

Quids In

A report on
Financial Inclusion in Rotherham



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Sarah's Story

The human cost of credit

Sarah, a single mother of three, has multiple debt problems. She's been struggling with her finances for over ten years and debt and its related stresses have almost become a way of life for her. Almost all her debts are to non-mainstream lenders and total around £10,000. Sarah is a care assistant and relies on her car to get her to work.

“...The impact on Sarah has been vast. Her marriage has broken down, she doesn't have enough money to feed her kids properly and they haven't had a holiday for over ten years. She also suffers from anxiety and depression that is linked to her debts...”

Sarah contacted a lending company through her local newspaper who claimed “instant credit – no credit checks” and who were prepared to lend her money if she used her car as security.

Sarah was so desperate for cash to pay bills and buy food that she didn't pay much attention to the interest rate or conditions. She received the loan in the form of a cash advance of £567. On the first of each of the five months Sarah had to pay £93.38 with a final payment of £510.30 on the first of the sixth month. The total to be repaid would be £977.20 at an APR of 348.1%

Sarah paid for five months but didn't have the £510.30 for the sixth month. Mobile Money insisted that the agreement must be rewritten or the car surrendered, which would mean being unable to work. This rewriting of the agreement has happened between two and four times a year for the last five years. Each time the last payment is set at such a high level that Sarah is faced with the choice of giving up the car or re-signing another agreement. The amount she has paid them is huge (unfortunately lost documentation makes an accurate calculation impossible).

Mobile Money use the Bill of Sale Act 1882 as the basis of these agreements. They make their money from taking as many steps as possible to ensure that the loan is rewritten or “churned” as it is known in the business. Repeat custom is where the real profit is. It is not illegal.

The impact on Sarah has been vast. Her marriage has broken down, she doesn't have enough money to feed her kids properly and they haven't had a holiday for over ten years. She also suffers from anxiety and depression that is linked to her debts.

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Foreword

Rotherham's Financial Inclusion Strategy is being implemented through the Financial Inclusion Project, which is based at Voluntary Action Rotherham, and has been running since July 2008.

Now half way through the project we are producing this report to show what has been achieved so far and what remains to be done to March 2011 and beyond.

The report also sets the context in which financial inclusion work is being delivered in Rotherham and details some of our initiatives.

We are focussing on improving access particularly for Rotherham's most vulnerable individuals and communities to:

- affordable credit and banking services
- face to face debt and money advice
- financial capability training,.

The impact of the work rests on the interdependency of each of these three elements. To truly help people out of the cycle of financial exclusion whether immediately or in the longer term, they need effective support in all of these areas.

Our significant achievements in the first half of the project include:

- **Locating the project within the voluntary and community sector** – invaluable in connecting with local organisations through established networks.

- **Embedding financial inclusion in other key policy areas** – essential to generate impetus for financial inclusion activity on the front line.
- **Bringing together key partners in partnership** at local, regional and sub regional levels.

Working Neighbourhoods Fund supports the team of four including a Project Manager, Project Worker, Administrator and Financial Capability Coordinator. Key to our success will be how this report can help determine financial inclusion work post March 2011.



Jane Woodford
Financial Inclusion Project Manager

Achievements

The Financial Inclusion team and partners, working together, have achieved considerable advances in the delivery of services to Rotherham's financially excluded. It's important to recognise the collective efforts of all those involved and to see the picture as a whole. This is a summary of our most significant achievements so far:

Investment

- ✓ £474,336 RMBC Credit Crunch funding for credit unions and advice
- ✓ £260,000 SY Financial Inclusion Champions funding
- ✓ £120,000 Regional Improvement and Efficiency Partnership funding
- ✓ £20,000 Transformation Fund for increasing learning opportunities for vulnerable people
- ✓ £13,000 Targeted Communities funding for LASER Credit Union
- ✓ Strategic role for financial inclusion in the Credit Crunch Partnership

Health & Wellbeing

- ✓ Promotions, including an NHS promotion video, tackling illegal money lending and fuel poverty
- ✓ Partnerships linking affordable warmth awareness schemes and 60+ benefit checks (Hotspots)
- ✓ RMBC debt recovery review resulting in far reaching recommendations

Learning

- ✓ Financial Capability Co-ordinator post created
- ✓ Financial capability programme for front line workers
- ✓ Financial capability training delivered to over 120 people
- ✓ Partnerships linking financial capability, advice services and affordable credit
- ✓ Promotion of financial inclusion issues through Rotherham News, Rotherham Show

