
Access to financial services

Report from the access to financial services for excluded groups'
overview Task Group

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Forward by the Task Group Chair



It is with great pleasure that I introduce this report on access to financial services in Brent. In the course of our work the Task Group developed a deep understanding of the challenges our residents without financial services face on a daily basis and the importance of this as a key issue in our society. We have developed a strong commitment to dealing with this issue.

My colleagues and I consulted with a wide range of stakeholders in the course of our work. On behalf of the Task Group I thank all those who freely gave of their time to contribute to our discussions. I would particularly like to thank:

- Kevin Seller - Post Office Ltd.
- Melanie Corfield - Royal Mail Group
- Peter Kelly - Barclays Bank
- Peter Bussy - The Association of British Credit Unions
- Shrine Credit Union
- Joseph Awosika - Community Careers Centre
- Femi Adoni - Debt Management Project
- Brian Litchfield for his support to the Task Group

I would also like to thank our Task Group members:

- Cllr Mary Arnold
- Cllr Carishma Gillani
- Cllr Reginald Freeson
- Cllr Izaharul Halder

The proposals set out in our report seek to build on the good practice that is already happening in many areas of Brent. We have identified a number of practical measures to help maximise the impact of services that are currently available, alongside target interventions to address needs identified by the Task Group. Some of our recommendations require better promotion of existing provision; others will require better working with our partners. Taken as a package we believe they will significantly promote financial inclusion in Brent.



Councillor Van Colle

Executive Summary

This paper outlines the work, findings and recommendations of the overview Task Group which was established to explore 'supporting access to financial services for excluded groups'. The findings and recommendations proposed in this paper are offered for discussion and ratification by Overview.

Key Findings

Between 10,000 and 15,000 households in Brent do not currently have any bank accounts. The Task Group found that low engagement with financial products, particularly current accounts, has a significant negative impact on the lives of many of Brent residents, including:

- Additional costs – estimated to be over £1 million for the boroughs excluded residents
- Transactional difficulties
- Difficulties in spreading costs
- Entrenching exclusion
- Vulnerability to alternative and potentially exploitative providers
- Risk of unsafe money storage
- Increasing low financial literacy
- Difficulty engaging in the mainstream economy and 'normal' way of doing business
- Exclusion from some services and potential saving
- Barriers to employment

The Task Group found that the issues were not simply a matter of access to financial services or not having access. In many cases the Task Group found that credit cards and other financial services were intensely targeted at traditionally excluded groups and that access to these was often very well provided. The core issue was whether there is access to appropriate financial services.

The Task Group also found that access to financial services is a complex issue that cannot be traced to a single source. Key practical themes that can lead to low financial engagement with appropriate financial services include:

- Access to clear and relevant information about financial options
 - Understanding the advantages and disadvantages of alternative financial products
 - Difficulties in establishing personal credential and identity
 - A lack of understanding and transparency about how financial institutions work leading to difficulties in engaging
 - Debt
-

Key Recommendations

The Task Group recognised that residents' low use and knowledge of suitable financial products has a significant impact on their lives. The Task Group offers the following recommendations to address this:

1. Provide basic information about using financial services in jargon-free language on our website, through distributing leaflets and in Brent publications.
2. Promote information and advice via our partners
 - a. Citizens Advice Bureau and other voluntary sector organisations
 - b. regeneration initiatives including neighbourhood projects
 - c. Job Centres
 - d. in our own training for citizenship
 - e. in our One Stop Shops
3. Promote our local Credit Unions, Shrine and Kilburn including a feasibility study and other help depending on the outcome.
4. Engage with local banks and Post Offices to promote basic bank accounts and advice on credit for our residents, through our community leadership role.
5. Establish whether financial services are sufficiently covered in our schools, and also in the adult Skills for Life curriculum.
6. Establish from BRAVA what financial advice provision there is in the voluntary sector and whether there is capacity to increase this.
7. Raise this subject as an issue in the Local Strategic Partnership to find a joint approach.
8. Provide a budget of approximately £30,000 to deliver this initiative.

We recommend that the Chief Executive considers which unit should take the lead role to deliver this cross-council initiative.

Introduction

Scope of Task Groups work

Overview Committee commissioned a Task Group to explore access to financial services (see Appendix 2 for full scope). The focus of this work was to explore personal banking for individuals from socially and economically disadvantaged backgrounds. In undertaking this work, the Task Group aimed to:

- explore the extent of exclusion across the borough
- diagnose the barriers to accessing financial services
- identify alternative models for provision to address these needs, which are within the scope of the authority to influence
- define the council's role within the economy of financial services

The Task Group found that the scope was too limited and has widened its remit.

Membership

The Task Group was chaired by Cllr Irwin Van Colle and consisted of:

- Cllr Mary Arnold
- Cllr Reginald Freeson
- Cllr Carishma Gillani
- Cllr Izaharul Halder

The Task Group was supported by Brian Litchfield.

Methodology

To ensure that the Task Group addressed its scope in a manner that allowed for a thorough examination of key issues and led to practical recommendations the Task Group adopted a strategic approach. The project involved a broad overview to identify key issues relating to access to financial services followed by a structured work plan to explore predominant issues in more detail.

This Task Group founded its work on an analysis of previous research undertaken on this topic – including papers from government departments, advice providers, think tanks, campaign groups, academics and industry bodies. The Task Group also commissioned an analysis of demographic trends to understand the context of financial exclusion. Key papers the Task Group referred to are listed in Appendix 2.

The Task Group structured its investigation through an analysis of supply and demand issues relating to financial services. To understand issues relating to the supply of financial services the Task Group interviewed people along the spectrum from formal

provision, including the Post Offices and banks, to community provision including Credit Unions. The investigation was supported by further analysis of documents, reports and initiatives aimed at widening and improving the delivery of financial services to excluded groups.

To explore issues relating to the demand of financial services, i.e. what customers want from financial service providers and how to stimulate this demand amongst current low user groups, the Task Group spoke to those who currently under-use financial services. Due to the nature and characteristics of this group it was more practical to explore this through representatives such as advice agencies and 'community leaders' who were in touch with the needs, aspirations and experiences of this group.

What are financial services?

The Task Group recognised that it was important not to group all financial products together as one issue. Throughout our work it emerged that there were a variety of issues, solutions and experiences relating to different financial products. To address this, the Task Group defined financial products in the following categories:

- Purchasing consumer goods
- Day-to-day money management
 - Current account
 - Bill payment
 - Handling cheques
 - Short-term credit
- Medium-term financial security
 - Insurance against job loss
- Long-term financial security
 - Security for families and children
 - Security for old age

At the start of our work the focus was on access to personal current accounts. The provision of basic banking services proved to be a key gateway issue to most other financial products. Other forms of financial inclusion were unlikely without bank accounts.

