

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**.

17.5m

At least 17.5m UK adults in financially vulnerable circumstances

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 financial 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

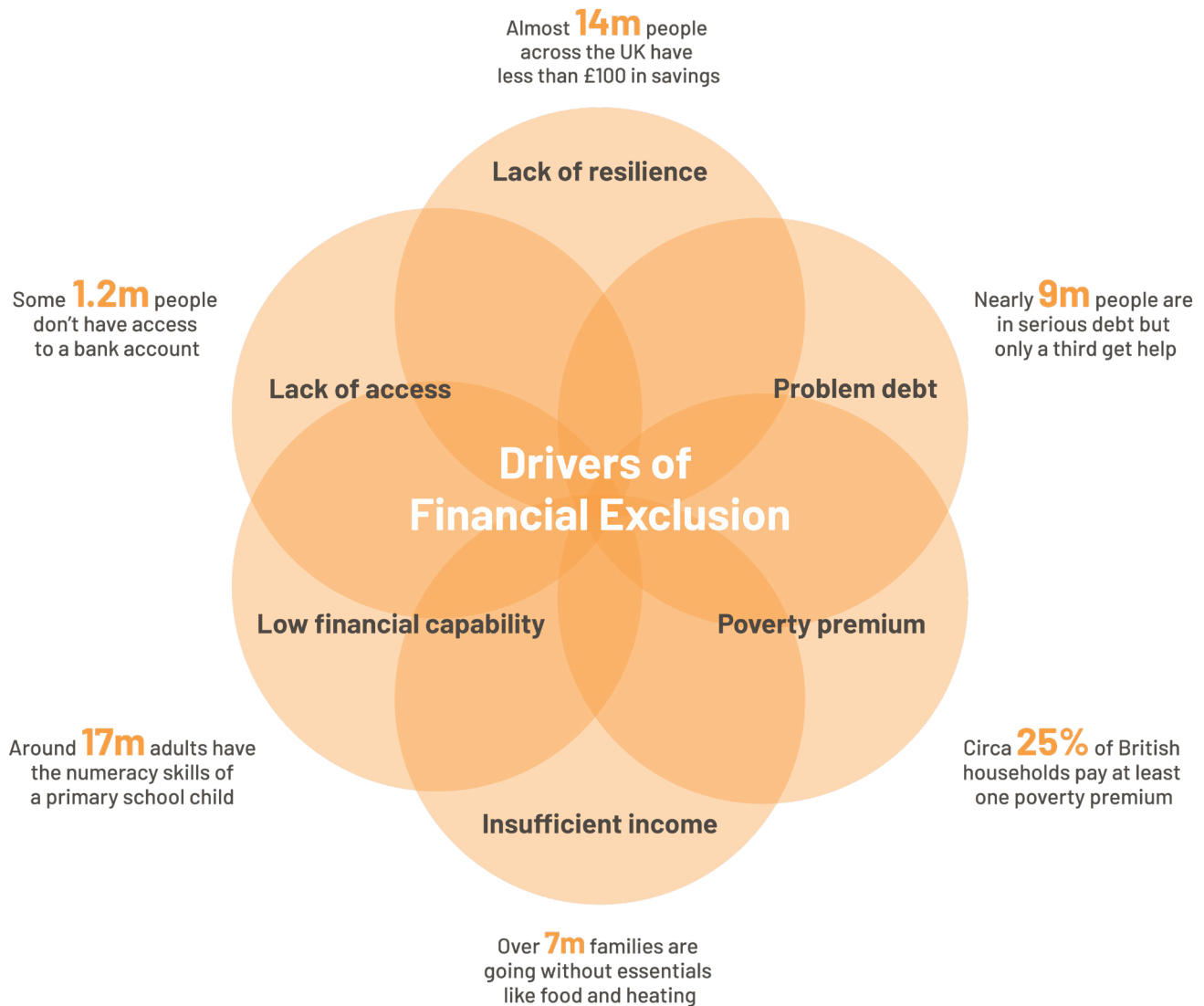
(Un)golden years

