Financial Inclusion Plan

Part one - Issues and framework

How the whole sector can work together to permanently improve the way financial services supports people in vulnerable circumstances in the UK

June 2023
**Introduction**

**Why do we need a Financial Inclusion Plan?**

The Financial Inclusion Plan tackles financial exclusion head-on by identifying the issues and mapping out collective actions needed to boost inclusion. It will pave the way to a future where everyone can confidently manage their money, build lasting financial resilience and play a full part in society.

**Collaborative approach**
- A collective plan for anyone working to address financial exclusion. It will go beyond the remit of Fair4All Finance and attempt to incorporate the work of all organisations who are either delivering or need to deliver support, products, and services to people in financially vulnerable circumstances.
- Developed alongside the dormant assets consultation process through summer 2022. Incorporating the conversations in roundtables and events organised by Fair4All Finance, as well as other feedback through a consultation process led by Aleron Partners.
- Works with and alongside the MaPS UK Strategy for Financial Wellbeing.

**Setting priorities**
- A useful tool to identify priority gaps in the financial inclusion landscape, synthesise current activity, build future partnerships and to continue the conversation about what more can be done to help people in vulnerable circumstances who become victims of a market that isn’t designed to meet their needs.
- With the cost of living crisis it is more important than ever that financial exclusion gets appropriate focus from those actors looking to address it. With the opportunity of further dormant assets funding, the Financial Inclusion Plan provides a way to identify priority areas to address with that funding.

Fair4All Finance and the money allocated from the Dormant Assets Scheme will be catalytic to instigate and drive change in the system. Alongside this concerted action and sustained commitment from mainstream finance, government, community finance and civil society is still required. Only through a collaborative effort will the goal of financial inclusion be achieved. Fair4All Finance will maintain this plan and adapt it to reflect progress and new priorities. A **Financial Inclusion Action Group**, made up of experts, influencers and change makers from across multiple sectors will be convened to steer the delivery of the plan and advocate for its contents.

At least 17.5m UK adults in financially vulnerable circumstances

17.5m
Who are we serving?

People in financially vulnerable circumstances

Grace lives with her partner in a rural area of Lancashire. She is a foster carer and they have a pet dog who is part of the family. Grace is not alone in displaying several of the key characteristics of financially vulnerability.

Being a foster carer is a passion for Grace. She would love to have children of her own but she thinks she will need to have IVF. Her top money goal is to save for this treatment.

Grace left her job as a trainee nurse to become a foster carer and earns less now. She feels uncertain and guilty as she has given up a regular weekly income to care for children.

There is very little public transport where Grace lives so a car is essential. Last month her dad lent her the money for car insurance as she couldn't afford it. Grace is also trying to limit her journeys to save money. She also has a car loan which she misses payments on sometimes.

Recently Grace had to make an emergency vet’s appointment because her dog suddenly became unwell. She wasn’t insured, and she had no savings to cover the unexpected cost.

Grace always feels very anxious about money and what the next month will bring. She worries about making the wrong choices, about paying the bills and especially what would happen if something else unexpected comes along. Even if she could get a loan, she might not be able to afford the repayments.

‘We use a lot of candles at night time for ‘ambience’ but in reality it’s to save money on electric and create a little bit of extra heat.

I’d love to buy food that’s not just only own brand. I’d love to be able to fill my car up rather than hoping £20 will last me a week when I clearly know it will last me 3 days max.

I’d love to be able to treat myself once in a while. I’d love to be able to go on trips with my family.’
Our segmentation of these 17.5m people

1.3m
Unsteady starters
Age range 18-34

Younger people with flexible incomes establishing their home, work, and financial lives. They have a real desire to save and do this in a variety of ways – but it’s increasingly hard to put money away. They often use short term credit in smaller amounts to make ends meet.

3.9m
Squeezed and sliding
Age range 25-44

People with less certainty around their finances and increasingly squeezed. Most are just about managing their debts, but some are using savings or borrowing more to make ends meet. Their position has noticeably worsened in the last 12 months.