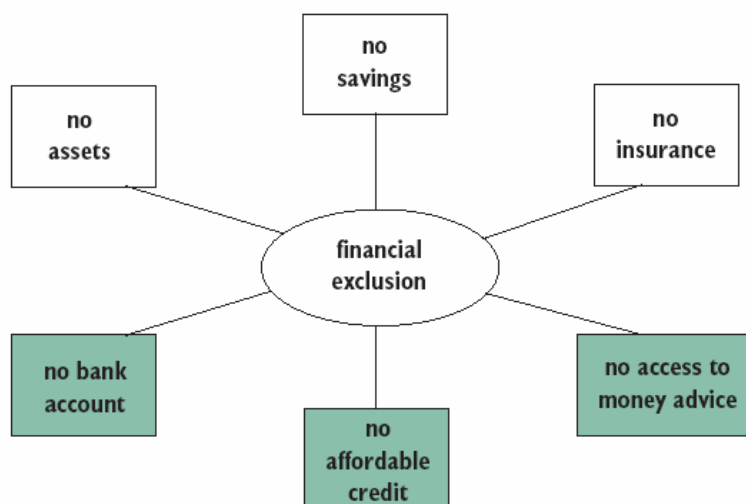
Public Policy Context

Access to financial services is increasingly high on the Government's agenda. There have been significant policy and research resources invested into understanding and working with financial services over the last decade by government departments, think tanks, academic institutions and consumer groups to ensure financial inclusion. The

vast majority of this work has been forced at the national policy level with significantly less attention forced on local action. It is not possible to review all of these initiatives in this report. The Task Group identified key initiatives including:

- Spending Review 2004 – which established a Financial Inclusion Taskforce and Financial Inclusion Fund to support associated initiatives
- Cruickshank Review of Banking Services in the UK
- Review of the Credit Unions Act
- Policy Action Team 14 Report: Financial Services
- Emerging guidance from the Treasury
- Financial Services Authority reports on providing advice and guidance
- Reports by a number of think tanks

These reports identify the following as key areas of financial exclusion:



The high level of attention this topic has received has ensured that there has been significant progress against these dimensions of financial exclusion but challenges remain.

A key national policy initiative that affects this work is the transformation of benefits payments to a system of direct electronic payment. A significant proportion of benefit recipients were without a bank account and basic bank accounts were expected to meet much of this need. For those not able or not ready to use a basic bank account, the Post Office Card Account (POCA) was introduced with a financial contribution from the banks. Many banks also make their basic bank accounts accessible at the Post Office. Latest figures show that over 75 per cent of benefit recipients are now paid electronically into a bank account, a basic bank account or a Post Office®Card Account.

There is a concern that the closure of some Post Offices has reduced the access to this resource, although the Post Office is now providing more access to financial products and services.

The Task Group also identified the development of basic bank accounts as a pertinent initiative for its work. Basic bank accounts are designed to meet the banking requirements of people for whom a standard current account would otherwise be unavailable or unsuitable but enable people to pay their bills by direct debit, pay in cheques and cash, withdraw cash and receive income and benefit payments. They are specifically designed to minimise the risk of an unauthorised overdraft and should not, therefore, require unnecessary credit check restrictions before they can be opened.

As our findings show, there still remain many residents without basic bank accounts.

HM Treasury's recent report 'Promoting Financial Inclusion' offers a useful summary of current policy regarding financial inclusion for those who would like further information.

Current Access to Financial Services – Our Findings

Banking services usage – national

Accurate information describing the number of adults without bank accounts is incomplete and estimates available vary widely. While it would be clearly beneficial to hold a firm understanding of financial usage it is difficult to measure. This problem is compounded as those without bank accounts are traditionally hard to reach with surveys and profiles, an indicative national picture suggests:

- 2.5 – 3.5 million adults are without a basic bank account (PAT 14)
- 1.5 million households (1 in 14) do not use any formal financial services (Joseph Rowntree)
- 16% of households in London do not have a current account. 10% have no bank accounts (Family Resources Survey, 2001)
- some predictions are much higher than this – up to 50% in economically disadvantaged households (Institute of Personal Finance)

If financial services are defined as being more than basic current accounts, to include access to savings and insurance services, the number of those excluded steeply rises to encompass up to 6 million adults (Joseph Rowntree).

It is likely that there are more people without active current accounts than these figures suggest. For example there are large numbers who may have an old National Savings account so are not counted as financially excluded.

The Task Group found that basic bank accounts and Post Office card accounts were available to all residents who choose to take them and were able to prove their identities. Banks confirmed that accounts would be available to all, if legal criteria were met, even through these were a loss making activity for the banking industry.

Banking services usage – local

In many ways Brent has a clearer understanding of financial exclusion than many other boroughs through its neighborhood surveying work. A crude estimate based on the Rowntree Family Resources Survey London figures suggests that there are approximately 10,000 households in Brent without a bank account, i.e. approximately 1 in 10 households.

Exploring the number of people without bank accounts was covered by a recent Brent Council household survey. This only related to four deprived neighbourhoods, namely; St Raphaels /Brentfield, Harlesden, Church End and Stonebridge. Bank usage in these areas has been gathered by a robust survey of a fifth of households in these neighbourhoods. This showed that more than 1 in 7 households (15%) do not have bank accounts in these neighborhoods. This relates to approximately 1,875 households

in these areas alone. This proportion (15% of households without bank accounts) is higher than the national and London average, although it is not possible to establish that this is Brent's average. If the rest of the borough did follow this pattern there would be 15,000 households without bank accounts in Brent.

We can conclude that it is likely that there are between 10,000 (London average) and 15,000 (priority ward average) households in Brent without bank accounts. It is likely that the number of individuals without bank accounts will be higher as individuals within households may be excluded. Problems with statistical collation make it impossible to easily switch between numbers of households and number of individuals within these when describing those without bank accounts.

Access to wider financial products

The Task Group explored a wide range of financial services, in addition to basic bank accounts. This included:

- Credit ratings
- Credit cards
- Sub prime loans
- Poor benefit administration
- Debt management

The Task Group noted a number of pertinent themes from their research into these areas. The predominant theme is that disadvantaged groups are not excluded from all financial services per se, rather there are a great many of services available to them and many specifically targeted at them. Some of these were inappropriate or not the best option. The Task Group distinguished between good and bad financial products.

Although there were many dimensions in distinguishing between good and bad financial products, which are dependent on individuals circumstances, the Task Group felt that some widely accessible products offered poor value to users. Credit cards were key amongst these.

The Task Group heard of examples of incidences where unemployed residents were regularly offered credit cards with credit limits in excess of £10,000. Providers were covered by repayment insurance, limiting their risk. Borrowers would often develop significant debts. This was compounded as the minimum repayment charges were often lower than the interest accrued on the loans, meaning that their debts would grow. One of the key reasons for this was that some clients found difficulty in accessing credit outside credit cards. Furthermore they had little understanding of the borrowing rates and the differences between the costs of alternatives.

The Task Group found examples of good sources of credit, such as interest free buy now pay later options and relatively good value loans but these were often not available to poorer residents. One reason for this was the poor credit rating that many residents have. Residents in Wembley have amongst the poorest credit ratings in the UK with

46% of residents with either a poor or very poor rating (Equifax, 2004, The Guardian 11.07.04. 'Are Asians denied the credit they deserve?'). This is one reason why people turn to credit cards; the Task Group heard that credit cards were often offered without thorough credit checks.

The Task Group felt that offering poor financial products to those who can least afford them is a cynical business of reckless and predatory lenders.

Who currently under use financial services?

National research (Kept out or opted out?, Joseph Rowntree Foundation, 1999) shows that those who currently under use financial services can be described as belonging to one of three groups:

1. Households who have never used financial services
 - Elderly, low-income households
 - Young householders
 - Lone parents
 - Those on the margins of the labour market
 - Some ethnic minorities
2. Households who have disengaged from using financial services
 - following a significant drop in income
 - following relationship breakdowns or death of a partner
3. Individuals within households.

The Task Group found that it was important to understand the differences between these groups and not to apply stereotypes to those without financial services. This is essential when addressing the issues and developing solutions. For example addressing the needs and experiences of someone who has never had a bank account may vary widely from those who have had a bank account but decided to no longer use one.

