



**FINANCIAL INCLUSION STRATEGY
2009-2012**



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1. Introduction

- 1.1 Financial inclusion is about ensuring everyone has the opportunity to access the financial service products needed to participate fully in modern-day society.
- 1.2 Social Landlords such as Cosmopolitan Housing Association are required by the Tenant Services Authority and Audit Commission to have an agreed strategy in place to address both the causes and consequences of financial exclusion. A Financial Inclusion Strategy is necessary for moral and business reasons and forms an integral part of the Associations business strategy. There are clear links to other agendas including community cohesion, anti-poverty and sustainability.
- 1.3 Cosmopolitan Housing Association benefits from working with other Social Landlords and Local Authority partners to develop an understanding of financial exclusion, how it affects residents, the services available and the approaches adopted to develop a financial inclusion strategy.
- 1.4 Through the implementation of this strategy the Association aims to provide help and support to residents who find themselves in financial difficulty. Financial exclusion is not new, and it impacts on the poorest members of society. What is new is the Association's corporate agenda to address it.

2. What is Financial Exclusion?

- 2.1 Financial exclusion is the inability of individuals, households or groups to access necessary financial services in an appropriate form. Examples of how individuals can be excluded from these services include:
 - **Bank Accounts:** vulnerable individuals can find it difficult to obtain bank accounts. Even when bank accounts are established, individuals have to understand how to use their account to avoid unnecessary bank charges.
 - **Personal Credit:** vulnerable individuals can find it difficult to obtain personal credit. They may have poor credit ratings because of the area that they live in and the forms of personal credit available to them might only be expensive or unregulated forms of credit.
 - **Insurance:** vulnerable individuals can have difficulties accessing insurance products, particularly home contents insurance, leaving them more vulnerable in times of need.
 - **Savings:** many individuals on lower or fixed incomes can find it difficult to get savings started and experience difficulties in accessing savings accounts.
 - **Advice:** individuals can find it difficult to get simple and independent explanations of financial services and easy to access to money management information.
 - **Education:** many individuals lack the knowledge and skill to manage their money and lack understanding of how to access financial institutions or training opportunities.
 - **Identification requirements:** individuals can be refused a bank or building society account because they cannot provide identity documents to show who

they are and where they live. Many banks and building societies only accept a driving licence or passport, which some low-income families do not have.

- 2.2 By not being able to access simple services this in turn leads to financial exclusions from cheaper services such as gas and electricity paid by direct debit and an over reliance on expensive financial products and services where APR for credit can range from 100-400% from licensed lenders (Provident, Shopacheck & Greenwood Personal Credit) and 8,000-12,000% from illegal loan sharks, with cases of 150,000% APR being reported in some areas¹.
- 2.3 The use of doorstep lenders as opposed to more affordable credit has had an adverse impact upon local economies. Doorstep lenders with high interest payments disproportionately affect the poorest households and communities. Payment of such high rates reduces a families' disposable income, which in turn reduces their children's life chances, increases health problems and cuts the amount spent with local shops and businesses. It also makes them highly susceptible to crises and threats such as arrears of council tax and rent, utility cut offs and a spiral of debt, poverty and hardship.
- 2.4 Many of our residents do not have the skills and expertise to manage their day to day money and this, coupled with a lack of access to financial products and services, leaves them excluded from the financial mainstream all together.
- 2.5 Research has shown that certain groups are more at risk of financial exclusion. These include households on low incomes, over 60's, young adults between 18 and 24, people with disabilities or additional learning needs, the homeless, single parents, refugees and asylum seekers. In addition certain changes in circumstances can lead to individuals being more exposed to risk. Such changes include illness or death within the family, divorce, loss of employment, moving out of the parental home and changes in benefit eligibility.

