

FINANCIAL INCLUSION STRATEGY

INTRODUCTION

The Association recognizes its responsibilities to residents and to the wider community in assisting the establishment of greater financial security within the areas it operates. Increasing pressure is being placed on Housing Associations to play a role in tackling issues of financial exclusion as social housing tenants are particularly affected by this.

WHAT IS FINANCIAL EXCLUSION

In 1999, approximately 1.5 million households in the UK were estimated not to have access to basic financial services such as a current bank account, savings, credit or insurance. In a survey of Manchester residents in 2006, it was found that:

- 54% of all households had a weekly income of less than £200. For 23% it was less than £120
- 77% received one or more benefits or tax credits
- 58% of those with school age children were in receipt of free school meals
- 60% of respondents had savings of £100 or less. Amongst social housing tenants, this was 65%
- 64% (70% amongst social housing tenants) paid their fuel by payment card, key or coin meter. 25% had some difficulty paying their fuel bills
- Only 33% (25% of social housing tenants) had contents insurance
- Only 13% had sought advice about financial matters in the past two years
- 40% were aware of credit unions but only 5% were members
- One in three respondents with a child aged 3 or under had either never collected the Child Trust Fund or had collected it and done nothing with it
- Only 73% of respondents had a bank account. Only 34% had a cheque book and cheque guarantee card
- 17% had tried to open a bank account and been refused
- 12% of the sample, rising to 30% of lone parents, had a Social Fund loan
- 7% of the sample had borrowings (excluding mortgages) of over £5000
- 12% of the sample had credit or borrowings to pay for day to day expenses or to pay off other debts. This rose to 25% of lone parents.

NATIONAL POLICY CONTEXT

In the 2004 Spending Review, the Government announced the establishment of a Financial Inclusion Fund to support initiatives to tackle financial exclusion and the creation of a Financial Inclusion Taskforce to monitor progress. In January 2007 the Government launched its 'Now let's talk money' campaign to help people living on low incomes find out about how they can get bank accounts and low cost loans, and advice on how to manage their money better. The Housing

Corporation has also indicated that it expects housing associations to play a key role in tackling this problem and in its report 'Community Access to Money: Social Housing Landlords Reaping the Benefit', it made a number of recommendations (included at the end of this strategy).

WHAT DOES FINANCIAL INCLUSION MEAN?

Financial inclusion is about ensuring that everyone has access to appropriate financial services, enabling them to:

- manage their money on a day-to-day basis, effectively, securely and confidently;
- plan for the future and cope with financial pressure, by managing their finances to protect against short-term variations in income and expenditure and to take advantage of longer-term opportunities; and
- deal effectively with financial distress, should unexpected events lead to serious financial difficulty.

People who achieve these goals will enjoy significantly improved life outcomes.

A small but significant minority of people are unable to access even the most basic financial services and instead find themselves trapped outside the financial mainstream. For these people, financial exclusion causes extra costs and real disadvantage in three ways:

- it makes day-to-day money management more difficult and expensive, and can make it harder to find a job;
- second, financial exclusion makes it harder for families to plan for the future and manage unexpected large items of expenditure; and
- third, if things go wrong, financial exclusion makes people more vulnerable to financial distress and a spiral of debt, poverty and hardship.

SUSTAINABILITY

There is a clear business benefit in helping tenants and leaseholders increase the amount of disposable income they have:

- they are more likely to pay their rent
- they are less likely to fall into arrears
- they will be more able to pay off rent arrears (and any other) debts
- they are less likely to leave their home as a result of rent and other debts accruing.

The key drivers behind the principles are: -

- easier access to welfare rights
- provision of improved educational advice
- reduction in poverty
- improved partnership working

This strategy sets out the areas in which the Association will concentrate its efforts in order to increase the financial capability of its residents.

DEBT ADVICE

Typically, rent arrears recovery focuses on those tenants who have fallen behind with their rent. Often, the rent arrears are part of a wider debt problem. Increasing financial capability focuses on directing resources to tenants before they are in debt (in order to help them to manage their resources) and on working with tenants at or before they have signed up their tenancy. We will also develop our links with other agencies providing debt and money management advice to ensure a comprehensive service is available to all residents, irrespective of tenure.

