

Impact Report

2020 to 2023

Transforming the lives of people in financially
vulnerable circumstances

June 2023

Introduction

We are a not for profit organisation driving change in financial services to help the

17.5m

people in financially vulnerable circumstances.

Making a difference




To the organisations we support

 **£26m investment** projected to increase the availability of affordable credit to **£500m by 2025**

 Covid-19 grants helped preserve **£150m of affordable credit** through community finance

To the people they serve

 **£29m in interest saved** by customers of our investees vs high cost credit

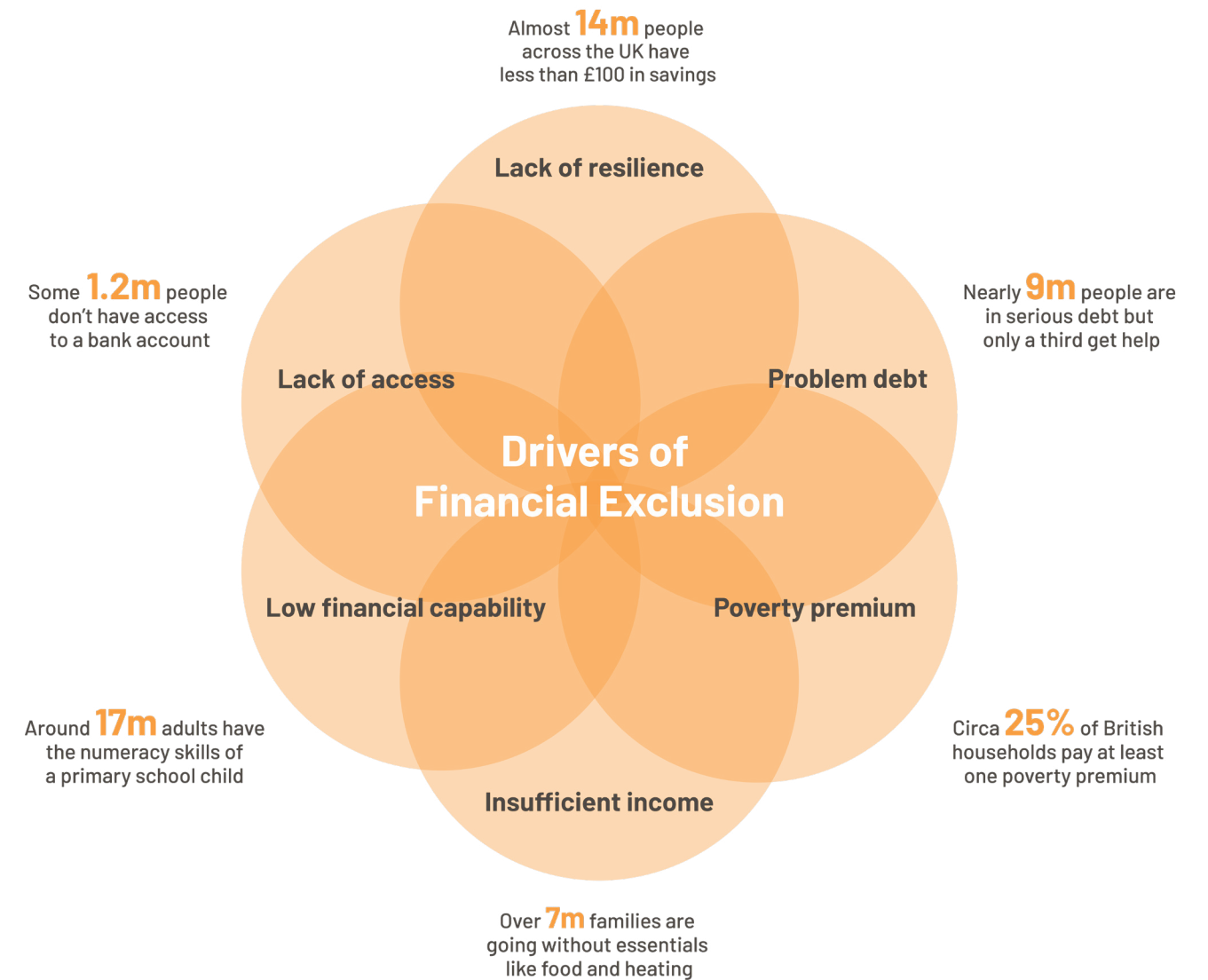
 **77%** of No Interest Loan Scheme borrowers who have started regular savings

To the wider financial system

 **£16.68 social value** generated from every **£1 lent** by our investee **Fair for You**

 **40+ key industry players** convened to develop an action plan to scale affordable credit

The problem we're trying to solve



Our vision

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

Message from our CEO



Our overall mission is to **change the financial services system so it works for everyone. We know that doing this will transform the lives of millions of people across the country.**

A lot's happened since we received our first funding on Christmas Eve 2019. Our first impact report showcases the difference our work has already made through the organisations we support, the people they serve and the wider financial services system.

We responded quickly to the pandemic with our **Covid-19 Resilience Fund preserving £150m of affordable credit** through community finance. And our cost of living initiatives are helping thousands of people access the benefits they're entitled to, along with no interest and consolidation loans, to manage life events and get back on their feet.