3. What is Financial Inclusion?

- 3.1 Financial inclusion is about ensuring everyone has the opportunity to access the financial service products needed to participate fully in modern-day society. Financial inclusion considers our ability to access appropriate financial products and services.
- 3.2 The HM Treasury in March 2007 defined financial inclusion as ensuring that everyone can:
 - Manage their money on a day to day basis
 - Plan for the future and cope with financial pressures
 - Deal effectively with financial distress

¹ Daily Mail – Scourge of the loan sharks - 15th December 2008

3.3 The key priorities for the Treasury as set out in its report 'Promoting Financial Inclusion' are to improve:

- Access to banking
- Access to affordable credit
- Access to free face to face money advice

3.4 Tenants who are able to access appropriate financial services will enjoy significantly improved life outcomes.

4. Why is Financial Exclusion Important to Social Landlords?

4.1 The Financial Inclusion Taskforce set up by the Government to oversee progress in addressing this issue has identified social landlords as having a significant role to play.

4.2 Social landlords provide support and accommodation for a relatively high percentage of those who are financially excluded. Up to 70% of the 2.8 million people financially excluded in the UK are tenants of social landlords. Other relevant indicators include:

- 24% of tenants have no bank account
- 70% of tenants borrow at 164% APR
- 9% of tenants admit to having arrears
- 75% of tenants have no home contents insurance

4.3 They are often one of the few trusted intermediaries remaining in an area. In some areas, estate based housing offices remain one of the few local services providing face-to-face contact. This engenders a level of trust with many residents. Reputable banking services and agencies that provide lower cost loans recognise social landlords as responsible organisations. Through much of the work they do, social landlords are able to access hard to reach, vulnerable groups and with an increasing emphasis on resident profiling, resources and services can be targeted to identified groups and individuals.

4.5 Financial exclusion is important to social landlords as they are committed to building and sustaining healthy neighbourhood communities

4.6 There are also good business reasons why social landlords should develop strategies to promote financial inclusion and support stable communities. Financially included households are:

- More likely to pay their rent
- Less likely to fall into rent arrears
- More able to pay off rent arrears and other debts
- Less likely to leave their home as a result of rent and other debts accruing

Costs associated with rent arrears, rent collection, court action, evictions, empty and abandoned properties can be minimised or reduced where a successful strategy is in place. In addition there are costs to a local authority if there have to find accommodation (temporary or permanent) as a result of an RSL evicting a household. There is therefore a direct link to an improvement in business efficiency, levels of customer satisfaction and general well being.

- 4.7 In 2007 the Government also launched the 'Now lets talk money' campaign to people living on low incomes to find out how they can get a bank account, access low cost loans and advice about how to manage their money better. This campaign identified Social Landlords as key partners in getting the message out to the public given their regular contact with people at risk of financial exclusion and also because of the fact that they operate at local levels.
- 4.8 Also at a national level the former Housing Corporation published in 2006 its document 'Community Access to Money: Social Housing Landlords Reaping the Benefit'. This document contained 22 recommendations that it believed to form part of 'straightforward good housing management practice' which would lead directly or indirectly to reducing rent arrears, reduced income loss through evictions and empty homes and less staff time spent on these issues. A copy of the recommendations can be found at Appendix 1.

5. A Financial Inclusion Strategy relevant to Cosmopolitan Housing Association

- 5.1 Cosmopolitan Housing Association is committed to improving the financial capability of our tenants and to help our staff to make a real difference to those tenants who are financially excluded. By engaging with those tenants at risk of financial exclusion the Association will safeguard its financial position and ensure that the customer is able to sustain their tenancy.
- 5.2 In considering the introduction of a financial exclusion strategy the Association has evaluated:
- The levels of financial exclusion throughout areas where it has stock and specifically amongst its stock residents
 - Services already established across its operations to tackle financial exclusion
 - Whether services such as debt and money advice should be delivered directly by the Association or in partnership with specialist organisations
 - How the strategy joins up with other related agendas within the organisation and informs services such as income recovery, housing management and lettings
- 5.3 The levels of financial exclusion in the area in which the Association has stock can be gauged by reviewing the following sources:

CORE RETURN DATA

The CORE return data, which is compiled for each new tenancy, shows that of the 185 new tenancies started in 2008/9:

Employment status:

- 29.7% working full time
- 7% working part time
- 27.6% long term sick/disabled.