Safety & Housing

- ✓ Partnership with Illegal Money Lending Team to pursue prosecutions, support victims and raise awareness
- ✓ Financial Inclusion training and awareness raising sessions for 2010 Ltd front line workers
- ✓ Partnership to reduce homelessness through the Rent in Advance Scheme
- ✓ Promotion of affordable credit and advice services on letters to tenants
- ✓ Partnerships with the Strategic Housing Partnership group and 2010 Ltd to develop services

A Profile of Rotherham's Financially Excluded

In Rotherham

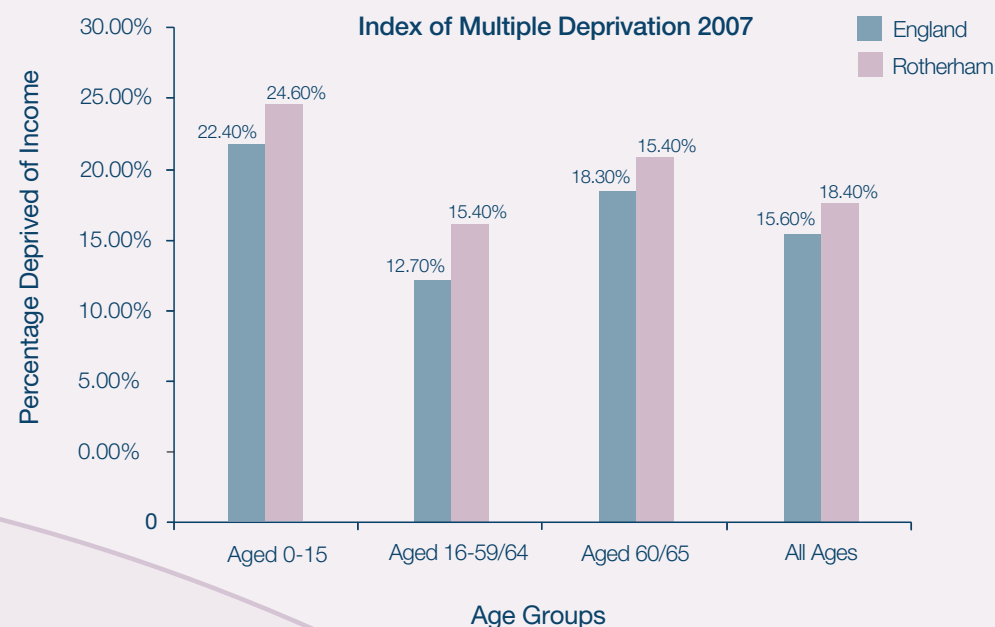
- 24.7% of adults are at risk of financial exclusion
- 14,680 adults have no bank account
- 13 200 children live in workless households¹
- the sub-prime lending market is worth an estimated £50m a year

For many this means increased costs, hardship and disadvantage and loss of opportunities. It creates barriers to employment, increases the risk of ill health and leads to substantial and continued social and financial isolation. It results in money, initiative and self-reliance being drained from our most deprived communities.

- 14 of Rotherham Borough's 166 Super Output Area's have an average annual household income of less than £14k.
- Overall average household income is £26,904 against a national average of £33,384²

Children are those most at risk of income deprivation and the resulting financial exclusion.

“...Rotherham suffers disproportionately in terms of income deprivation...”



¹ NOMIS, December 2009

² Source: Yorkshire Forward/Axicom Lifestyle Data (2008) As of 01.04.09

Investment

Research recently conducted in Leeds shows that for every £1 invested in financial inclusion, £8.40 is generated for the local economy³. This demonstrates the benefits both to the economy and to individuals, many of whom are living in the most deprived communities. It helps to keep money local, supporting businesses, saving jobs, providing opportunities and raising morale and aspirations.

WHAT ARE WE DOING

Advice

VAR has been working in partnership with Advice in Rotherham (AIR) to improve coordination of local advice services. AIR's funding activity has helped to direct an additional £174,336 through Rotherham's Credit Crunch initiative to meet increasing demand for debt advice due to the recession.

Credit unions

Supporting credit unions to lend to people who would otherwise turn to doorstep lenders also has a very direct impact. Legal doorstep lending rates start from 272.2% APR which means that someone borrowing £300 from a doorstep lender over 12 months will pay £140 more than if they borrow the same amount from a credit union.

