

Financial products - what are the options for your tenants to manage their money and pay their rent?

- **What products are available?**
- **Costs and benefits of the different options?**

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Key UC money management changes

Existing benefits structure

- Each benefit paid separately
- Fortnightly or weekly payments dependent on benefit claim date
- Benefits made individually to named claimant
- Payments made to any transactional account, Post Office Card Account or by cheque
- HB paid direct to landlord;
- Claims made in person, phone, post or online

UC and DP

- All UC benefits paid together
- Monthly payments in arrears (up to 38 days in arrears for first payment)
- Paid to one adult in household
- Paid to an account, ideally transactional, or through Simple Payment Service (Citibank/Paypoint)
- All Housing Benefit and LHA included in UC payment to recipient to pay landlord (unless exception made)
- Majority of claims made online



Monthly UC and DP risks

- Tenant uses rent money for other items
- Tenant forgets to pay rent
- Tenant sets up DD payment but fails to keep enough money in account and DD bounces
- Tenant incurs fees through bounced DD
- Tenant relies on making cash withdrawals/payments and is victim of theft
- Tenant cannot budget monthly and falls short
- Individual is victim of financial abuse



Worst case scenarios?

- Increase in rent arrears and evictions as tenants fail to pay rent (for variety of reasons)
- Increase in social/tenancy churn due to evictions
- Increase in crime rate due to “rent muggings”
- Increase in debt through bounced DD fees
- Increase in malnutrition and cold homes as “four Fridays in a row” starts to hit



UC money management demands

- Receive UC into an account
- Pay rent to landlord out of UC
- Manage money well on monthly basis
- Receive household money through one person
- Pay bills
- Avoid carrying large sums of cash (rent)
- Avoid missed rent or other payments



UC opportunities

- Increase financial inclusion
- S-t-r-e-t-c-h each £1 through good use of financial products and powerful purchasing
- Reduce poverty premium
- Put people back in charge of their money
- Broaden horizons
- Create a new financial culture for people receiving benefits



Levels of financial exclusion

- 2009/10: (provisional figures)
 - Adults without individual access to a transactional account: 2.29m (4.8%)
 - Adults living in a household without access to a transactional account: 1.15m (2.4%)
- Social landlords reporting between 5-25% tenants unbanked
- “Effectively unbanked” figure unknown



Current money management and use of financial products (1)

- Post Office Card Account:
 - Can receive benefits, pensions and tax credit
 - Cannot make electronic or other payments
 - Can withdraw cash and check balance at a PO during opening hours
 - No overdraft facility
 - Free to use
 - Creates/supports cash-based budgeting behaviour
 - Limits payments to cash - increases Poverty Premium



Current money management and use of financial products (2)

- Basic bank account:
 - Can receive any income payment
 - Can make electronic payments
 - Can withdraw cash and check balance at ATM
 - No overdraft facility
 - Free to use excluding penalty charges
 - Supports monthly/electronic budgeting behaviour
 - Different banks' BBAs have different level of service e.g. Access to whole ATM network or just issuing bank ATMs, open to undischarged bankrupts, level of fees, level of branch counter service etc



Current money management and use of financial products (3)

- Credit Union current account:
 - Works like a bank account
 - Receives and makes electronic payments
 - Visa debit card
 - Access to ATM network
 - No overdraft facility
 - Different CUs have different conditions e.g. Must also have a saving account etc
 - CUs have different charges e.g. Lewisham Plus charges £1.25 pw plus £10 penalty charge for unpaid items



Current money management and use of financial products (4)

- Pre-paid cards:
 - Different providers offer different features at different charges (see APS example)
 - Some remain limited, requiring cash uploads or DD payments to transfer cash – don't solve unbanked issue
 - Most interesting act as a surrogate bank account with:
 - ✓ Unique sort code and bank account number
 - ✓ Faster payments
 - ✓ Direct Debit
- Providers include Allpay, Paypoint, APS