3.5m
Credit crisis families
Age range 35-44

Families who are in a cycle of juggling and struggling with everyday bills and debts. Using any available credit in all forms. Generally have no savings, or very little that gets eaten up quickly.

2.2m
Difficult debts
Age range 35-44

Reasonable income, renting families. They have complex financial lives, burdened with repayments on higher, longer-term debt from multiple sources. For their income level, they have very low financial resilience.

3.6m
Forgotten families
Age range 25-54

People with very low incomes and low savings, with many living in poverty. They have lower levels of debt potentially explained by fewer options to access credit, or attitudes to credit.

3m
(Un)golden years
Age range 45-65+

Pre and post retired group – many with health issues. They have better financial circumstances than other segments but having limited ability to earn means they are worried about the future.
Defining the problem

Drivers of exclusion

Financial exclusion

Means people are unable to access mainstream products and services that others rely on to meet their financial needs. Without safety nets like credit, insurance or savings, everyday life events or financial shocks can tip people into vulnerable circumstances.
Financial inclusion

Levers of change

1. **Build the case, research and data gathering**
2. **Innovate.** Test and pilot new products, encourage new entrants
3. **Scale the products and services that work and have the most impact**
4. **Invest** in solutions, best practice and orgs serving vulnerable groups
5. **Create the right conditions** through legislative or regulatory change
6. **Measure** and set targets
Outcomes of Financial Inclusion

- **Lack of resilience**: People have financial safety nets in place to manage unexpected events.
- **Lack of access**: People can easily access financial products, services and advice.
- **Problem debt**: People can access advice early and effectively manage their debt.
- **Low financial capability**: People can effectively manage their finances and understand their options.
- **Poverty premium**: People on low incomes don’t pay more for essential products and services.
- **Insufficient income**: People maximise their income and have enough to meet their expenses.

**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.
Action for everyone
Who needs to lead?

**Fair4All Finance**
Build the evidence base, raise awareness and drive systems change by catalysing investment, convening key players and piloting new solutions.

**Mainstream Finance**
Go beyond the well established work on financial capability, access to cash and basic bank accounts, and focus on creating new, tailored products targeted at the most in need segments.

**Community Finance Sector**
Increase provision of a diverse array of products and services to underserved groups by embracing new technology, partnerships and funding to invest in growth, new products and to scale their offerings.

**Third Sector Organisations**
Research and advocate for the needs of people in financially vulnerable circumstances. Analyse the scale and evidence the need for change.

**Government and Regulators**
Take an integrated approach to creating the right conditions that encourage innovation and the creation of market driven solutions to the six financial inclusion issues.
Activities and outcomes

Lack of resilience

Mainstream
- Develop effective auto-enrolment savings products
- Develop insurance products or schemes to meet the needs of specific groups, such as income protection for people in precarious employment
- Support the scaling of affordable credit, through funding or direct delivery of small sum loans
- Increase the use of open banking and open finance techniques and data to help identify financial vulnerability early in the customer journey in order to refer and signpost people to the right products and services
- Research into insurance needs of people, by segment, in financially vulnerable circumstances
- Commit to a savings charter to encourage more low and middle income households to build their savings

Government and Regulators
- Establish cross sector partnerships between local councils, local authorities, NHS, employers and financial services to support financial wellbeing from a health perspective
- Expand save as you borrow (SaYb) schemes and payroll linked lending and saving schemes

Community Finance Sector
- Expand and scale provision nationally by continuing to refine and develop an efficient operating model and innovate to meet growing demand and serve more customers in financially vulnerable circumstances
- Offer credit in line with Fair4All Finance’s Affordable Credit Code of Good Practice

Third Sector Organisations
- Research and advocate for the use of use of industry or social tariffs to better serve the insurance needs of people in financially vulnerable circumstances

Fair4All Finance
- Increase and diversify investment to scale affordable credit provision
- Invest to develop capacity within the community finance sector (including through leadership development, marketing and technology) to meet consumer needs
- Define viable ways for banks to provide affordable credit either directly or via investment or support for community finance organisations
- Through advocacy, research and the provision of catalytic seed funding, diversity investment to scale affordable credit provision

