

Tackling financial exclusion through Dormant Assets

How long term funding and collaboration
can improve the lives of millions of people
in financially vulnerable circumstances

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Financial exclusion is a growing problem

Millions of people are living with the daily realities of financial exclusion, unable to access the financial safety nets others rely upon

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 an affordable rate. Yet for the **millions of people** in financially vulnerable circumstances these options are out of reach.

There are 14.2m adults in the UK with low financial resilience

That's **one in four adults in the UK** – a number that **increased by 30%** during the Covid-19 pandemic. And it's only likely to rise further as the cost of living crisis continues to bite and regulated credit options dwindle.

- **One in five adults** has less than £100 in savings
- **11m people** struggle to access affordable credit
- **1 in 4 households** have no home insurance

Unfair

Having to choose between going without essentials or turning to high cost credit or illegal money lenders has **a huge impact on people's physical and mental health**. It can start a spiral into long term debt and limit people's ability to play a full part in their communities.

We've seen the **uneven outcomes** from the pandemic – while many people on middle and higher incomes have been able to save more, lots of families have seen their savings eroded and around 11m people have built up some £25b of debt.



Imagine a fairer financial system

We think it's time to level up access to fair and affordable financial products and services – and transform the lives of millions of people

Our goal is to create an accessible financial system that delivers the right products and services for everyone who needs them.

Financial inclusion means that individuals, regardless of their background, income or personal circumstances are aware of and have timely access to appropriate and affordable financial products and services which enable them to manage their finances day to day, build their long term financial resilience and wellbeing, and participate in society.

We've prioritised three key areas for our work:

1 Expanding the provision of affordable credit

2 Partnering with banks and financial services providers to increase provision of services

3 Developing new products and services to address market gaps

We're a small team with big ambitions

And we're in a hurry to level up the financial system through our Dormant Assets funding.

By the time our work is done we want to see a world where:

10x scale up of the provision of affordable credit is complete and the sector is able to operate sustainably at the scale required to meet customer needs

Mainstream financial services serve customers in vulnerable circumstances holistically through either funding providers or direct product provision

Scaled products exist across the required areas for customers in vulnerable circumstances, and there are systems in place to support ongoing product growth for these customers

The difference **Dormant Assets** can make

Changing the financial system might seem like a tough job – but we've been able to achieve a lot already with our Dormant Assets funding since we started two and a half years ago

So far we've committed **£30m to 35 community finance providers, supporting over 50% of affordable lending capacity** to people in some of the most deprived areas in the country.

Our investments are backing business plans projected to **triple the availability of affordable credit to c£900m** by 2025.

An [independent report](#) into one of our investees, Fair for You, showed how they've helped move **over 70% of their customers away from harmful high cost credit** in their first five years of operation.

Our policy recommendations have been reflected in the [Woolard Review](#) and we're working with others to take those forwards.

Our No Interest Loan Scheme pilot is providing a **vital financial cushion** for people who are unable to access or afford existing forms of credit.

Our work creates impact in three ways:

Direct impact on partners through our investments and targeted engagement work

Indirect impact on the customers our partners serve

Impact on the wider market through our systems change activity and our work with mainstream finance providers and policy makers

Our funding is targeted to communities who need it most, right across the country:

- Over 50% of customers supported by Fair4All Finance investment 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

While our funding is for England, we seek to collaborate across all four nations where possible.

Impact stories

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

Safia, single mother of two young children

was due to start a new job after a period of being unemployed and needed to place her children into a nursery. While she was eligible to get the fees reimbursed, she needed a loan to cover the upfront payment required by the nursery.

The initial application screening showed she wasn't eligible for an interest bearing loan, but she could afford to pay the loan principal without interest. **South Manchester Credit Union** were able to offer her a £350 no interest loan to cover the fees and she is now back working and paying off her loan.

Laura had been through a messy divorce from an abusive relationship.

Moneyline helped her buy a new washing machine ahead of an important job interview, when her options elsewhere were 'non-existent':

'At one point I was working five jobs. They showed faith in me. It's no exaggeration to say their support meant I could keep my family together.'

Laura got the job and is in secure employment with decent pay and no housing debt.

Our recent survey of the organisations we invest in found a

23%

increase in organisations' level of confidence in achieving their strategic priorities after working with Fair4All Finance.

'Fair4All Finance gave us the space to 'think big' and go for ambitious growth with an opportunity to access investment to support that'

A growing and ongoing need

The world has changed rapidly since we were founded in 2019, with the pandemic rolling into a cost of living squeeze not seen for a generation

People in vulnerable circumstances are facing familiar challenges:

Problem debt

Where people are underwater with their finances month to month, behind on at least two credit commitments consistently

Low resilience

Low savings levels and a lack of insurance meaning that unexpected bills hit harder

Poverty premium

Higher bills, an inability to buy in bulk, use direct debit and postcode exclusion mean it costs more to be poor

Income

People do not have sufficient income to meet their living expenses

Access

People have difficulty accessing a range of appropriate products and services

We've achieved a lot in a short space of time with the dormant assets funding we've received.

Yet as more and more people become financially squeezed it's clear that more long term funding is needed to tackle financial exclusion.

Through our work and by listening to people and other likeminded organisations, we're exploring five emerging funding need areas that could have a huge impact on people in financially vulnerable circumstances:

- **Significantly expand affordable credit** through further funding
- **Scaling our No Interest Loan Scheme** assuming the pilot is successful
- **Affordable consolidation loans scheme** to help people participate in society
- **Address appliance poverty** through affordable appliance solutions
- **Affordable insurance** – home, motor and income protection

We will refine these through engagement and collaboration with people, other organisations in the financial services and financial inclusion sectors over the next few months, to identify what solutions would have the greatest impact.

The Dormant Assets consultation is a key opportunity in the fight against financial exclusion

An expanded Dormant Assets Scheme offers the chance to continue delivering long term funding to increase financial inclusion and improve the lives of millions of people in vulnerable circumstances.

Both during the consultation and beyond, we'd love to work with you to ensure we prioritise and deliver the work that will make the biggest difference to the people across the country who need it most.

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