Alongside this we've built strong relationships with the sector and laid the foundations for the structural change needed to transform the financial services system. And our early investments are backing organisations now projected to **increase the availability of affordable credit to over £500m by 2025.**

We're proud of the difference we've made so far and feel privileged to be working on this agenda, collaborating with brilliant people across the financial services and social sector equally committed to making a difference.

As we move into the next phase of our work, we're clear that we cannot change the financial system on our own. We know it will take the combined skills of the whole industry, government and regulators. Our role is as a catalyst and we look forward to continuing to work with all our partners in the fight against financial exclusion.

Together we can keep making a difference to the lives of millions of people.

Sacha Romanovitch OBE

Changing the system

Working towards a fairer financial sector

We're here to **transform the financial services system** so that everyone has access to the right products and services, whenever they need them.

What we do

- **We support and invest** in organisations already doing a good job of serving this customer group to help them grow and share best practice
- **We research and gather evidence** to show what works well when serving people in vulnerable circumstances
- **We partner with others to develop**, test and fund new products, services and technologies that meet gaps in the market
- **We bring people together** to deliver policy and regulation change needed to create a sustainable financial services market that works for everyone in the country

Strategic priorities



Increase the availability of affordable credit to sustainably meet customer needs



Partner with banks and financial services providers to increase access to products and services



Develop the market to consistently provide products that meet the needs of all customers

So that 10x more affordable credit is available for people in financially vulnerable circumstances and the sector can operate sustainably at the scale required to meet customer needs

So that people in financially vulnerable circumstances are served by mainstream financial services, either directly or through funding for other providers

So that people in financially vulnerable circumstances have their needs met through the right products, and systems are in place to support ongoing product development for these customers

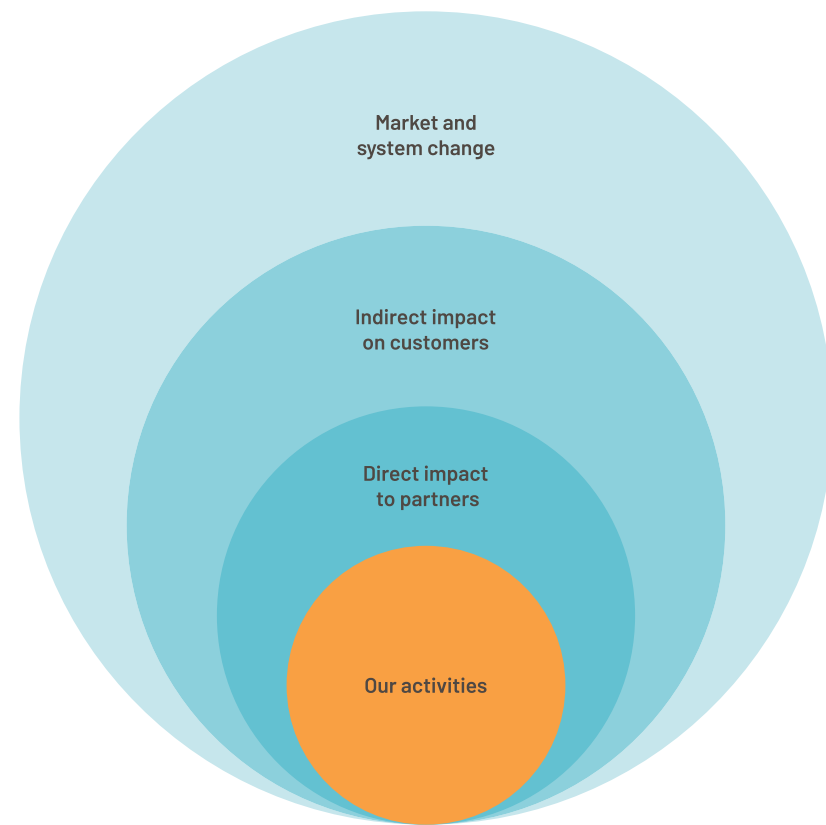
Financial inclusion will be **integrated into mainstream government policy** agendas

Financial services will be **better regulated** to support customers in vulnerable circumstances – supporting a nimble, responsive sector with a focus on financial inclusion

Financial services is led by the next generation of innovative, compassionate, skilled, **authentic leaders**

Financial services **serve all stakeholders** as well as shareholders

Sector-wide, **sustainable processes**, capital and subsidy mechanisms are in place to address market gaps and serve people in financially vulnerable circumstances



We use an impact framework that considers **the three different ways our work can make a difference:**

- 1 The direct impact we have on organisations we work with through our investments and targeted engagement work
- 2 The indirect impact on customers of the organisations we support who are in financially vulnerable circumstances
- 3 The impact on the overall financial system through our work with mainstream finance providers, policymakers and regulators

Moving beyond just looking at outputs and shifting our focus towards looking at outcomes and impact is important. We are working on evaluating social impact and economic savings to the Exchequer as part of measuring our impact.

We also know that our work to influence financial systems and structures will have broad implications across other areas such as environmental and social issues, and we remain conscious of the risks of any unintended consequences of this.

Making a difference to the organisations we support

We work with a range of financial services organisations, from community finance providers to the largest retail banks and insurers.

Transforming affordable credit

Our first area of focus has been to increase the availability of affordable credit to fill the estimated £3bn market gap.

We worked with the community finance sector on our **Transforming Affordable Credit in the UK** report which sets out what it will take to build capacity and capability in the sector.

