

Dormant Assets Public Bill Committee: Fair4All Finance submission

Summary

- Fair4All Finance is supportive of the Dormant Assets Bill as originally drafted and supports the expansion of the dormant assets scheme.
- Financial exclusion is a key barrier to opportunity. With the growing financial pressures of the pandemic and the cost of living crisis it is vital that funding for long-term sustainable investment in financial inclusion is not cut off.
- As a recipient of dormant assets funding, Fair4All Finance has a proven track record of delivering value for money and creating impact where it is needed most, in left behind communities across the country.
- We believe that the purposes of the scheme should not be specified on the face of the Bill, and decisions about funding should be taken following public consultation.
- For further information about this submission please contact Tom Lake, Director of Strategy and Policy at tom@fair4allfinance.org.uk

About Fair4All Finance

Fair4All Finance is a not for profit organisation founded in early 2019, and funded through dormant assets, to improve the financial wellbeing of people in vulnerable circumstances by increasing access to fair, affordable, and appropriate financial products and services. We have three main priority areas:

- Expanding provision of affordable credit through a scaled community finance sector
- Partnering with banks and financial services providers to support the delivery of products and services for customers in vulnerable circumstances
- New product and market development – developing and scaling products and services to address market gaps

You can find our full strategy [here](#).

The need for continued commitment to financial inclusion

- Financial exclusion and low financial resilience are key barriers to opportunity. Without access to fair and affordable financial services, everyday life events or financial shocks can tip people into financial vulnerability, force them to turn to high-cost credit or trap them in long-term debt, with negative impacts on their health and ability to properly participate in society.
- Given the increasing squeeze on people's finances as a result of the pandemic, and the growing cost of living crisis, the need for a financial system that is truly inclusive of all customers is increasing:
 - 14.2 million people in the country have low financial resilience (typically less than £100 in savings), a number which has increased during the pandemic by 3 million
 - 8.5 million people are in problem debt, many thrown into that after a life event such as job loss, bereavement or relationship breakdown

- We are supportive of the Dormant Assets Bill as originally drafted and agree with its aims to expand the dormant assets scheme. Tackling entrenched financial exclusion in deprived communities is a long-term systemic challenge and the expanded scheme grants the opportunity for transformational change for these communities. We estimate that an additional £200m in funding will be required over the next 5-7 years to deal with financial exclusion.
- We believe that these outcomes can be achieved through the original drafting of the Bill, where no purposes for the funding are stated on the face of the Bill. We don't believe that funding should be specified to a particular cause at this stage, which would cut off our ability to tackle long-term financial exclusion. Due consideration should be given to all potential purposes during the public consultation phase that will follow the legislation. Given the limited available resources, we believe that dormant assets funding should focus on programmes that drive long-term systemic and structural change.
- As set out below, our work has already had significant impact in boosting financial inclusion and helping people access affordable credit. We deliver value for money and invest in a way that multiplies the funding we are granted. We deliver outcomes across the entire country and invest in left behind communities where support is needed most. Should access to further amounts of dormant assets funding become available, we are ready to move quickly to deploy resources and create more transformational impact.

Our impact

- We use dormant assets funding to address entrenched social problems of financial exclusion and low financial resilience, which require a long-term systemic approach to tackling them.
- Financial wellbeing is an essential element of thriving communities. Our programmes widen access to fair and affordable financial products and services across England, particularly affordable credit for those who otherwise would not have access to money they need to meet their day-to-day expenses or one off, unexpected costs. These interventions improve mental health and enable people to participate fully in society.
- We deliver value for money on dormant assets funding, and deploy investment in a timely and effective way that multiplies the impact of our funding. We leverage external funding alongside our investments and recycle funds so that they deliver more impact.
 - Our **Affordable Credit Scale-up Programme** is designed to support sustainable growth of community finance organisations, such as credit unions and CDFIs, through a combination of investments, grants and capacity and capability development. To date we have committed £22.5m to 10 community finance providers, which will deliver an additional £450m-£700m+ in affordable lending by 2025, providing a vital alternative to high-cost and illegal moneylending.
- We responded quickly and effectively to the challenges of the pandemic, while remaining focused on our longer-term strategic goals.
 - In 2020, we launched a **Covid-19 Resilience Fund** to enable community finance providers to support customers in vulnerable circumstances through the crisis and ensure that the sector emerges in a resilient position capable of future growth. We have committed £3.84m to 31 community finance providers – these organisations collectively lent over £138m in the last year and serve 136,000 customers. Our analysis suggests that these grants helped to preserve c50% of the existing affordable credit lending capacity targeted at customers in vulnerable circumstances.