Working with RMBC's Credit Crunch initiative we have helped to secure an additional £300,000 of capital for Rotherham's credit unions to support people with housing needs. Despite the fact that this is relatively high risk lending, default rates are low and many of those helped have started to manage their money well and even to save for the first time in their lives.

Sub Regional Links

We support strategic financial inclusion activity across South Yorkshire through two initiatives:

- Department for Work and Pensions (DWP) Financial Inclusion Champions, employing two workers for South Yorkshire to March 2011 working strategically and in partnership to increase supply and demand for financial inclusion services and support key stakeholders

“...for every £1 invested in financial inclusion, £8.40 is generated for the regional economy...”



- Regional Improvement and Efficiency Partnership (RIEP) employing two workers in South Yorkshire to:

- Improve financial capability coordination, sharing materials, identifying and filling gaps
- Increase capacity in the advice sector
- Improve and coordinate services for offenders and their families

³ Dayson K., Conaty P., Dawson J., Marchant B., Salt A., Vik, P., Financial Inclusion Initiatives, Economic impact and regeneration in city economics:

Health & Wellbeing

- People with a mental health condition are three times more likely to be in debt⁴. They are also much more likely to experience poverty than people who are not living with mental distress.
- In Rotherham between 2005-2006 there were over 100 excess winter deaths as a result of fuel poverty⁵.
- Nearly one-in-two adults with debt also has a mental health disorder⁶. This debt can undermine recovery for many sufferers⁷.
- Both physical and verbal abuse experienced by loan shark victims has led to cases of prostitution and suicide.

“...People with a mental health condition are three times more likely to be in debt...”

So it is very important that the link between ill health and money worries is recognised and that we co-ordinate activity to ensure that front line staff are alert to the signals and can signpost people to appropriate services.

WHAT ARE WE DOING

- Training for NHS mental health teams.
- Health promotion video on loan sharks and fuel poverty amongst older people.
- Working with SY Champions, energy services and social housing providers on promoting energy saving measures, clarifying options and ensuring fairness in the use of prepayment meters
- Input into and monitoring of RMBC's Debt Recovery Review. Key recommendations include improving and simplifying communications and lines of accountability, considering an in-house bailiff service and taking health issues and ability to pay in to account.



⁴ Final Demand, Debt and Mental Health, Financial Services Authority Leaflet (November 2009)

⁵ Yorkshire & Humber Public Health Observatory Death Extracts, ONS

⁶ Jenkins R., Bhugra D., Bebbington P., Brugha T., Farrell M., Coid J. et al. 'Debt, income and mental disorder in the general population', in *Psychological Medicine*, 38, 2008, pp. 1485-1493

⁷ Demos and Toynbee Hall, *Widening the Safety Net: Learning the lessons of insurance with rent schemes* (Royal and Sun Alliance, December 2005)

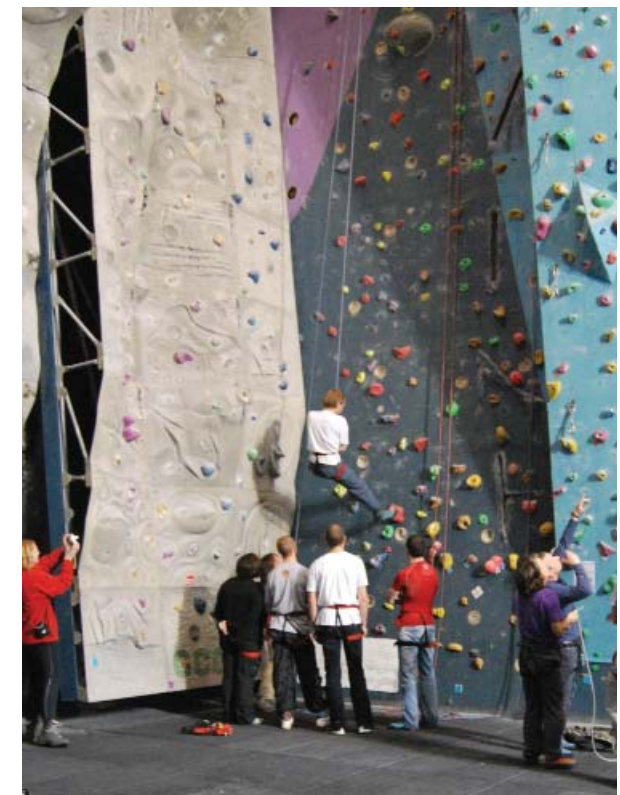
Learning

Financial capability, which is improving people's ability to manage money, keep track of their finances, make informed choices about financial products and plan ahead, is one of the three key components of our overall strategy. Without it the impact of providing face to face advice, affordable credit and other services is greatly diminished.