APS Pre-paid card option 1

- Annual Fee Product - £29.99 per annum
- Additional Card / Card Replacement- £4.95
- ATM cash withdrawal fee - £2.00
- Card Transactions (payments using the card) - FREE
- Direct Debit & Bill Payment Transactions - FREE
- Card Account loading – FREE
- Online Banking / Members Area - FREE
- Free Euro & Dollar Currency Cards
- No additional interest fees or DD bounce fees to pay



APS Pre-paid card option 2

- Monthly Fee Product - £4.95 monthly fee
- Initial Card / Additional Card / Card Replacement- £4.95
- ATM cash withdrawal fee - £2.00
- Free and unlimited UK Purchases (payments using the card)
- Direct Debit & Bill Payment Transactions - FREE
- Card Account loading – FREE
- Online Banking / Members Area - FREE
- Free Euro & Dollar Currency Cards
- No additional interest fees or DD bounce fees to pay
- Creditbuilder available at no extra cost



APS Pre-paid card option 3

- Monthly Fee 'Deluxe' Product - £9.95 monthly fee
- Initial Card / Additional Card / Card Replacement- £4.95
- ATM cash withdrawal fee in the UK – FREE
- Free and unlimited UK Purchases (payments using the card)
- 0.5% cashback on all card purchases (i.e. spend £2,000 on card per month = £10)
- Direct Debit & Bill Payment Transactions - FREE
- Card Account loading – FREE
- Online Banking / Members Area - FREE
- Free Euro & Dollar Currency Cards
- No additional interest fees or DD bounce fees to pay
- Creditbuilder available at no extra cost



Budget or “Jam Jar” accounts

- Provide designated “pots” within a transactional account to ensure each bill has the right amount reserved for payment
- Range of providers:
 - Secure Trust Bank: main account and prepaid card, monthly fee £12.50
 - CardOne Banking: main account and prepaid card, monthly fee £12.50
 - ThinkBanking: bill account, spending account, monthly fee £14.50
- Credit Unions creating rent/budget accounts:
 - Most CUs make the payment manually which increases costs
 - Costs to buy in IT for automated accounts costs c. £5K set up and £5K annual cost
 - Online banking module costs £150K to buy from Coop