Profile of groups vulnerable to exclusion / under usage

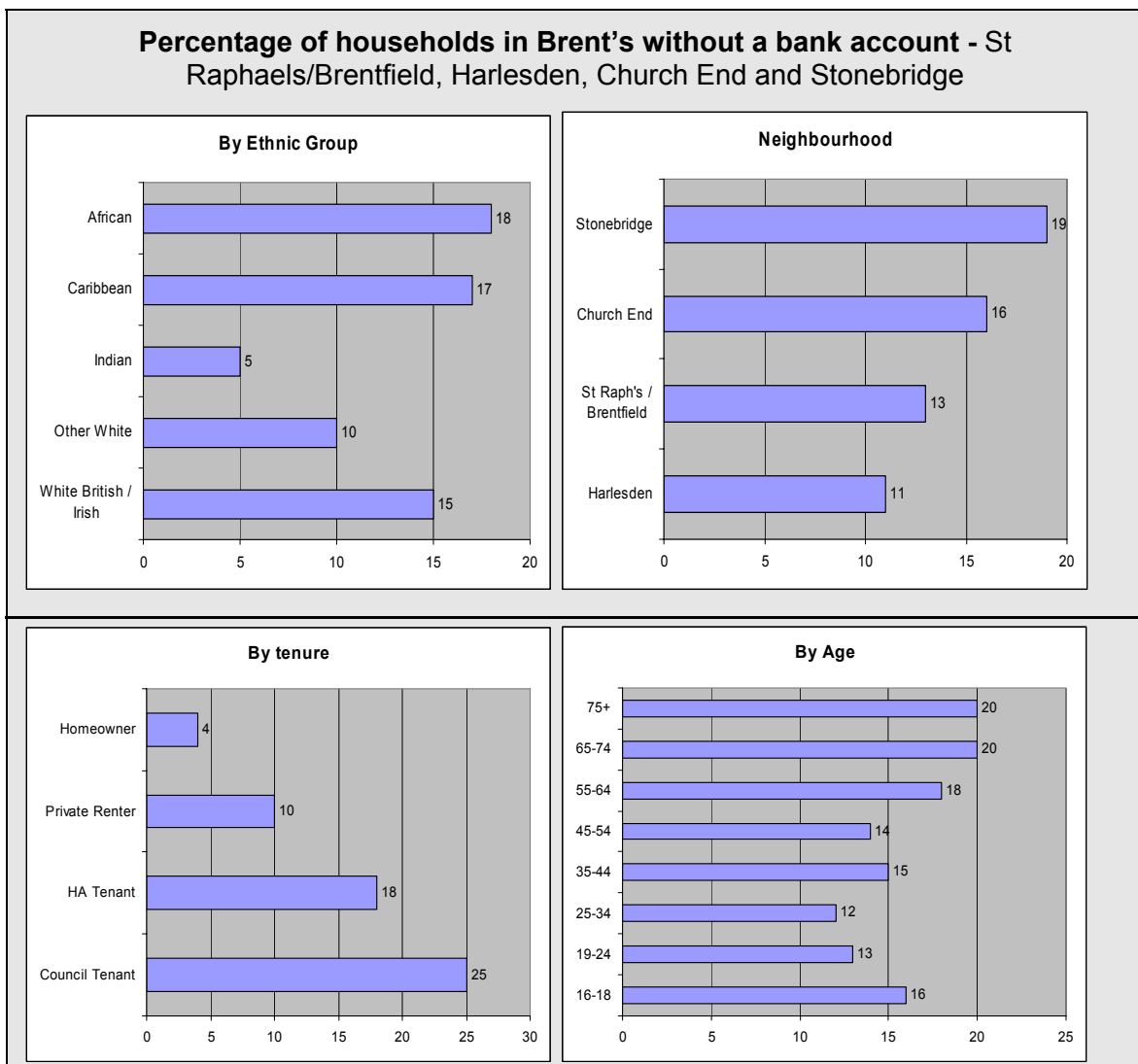
There is no single explanation for households being without financial products; however national research (Kept out or opted out? Joseph Rowntree Foundation, 1999) shows that 'high risk' groups include:

- low income households (two thirds of those without bank accounts have a net income of £50-£150 per week)
- benefit claimants – particularly those who have never had a secure job
- tenants (70% of those without bank accounts)
- those living in social rented housing (84% of all without bank accounts)
- lone parents (40%)

- single non-pensioners, particularly women who became lone mothers at an early age
- Pakistani or Bangladeshi households, as a result of language barriers, religious beliefs and lack of information
- older people who left school before the age of 16

Where you live is also an important factor in exclusion. Households in London or one of the 50 most deprived local authorities in England are twice as likely to be financially excluded as those living elsewhere, (Kept out or opted out? Joseph Rowntree Foundation, 1999), Brent fits both of these criteria.

Our household survey illuminates some of the dimensions of households without bank accounts in the St Raphaels/Brentfield, Harlesden, Church End and Stonebridge neighborhoods. These are shown below.



Financial Literacy

Knowledge about financial products is remarkably low amongst households that are without them. Seven million adults are yet to reach the financial literacy of an average 11 year old (Widening the scope? FSA and CAB research into delivering financial advice through CAB, Financial Service Authority, 2004). We found that this had a significant impact on the choices people made about the financial services they used. We heard that people often chose the worst financial option, e.g. using a credit card for long term borrowing. Measures to encourage future take-up must tackle the widespread mistrust which such households feel for many financial providers and offer information in a style that is appropriate for this group.

The Task Group identified the following in addressing this information gap:

- Basic Skills Agency - Financial Literacy Project Homepage
- BBC - Cashwise Magazine
- Britannic Street - Supports teachers in developing financial literacy
- Citizenz.org - On-line financial literacy resources
- Financial Service Authority - Information sheets and teaching resources
- Learn about money - How to make your money work best for you
- NatWest Financial Literacy Centre - Resources for teachers
- Personal Finance Education Group promotes and facilitates the education of all UK school pupils about financial matters
- The Fool School - includes a women's finances section
- Your Money Be Wise - teaching resources

Much of this information requires users to look for financial information. We found that those who were most excluded were unlikely to do this and that better proactive information was needed that was acceptable to those not accessing financial information and support.

We found a number of additional sources of information about financial options within Brent, including:

- Information about equity release schemes from the council's housing department
- Generic information providers such as Citizens Advice Bureau who run a debt management advice scheme; One Stop Shops; Brent Indian Association; Kilburn Youth Centre - Advice & Information; and many more

Few people we spoke to had heard of these and they need further promotion.

The Impact of Exclusion – Our Findings

Impact of being without a bank account

The Task Group found that being without financial products can have a significant impact on residents and those providing services to them. The negative impact of this will grow as using banking services becomes the norm. This includes:

- **Increased costs** - an additional average of £90 a year for those not paying by direct debit for fuel bills and telephone accounts alone (Why the poor pay more ? National Consumer Council, 2005). This relates to over £1million for Brent's residents without bank accounts.
- **Transactional difficulties** - e.g. cashing cheques and sending money. These difficulties will also result in additional costs. The Task Group found examples where people with minimal resources were paying significant sums for cashing cheques.
- **A cycle of financial exclusion** – the Task Group heard examples of where one type of exclusion could quickly lead to others, for example, when someone did not have a bank account, they were unable to build a credit history.
- **Difficulties in spreading costs** – structured payments through a bank account allows for costs to be spread across a year. Those without accounts are not usually able to enjoy these benefits and often had to pay large up-front sums.
- **Vulnerability** to alternative and potentially exploitative financial service providers. The Task Group heard of examples of people who were excluded from further financial products because they didn't have a basic bank account, for example an inability to get access to store credit led people to borrow from more expensive sources such as doorstep lenders. The Task Group heard of examples of where this resulted in repayment interest rates of over 200%.
- **Risk of unsafe money storage** – the Task Group heard of experiences where individuals lost years of saving as it was not stored safely.
- **Low financial literacy** – the Task Group found that much of the information provided by banks for residents about financial products and alternatives was distributed through banking databases of those who already held currently accounts. Those without accounts received very little information.
- **Difficulty in engaging** in the mainstream economy and 'normal' way of doing business.