The appointment of a dedicated full-time Financial Capability Coordinator in July 2009 has given us the foundation for forming new and strengthening existing partnerships for a more co-ordinated, wide ranging programme of training and awareness raising particularly for front line workers.

WHAT ARE WE DOING

- **Learning opportunities** – a successful Transformation Fund bid is to provide training opportunities for hard to reach financially excluded individuals through outdoor activities including rock climbing and white water rafting. This also boosts self confidence, and improves motivation and aspirations as well as providing an introduction to personal financial management.
- **Money Skills** – working with West Yorkshire Trading Standards, we are cascading the use of this interactive training resource helping young people to manage their own finances and develop other skills including team working, communication, leadership, problem solving, creativity, presentation and meeting deadlines.



- **Beat the Money Maze Tent** – in partnership with advice services we organised a tent alongside partners at this years Rotherham Show. Using money quiz games and the enticement of a free, stigma-free benefit check we were able to reach many more people than would have been the case through more formal activities. Over 40 benefit checks were done on the day by CAB volunteers and Welfare Rights and Money Advice workers.

Safety & Housing

Of the poorest 10% of households in the UK by income, 51% live in social housing. If households are already only just managing, a small change in their circumstances can easily tip them into financial difficulties. For social housing residents, being unable to pay their rent, means they could become homeless.

We believe people who work in the housing sector are ideally placed to support tenants to learn good money management skills.

The involvement of social landlords is essential for us to deliver our objectives. Due to the high concentrations of financially excluded people in the social rented sector they are in a strong position to reach many of those we're aiming to help.

“...Of the poorest 10% of households in the UK by income, 51% live in social housing...”

For example, a tenant may be at increased risk of debt by missing out on benefit entitlement, paying sky-high interest to a doorstep lender, lacking insurance cover to meet unexpected expenditure and not being able to budget effectively. They'll need help in all these areas.

A strong business case exists for investing in preventative measures for financially excluded households.

For instance:

- Evicting a tenant costs up to £6000
- Court action alone costs around £2000
- Failed tenancies cost social landlords around £1300 each (not including staff time)

WHAT ARE WE DOING

Rent in Advance

Since 2007 we have supported the Rent in Advance partnership between Key Choices, LASER Credit Union and Robond⁸. This is to provide homeless families with a bond (Robond) and the advance rent (a loan from the credit union) required by private landlords to secure private rented accommodation.

2010

We are currently working on a pilot in Munsborough to provide budget and money management training for new tenants so that they are better prepared for the responsibilities of managing their own tenancy. For many, problems in managing household expenses can lead to rent arrears and in some cases eviction.

⁸ Robond is a registered Charity in Rotherham set up in 1997 to provide help and support for people who are homeless or about to become homeless

A Way Forward

The Financial Inclusion Project was born out of the absence of a framework for bringing services for financially excluded people together.

The first phase has been extremely successful in establishing a sustainable model for joint working. We have created an active network with new partnerships and initiatives and brought financial inclusion higher up the policy agenda locally and across South Yorkshire.

The credit crunch has highlighted the need to focus on vulnerable communities and individuals, the value of locating financial inclusion activity where strong community networks already exist and strengthened the partnership model.

Our next steps will be:

● To keep up the momentum.

The co-ordination role has proved critical in maximising impact. We will need to maintain a strong and enduring infrastructure for sustainability after Mar 2011. Funding or mainstreaming support for this work is critical.

● To continue to focus activities for vulnerable groups and communities.

This is particularly important as we emerge from economic recession, and begin to deal with the anticipated cuts to local services

- **To continue to drive forward new initiatives**, for example, exploring the potential for expanding the scope of post offices.
- **To build on innovation and co-operation** to increase the capacity of the advice services to meet mounting demand.
- **To build on extending credit union services**, including delivering the Savings Gateway, developing a possible single credit union for South Yorkshire, raising the profile and growing credit union membership.

“...The first phase has been extremely successful in establishing strategic objectives and a model for joint working...”

- To develop closer links with social housing, health service providers, and employment initiatives.
- To continue to embed financial inclusion through education and training, especially of front line workers.