People have stable incomes
People have sufficient savings or insurance in place to protect against unexpected events
People have access to suitable credit and insurance options
Activities and outcomes

Problem debt

Mainstream
- Delivery and scaling of fair and affordable debt consolidation products
- Increase timely referrals into debt advice from credit providers

Government and Regulators
- Reform of regulation and debt policy including the improvement of the insolvency framework, the long term debt advice funding strategy and better debt collection practices

Community Finance Sector
- Delivery and scaling of fair and affordable debt consolidation products
- Increase timely referrals into debt advice from credit providers

Third Sector Organisations
- Continued analysis of scale, causes and consequences of Problem Debt
- Continued development of good practice in debt advice delivery

Fair4All Finance
- Funding of development and trialling of fair and affordable debt consolidation products

People can meet their credit commitments.
People seek debt advice early.
People can manage through the rise in cost of living.
People can access sustainable and fair ways out of debt.
Activities and outcomes

Poverty premium

Mainstream
- Delivery and scaling of products and services to reduce poverty premiums, including increasing access to affordable credit, insurance and appliance schemes

Government and Regulators
- Policy and regulatory reform to reduce poverty premiums, for example expanding request to pay and reducing the cost of pre-payment meters

Community Finance Sector
- Delivery and scaling of products and services to reduce poverty premiums, including increasing access to affordable credit, insurance and appliance schemes

Third Sector Organisations
- Continued analysis of scale, causes, consequences and possible solutions for addressing the poverty premium

Fair4All Finance
- Funding of development and trialling of products and services to reduce poverty premiums, including increasing access to affordable credit, insurance and appliance schemes

People don’t pay a poverty premium for insurance and credit
People have access to affordable essential appliances
People are using new and appropriate payment methods
Activities and outcomes

Insufficient income

Mainstream
- Advocacy, funding of development and trialling to increase the integration of income maximisation tools into products and services, and money guidance
- Delivery and scaling of products and services to increase supply of micro-loans for entrepreneurship and small businesses
- Scale and integrate income maximisation tools into products and services, price comparison sites and money guidance

Government and Regulators
- Ensure good practice from the consumer duty and the evolution of regulation to better support and deliver good outcomes for customers in financially vulnerable circumstances
- Explore mechanisms of guarantee and subsidy to address the gaps in provision where the market cannot deliver products
- Maintain Covid-19 product flexibility, support and forbearance throughout the cost of living crisis and on an ongoing basis for people in financially vulnerable circumstances

Community Finance Sector
- Delivery and scaling of products and services to increase supply of micro-loans for entrepreneurship and small businesses
- Scale and integrate income maximisation tools into products and services, price comparison sites and money guidance

Third Sector Organisations
- Continue to advocate for adequate levels of welfare based on the evolving needs of people in financially vulnerable circumstances
- Policy and advocacy on employment rights, minimum wage and social security

Fair4All Finance
- Funding of development and trialling of products and services that can increase supply of micro-loans for entrepreneurship and small businesses
- Research to define how subsidy and guarantee mechanisms where it is not viable for the market to operate alone

People have sufficient incomes
People are aware of and claim benefits they are entitled to
People have access to funds to start a new business
Activities and outcomes

Low financial capability

Mainstream
- Banks, insurers and other financial services organisations develop their ‘B’ in ESG reporting to include extent and effectiveness of their product offerings to people in financially vulnerable circumstances
- Integrate financial capability tools into products – financial education, savings tools such as save as you borrow, and wraparound support into customer journeys

Government and Regulators
- Building on the consumer duty, maintain regulation to ensure that all providers design products that are clear and transparent to consumers and encourage the development of a range of appropriate options for people in financially vulnerable circumstances
- Delivery of financial guidance and education (lead/coordination by MaPS)
- Support and education to financially vulnerable consumers on the risks associated with friends and family lending and other illegal and non-regulated products and services