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

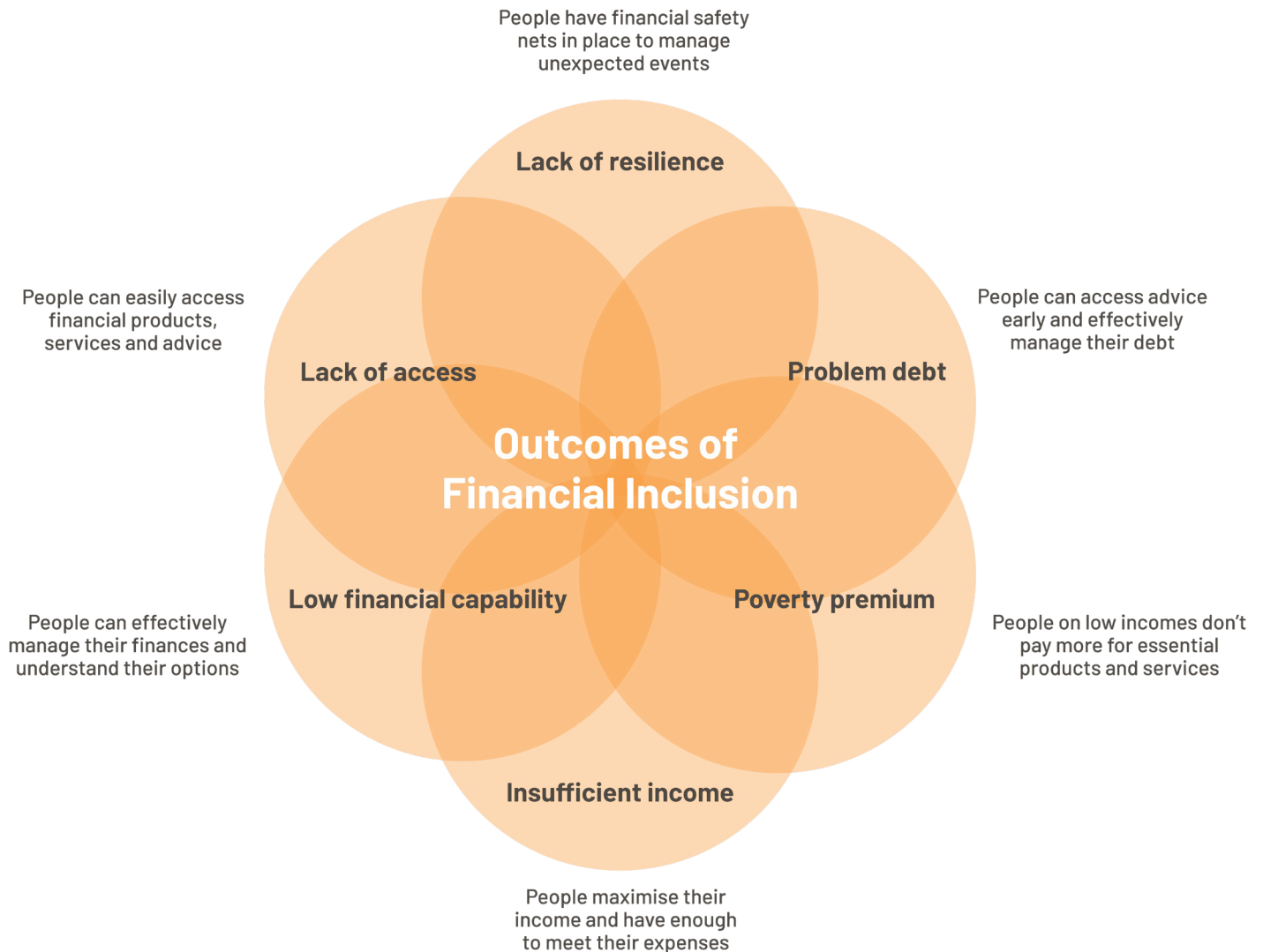
Means people are unable to access mainstream products and services that others rely on to meet their financial needs. Without safety nets like credit, insurance or savings, everyday life events or financial shocks can tip people into vulnerable circumstances.