Through investments and support, our Affordable Credit Scale Up Programme is helping providers scale their operations, gain greater efficiency and support more people with affordable credit.

Scale Up investments

- **£26m** committed to **community finance providers**
- The five investees on our Affordable Credit Scale Up Programme lent **£47m in 2022 across 123,000 loans - double the amount they lent in 2020**
- Our investments are projected to increase the availability of affordable credit to **over £500m by 2025**
- **£14m+ additional funding** leveraged through co-investments
- Our investees have seen **3x higher growth on average** than other community finance providers
- **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.'

Affordable Credit Scale Up Programme investee



Our capability development programmes are designed to develop best practice on the key opportunity areas we identified for scaling affordable credit in a sustainable way.

What we've tested so far:

Operational excellence

- Developed and tested a toolkit for credit unions to deliver and scale sustainable business models
- Worked with community finance lenders to identify areas where sharing of best practice would be most valuable eg we are working with external experts to develop and test a good practice lending guide
- Funded two mergers among credit unions and assessed or provided guidance to over 20 more

Improved use of technology

- Helped 20 community finance lenders transform their technology through grants and strategic support
- Developed a technology toolkit for the community finance sector, and **invested in a loan management system** now being piloted by credit unions

Evidencing social impact

- Supported Fair for You to **evidence the social and economic impact of their lending to customers**

in vulnerable finance circumstances, and a group of Merseyside credit unions to evidence their local impact

- We are now developing these methodologies to assess the economic and social impact of affordable credit across the UK

Consumer insights and awareness raising

- Developed the first **national customer segmentation model** which is helping organisations better understand financial vulnerability and design solutions
- Reached over 250,000 potential customers through a nationwide awareness raising campaign for community finance providers

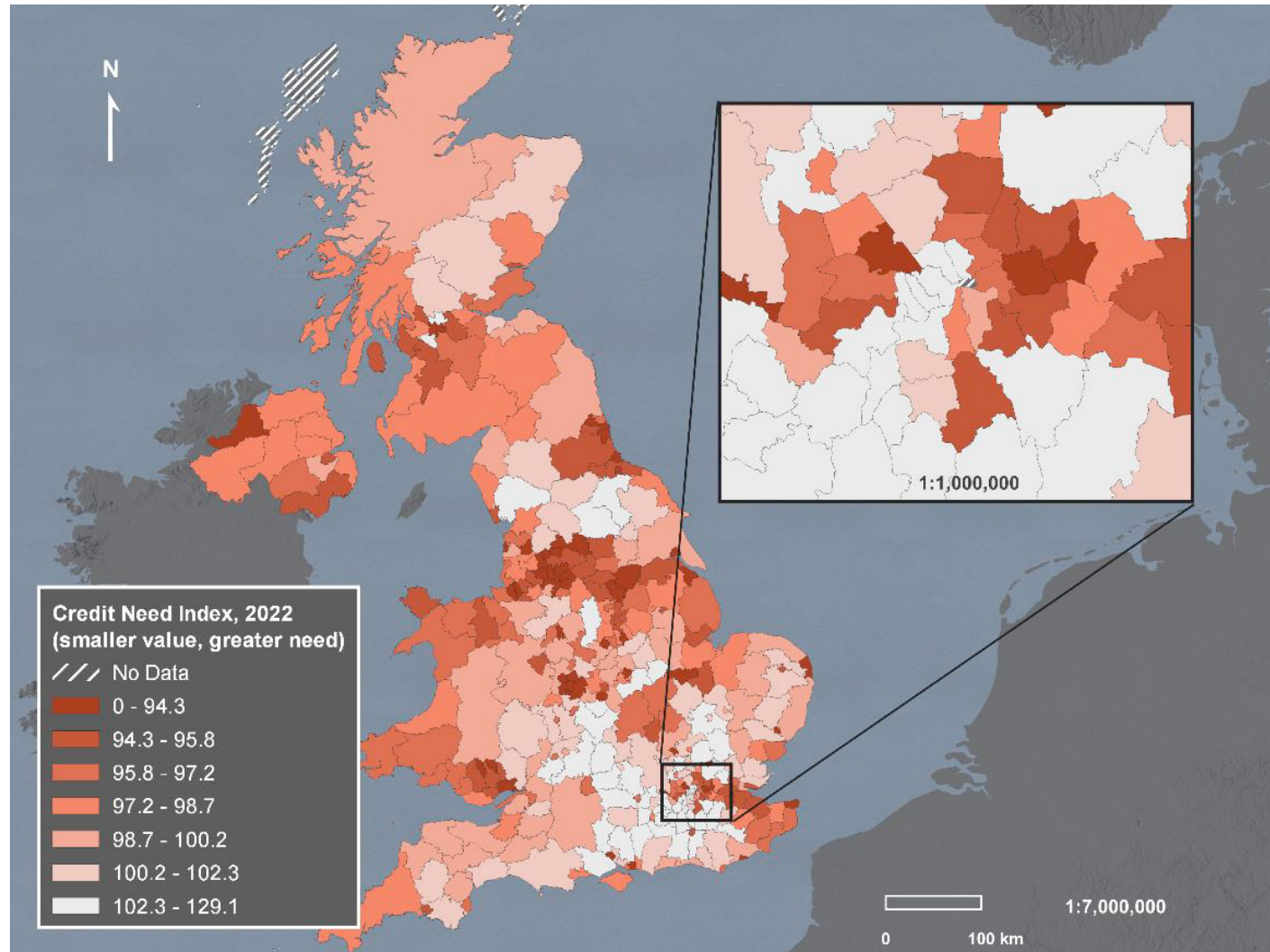
Leadership

- Provided bespoke leadership and governance support for several organisations
- Sought input from the community finance sector for a leadership development programme – initially piloting two thought leadership areas: segmentation and strategic planning

Recognising the capacity constraints of some organisations and leaders over the challenging past few years, and increased work with others to maximise social impact, our next step is to bring together learnings so far in an updated report.