Community Finance Sector
- Expand and scale provision nationally by continuing to refine and develop an efficient operating model and innovate to meet growing demand and serve more customers in financially vulnerable circumstances

Third Sector Organisations
- Advocate to ensure children and young people receive meaningful financial education

Fair4All Finance
- Develop and lead a coordinated campaign to raise awareness of fair and affordable products for people in financially vulnerable circumstances

People have access to financial education and guidance
People have access to inclusive and personalized products
People trust and rely on products and services and their providers
There is greater transparency from financial services so products can be more easily compared on a like for like basis
# Activities and outcomes

## Lack of access

| **Mainstream** | - Broaden adoption of Fair4All Finance Segmentation (or similar) to inform how products and services should be designed to meet the needs of people in financially vulnerable circumstances  
- Increase the use and adoption of open banking to assess credit worthiness and affordability for people in financially vulnerable circumstances |
| **Government and Regulators** | - Support regulatory and legislative mechanisms to protect free access to cash |
| **Community Finance Sector** | - Broaden adoption of Fair4All Finance Segmentation (or similar) to inform how products and services should be designed to meet the needs of people in financially vulnerable circumstances. |
| **Third Sector Organisations** | - Increase referrals to fair and affordable products and services from housing associations and local authorities such as affordable credit and appropriate insurance cover  
- Policy and advocacy to protect face to face services to avoid community isolation |
| **Fair4All Finance** | - Programmes to increase the referrals to fair and affordable products and services from housing associations and local authorities such as affordable credit and appropriate insurance cover  
- Develop and scale new product propositions to address gaps identified by the customer segmentation  
- Enhance segmentation through research and data insight on the needs of different customers for particularly excluded customers for example people with different mental health problems, refugees or ex-offenders  
- Research to better understand the marketing preferences of customers in vulnerable circumstances to enable providers to promote inclusive products and services |
Our role

This Financial Inclusion Plan will provide a framework of what is needed from everyone involved in the provision of financial services and where Fair4All Finance needs to concentrate its efforts.

The collaboration and wide consultation that fed insight into the plan will ensure collective action from across the landscape to achieve the common goal of increasing financial inclusion across the UK.

Fair4All Finance will be responsible for the actions and activities within our remit and also lead industry collaboration including:

- Work with Government and the Financial Inclusion Policy Forum to gain alignment on key policy and regulatory enablers to create a sustainable market
- Convene a Financial Inclusion Action Group, drawn from across the sector, to monitor this plan and to drive forward key actions
- Review progress of this plan and the actions within it in 2024 and then reprioritise and refocus the activities within the plan

Financial Inclusion Action Group

To facilitate the change to permanently improve the way in which financial services support people in financially vulnerable circumstances in the UK, we are convening a Financial Inclusion Action Group. It will comprise key leaders from across the social and financial services sector, who have the appetite, knowledge and ability to use their organisations and convene other organisations to implement the Financial Inclusion Plan.

None of us can deliver sustained change on our own. When we work together and make best use of our collective expertise and resources we can. The aims of the action group are:

- Work together to ensure delivery of the Financial Inclusion Plan, bringing in key stakeholders from across the industry
- Provide strategic input on key programmes to ensure alignment across sectors and organisations
- Commit to collaborations and resource allocation to support the delivery of the plan
- Prioritise activities based on the changing needs of customers in vulnerable circumstances

We also know it’s critical to co-design and work with people who are directly experiencing financial vulnerability. Our segmentation work has identified who these groups are and, as part of the Financial Inclusion Action Group, we’ll prioritise how we collaborate with them to ensure solutions are fit for purpose.

Get involved

We’d love to hear from anyone who wants to get involved in delivering this plan. Email Jake Attfield at jake@fair4allfinance.org.uk to find out more.

Sources for stats on page 6
- MaPS, One in six UK adults have no savings
- Joseph Rowntree Foundation, UK Poverty 2023
- National Numeracy, A new approach to making the UK numerate
- FCA, Financial Lives 2020 survey
- Fair By Design, The cost of living and levelling up
- Fair4All Finance, Key statistics on UK financial capability