusion through Dormant Assets report](#)).

We know many of you share our vision for a fairer financial services sector and we really appreciate the engagement and input we've already had from many of you over the last months.

We will be feeding this into our submission and developing a **financial inclusion theory of change** which will set out how we work together and how any new funding should be prioritised.



It would be great to have as many as possible advocating for continued focus on financial inclusion by [submitting your own response](#) to the consultation. This could be as simple as ticking the box to agree on this point or providing a more detailed response. Every response counts and we appreciate your support.

We will share some key points for messaging in early September that you may find useful to include as part of your response. Please drop Fionn Sharpe a line at Fionn@fair4allfinance.org.uk if you'd like to receive these.

I hope you've found this summary of our progress useful. If you'd like more information you can read our full Summer update. We want this to be as useful for you as possible, what more would you like to see? Let us know at hello@fair4allfinance.org.uk