Financial inclusion

Levers of change



Outcomes

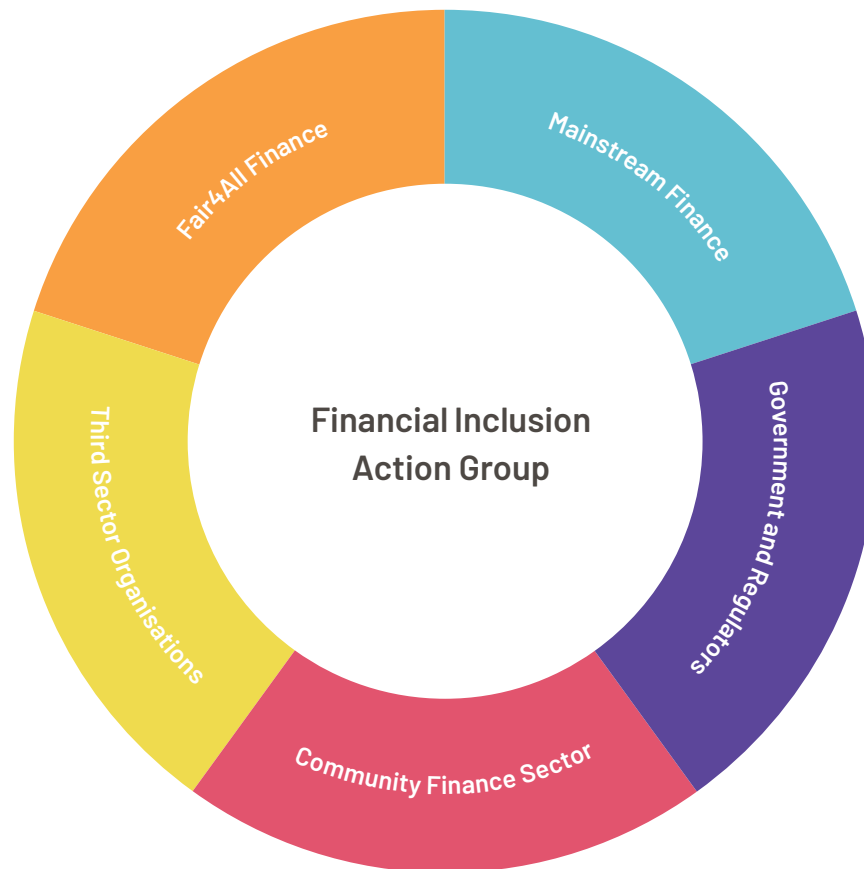


Financial inclusion

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.

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.

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.

Activities and outcomes

Lack of resilience

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 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, diversify 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

Problem debt



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

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

Insufficient income



Activities and outcomes

Low financial capability

Low financial capability

Mainstream	<ul style="list-style-type: none">• Banks, Insurers and other financial services organisations develop their 'S' 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Advocate to ensure children and young people receive meaningful financial education
Fair4All Finance	<ul style="list-style-type: none">• 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

Lack of access



People are digitally included and have the skills and confidence to use technology and are not impacted by move towards a cashless economy

People are not affected by identity verification issues

People have access to the support they need, including face to face services, irrespective of where they live

People can access products and services that are inclusive

Convening, leadership and collaboration

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.

Through this process, we've identified around 50 activities that different stakeholders can take to address financial exclusion. With the help of the new Financial Inclusion Action Group we will review, strengthen and prioritise the list. The aim is to have a clear plan of how we can all work collaboratively to improve financial inclusion and the lives of people in financially vulnerable circumstances.

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.