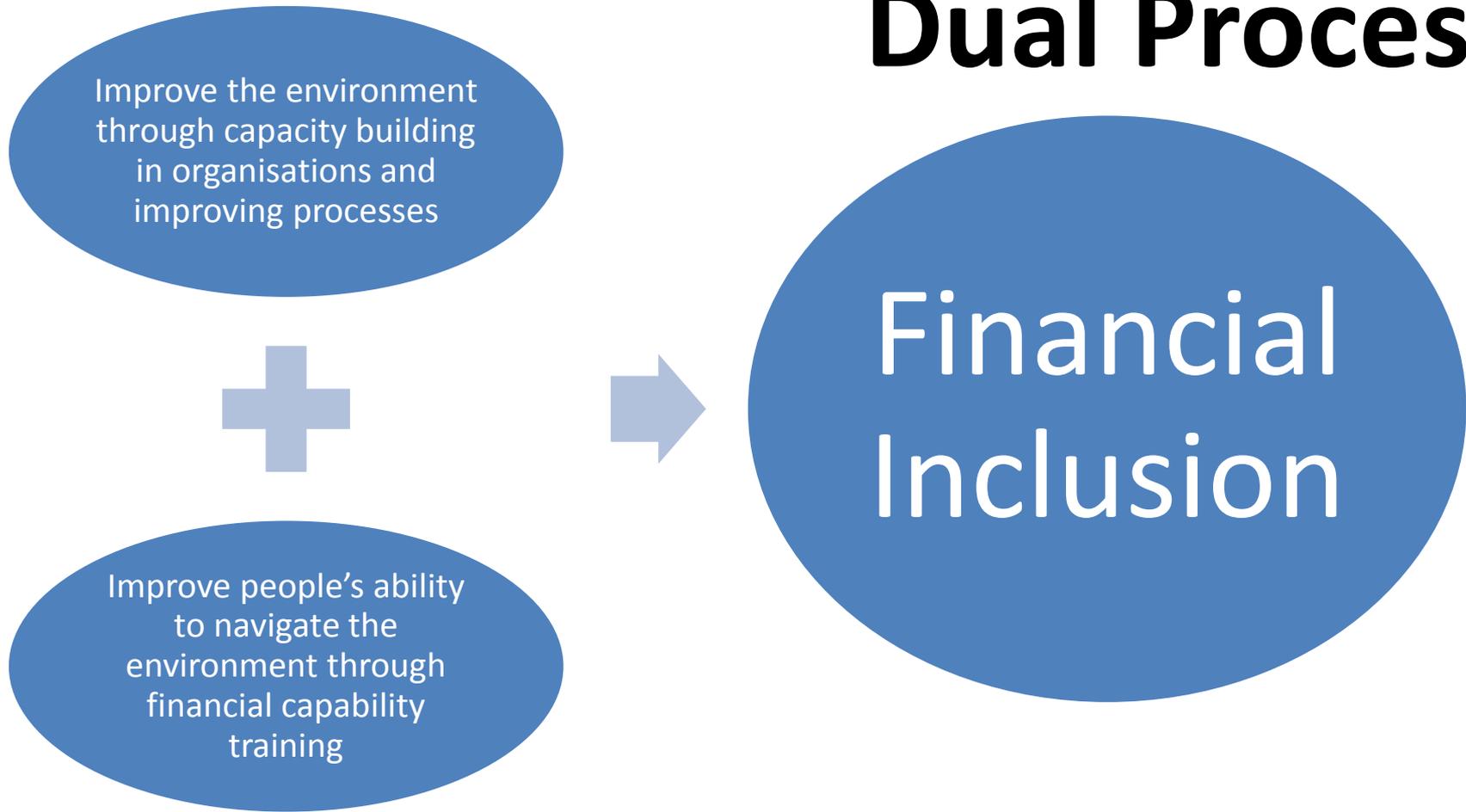


Anything else?

- DWP considering commissioning budget accounts – options include:
 - Commission an individual supplier for x accounts
 - Contribute to vulnerable UC claimants costs of an account which meets publicised standards
- Unlikely to solve all unbanked issues
- DWP have contracted Citigroup and Paypoint to create new Simple Payment service for UC payments
- Toynbee Hall working with Payments Council and banks to develop alternative to DD



A Systems Approach – the Dual Process



Key Elements of Financial Exclusion

- **Systems and Access:**
- Policy-practice gap: ID or AV not accepted for bank accounts, utilities and other essential services
- Lack of bank account acts as barrier to accessing other services and discounts e.g. DDs, affordable loans, insurance etc
- Lack of appropriate services and products
- Service providers need comes before user's – e.g. Requirement to take up a social property within a week with only basic financial info about the property; banks attempt to sell current account rather than provide BBA etc



Key Elements of Financial Exclusion

- **Skills and Behaviour:**
- Self-excluding beliefs: “banks wouldn’t want me/treat me fairly” based on witnessed experience or cultural perspective
- Lack of (English) literacy or numeracy
- Feeling of powerlessness against corporate strength
- Embarrassment
- Fear
- Lack of knowledge about options and rights
- Lack of confidence to speak out/complain
- Lack of budgeting and contracting skills

Low income/fincap users preferences:

Low income users tend to dislike:

- Losing control of money (e.g. through imprecise payment dates for Direct Debits);
- Not being able to access cash easily (although the Southwark Demonstration Project suggests that the least financially capable fear having access to their rent money);
- Not knowing how much is in their account.