Providing affordable credit where it's needed the most

Demos Map of Credit Need 2022¹

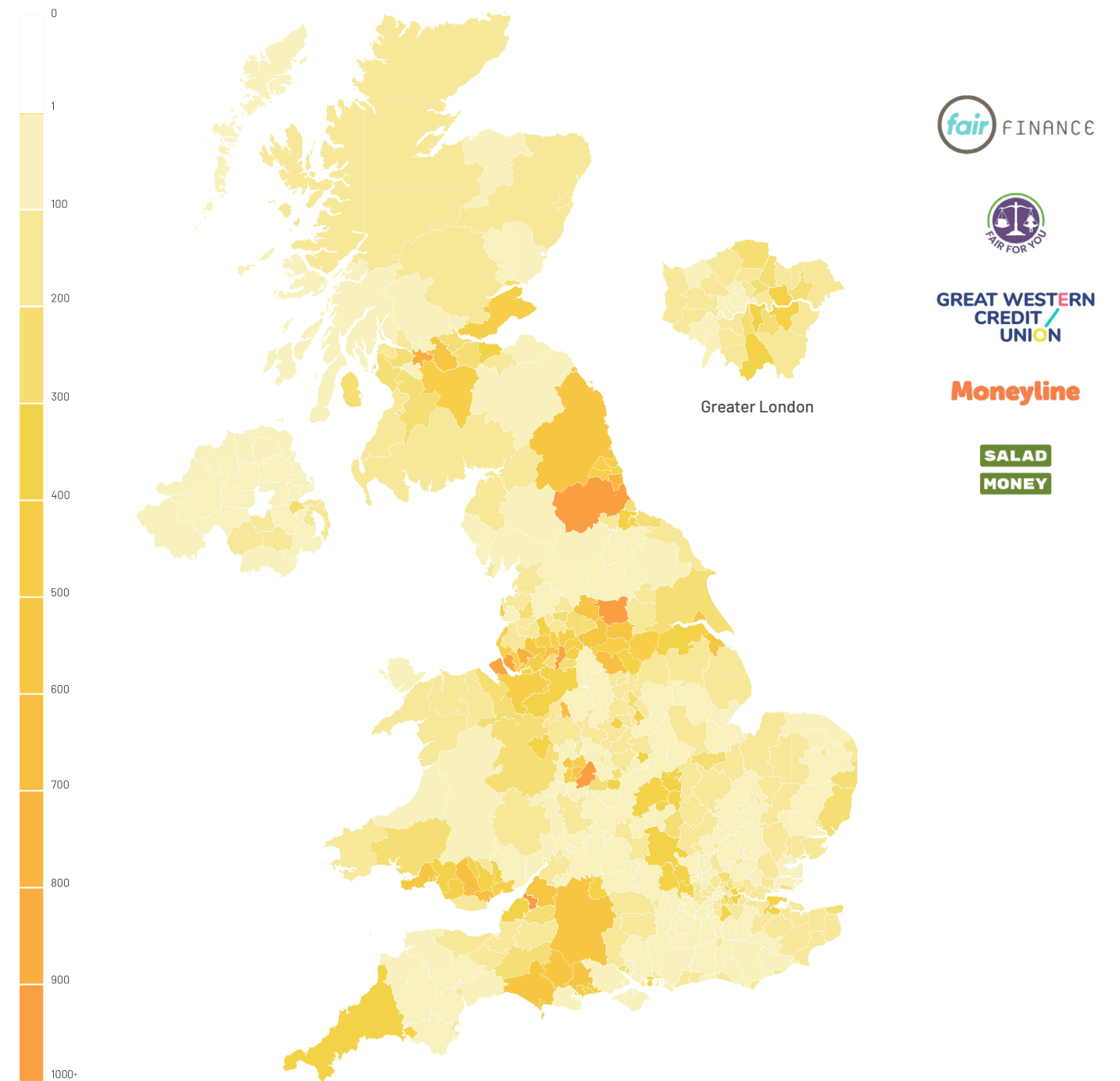


The Demos Credit Need Sub-Index aims to showcase where households will be unable to meet financial commitments and so require a need for short-term consumer credit. As seen, many of the areas in greater credit need cut across the breadth of England from Liverpool to Hull. The North East also scores highly demonstrating a greater credit need, alongside pockets in and around Birmingham and the South West.

As seen by the map showing where our Scale Up investee organisations have lent, we are targeting provision where it matters the most. We will continue to reach into areas to provide affordable credit where there are clear credit deserts and support people in financially vulnerable circumstances.

¹Map authored by Demos as part of their 'Good Credit Index 2022' at www.demos.co.uk, shared under the Creative Commons By Share Alike licence.

