

LONDON BOROUGH OF BRENT

Executive – 12 September 2005

Report from the Director of Policy and Regeneration

For action

Wards affected:
All

Report Title: Access to Financial Services for Excluded Groups

Forward Plan Ref:

1.0 Summary

- 1.1 This report provides officer comments and information on the legal, financial and diversity implications of the Scrutiny Task Group's report entitled Access to Financial Services
- 1.2 The recommendations from the task group report require a cross council approach, with a lead department taking responsibility for implementation. The Housing Department has agreed to take responsibility for implementing the recommendations of the task group.

2.0 Recommendation to the Executive

- 2.1 To note the recommendations made in this review; To thank the task group for their work, and the service for taking responsibility for implementing the recommendations of the task group.

3.0 Key Points from the Task Group

- 3.1 The task group concluded that it is likely that between 10,000 and 15,000 households in Brent do not have a bank account.
- 3.2 Disadvantaged groups are not excluded from all financial services per se, but many of the widely available products and those specifically targeted at them offer poor value for money.

- 3.3 Good sources of credit, such as interest free credit, buy now pay later or good value loans are frequently not available to poorer residents. One of the reasons for this is the poor credit rating that many residents have. Residents in Wembley have amongst the poorest credit ratings in the UK.
- 3.4 Lack of access to financial services can not be traced to a single source. Key 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
- 3.6 Groups vulnerable to exclusion include: low income households, benefit claimants, tenants and those living in social rented housing, lone parents, Pakistani or Bangladeshi household, and older people who left school before the age of 16.
- 3.5 The lack of engagement with financial products, particularly a basic bank account, has a significant negative impact. Impacts include:
- Increased costs - average £90 per year for not paying for services by direct debit.
 - Transactional difficulties – eg cashing cheques.
 - A cycle of financial exclusion – eg not being able to build a credit history
 - Difficulty in spreading costs.
 - Vulnerability – to alternative or exploitative service providers
 - Risk of unsafe money storage
 - Low financial literacy – knowledge about financial products is very low amongst households without them. This can have a significant impact on the choices people make.
 - Difficulty in engaging in the mainstream economy
 - Exclusion from some services – eg mail order & internet purchases.
 - Entrenching exclusion – through impaired banking history
- 3.7 The task group found that a small minority of those excluded were excluded through being refused products, while at the other extreme a small number were excluded because they did not want products under any circumstances. The vast majority about 90% of those without bank accounts often face barriers that encourage self exclusion eg price,

marketing and conditions. It was this group that the task group recommendations could most affect.

4.0 Recommendations from the Task Group

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:

- 4.1 Provide basic information about using financial services in jargon-free language on our website, through distributing leaflets and in Brent publications.
- 4.2 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
- 4.3 Promote our local Credit Unions, Shrine and Kilburn including a feasibility study and other help depending on the outcome.
- 4.4 Engage with local banks and Post Offices to promote basic bank accounts and advice on credit for our residents, through our community leadership role.
- 4.5 Establish whether financial services are sufficiently covered in our schools, and also in the Adult Skills for Life curriculum.
- 4.6 Establish from BRAVA what financial advice provision there is in the voluntary sector and whether there is capacity to increase this.
- 4.7 Raise this subject as an issue in the Local Strategic Partnership to find a joint approach.
- 4.8 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.

5.0 Service Department's Response

- 5.1 As part of the council's decision to revise its advice service, resources were allocated in this years budget to appoint a Welfare Advice Coordinator. This post will be based in Housing and Customer Services within the one stop shop service, who already have a small resource dedicated to giving general welfare advice. The new post is currently being recruited to and it is anticipated that person would be in post in late September.
- 5.2 The issues raised in the Task Groups report are very relevant to this post and the post holder will lead on officer's detailed response to the task groups recommendations.
- 5.3 Whilst this additional resource will clearly assist in seeing which of the recommendations can be implemented there are at present no additional financial resources been made available. It is noted that the task group have identified a sum of £30k as a possible budget to deliver their recommendations. One of the new officer's first tasks will be to ascertain whether this is a realistic costing.
- 5.4 It will also be important to ensure that those resources that the council can invest are used most effectively. It is for instance clear from the information supplied within the report that there are already comprehensive leaflets produced by FSA and CAB on the issue of Bank accounts. The council will probably not add value in producing its own leaflet but may be more effective in using its own Networks to ensure that those leaflets are targeted at the excluded groups.
- 5.5 The aim will be to bring back to the Executive a further report after in January 2006.

6.0 Financial Implications

- 6.1 Resources for the new Welfare Advice Coordinator post have already been allocated in 2005/6 budget.
- 6.2 The task group identified £30k as a possible budget to deliver on this initiative. More detailed work needs to be undertaken in order to ascertain how the council can deliver on the recommendations within this report in the most cost effective way. No existing budget has been identified to fund this additional resource.

7.0 Legal Implications

7.1 Broadly speaking, the Council does not have a legal obligation to provide financial advice. The Council does however have a legitimate role as a community leader, especially in the sphere of community cohesion, and it has a power to promote the economic well-being of the Brent area (section 2 of the Local Government Act 2000). It is important that any assistance given does not incur potential liability for the Council and that, for the most part, it is focussed on facilitating access to services provided by others. All of this means that the legality of specific proposals will need to be considered carefully before implementing any of them, to ensure that the interests of the Council are protected.

8.0 Diversity Implications

8.1 Recommendations from task groups are incorporated within service department's delivery or development plans and as such will be subject to the equalities impact assessments carried out by services as part of their work program. In addition, the annual review of Overview & Scrutiny activities includes an equalities impact assessment.

8.2 This report hopes to address equalities issues to help make services fairer and more easily accessible to all.

9.0 Staffing/Accommodation Implications None at this stage in the reporting process.

Background Papers

Report of the Scrutiny Task Group on

Contact Officers

Duncan McLeod Director of Finance. Brent Financial Services. 1st Floor.
Brent Town Hall, Forty Lane, Wembley, HA9 9HX.
Duncan.mcleod@brent.gov.uk tel 0208 937 1424

Terri Osborne. Borough Solicitor, Legal Services. Brent Town Hall Annexe.
Brent Town Hall, Forty Lane, Wembley, HA9 9HX.
Terri.osborne@brent.gov.uk tel 0208 937 1292

Phil Newby. Director of Policy and Regeneration. Policy and Regeneration Unit.
Room 221, Brent Town Hall, Forty Lane, Wembley, HA9 9HX.
Phil.newby@brent.gov.uk tel 0208 937 1032