-
- **Exclusion from some services** and potential savings - e.g. mail order and internet purchases were often not available to those without bank accounts.
 - **Barriers to employment** – a bank account for receipt of wages is sometimes a basic requirement for employers, for example Brent Council, as with many other employers, will not pay employees in cash. It is a requirement for staff to have a bank account. Although some employers will pay with a cheque this increases the cost of receiving the money as a cheque-cashing fee will apply.
 - **Entrenching exclusion** – being without formal banking or credit history can be as much of a disadvantage as an impaired credit history in accessing certain financial services.

The Task Group also heard about the impact of exclusion from other financial products such as credit and how this has a significant impact on residents' lives. The focus of our attention remained on bank accounts as these are a gateway to other services.

Overall the Task Group found that being without financial products, particularly a basic bank account, can have a significant and detrimental impact on the life of residents.

The impact on society

Working with those without a current account also has an impact upon service providers through increased transactional costs and time it takes to transfer resources.

The Social Exclusion Unit report also noted interactions between social and financial exclusion.

The impact of unsuitable financial products

Alongside the negative impact of being without financial products the Task Group also uncovered significant problems for those who are using sub prime financial products, such as credit cards for long term borrowing, expensive credit and inappropriate accounts. The problem with these products was often over use and supply rather than difficulty in access. Using these products was often the result of poor information and choices and inaccessible alternatives. The Task Group heard that using inappropriate financial products led to:

- Serious debt to the extent some people had to declare themselves bankrupt
- Poor long term credit rating increasing the cycle of decline
- Losing family homes
- Associated problems of depression, stress and anxiety

Alternative Models of Provision – Our Findings

The Task Group considered exploring a number of alternative models for financial provision, these included:

- Credit Unions
- The council acting as a guarantor for loans
- Community Finance Initiatives
- LETS (Local Economic Trading Schemes)

We were only able to consider Credit Unions in some depth.

Credit Unions

Credit Unions are the most viable alternative model for financial services provision. Credit Unions give access to affordable financial services. There are about 500 Credit Unions recognised by the FSA (Financial Services Authority) across the UK. Brent has one recognised Credit Union. A Credit Union is:

- member-owned for people to save and borrow
- set up by people who share a common bond
- governed by a Board of Directors, a Credit committee, and a Supervisory committee selected by an annual general meeting
- the board appoints a manager with day-to-day responsibility for managing the Credit Union
- regulated by the Financial Services Authority
- covered by insurance against fraud and the Financial Services Compensation Scheme
- has to be both inclusive and sustainable. Sustainable is used to mean that it will cover its own costs after a 3-4 year start up period. A start up grant is needed

The aim for Credit Unions is to become the primary source of: low cost, high quality and ethical, financial services. These will be run according to the guiding principles of being inclusive and sustainable. It is in the nature of Credit Unions to be:

- open and accessible to everyone within the common bond
- local, convenient and affordable services (max 1% interest per month – on a reducing basis)
- friendly – owned and run by local people
- no loan is too small
- the maximum is usually £5,000
- no savings are too small and can encourage regular savings (a recent example showed that a benefit claimant managed to save £100 for emergencies in a year)

Credit Unions can help with money management – although Credit Unions aren't experts on advising on this, the process of applying for credit through a union necessitates good money management. They also sometimes work in partnership with money advisers/CAB etc. Practical tools Credit Unions can offer to enable money management include:

- regular and emergency loans – some Credit Unions are moving towards more flexible loan policies based on “capacity to repay” rather than previous savings
- budget bill paying
- energy efficiency loans – often managed by Credit Unions for a local authority
- debt consolidation - they are an alternative to predatory doorstep lenders
- international money transfers and cheque cashing – saving up to 15% on over the counter cheque cashing

Some Credit Unions are also starting to provide basic bank accounts with debit cards, ATMs, direct debits, and cheque books. Credit Unions also offer savings opportunities including:

- young saver accounts
- holiday accounts
- christmas savings accounts
- interim dividends

Credit Unions can also offer insurance including home contents, vehicle, life insurance, funeral plans and life cover on savings and loans (the insurance is there to ensure that the debt is extinguished if a borrower dies). An established Credit Union offers people an alternative to getting into debt in the first place, and re-cycles the community's own savings for the benefit of others in that community.

Brent is currently behind other boroughs in terms of Credit Unions. We have one strong Credit Union, SHRINE in Harlesden, which is well established. Shrine has owned its own premises for many years, giving it significant financial strength. Many boroughs have borough wide Credit Union schemes. To establish a scheme of this scale we would need:

- A common bond: a catchment area, which is large and diverse enough to appeal to those wanting to save as well as those in need
- Sponsorship from local partners, with a key role for the local authority
- Board leadership with business skills and a strong sense of strategic purpose
- A business and marketing plan - focusing on growth to achieve sustainability in 3-4 years
- Resources - premises and paid professional staff
- Funding – estimated cost of £500,000 to establish a Credit Union to sustainability in 5 years, after which point it would be able to support itself. It has been suggested that it could save members this amount every year
- Collaboration with the national body

Credit Unions can also help address the psychological barrier to accessing financial services. Customers realise that Credit Unions are not there “to rip them off” so they are more trusted. Since they are more local they are also able to provide a more personal touch.

Credit Unions in Brent

SHRINE was established in 1970 for residents of NW10 originating from a church group. They bought their own building in 1982. They currently have 1,000 members, 500 are active members. A problem they face is that young people see them as a poor man’s bank. In the short term we could support SHRINE with marketing – e.g. articles in Brent Magazine, South Kilburn’s Spotlight and other neighbourhood publications.

Most members of the SHRINE Credit Union also have bank accounts and make payments to the union by bank transfer. This means that although the unions may provide access to credit, members generally already have access to basic bank services through other accounts.

SHRINE could become the foundation of a Brent borough-wide Credit Union network. The managing volunteers of Shrine commented that although their members may be initially concerned about the risk to their investment of growth, there is the potential for SHRINE to move forward. SHRINE could act as a hub for a borough wide Credit Union. SHRINE recognise that they need to grow for financial stability, they were concerned that this growth may sever their link to the local community.

The Task Group also heard about the Credit Union project which has been established in Kilburn and has recently been funded by South Kilburn New Deal for Communities.

The first step in developing a borough-wide initiative would be to undertake a feasibility study which we should fund, costing approximately £11,000 (plus vat) and based on action research. The Task Group was told that it normally costs about £500,000 to establish a Credit Union to financial viability and takes approximately 5 years. Because SHRINE owns its premises, the working party believes the cost for SHRINE will be much less.