- We use dormant assets funding to target investment to where it is most needed and in the most deprived areas in the country, where people’s finances are particularly squeezed. The customers we support are particularly in need of access to the right financial products and services.
 - **The majority of customers we support live in the most deprived 20% of areas**, based on the Index of Multiple Deprivation (IMD)
 - 35% are lone parents with dependent children compared to 9% within the UK
 - 58% are social housing tenants compared to 17% within England
- We deliver outcomes across the country, targeting our support to organisations that serve left behind areas, considering factors such as IMD scores and the location of credit deserts. Examples of the organisations we have supported include:
 - Through our Scale-up Programme we have invested £5m to support the growth of Coventry based Fair For You, which provides affordable loans to tackle furniture poverty across the UK with lending for essential household items such as appliances and beds. Since it was founded in 2015, Fair For You has generated £50m of social value and has helped move 71% of its customers away from high-cost credit. In 2020 Fair For You provided £13.4m in affordable loans to almost 40k customers
 - Our Covid-19 Resilience Fund supported Hull and East Yorkshire Credit Union with an £80k grant supporting them in transitioning to remote working during the pandemic to keep their services going and helping them to provide £2.8m in affordable loans to 3460 people last year.

Case studies

These case studies show how our investments support community organisations across the country. They demonstrate the transformative impact that accessing a small amount of credit can have for someone’s overall wellbeing and ability to participate in society:

Moneyline

- We supported Moneyline (a North West based affordable lender with branches including Salford, Bury and Grimsby) with long term funding to help them provide more affordable credit to people in vulnerable circumstances. Here’s how they helped one customer regain her dignity.

Laura (not her real name) had been through a messy divorce from an abusive relationship: ‘There are words for it now, I know now that he was ‘financially abusive’, that it was ‘coercive control’ of my life, and, as a parent you want to protect your children. I was at such a low, it’s difficult to tell you how debilitating the stress at the time was, on my own, with the boys, it was crippling.’

‘At one point I was working five jobs. Then I had an interview for a job that would mean 3 times, 4 times what I was earning, but you know, it’s so difficult, the washer wasn’t working, my options were non-existent. I saw a leaflet for Moneyline. They were ethical, reputable.’

‘When I told them my circumstances, they were amazing. They showed faith in me. It’s no exaggeration to say their support meant I could keep my family together. I know they’re not the cheapest, they’re taking a risk on high risk people, people who need a break, but the stability I got from that loan to fix that washer, they’ll never know how grateful I still am.’

Laura got the job and is in secure employment with decent pay and no housing debt: ‘They didn’t need to take an interest in me, to see me as a person. A lot of other lenders turn their back on you. When they transferred me those funds, that day, they were saying ‘let us see how we can help’. What a difference it made. What a relief. They have helped me to progress, to the point now where I can say, ‘I’ve got this.’

Westcountry Savings and Loans

- Portishead based Westcountry Savings and Loans support many low income customers in vulnerable circumstances, with many of their loans under £500. We provided them with a £52,000 grant for financial and technical support from our Covid-19 Resilience Fund. They operate in an otherwise poorly served region of Somerset, Devon and Cornwall and have good links and partnerships with housing associations and local authorities.
- With its dependence on tourism, agriculture and seasonal work, the South West has been particularly impacted financially by the Covid-19 emergency. According to the Office for National Statistics (ONS), during April 2020, 146,000 people claimed Universal Credit or Job Seekers Allowance in the South West, nearly double the figure in March, and a much higher increase than the national average.
- As a result, Westcountry Savings and Loans faced significantly higher requests for loan rescheduling and a large number of late payments or defaults, impacting their ability to serve existing customers and grow.
- The funding they received has enabled them to weather the short term storm and get their growth plans back on track, preventing the region of Somerset, Devon and Cornwall becoming a 'credit desert'.

Fair for You

- We supported Fair for You with long term funding to help them provide more affordable credit to people in vulnerable circumstances. Here's how they helped one customer improve their situation.

'It was nice to know there was someone that actually cared about your situation.' When times were tough previously, Erica (not her real name) had borrowed money from another company who she describes as 'Absolutely awful, ridiculously expensive. If you had money problems they'd be hounding you, banging on your door - it was frightening.'

She first used Fair for You in 2017 to buy a tumble dryer - her autistic son had a lot of accidents and before this she was forced to dry some clothes with a hairdryer. Erica has since used Fair for You to buy kitchen appliances and a bed for her son, who previously slept in her bed. 'He loves his new bed - he has actually slept through the night. He seems a lot happier - it's better for him and for us as a family as well.'

Erica remembers that Fair for You were 'so understanding' when money problems arose recently, giving her a short payment holiday for no extra charge. 'It was nice to know that there was someone that actually cared about your situation,' she says, adding that knowing she can use Fair for You gives a sense of security: 'If my washing machine was to break or something like that, I know that I have that option,'

Erica was recently able to start her own small business and has become active in her community, setting up a mutual aid group in her neighbourhood to help vulnerable or older residents get food, medicines or other supplies during the Covid-19 outbreak. 'I feel nice that I'm doing something for somebody else and it's making a difference to people's lives' she says.