UNIVERSITY OF BIRMINGHAM | CHASM Centre on Household Assets and Savings Management

FINANCIAL INCLUSION ANNUAL MONITORING BRIEFING PAPER 2019

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Executive Summary

Despite increasing levels of employment, poverty is rising for all groups, including those in work. This is a fundamental driver of financial exclusion and so it is no surprise to see low rates of saving and high rates of problem debt in this year's briefing paper. Council tax debt is particularly widespread which again comes as no surprise given reductions in council tax support for people of working age since 2013. The use of bailiffs and, potentially prison, for those with council tax debt needs urgent attention. The growing number of personal insolvencies is also extremely worrying, given that 70,000 Individual Voluntary Arrangements were made in 2018, compared with 40,000 in 2015.

On a more positive note, the number of people 'unbanked' has reached an all-time low but there are still just over a million people without access to their own transactional bank account – and some financial institutions are doing far more to provide basic bank accounts than others. Indeed, some financial institutions are making considerable profit from unarranged overdrafts, with people in deprived areas more likely to pay overdraft fees. The Financial Conduct Authority proposes to tackle this issue from 2020 and we look forward, with anticipation, to monitoring progress.

Introduction

This briefing paper builds on six previous annual reports commissioned to measure changing levels of financial inclusion in Britain from 2013 onwards. This year's briefing paper is funded by Friends Provident Foundation and Barrow Cadbury Trust. The paper presents data from a number of different datasets. Where possible, we have shown data from previous years to highlight trends in these indicators. Links to infographics and data sources are included in the paper.

We define financial inclusion broadly as the ability to: manage day-to-day financial transactions; meet expenses (both predictable and unpredictable expenses); manage a loss of earned income and; avoid or reduce problem debt. In order to achieve financial inclusion, people need both a sufficient level of income and access to appropriate financial services. This briefing paper therefore begins with evidence of the broad economic picture in terms of growth, employment and incomes before focusing on access to financial services.