Getting tenants effectively banked

- Understand the individual:
 - Their relationship with money
 - Their history with banking/payments
 - Their fears
 - Their individual barriers (ID/AV,DRO etc)
- Access a range of suppliers and products:
 - Encourage and support choice for engagement
- Provide intensive start-up support, followed by regular light touch support to keep banking effective for you and the tenant



Getting tenants effectively banked

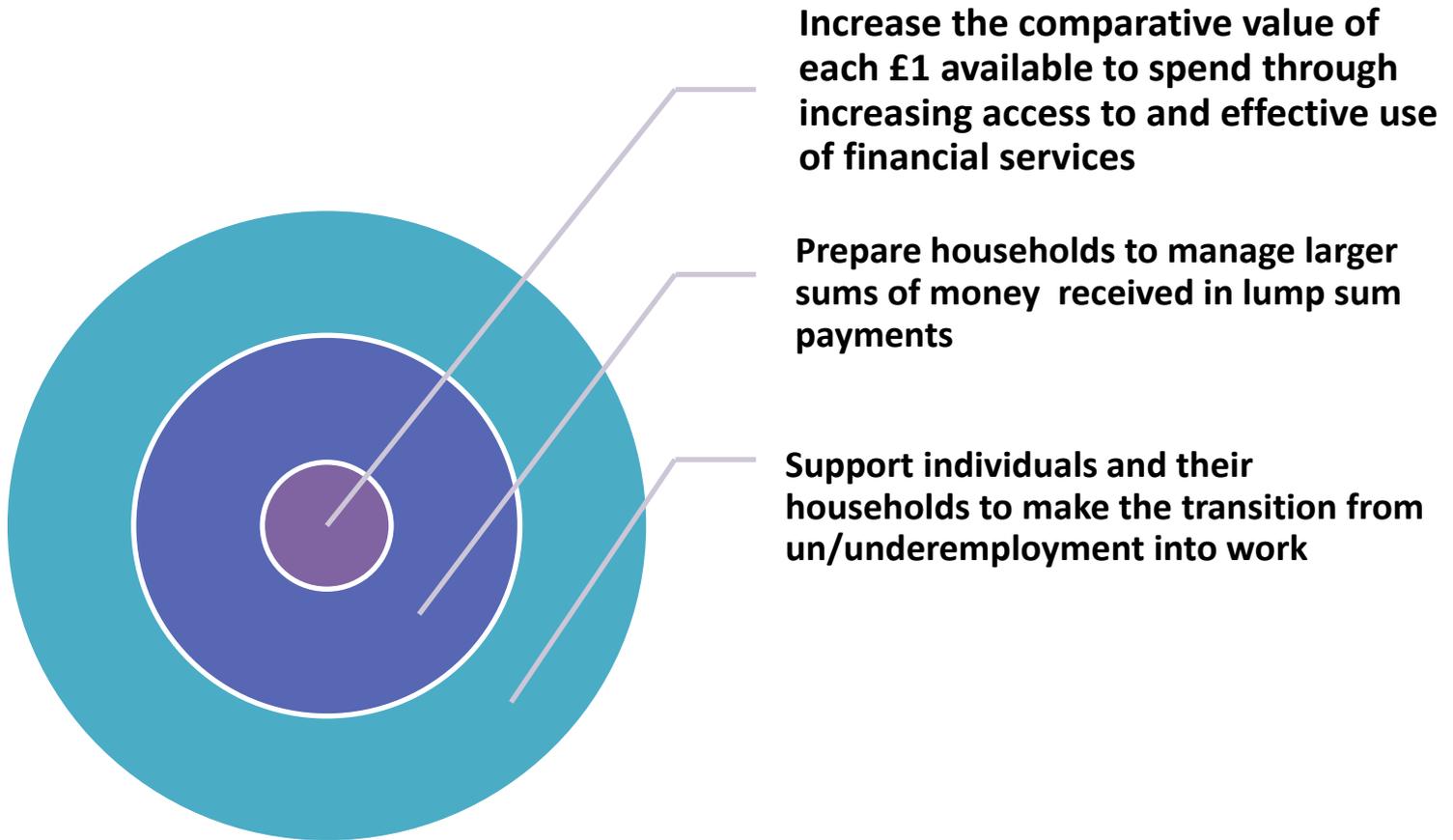
- Build relationships with providers
- Consider investing in CU
- Establish support for tenants to get and remain banked
- Be aware of wider benefits to RSL, tenant and community of reducing the Poverty Premium:
- Have crisis plans in place for non-engagers and teething problems
- It's about more than just the rent!