BASIC BANK ACCOUNTS

Basic bank accounts can also be used at Post Offices where cash can be withdrawn at no cost. Basic bank account holders have full access to branch and counter services and the ATM network. The Association will investigate and promote opportunities for improved access to basic bank accounts to those tenants who do not currently have such an account. We will also work towards allowing direct debits as a method of paying the rent to assist tenants to manage their financial affairs.

CREDIT UNIONS

Credit unions are an internationally recognised model for providing low cost loans for people, irrespective of their incomes. A key element of the strategy will be working with Credit Unions to promote awareness of them and increase access to services by both tenants and staff, to examine ways of working to the organisations' mutual benefit and to encourage the saving habit.

PARTNERSHIP WORKING

The Association will work with Manchester City Council, Manchester Credit Union, Northern Lights Group members and other partners to develop its financial inclusion strategy.

PROMOTING AFFORDABLE SERVICES

The Association will source and advise residents of affordable services to residents including home contents insurance and fuel supply. Where possible, such products will also be made available to staff.

Housing Corporation, Community Access to Money: Social Housing Landlords Reaping The Benefit, 2006

Twenty two Recommendations

Housing associations and other social housing landlords should:

1. Adopt a strategic approach for deciding on their financial inclusion intervention policies that combine altruistic, financial, social and community reasons.
2. Establish what financial inclusion services are already available locally, what the gaps are for residents and what the opportunities are for entering into community banking partnerships with advice, banking and credit agencies.
3. Adopt a two/three year cost/benefit financial plan that reflects both the needs of the residents and the organisational benefits to the landlord.
4. Provide training for front-line housing officers. They should know and use the help and advice that is available to residents in financial difficulties and the benefits that flow for housing organisations residents and staff from financial inclusion strategies.
5. Set up best practice procedures where front-line officers can refer residents with financial difficulties to debt advice agencies.
6. Keep housing management staff, sheltered scheme wardens and other staff (e.g. at call centres) up to date with financial inclusion policies and products.
7. Ensure that residents are claiming their Housing Benefit and any other benefits to which they are entitled.
8. Carry out accompanied lets to ensure new tenants are claiming their Housing Benefit.
9. Offer residents a financial health check when they take up a tenancy or shared ownership occupancy.
10. Assist residents, especially vulnerable people and help them with forms and procedures.
11. Introduce affordable contents insurance with rent schemes.
12. To combat fuel poverty:

- a. Switch homes to the cheapest energy supplier when they become empty to produce another important saving for customers and landlords;
 - b. Social housing landlords can support Energy Clubs for residents to achieve further significant savings through energy efficiency measures.
13. Provide new residents with information about affordable loans when they move in to help keep them out of the hands of doorstep lenders.
14. Give financial and development support to credit unions and Community Development Financial Initiatives (CDFIs) to enable them to develop affordable loans, savings services and banking services for residents on low and modest incomes.
15. Enter into service-level agreements with debt advice agencies to make budgeting advice and financial health-checks available to their residents.
16. Underwrite credit union loans to their residents.
17. Encourage their staff and residents to join local credit unions and sponsor payroll deduction schemes for staff and collecting points at landlords' offices for residents.
18. Support the work of CDFIs and other agencies that make micro-enterprise advice and loans available to new and expanding small businesses, thus creating and protecting local jobs and helping to create sustainable communities.
19. Support the work of CDFIs and other agencies that are making ethical home improvement and equity release loans available to low-income homeowners – many of them older and disabled people – to carry out repairs and improvements to their homes.
20. Form partnerships with high street banks and building societies to offer basic financial services, such as savings accounts and direct debit facilities, to residents without bank accounts.
21. Liaise with other social housing landlords to jointly develop and deliver financial inclusion strategies and products in a defined area.
22. All social housing landlords should work to ensure financial inclusion of all their customers.