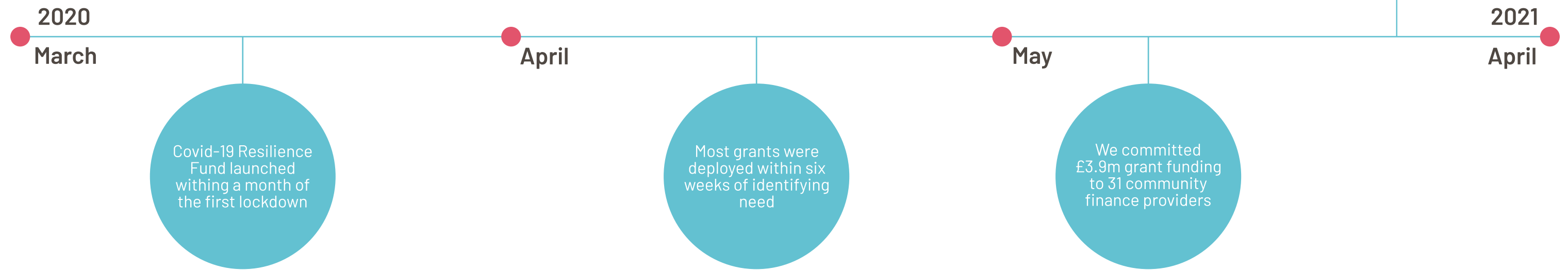
Total loans by Scale Up Investees 2022²



²Our funding through the Dormant Assets Scheme is for England only but many of our investees also serve customers nationally with the vast majority of customers served being in England. Map illustrates loan volumes from our five Affordable Credit Scale Up investees, based on 2022 lending (by local authority)

Supporting community finance providers through the pandemic

Shortly after we received our first round of funding the pandemic arrived. We rapidly launched our **Covid-19 Resilience Fund** in April 2020, within a month of the first lockdown hitting. It was designed at speed in consultation with key stakeholders to help identify the risks of the pandemic to community finance providers and people in vulnerable circumstances.



Independent evaluation

An independent evaluation by the Centre for Responsible Credit found that the Fund has been used effectively and met its key objectives:

- The Fund enabled lenders to swiftly pivot their business models to incorporate digital and telephony into their delivery
- Without this funding there would likely have been very significant disruptions to lending
- In addition, it appears that the Fund was also used to provide considerable forbearance to customers, which was likely concentrated amongst the target groups

You can read more about how we successfully supported community finance providers through the pandemic [here](#).

As a result of this:

- Our grants helped **preserve 50% of lending capacity** targeted at people in vulnerable circumstances
- From April 2020 to April 2021 cumulative surpluses for grant recipients were **£1.5m**. Without the Fund cumulative losses **would have been £2.3m** over the same period
- Several indicators show that lending to customers in vulnerable circumstances recovered swiftly after an initial shock and that this lending has since been sustained

'All our loans help some of the most vulnerable in society. We have helped members with utilities, food, school uniform, travel and many other essential expenses.'

Covid-19 Resilience Fund
grantee

Helping organisations better understand financial vulnerability



Our customer segmentation research with CACI and Trajectory identified at least **17.5m people in financially vulnerable circumstances**, with a spectrum of those who are precarious to those who are fully excluded.

Financial services organisations are using insights from this research to better understand the needs of different customer groups and design better products and services to meet them. **Over 120 organisations have accessed the materials so far**, including some of the largest financial services providers in the UK serving millions of customers.

The materials have been used in a range of ways:

- To inform Board level strategies in response to the cost of living crisis and to improve financial inclusion
- Webinars offered as **training to all employees on financial vulnerability**
- To size potential opportunities for expansion and growth, including with new local partners
- As a key input for our awareness raising activity, generating **20+ pieces of local coverage** including BBC London evening news
- To support communications strategy for the launch of the SoundPound loan in Greater Manchester, based on the needs of target segment groups

In addition, the segmentation model is now the customer framework that underpins all of our proposition development and partnership work, including our Financial Inclusion Insurance Action Group and our consolidation loans proposition.

'We used the Fair4All Finance segmentation to help us develop ideas for financially inclusive propositions and as an input for our social impact strategy - which was approved by our Board in 2022. Fair4All Finance also hosted a learning session that was open to all staff members to help our people learn more about the impacts of the cost of living crisis, which was really valued.'

David Schofield, Group Sustainability Director, Aviva

You can access our segmentation resources [here](#).
Get in touch at hello@fair4allfinance.org.uk if you want to partner with us to develop and deliver propositions that meet the needs of people in vulnerable circumstances.

Investment case studies



Investing to grow fair and affordable credit

Salad Money are a purpose driven fintech who offer short term loans of up to £1,500 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 NHS and 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.

Our £7m investment is helping Salad Money meet increasing demand and leverage commercial funding to expand their lending further.



Supporting mergers to strengthen local access

Boom Community Bank is an established and well led credit union with strong commercial disciplines. We provided them with a £35,000 grant to help fund the merger with Berkshire Credit Union in September 2022. This created a combined loan book which has grown to £5.8m post-merger.

This ensures Boom's sustainability and capacity to serve residents across Southern England, from Berkshire through to North Hampshire, Surrey, Kingston and West Sussex to the south coast.

Scaling up services is enabling Boom to invest in new technology that offers instantly available services 24/7, including secure online banking and interactive customer support tools via its new website and its mobile app. This maintains outreach and expands the availability of affordable credit in its local communities.