Issues with the Credit Union model

It is clear that Credit Unions have significant advantages to offer Brent’s residents. There are a number of factors that the Task Group felt needed to be considered when offering recommendations to invest significant council resources into this problem, these include:

- **Range of services.** While Credit Unions offer great access to credit many do not offer a range of services that would address the problems that result from being

without a bank account (see section impact of exclusion page 12). Many Credit Unions don't clear cheques, offer access to ATM networks etc. Most users of Credit Unions also have bank accounts.

- **Cost** - Local Authorities are often responsible for offering financial support.
- **Inclusion** - Credit Unions offer an alternative for those who are excluded from other financial routes. This is a means of including people who are otherwise excluded. This is one of the main purposes of regeneration policy.
- **Sphere of activity** - A key characteristic of a credit union is that there is a common bond at a local level with which members identify. A borough wide credit union may not offer this. Members of a small group may want to consider whether they want to share the risk of growth to a borough wide scheme.
- **Community support** - Credit Unions tend to be most successful when they are developed by local community demand. The Council is in a position to support such action.

Credit Unions have an important role and the Task Group believes that the council does have a role in supporting them. This role is focused on supporting Credit Unions to grow organically, for example helping them promote themselves through advice and publicity.

Barriers to Wider Use – Identifying Patterns

What are the barriers to wider use?

A key question the Task Group grappled with was: *are people who lack financial products excluded from access or do they exclude themselves?*

The Task Group found that that at one extreme a small minority are denied products through applications refused or facilities withdrawn, while at the other extreme a small minority do not want products under any circumstances.

We found less clarity about the middle group who often face barriers that encourage self exclusion, including price consideration, marketing exclusion and conditions applied to products. It is this group that the Task Group thought our recommendations could most affect. This related to approximately 90% of those without bank accounts.

Dimensions of exclusion

Exclusion from financial services is complex and cannot be understood in simple terms. We identified four main factors that can lead to exclusion from financial services:

- **Price exclusion** – where products are too expensive for low-income households to afford.
- **Marketing exclusion** – where financial institutions target more affluent customers and are not keen to attract low-income groups because there is limited profit in these accounts. For an account to be profitable it needs an average credit of approximately £1,000 a month.
- **Conditional exclusion** – where the terms and conditions attached to products make them inappropriate. It has been estimated that a quarter of all applications for current accounts are refused. We found that key reasons for refusal are difficulties in establishing identity, proof of address and credit ratings.
- **Choice** – some consumers may make choices not to hold a current account. We heard about a number of individuals who liked to work with a cash only method of managing their money as it allowed them clarity – “when it’s gone it’s gone”. It is important to establish whether these decisions are founded on solid information and options or because other options are not clearly available.

Among these, establishing individuals’ identities proved to be a pertinent issue in Brent, particularly given the borough’s changing population. We heard that these problems were compounded for some of Brent’s residents as their passports were held by the Home Office while immigration cases were being assessed.

Recommendations

The Task Group recognised that residents' low use and knowledge of suitable financial products has a significantly detrimental effect on their lives. The Task Group therefore offers the following recommendations:

1. Provide basic information about using financial services in jargon-free language:
 - a. on our website
 - b. through leaflets to targeted areas / groups
 - c. in Brent publications, including
 - Brent Magazine
 - Council Tax Information
 - Public Libraries
2. Promote information and advice via our partners,
 - a. Citizens Advice Bureau and other voluntary sector organisations
 - b. regeneration initiatives including neighbourhood projects
 - c. Job Centres
 - d. in our own training for citizenship
 - e. in our One Stop Shops
3. Promote our local Credit Unions, Shrine and Kilburn
 - a. feasibility study
 - b. other help depending on outcome of feasibility study
4. Using our role of community leadership to engage with local banks and Post Offices to promote basic bank accounts for our residents
5. Establish whether financial services are sufficiently covered in our schools, and also in the Adult Skills for Life curriculum
6. Establishing from BRAVA if there is sufficient capacity in voluntary sector organisations to support this initiative
7. Raise this subject as an issues in the Local Strategic Partnership to find a joint approach

Cost of implementing recommendations

The Task Group believes that these recommendations can be implemented within existing resources; most of them can be easy delivered through joint working and consideration alongside other initiatives. While both the feasibility study and the production of leaflets may require resources these are likely to be limited, under £30,000. It is not possible to be specific about cost as this depends on the areas selected for initial distribution, the capacity of our partners and the outcome of initial investigations.

Appendixes

Appendix 1: Sources of further information

Institutions

A selection of organisations which undertake work around access to financial services is shown in the table below:

Institution	Role	Website
Personal Finance Research Centre, University of Bristol	Undertakes research into personal finance and explores implications for individuals, communities, financial services providers and government.	www.ggy.bris.ac.uk/research/pfrc
Centre for Research into Socially Inclusive Services	Explores the significance of service access and consumption and how to promote social justice and stimulate community-based regeneration.	www.crsis.hw.ac.uk
British Bankers Association	Trade association of the banking and financial services industry.	www.bba.org.uk
Financial Ombudsman Service	Provides consumers with a free, independent service for resolving disputes with financial firms.	www.financial-ombudsman.org.uk
Institute of Financial Services	A brand of The Chartered Institute of Bankers. It provides education and career support to the industry and financial education to the public.	www.ifslearning.com
The National Consumer Council	Independent consumer expert championing the consumer interest to bring about change for the benefit of all consumers.	www.ncc.org.uk
Association of British Credit Unions	An association for British Credit Unions providing research, news and networking opportunities.	www.abcuk.org http://creditunioncommunities.org
The National Association of Credit Union Workers	Develops accredited training and best practice and is the voice of Credit Union Workers throughout Britain.	www.nacuw.org.uk
Financial Services Authority	Maintain efficient, orderly and clean financial markets and help retail consumers achieve a fair deal.	www.fsa.gov.uk

Key reports

The Task Group referred to a large number of reports in the course of its work – key documents include:

Access to Financial Services in Britain, The Role of Social Networks, Pamela Meadows, 2001

Access to Financial Services in the UK, Personal Finance Research Centre, 2000

An Introduction to Pearls in Britain, Association of British Credit Unions, 2004

Banking Business. The annual abstract of banking statistics, 2005

Barclays PLC Corporate Social Responsibility, 2003

Beyond Bank Accounts: full financial inclusion, IPPR, 2004

Community Capacity Building: Savings, Assets and Financial Inclusion, Centre for Research into Socially Inclusive Services, 2003

Credit Unions and Loan Guarantee Schemes, 2003

Cruickshank Review of Banking Services, 2000

Ending fuel poverty and financial exclusion, National Energy Action, New Economics Foundation and the Personal Finance Research Centre, 2004

Everyday Essentials: Meeting basic financial needs, National Consumer Council, 2003

Family Resources Survey, DSS, 2001

Financial Capability: Consumers' views on developing their financial capability through socials and workplaces, Financial Services Authority, 2004

Kept out or opted out? Understanding and combating financial exclusion, Joseph Rowntree Foundation, 1999

Papers from South Kilburn New Deal for Communities

Policy Action Team 14: Financial Services, Neighborhood Renewal Unit, 1999

Profiting from Poverty – Why debt is big business in Britain, New Economics Foundation, 2002

Promoting financial inclusion, The Policy Press, 2003

Why the poor pay more, National Consumer Council, 2005

Widening the scope? FSA and CAB research into delivering financial advice through CAB, Financial Service Authority, 2004

Appendix 2: The Task Groups full scope

SUPPORTING ACCESS TO FINANCIAL SERVICES FOR EXCLUDED GROUPS

Most people have access to banking services. Using bank accounts is now the normal way most people manage their finances, offering them a range of benefits and savings. All social security benefits are paid into bank accounts. This general increase in the use of financial products has left an important minority of individuals behind - people who do not have an account, although less than 10% of the population can be vulnerable to exploitative borrowing, poor advice and additional charges. They may well be especially disadvantaged if their local Post Office has closed.