Implications for wellbeing



Financial Inclusion solutions



Access and use financial services

“Poverty premium” costs average family est. £1280 p.a. through additional fees, charges and higher prices:

- Bank account: correct use can reduce fees and charges and act as a gateway to other services e.g. Authorised overdraft for credit
- Payment methods: DD reduce and spread utility bills; other payment methods mean often pay more for same goods and services

Actions:

- work with families w/o bank accounts or who could reduce outgoings through more effective use of payment methods
- Work with financial services providers to improve products
- Overhaul own organisational processes where they cause detriment (FIHCO)

TOOLS:

- MAP
- 1-1 support or group work focusing on contracting and paying for goods/services



Budgeting

Universal Credit will be paid as a single monthly payment to the household:

- Recipients will need to be able to budget on a monthly basis
- Recipients will need to be able to budget as a household
- Increased risk of financial abuse and misuse of benefit income
- Increased risk of homelessness and debt due to poor budgeting

Actions:

- enhanced information for new tenants on costs;
- workshops and 1-1 support on enhanced budgeting
- ORG: work with financial services providers to develop practical products and information

TOOLS:

- MAP
- 1-1 support or group work focusing on longer-term budgeting and using financial services as budgeting tools
- Better financial info and support at lettings stage
- New financial products e.g. Jam Jar accounts



Support employability

Impossible to close the benefits gap without increase in income for majority of claimants:

- Gap between benefits and pay likely to remain a significant worry for those moving in/out of work
- Difficult to get work without bank account
- Difficult to cover costs of getting a job (travel to interviews, interview clothes etc)

Actions:

- Targeted action to get unemployed banked
- Create bridging loan funds (Local grants/Social fund)
- Create job-seeking support funds

Tools:

- MAP
- Partnerships with CU, LA, local employers, large companies



Thank you and Questions?

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Learning from local action | developing national solutions

MAP: Money, Access and Participation Tool

- Needs-led tool to assess individual level of financial health (inclusion, capability, impact)
- National programme led to tool's development
- Currently pilot phase 2, national roll-out March 2013
- 9 components, flexible mix
- Creates baseline and needs assessment
- Follow up use allows service impact evaluation
- On-line or paper-based
- Full training and support provided



Financial Inclusion Health Check for Organisations:

- Tailored analysis of organisational impact on service users' financial health
- Data gathered through interviews and focus groups with senior and front-line staff and service users
- Measures reality gap between policy, practice and impact on service users
- Recommends action plan for quick wins and strategic/systemic improvements
- Full follow-up offered: strategy – training - support



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Universal Credit Pilot

- Toyndbee Hall supporting Family Mosaic
- 500 households in Southwark
- Mixture of:
 - 1-1 support for most vulnerable households
 - Workshops and information for all
 - Community Champions to spread the word
- Monitoring impact on families through MAP and sharing results with sector



Financially Inclusive Tower Hamlets

FITH taking grass-roots joined-up approach to FI: TH has 3 of most financially excluded wards in UK despite presence of Canary Wharf, City of London and numerous FI services

Aim is to raise overall level of financial inclusion through:

Raising levels of financial capability through training, volunteering, advice and support

supporting organisations to provide better financial inclusion offering for service users and reduce the impact of FE on service providers

Toynbee Hall leading in partnership with LBTH

30+ partners including housing providers, JCP, 3rd Sector

Programme is determined by the Steering Group, which anyone can join.
3 Work streams have begun, with more to follow as more partners join:

Financial Literacy
– e.g. training residents to become qualified Money Mentors

Comms – promoting existing services and finding out what people want/need

Protecting Vulnerable Adults
– addressing specific needs



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