Boom tell us that without this strategic financial support from Fair4All Finance, substantial growth would have been that much slower and tentative.



Reaching more under-served communities

Fair Finance is an award winning social business that provides affordable credit, advice and support to some of the most financially excluded people in the UK.

They reach particularly under-served communities, with half of their customers born outside of the UK, 58% from black or minority ethnic communities and four in five living in areas of higher deprivation.

We've committed £3.3m social investment including grant, junior debt and equity to support their digital transformation, build their operational resilience and increase the amount of lending they can provide to people in financially vulnerable circumstances.

Fair Finance's vision is to make financial services more inclusive.

They have brought together social and commercial funding to help nearly 100,000 people over the last two decades, and this investment will help them reach even more.



Raising growth capital through match funding

Great Western Credit Union (GWCU) provide fair and affordable financial services for people living or working across the underserved South West region. An estimated 40% of their customers have a household income below £16,000 and nine out of 10 loan members are from households with an income of below £30,000.

We have committed £1.5m investment to support their sustainable growth - this includes match-funding for GWCU's successful investment raise on Ethex which demonstrates a new route to raising growth capital by community finance providers. In addition, a £130,000 grant has been committed to test and develop tools that can be replicated across the sector.

GWCU's successful investment raise on Ethex demonstrates a new route to raising growth capital

Great Western Credit Union aim to add an extra c£11m of affordable lending capacity by 2025.



Making a difference to people in financially vulnerable circumstances

The organisations we support show the impact that well designed financial products and services can have on people's lives.

No Interest Loan Scheme



We've teamed up with Fair by Design and Toynbee Hall to deliver a No Interest Loan Scheme (NILS) pilot across the UK, with £3.8m in funding from HM Treasury and up to £1m in lending capital from each devolved administration

We know there are people who can't currently access any affordable credit. So when their boiler stops working, their children need new school uniforms or the car they use to get to work breaks down, they are stuck. And they have to choose between going without essentials or turning to high cost or illegal money lenders.

Our NILS pilot is helping people in these circumstances manage life events and get back on their feet. We completed a successful proof of concept in 2022 and have moved to expand to a full pilot. Early indications from the proof of concept suggest:

- NILS loans are **providing a vital financial cushion** for people unable to access or afford existing forms of credit
- A NILS loan can help customers overcome financial hurdles and **take positive steps forward socially and economically**
- **77% of NILS borrowers have started regular savings**
- **40% of borrowers** are going on to take out a subsequent commercial loan, having built their credit record

Early data suggests that the No Interest Loan Scheme benefits lenders too. Borrowers who would have otherwise been declined build a good repayment record, and the lender gains the confidence to lend to them in future on a commercial basis.

'What I like most about NILS loans is they give us somewhere else to go for customers we've previously had to turn away. It's had a positive impact on our overall decline rates.'

NILS pilot lender

We're looking to **expand our NILS pilot** and need more partners who can deliver at scale. If you'd like to get involved, please get in touch at hello@fair4allfinance.org.uk.

Customer case studies



Shamina, 31

Lone parent

Shamina came to her credit union as a survivor of domestic violence.

Shamina did not qualify for an interest bearing loan as her affordability was low and she had a very poor credit rating. However, her credit union assessed that a £1,000 NILS loan over 2 years would be affordable.

Shamina has since successfully moved into the new property with her daughter and is paying back the loan.

'I had to flee my property due to threats on me and my daughter...'

I lined up a property but needed funds for moving expenses and things for the new home...'

I had nowhere else to turn.'

Safia, 21

Lone parent

Safia is a 21 year old single parent of two young children. She was unemployed until very recently and was due to start her new job within the next couple of weeks.

As a result of this employment, she needed to place her children into a nursery. The nursery requires upfront payment, which Safia didn't have funds for. She did research and identified a government scheme where she was eligible to get reimbursed for the nursery fees but had to pay the fees up front first.

She is an existing member of her credit union but wasn't eligible for any further interest-bearing products due to her existing loan balances. Through the NILS pilot they were able to offer a £350 loan to cover the fees and she is back to work.

Laura

Moneyline customer

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'.

'It's so difficult, the washer wasn't working. I saw a leaflet for Moneyline. They were ethical, reputable. When I told them my circumstances, they were amazing. They showed faith in me.'

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

'At one point I was working five jobs and if I got the new job it would mean three or four times what I was earning. Moneyline showed faith in me. It's no exaggeration to say their support meant I could keep my family together.'

Jason

Public sector worker, supporting his family

Jason's salary of £38,000 supports him, his 12 year old son and his partner, who is unable to work due to health issues: 'The cost of everything is going up, except for wages.'

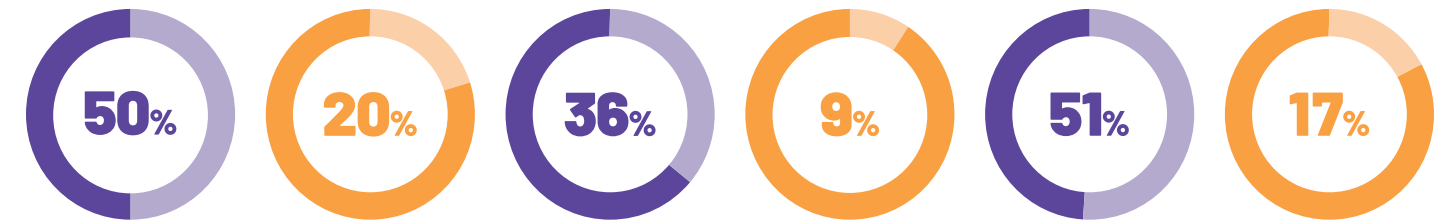
In February 2022, Jason had the chance to organise some renovations for their home to enhance his partner's and the family's wellbeing. And they knew they would save money if they could pay for the work in the spring rather than the summer.