Patterns of non-use of financial services are related to employment status, income, housing tenure, age, ethnicity and long-term sickness or disability. It is not clear the extent to which these people are being refused access to banking services by providers, or whether the barriers to participation are around individuals' perceptions and choices.

Whilst it would be interesting to explore all these dimensions relating to accessing financial services, it is likely that this would unreasonably stretch the resources and energies of an Overview Task Group. It is therefore proposed to concentrate on the most critical factors and ones on which the council can have most influence. To this end, most benefit could be gained by focusing on access to basic current accounts and associated advice. While there are clearly wider issues relating to insurance, savings, mortgages and business loans, a basic current account is the essential foundation.

Many groups are excluded from financial services for a wide range of reasons, for example:

- homosexual couples are often excluded from life or medical insurance
- small businesses without a financial track record of success are often excluded from business loans
- transient populations are sometimes at a disadvantage in lacking a permanent address
- socially and economically disadvantaged groups often do not access any financial services
- In the light of the above considerations, the Task Group should focus on personal banking for individuals from socially and economically disadvantaged backgrounds

The core information would be derived from analyses of recent reviews of financial services e.g. Cruickshank Review of Banking Services in the UK; Review of the Credit Unions Act; Policy Action Team 14 Report, alongside practical experiences of other local groups. The aim of this would be to identify conclusions that are applicable within Brent.

In undertaking this work, the Task Group should, inter alia:

- build on the findings of the Post Office's overview Task Group
- explore the extent of exclusion across the borough
- diagnose the barriers to accessing financial services
- identify alternative models for provision to address these needs, which are within the scope of the authority to influence
- define the council's role within the economy of financial services and identify how this integrates with regeneration and tackling exclusion

It should make recommendations accordingly, estimating any costs.

Appendix 2: Example leaflets

May 2003

The Financial Services Authority (FSA) is the independent watchdog set up by government to regulate financial services and protect your rights.



Financial Services Authority

No bank account?

Why it could pay you to have one

FSA Consumer Helpline:
0845 606 1234
(calls charged at local rate)

FSA Consumer fax:
020 7676 9713

To help us maintain and improve our service, we may record or monitor calls.

Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

FSA Consumer website:
www.fsa.gov.uk/consumer


Comparative tables website:
www.fsa.gov.uk/tables

FSA Consumer email:
consumerhelp@fsa.gov.uk

If you have difficulty with this booklet in its current format or language, please contact the Helpline on 0845 606 1234.



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FSA – regulating financial services and protecting your rights

The Financial Services Authority (FSA) is the independent watchdog set up by government to regulate financial services and protect your rights.

This leaflet is about basic bank accounts.

It sets out:

- why you might choose to have one;
- how to choose the right account for you; and
- how to open one.

A list of basic bank accounts is on pages 8–9.

Why should I open a bank account?

You probably already know about current accounts (and maybe you've decided they're not for you). But do you know that basic bank accounts are now available that help you manage your money?

With a basic bank account you can pay money in, get cash out by card and use the account to pay bills directly. You can take out or spend money only if there is enough in your account. Basic bank accounts don't usually let you overdraw by more than £10. But if you pay bills directly you need to make sure that there is enough money in your account to pay them. If not, the payment may not be paid and you may be charged a fee.

If you want to open a basic bank account, pages 8–9 contain a list of the banks and building societies that offer them.

Here are some questions and answers about opening and using a basic bank account.

Q Have I got enough money to start an account?
A You don't need to put in any money to open a basic bank account with most banks. With others, £1 is usually enough to get you started. Also, once it's started, you don't need much money going in and out of the account.

Q Where can I get my money?
A You can take your money out at cash machines. Also, with some accounts you can withdraw money from branches of your bank or building society, and most basic bank accounts offered by high street banks and building societies can be accessed at the Post Office®. You may also be able to use the cashback facility provided by supermarkets, but you will need to check with the bank or building society first. You do not get a cheque book.

Q Do basic bank accounts cost money?
A Most withdrawals from cash machines are free, but check this

when you open the account. With some machines (usually not the ones belonging to a bank or building society) there may be a charge, but you should first see a warning on the screen informing you that a charge will be made and asking if you want to continue. This will let you stop the withdrawal before any charge is made.



You may also be charged if the bank has to refuse a Direct Debit because there isn't enough money in your account.

Q How can I keep track of my money with a bank account?

A You can usually check your balance (and sometimes get a mini-statement) through the cash machine whenever you want to know what's in your account. Check this with your bank or building society. With most basic bank accounts on the table on pages 8-9, you can obtain a balance at any Post Office® branch.

You will also get a regular statement from your bank or building society showing what you have paid in, and

what you have taken out, including any payments taken directly from your account. Ask your bank or building society for details of how often it sends statements.

Q What if I've only £6 left in my account and cash machines only pay out £10 notes?

A Usually cash machines will only let you take out money if it's in your account. If your account has a buffer zone (a free temporary overdraft – see pages 8-9) you will be given £10 by the machine. You will not be charged for being very slightly overdrawn on this basis. You can withdraw the exact amount you have in your account at a branch of the Post Office® over the counter during opening hours, or at your bank or building society.

Q How can a bank account save me money on paying bills?

A You can make savings in the following ways:

- Some firms – especially gas and electricity companies – give you a discount if you pay by Direct Debit which is a payment taken directly from your bank account. See page 3. You will pay more if you have a pre-payment meter.
- Other firms – for example, many insurance companies – won't sell to you at all if you can't pay from a bank account, so you could save on cheaper insurance.

■ Some companies add a small charge for paying some bills in cash at a bank or Post Office® branch.

■ If you have to use a cheque-cashing service you might only get around £20 out of a cheque for £25, because of the charges, although you will get your money straight away. With a bank account it costs you nothing to pay cheques in, but you will have to wait a few days for the money to be available in your account.

Q How can I pay bills with a basic bank account?

A There are two ways to pay your bills with a basic bank account:

- **Direct Debits** – the amount is agreed with you by the organisation you're paying. The money is automatically taken out of your account on the agreed date. The organisation must give you notice in writing if it wants to change the amount or the date.
- **Standing orders** – you set the amount to be paid and inform your bank. It's your responsibility to tell your bank if the payment needs to change. The money is automatically taken out of your account on the agreed date.

Q Are there any charges for these services?

A If you pay bills by Direct Debit and there isn't enough money in your account, the payment will be refused. Some banks will make a charge if they have to refuse a Direct Debit – see the table on pages 8-9.

If you pay bills by standing order and there isn't enough money in your account, the payment will be refused. Ask your bank or building society if there are charges and what they are.



Some banks may also charge to set up, cancel or alter Direct Debits and standing orders. Check whether the bank you want to use charges for these services.

Q Why do most people have a bank account?

A Today, most people's income is paid direct into a bank account whether it's:

- wages or salary;
- student loans;
- educational maintenance allowance;

- pensions or state benefits; or
- some tax credits.

The Government has started to pay all benefits, state pensions and some tax credits into bank accounts. If this affects you, the Government will contact you when it is your turn to change.

As part of the change the Post Office® has introduced an account that can only be used by those receiving benefits, state pensions and some tax credits.

Customers do not have to do anything until their Government department writes to them telling them about the change.

Q Could I be turned down for a basic bank account?

