

# Tackling the cost of living crisis

## and Fair4All Finance Insights

Our latest research shows there are [at least 17.5m people in financially vulnerable circumstances](#) across the country, with a spectrum of vulnerability ranging from those who are precarious for the first time to those who are fully excluded.

As the cost of living crisis continues, access to fair and affordable products and services is ever more important in the fight against financial exclusion. Yet more and more people's financial needs aren't being met by the financial services industry – either due to a lack of appropriately tailored products and services, or a lack of provision altogether.

We know many of you share our vision for a fairer financial future. This update includes details of some of the initiatives we're launching as part of our ongoing response to the cost of living crisis and how you can get involved.

We also look ahead to our upcoming series of **Fair4All Finance Insights**, with several research pieces landing over the next few months. We have set out the upcoming research pieces and we would love to hear your thoughts on how you might like to engage with these – read on for more details.

Lastly, a big thank you to everyone who joined us in [responding to the Government's dormant assets consultation](#) to advocate for continued support for financial inclusion. In an ever changing world, one thing that's clear is that more long term funding is needed to tackle this growing and ongoing problem.

### Our cost of living initiatives

The cost of living crisis is adding further financial pressure to people in financially vulnerable circumstances and the providers who serve them. We're launching three initiatives to help ease that burden and build financial resilience:

#### Easing interest payments through Consolidation Loans

The crisis is putting greater strain on people's ability to repay their existing debts and costs continue to rise on debts where interest rate rises are passed on, like credit cards.

We've identified a group of people who were once previously able to afford their monthly repayments struggle and being dragged into problem debt. Affordable consolidation products are one way of supporting people at this time.

Following consultation with lenders we're creating a **£3.5m Partial Bad Debt Guarantee** 'fund' to enable credit unions and other lenders to increase the amount of consolidation lending they can offer as a pilot. We believe that issuing 9,000 loans of this kind could see a saving of up to £21.5m in interest repayments over the typical three year loan period.

As well as benefiting those in financial difficulty and freeing up much needed cash for people's monthly budgets, this can also support lenders in building a sustainable client base while extending provision to people in vulnerable financial circumstances.

We're looking to work with up to ten community lenders to support this pilot. In addition to working closely with credit unions we're also open to working with other organisations, where they can provide their own lending capital and a comparable or better interest rate to that of credit unions to maximise the borrower benefit.



We'll shortly be publishing our Expressions of Interest for lenders to register and to be considered. If you want register ahead to be one of the first to hear when this is published, get in touch with Vince Cox at [vince@fair4allfinance.org.uk](mailto:vince@fair4allfinance.org.uk)

## Maximising income through identifying lost benefit entitlements

According to [research](#), there are a staggering £15b of unclaimed benefits each year. When asked why they're not claiming all they're entitled to, most people say it's because of an overly complicated system, a lack of awareness as to what they can claim or because they believe they're not actually entitled to anything.

We're stepping up our work to support the financial services sector to adopt income maximisation tools, and to integrate these tools into their usual customer journeys. For 89% of people who complete a full benefit calculation in a loan application journey can claim an extra £450 per month. That's £5,400 per year!

We're working with Inbest, Policy in Practice, Lightning Reach and entitledto to integrate benefit calculators into processes like loan applications, arrears management and member sign ups. We're looking to support interested parties with advice, correct signposting, costs associated with development and if integration is not possible, advice on what to do next to support customers.



For more information and to find out how you can get involved, please get in touch with Senthnan Balachandiran at [Senthnan@fair4allfinance.org.uk](mailto:Senthnan@fair4allfinance.org.uk)

## Raising awareness of community finance and affordable credit

One of the biggest challenges facing the sector is the lack of awareness of community finance providers. We know that awareness of credit unions and CDFIs is generally low, (increasing slightly for those in financially underserved groups). We are seeing small trends that usage is increasing, as more people are squeezed and seeking alternative finance options in response to the cost of living crisis – but this is not enough.

We're working with sector representatives, including ABCUL, UKCU, ACE Credit Union Services and Responsible Finance to create a sector wide campaign that will drive up awareness of the sector and the many benefits of credit union membership and wider community finance lending. Initially we'll be doing this through a mixture of national and regional PR and digital marketing – and we hope to expand this campaign next year.

We'll be providing lenders with a series of tools that can be used to raise awareness locally, including tailored press release templates

# Our segmentation model – what’s next?

In our [recent webinar](#) we introduced our new segmentation model of people in financially vulnerable circumstances – currently at least 17.5m people.

This work will help financial services providers **further understand** different groups of people, identify which they are serving well today and where there is the opportunity to serve different customer groups. This could not only help build the financial resilience of different groups, but also help organisations to diversify their customer base.

You can sign up to [access our segmentation tools here](#).

Our webinar and tools are just the start of this wide ranging work and we’ll have plenty more support and resources to share over the coming months, starting with two more webinars next month:

## Credit Usage

**Wednesday 9 November**  
**12pm – 1pm**

Our [pen portraits](#) touched on credit product ownership and usage and this webinar goes into more detail on the products held by each segment, as well as information on purchase decisions. We’ll look at each of the six segments and provide insights that can inform product and customer journey development.

This will be of most interest to those who are responsible for product development within community finance providers, or any other organisation that provides credit to people in financially vulnerable circumstances.

[Register here](#)

## Marketing

**Wednesday 16 November**  
**12pm – 1pm**

We recently released a [new report that looks at the marketing channels used by each segment](#), and the brand awareness of community finance providers and other lenders. This information can help organisations shape their marketing strategy and delivery around their growth objectives, particularly where they are looking to grow into certain segments.

This is most suitable for marketing leaders within community finance providers, or other organisations that provide products to people in financially vulnerable circumstances.

[Register here](#)

An important part of our work is building evidence and understanding of the role financial institutions can play in serving customers in vulnerable circumstances well, and the difference this makes.

Two key pieces of work will underpin our upcoming insights and our work over the next year and beyond, framing who we are trying to help and what action needs to happen:

## Customer segmentation

Identifying who is financially vulnerable, what their characteristics are and how financial services providers can better serve different customer groups.

## Financial Inclusion Theory of Change

Which will identify the set of activities across the financial inclusion landscape which we and our partners think are needed to fully address the issue, and will be published later in the year

Alongside these we have a series of insights from our research programmes coming up over the next few months. These are broadly split into two areas of focus:

## 1 What already works well that can be replicated and scaled

### Covid-19 banking best practice

Research into the way the retail banking sector responded to the challenges customers faced during the pandemic and how this could inform approaches to handling the cost of living crisis.

### Payroll and deductions lending

Research into lending where payments are deducted at source – understanding the impact of these lending models on customers and lenders, and sharing good practice.

## 2 Where is the market failing and what new solutions are needed

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

How ethnicity influences access to financial products and services in the UK – filling current gaps in the market and exploring practical solutions to design products and services to address these gaps.

### Illegal moneylending

Better understanding the trajectory of illegal moneylending, the emergence of digital illegal lending and the lived experience of both borrowers and lenders.

**We hope that these insights can lead to policy and practice change across financial services to improve outcomes for people in vulnerable circumstances.**



We're planning a series of webinars, roundtables and in person events and we'd love to hear how you'd prefer to engage with our range of insights. [Please take 5 minutes to tell us by filling our quick survey.](#)

**Thanks for your support. Together we can keep making a difference to the lives of millions of people.**