Knowing his credit score wasn't good, Jason approached Salad Money when he discovered they make lending decisions using Open Banking rather than traditional credit scores. As well as providing Jason with a loan to pay for the renovations, Salad helped identify benefits that the family could claim but were not aware of.

Speaking to BBC's Money Box programme to describe the difference this made, Jason said: 'For me, it's taken the pressure off and will mean we can start doing things we've not been able to do in day to day living.'

'The cost of everything is going up, except for wages.'

Supporting customers through the organisations we invest in



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)

36% are lone parents with dependent children compared to 9% within the UK

51% are social housing tenants compared to 17% within England

The customers our community finance investees support are concentrated in some of the most left behind areas of the UK, hardest hit by the ongoing cost of living crisis and facing dwindling options as traditional finance providers struggle or exit the market altogether.

Our investee organisations make a huge difference to the customers they serve:

- 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
- Overall, customers have **saved £29m in interest** through our investees compared to high cost credit
- **£16.68 social value generated** from every £1 by our investee Fair for You

We know that having access to affordable credit leads to significant benefits on financial resilience, financial capability and health and wellbeing. At an individual basis, this can mean improved mental health, avoiding homelessness, maintaining family wellbeing which results in reduced absenteeism from school and work.

We will be carrying out independent evaluations to assess the social and economic value of improving access to affordable loans and products.

We'd love to hear from anyone **who's interested in working and investing with us to help people** in financially vulnerable circumstances.

Please get in touch at hello@fair4allfinance.org.uk.

Making a difference to the wider financial services system

Ultimately our work is focused on changing the system so that everyone has access to the right financial products and services, whenever they need them.

Our dormant assets funding and partnerships boost financial inclusion



We are fortunate to receive funding from [The Dormant Assets Scheme](#) which makes it possible for money from forgotten bank accounts to be used for good causes. Our partnerships with the sector multiply the impact that this funding can have.

The scheme is expanding to include assets from the insurance and pensions, investment and wealth management, and securities sectors. We were delighted there was unanimous support from the financial services industry for financial inclusion to remain a cause of the expanded scheme.

Our work is focused on eliminating financial exclusion, so it's important that the financial services system as a whole changes to serve all customers in financially vulnerable circumstances well.

This is a long term project for change and the difference we make in this area is over years not months – building the evidence, convening partners and industry to achieve consensus, developing policy and regulatory recommendations to enshrine what we know works into the structures of the system itself.

Building the evidence base



Our first three years have been focused on building the evidence base for wider system change. **We've worked to identify what needs to change and to build partnerships to deliver that change.** From the structures and funding of financial services institutions through to regulation, policy and legislation – all are needed to create the scaffolding for a fairer system that works well for everyone and continues far beyond the existence of Fair4All Finance.

Our research has shown the benefits of increasing financial inclusion, what's working well and where there are gaps for innovation for the sector to take forward.

Banking response to Covid-19

Highlighting best practice support measures introduced during Covid-19 and how these can help responses to the cost of living and beyond

Customer segmentation

Helping organisations better understand the needs of the 17.5m people in financially vulnerable circumstances and design appropriate solutions

Inclusive finance

Improving financial inclusion for people from black, Asian and minority ethnic groups and exploring solutions to current inequalities

Illegal moneylending

Understanding the scale and trajectory of illegal moneylending in the UK and what can be learned from other international financial markets

Deductions lending

How best practice payroll and benefit deduction lending works well for borrowers and lenders and its positive impact on savings behaviour

We share these insights with key industry players and the findings underpin the evidence base for the action groups we convene to drive solutions and catalyse findings.

You can access all of our research and insights on our website [here](#).

Bringing key players together to collaborate on structural change

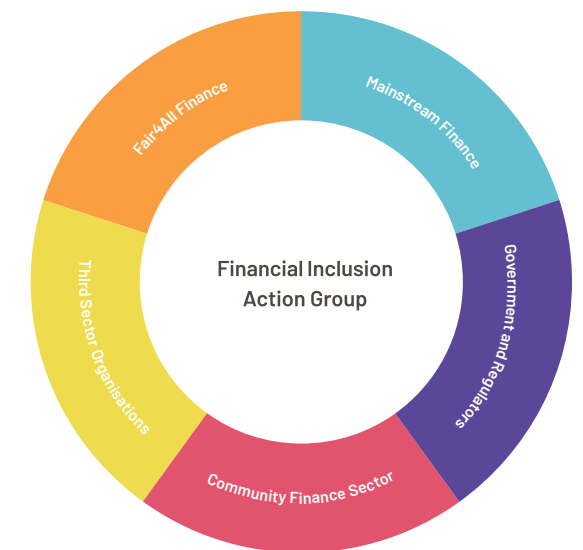


We are in a unique position to lead industry collaboration on financial inclusion. An independent review of our work to date highlighted our strong relationships with the sector, our valuable outputs and the support we provide.