A Basic bank accounts are available to almost everybody. Credit checks may be carried out to see if you have outstanding County Court judgments against you or have been made bankrupt. But even if you have, you might still be able to open an account. Check the table on pages 8-9.

By law, if you want to open a bank account you have to provide proof of who you are and where you live. Typical items asked for may be a pension or benefit book, a current passport, a current driving licence, a recent council tax or utility (eg. gas or electricity) bill. Staff at the bank or building society will be able to tell you the sort of proof they can accept.

If this is difficult for you, some will accept something else such as an original letter or statement from any responsible person who knows you, like a social worker, teacher or hostel manager. Ask the branch staff. They may also have a central helpdesk to which they can refer your application.

Q How old do I have to be?

A 16, but sometimes 18 – see the table on pages 8-9. If the minimum age is 18, there are usually other accounts for people younger than that.

Q What is the difference between a basic bank account and a current (ordinary) account?

A It depends on what banking services you need – see pages 6-7. You may need to pass extra credit checks for some current account services.

- **Basic bank accounts are better** if you only need a simple account and don't want a cheque book or you want to reduce the risk of going overdrawn by mistake. Wages, pensions and tax credits can all be paid into the account.

Basic bank accounts are called by different names (see pages 8-9), but they all offer straightforward banking services such as:

- a card you can use to get cash from a machine or in some cases a bank or building society branch or the Post Office®;

- a way of paying bills using Direct Debits or standing orders.

Some basic bank accounts also offer you a debit card (such as Solo or Electron). You can use it to pay for things in some shops. If there is enough money in your bank account, the money is 'debited' (taken out) from your account.

If using the Post Office® is important to you, some basic bank accounts



will let you withdraw cash, free of charge over the counter, at any Post Office® branch.

- **Current accounts are better** if you want a cheque book or want to be able to borrow money from the bank. This is called an overdraft, and you will pay charges and interest on what you owe. Shop around, as some banks offer cheaper rates for overdrafts than others.

As well as a cheque book and overdraft facilities you may also have a card that will allow you to

guarantee cheques, use cash machines and pay for goods in shops or on the internet. The bank will inform you of the type of card you can have with the account and where it can be used.

There might also be credit checks and stricter requirements to prove who you are and where you live. And some accounts require you to have your wages, pension or benefit paid directly into the account.

If you're a student in higher education, many banks and building societies offer special deals – check what's available at or near your college.

Q How do I decide on the right bank or building society for me?

A Check that:

- you can use cash machines around where you live or work free of charge;
- there's a branch near you, or you can use your local Post Office® branch to pay in or take out money – some banks offer this arrangement;
- it offers the services you want – like a cash card and Direct Debits.

See pages 8-9 for which banks or building societies offer basic bank accounts and their features.

Which bank account is right for me?

This table is a summary of the two main types of account. Check to see which might suit your needs best.

	Basic bank account	Current account
Common features	<ul style="list-style-type: none"> Allows you to receive money and pay bills – but won't usually let you overdraw by more than £10 if at all. Can be a stepping stone to a full current account. Cash card, Direct Debits. See page 3-4. Some banks also offer a debit card and payment by standing order. Others offer a linked savings account to help you budget. 	<ul style="list-style-type: none"> Cash card, debit card, Direct Debits, standing orders, cheque book and guarantee card, overdraft, interest on credit balances.
Who is it suitable for?	<ul style="list-style-type: none"> People who want to make sure they stay in credit. People who might not get through the banks' credit checks to open a current account. 	<ul style="list-style-type: none"> Most people – except those who only need the basic banking services available from a basic bank account.
Where can I get one?	<ul style="list-style-type: none"> See the list on pages 8-9 to find out which banks and building societies offer this type of account and what they call them. 	<ul style="list-style-type: none"> Any high-street bank, and some building societies – the most common type of bank account. Some other banks don't have branches – you deal with them by post, telephone or internet.
What to look for	<ul style="list-style-type: none"> Cash machines – how many can you use free of charge? Branches – do you need one near where you live or work? Post Office[®] – do you need an account that offers access at Post Office[®] branches? You can access most of the basic bank accounts listed in this leaflet from a Post Office[®] branch. Paying bills – does the account give you everything you need to pay your bills easily? All accounts offer Direct Debits. Some also offer standing orders and a debit card. Interest you get on money in your account – only available from some banks. 	<ul style="list-style-type: none"> Cash machines – how many can you use free of charge? Branches – do you need one near where you live or work? Post Office[®] – do you need an account that offers access at Post Office[®] branches? Check whether your bank offers this service. Overdrafts – avoid banks that charge fees, on top of interest. Interest you get on money in your account – some banks and building societies pay much higher rates than others.

Basic bank accounts: Summary of what's available

Explanatory notes

- ⊕ People who pay you regularly can use Automated Credit Transfer (ACT) to pay your money directly into your bank account, instead of by cash or cheque to you.
- ⊕ A free temporary overdraft, so you can take money from a cash machine even if there is less than £10 in your account.
- ⊕ Contact at time of publication but check with the bank.
- ⊖ 16-year-olds can open a similar account.
- ⊖ Bank of Scotland EasyCash accounts opened prior to April 2013 have different account features.
- ⊖ Reserve the right to charge
- ⊖ The only Automated Credit Transfer (ACT) that can be made into the card account are benefits, state pensions and some tax credits.

Bank name and any special name for this account	Cash withdrawals available at the Post Office [®]	Minimum age to open account	Minimum amount to open an account	Automated Credit Transfer (ACT) payments ⊕	Cash machine card	Free buffer zone ⊖	Direct Debits and Standing orders	Charge for unpaid Direct Debit ⊖	Debit card (Solo or Electron)	Cheque book	If any of the following apply to you, your application may be declined.
Abbey National Bank Current Account	Yes	16	None	Yes	Yes	£10	Yes	£32	No	No	Undischarged bankruptcy, record of fraud
Alliance & Leicester Basic Banking Account	Yes	18	None	Yes	Yes	No	Yes	£29.50	No	No	Undischarged bankruptcy, some bad debts (depending on individual circumstances)
Bank of Ireland Bank Cash Account	Yes	16	None	Yes	Yes	No	Yes	£38	No	No	Undischarged bankruptcy, record of bad debts
Bank of Scotland EasyCash ⊖	Yes	16	None	Yes	Yes	No	Yes	£30	No	No	Undischarged bankruptcy, record of fraud
Barclays Cash Card Account	Yes	18	None	Yes	Yes	No	Direct Debits only	£30 max per account per day	No	No	Record of fraud
Clydesdale Cashmaster	Yes	16	None	Yes	Yes	No	Yes	£33	No	No	Undischarged bankruptcy, record of fraud, some bad debts
Co-operative Bank Cashmaster	Yes	16	None	Yes	Yes	No	Yes	No	Yes	No	Record of fraud
First Trust Bank Bank Account	Yes	16	None	Yes	Yes	£10	Direct Debits only	Under £16 £22.50 ⊕ Over £16 £27.50	No	No	Undischarged bankruptcy, record of fraud, record of bad debts
Halifax EasyCash	Yes	16	None	Yes	Yes	No	Yes	£30	No	No	Undischarged bankruptcy, record of fraud
HSBC Bank Bank Account	Yes	18	None	Yes	Yes	£10	Yes	No	No	No	Undischarged bankruptcy, some bad debts
Lloyds TSB Basic Bank Account	Yes	18 ⊕	None	Yes	Yes	£10	Yes	No	No	No	Undischarged bankruptcy
Nationwide Building Society Bank Account Cash Card	Yes	16	£1	Yes	Yes	No	Yes	£25 (£27.50 from 1 June)	No	No	History of fraud
NetWest Shop Account	Yes	16	None	Yes	Yes	No	Yes	£30	Yes	No	Undischarged bankruptcy
Northern Bank Cashmaster – Basic	Yes	16	None	Yes	Yes	No	Yes	£38	No	No	Undischarged bankruptcy, record of fraud, some bad debts
The Royal Bank of Scotland My Account	Yes	16	None	Yes	Yes	No	Yes	£30	No	No	Undischarged bankruptcy
Ulster Bank Bank Account	Yes	16	None	Yes	Yes	No	Yes	Under £30 £25.00 Over £30 £27.50	No	No	Undischarged bankruptcy
Yorkshire Bank EasyCash	Yes	16	None	Yes	Yes	No	Yes	£33	No	No	Undischarged bankruptcy, record of fraud, some bad debts
Post Office [®] Card Account <small>Post Office card account is offered by selected branches only through Post Office Ltd</small>	Yes	None	None	Yes ⊕	No	No	No	N/A	No	No	