To date, we've been working with government, regulators and the **Financial Inclusion Policy Forum** to gain alignment on key policy and regulatory enablers to create a sustainable market. We have:

- **Convened 40+ key industry players** to develop an action plan to scale affordable credit, including the FCA, high street banks and community finance providers
- Collaborated with stakeholders across industry and civil society to **ensure that financial inclusion remains one of the named causes of the Dormant Assets Scheme**
- Secured commitments through the Woolard Review for the FCA to work on **increasing provision of affordable credit by commercial lenders**
- **Worked with partners in the community finance sector** to get an exemption from FOS case fees for smaller CDFIs building on the exemption for credit unions which our NILS work highlighted
- Supported the **consideration of and active implementation of mergers between credit unions** in England

We've also worked with stakeholders across the industry to publish a shared **Financial Inclusion Plan, which identifies the issues and maps out collective actions needed to boost inclusion.**



And we convened a series of action groups to own the delivery of the Financial Inclusion Plan and drive forward the actions and activities.

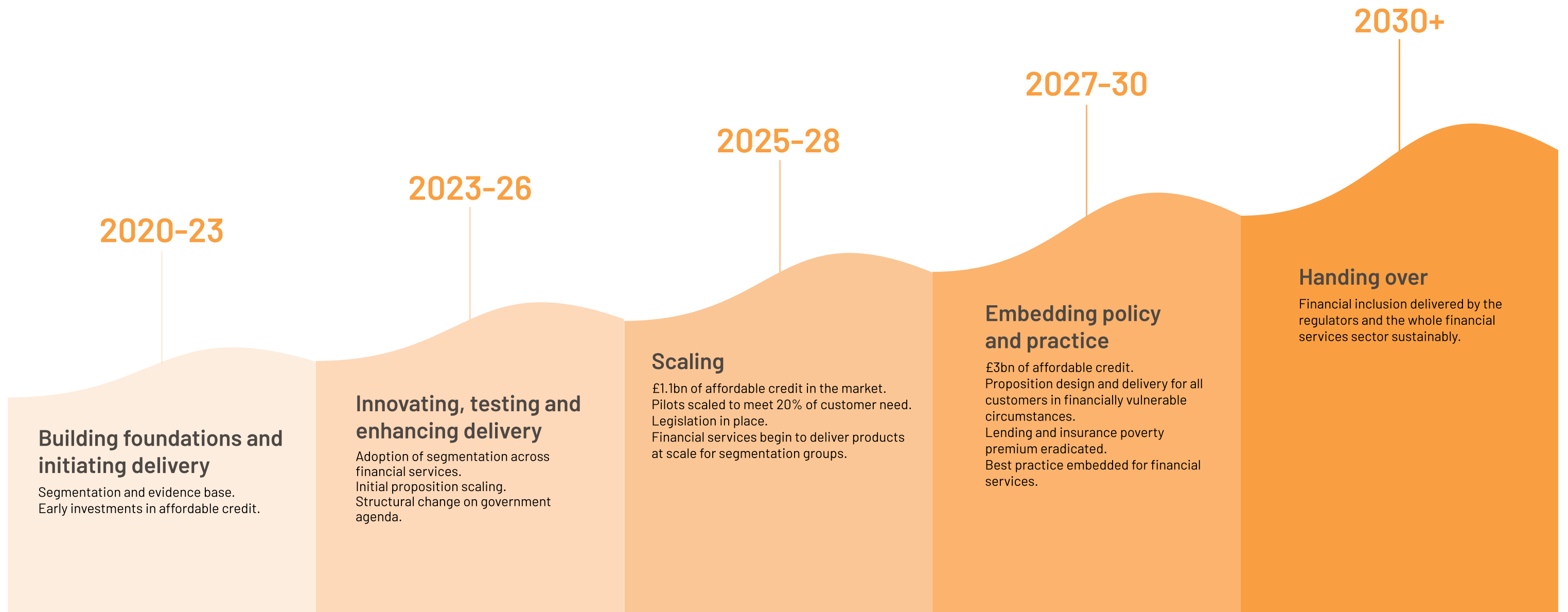
Financial Inclusion Action Group

Affordable Credit Action Group

Ethnicity and Financial Inclusion Practitioner Group

Financial Inclusion Insurance Action Group

Ten years to financial inclusion



We're proud of everything we've achieved so far and we're grateful for the generosity, insight and collaboration of all our stakeholders.

We've learned a lot about what does and doesn't work and we've adapted our approach along the way. And we know there's so much more we can do with the help of others.

To truly make a difference to the lives of the 17.5m people living in financially vulnerable circumstances in the UK, the whole financial services system needs to work together.

The challenge is too great for any single organisation or approach to tackle on their own. We strongly believe that everyone, including mainstream banks and the regulators, must contribute and take responsibility.

We're working with the sector to create a shared Financial Inclusion Plan which brings together how everyone's work contributes to the whole and sets our future work and success measures in that context.

And we're convening a Financial Inclusion Action Group to steer delivery of the plan, advocate for its contents and highlight the issues that need collective ownership and action from mainstream finance, government, community finance and civil society.

Together we can keep transforming the lives of millions of people.

We'd love to hear from anyone interested in working with us.

hello@fair4allfinance.org.uk