Source: British Bankers' Association, May 2013.

This information is correct as at time of print, but is subject to change. Please check with your chosen bank, building society or Post Office[®] branch.



For more information

If you are unsure about anything in this leaflet, contact your local CAB. Look in your telephone book under C or see our website www.adviceguide.org.uk to find the nearest one to you.

If you would like this leaflet in large print call 020 7833 7063 / 7064.

For an electronic copy see www.adviceguide.org.uk (Benefits). Also available in Chinese, Gujarati, Hindi, Punjabi, Urdu or Welsh from your local CAB.

- Department for Work and Pensions helpline: 0800 107 2000 (textphone 0800 107 4000) Welsh language 0800 107 8000 www.dwp.gov.uk/directpayment

- Veterans Agency (war pensions): 0800 169 22 77
- Tax credit helpline: 0845 3003900
- Post Office™ banking helpline: 08457 22 33 44 (textphone 08457 22 3355)



Produced by Citizens Advice Myddelton House 115-123 Pentonville Road London N1 9LZ Registered charity number 279057 April 2004

How can I manage my money better?

- You may already have a bank account or are interested in opening one
- Bank accounts can help you to have more control of your money.
- There are several kinds of accounts available, but this leaflet is mainly about *basic bank accounts*, which are simple to manage.



What types of bank accounts are there?

Basic bank account

These accounts are simple to use. You can pay money in, set up standing orders and direct debits and get money out using a cash card. You cannot go overdrawn.

It does not cost you anything to open a basic bank account. However, if there is not enough money in the account to pay a direct debit you have set up, you may be charged for this. See on p4-5.

- Not all basic bank accounts can be accessed at a Post Office™ counter. If you want to do this, open one of the named basic bank accounts on p4-5.



Current account from a bank or building society

This type of account is similar to a basic bank account. However, you can also get money out using a cheque book and guarantee card, a cash card and you may get a debit card which you can use in shops and cash machines. The bank may let you have an overdraft and access to other kinds of credit.

- Some banks or building societies will let you cash a current account personal cheque or use your cash card at your local Post Office™ counter free of charge. Ask at the Post Office™ whether you can do this free from your current account.

Post Office™ card account

Almost anyone can open one of these accounts. However, they can only be used to collect benefits, tax credits and state pensions. **You cannot pay any other money in.**

You can only get your money out of these accounts with a plastic card and Personal Identification Number (PIN) at a Post Office™ counter. Never give your PIN to someone else. You cannot get overdrawn on

a Post Office™ card account and you cannot use your card in any cash machines.



What do you want from your account?

	Basic	Current	PO™ card account
A cash card to use in bank and building society machines	✓	✓	—
A card to use at a Post Office counter	all accounts on p4-5	some	✓
To receive benefit, tax credits or state pension payments	✓	✓	✓
To pay any money into	✓	✓	—
To set up standing orders or direct debits	most	✓	—
Not to go overdrawn	✓	—	✓
To receive interest if there is money in the account	—	some	—
To pay money in at any bank, building society or Post Office™ counter without charge	all accounts on p4-5	some	—

What basic bank accounts are available?

All the major banks and building societies offer a basic bank account, which are accessible at a Post Office™ counter see below:

Bank/building society	Name of basic bank account	Direct debit and standing orders available?	Charge made if direct debit unpaid	You may not be able to open the account if this applies to you
Abbey	Basic Current Account	Yes	Yes	Undischarged bankrupt, record of fraud
Alliance & Leicester	Basic Banking Account	Yes	Yes	Undischarged bankrupt, some bad debts
Bank of Scotland	Easycash	Yes	Yes	Undischarged bankrupt, record of fraud
Barclays	Cash Card Account	Direct debits only	Yes	Record of fraud
Clydesdale Bank	Cashmaster Account	Yes	Yes	Undischarged bankrupt, record of fraud, some bad debts
Co-operative Bank	Cashminder	Yes	No	Record of fraud
First Trust Bank	Basic Bank Account	Direct debits only	Yes	Undischarged bankrupt, record of fraud, record of bad debts
Halifax	Easycash	Yes	Yes	Undischarged bankrupt, record of fraud



Bank/building society	Name of basic bank account	Direct debit and standing orders available?	Charge made if direct debit unpaid	You may not be able to open the account if this applies to you
HSBC	Basic Bank Account	Yes	No	Undischarged bankrupt, some bad debts
Lloyds TSB	Basic Bank Account	Yes	No	Undischarged bankrupt
Nationwide Building Society	FlexAccount Cash Card	Yes	Yes	History of fraud
Natwest	Step Account	Yes	Yes	Undischarged bankrupt
Northern Bank	Cashmaster Basic	Yes	Yes	Undischarged bankrupt, record of fraud, some bad debts
The Royal Bank of Scotland	Key Account	Yes	Yes	Undischarged bankrupt
Yorkshire Bank	Readycash	Yes	Yes	Undischarged bankrupt, record of fraud, some bad debts

All details correct at the time of publication. Please check with the bank, building society or a CAB adviser.

- Minimum of £1 required to open this account
- Debit card provided on this account

Remember:

- if you have an overdraft on your current account
- or other debts to your bank and you open a basic bank account at the same bank or building society, they may use money in your new account to pay this off. Open a basic bank account at a *different* bank or building society or use a Post Office™ card account if you receive benefits, tax credits or state pensions. See p4-5
- paying some bills by direct debit can give you a discount
- some accounts are only available if you are over 18 – ask.



How to open a basic bank account?

- Visit the bank or building society you have chosen and ask to open a basic bank account *by name*. See p4-5. If necessary, show them this leaflet.
- You will need to show the bank two separate documents that prove who you are (e.g. your passport) and where you live (e.g. a recent bill) to open



an account. If you don't have any of the documents the bank wants, they should be able to accept a letter from a responsible person who knows you, such as a GP, teacher, social worker or probation officer.

- Before the bank offers you an account, they may want to run a credit check on you. Don't worry, even people with County Court Judgments (CCJ) or those who have been bankrupt may be able to open a basic bank account. See p4-5.



Having problems opening or using a bank account?

- Unsure about the type of account the bank is offering you?
- The bank won't open a basic bank account for you?
- Not able to get out money from your account yourself?

Contact your local Citizens Advice Bureau for advice.

How do I open a Post Office™ card account?

For further information about opening a Post Office™ card account speak to a CAB adviser.