Annual income:

- 16.9% earn between £3120 and £5199
- 18.6% earn between £5200 and £8319
- 6.4% earn between £8320 and £10399
- 41.9% earn over £10400

Source of Income

- Wholly from state benefit: 63%
- Partly from state benefit: 18%
- No state benefit: 15%

STATUS SURVEY 2006

The Status survey undertaken by the Association in 2006 demonstrated the following information about existing tenants:

Employment status:

- 15% working full time
- 8% working part-time
- 18% long term sick/disabled.

Annual income:

- 13% earn between £3120 and £5199
- 20% earn between £5200 and £8319
- 12% earn between £8320 and £10399
- 11% earn between £10400 and £15599
- 6% earn over £15600

Source of Income

- Wholly from state benefit: 63%
- Partly from state benefit: 18%
- No state benefit: 15%

5.3 The Chartered Institute of Housing (CIH) recommends that social landlords also consider the following factors when determining the level of financial exclusion:

- Existing levels of arrears
- The number of tenancies terminated due to rent arrears in the last 12 months
- The % of tenants that use direct debit to pay their rent
- How many tenants have entered into a Home Contents Insurance scheme
- Anecdotal informal evidence from Housing Staff

5.4 Some organisations commission a specialist financial exclusion survey to obtain an accurate picture of the problem and the demand for any likely services to be provided by the organisation. However, due to the sensitive nature of this issue the results of any survey can be inaccurate.

A review of the above indicators would suggest that financial exclusion is currently at a significant level.

6. Cosmopolitan Housing Association's Financial Inclusion Services

6.1 The implementation of a Financial Inclusion strategy requires the Association to ensure that there is joined up thinking across the organisation and includes functions such as arrears management, housing management and lettings.

6.2 The government's commitment to Financial Inclusion and in particular the key areas of: Access to free face to face money advice; Access to bank accounts and savings schemes; Access to affordable credit; requires social landlords to review its rent arrears management services.

The CIH recommends that social landlords need to ensure that their policies and procedures:

- Focus on arrears prevention and intervene as early as possible where problems arise
- Ensure effective use is made of all available options with eviction being the last resort
- Recognise the governments commitment to the three priorities set out above
- Offer a range of low cost rent payment methods which do not incur a penalty
- incentivise direct debit payments
- Comply with the statutory requirements including the pre action protocol introduced in 2006.

6.3 Current financial inclusion services provided by the Association include:

- Working closely with local benefit agencies to ensure that all new claims are processed promptly
- Making information and advice about benefits entitlements more readily available to increase take up, through benefit awareness days, home visits, and the media
- Encouraging customers to use the Association web page, Housing Benefit calculator and benefits advice page
- Protocol in place with Housing Benefit

- Access to language line/large print/Braille, provision of flexible payment options to make it easier for service users to pay rent and other debts, e.g., cash machine, direct debit, payzone
- Trained Rent Income Officers can verify and establish Housing Benefit claims
- Operation of pre-court protocol
- Provide support to vulnerable customers through floating and other support to enable them to sustain their tenancy
- Discouraging customers from irresponsible borrowing from loan sharks/doorstep lenders by awareness campaigns.
- Information stand is present in reception with leaflets
- Working with RBS to offer new tenants basic bank account facility
- Annual subscription to HB help online benefit service offered by Chris Smith
- Access to and training on handheld benefit calculator
- Referral form has been devised with Pension Service for the Association to send direct referrals for Pension Credit and Attendance Allowance
- Providing personal budget plan information to all housing applicants.
- Pre-tenancy interviews undertaken with all prospective tenants to identify any support needs
- Debt advice is available free of charge to residents from the Association's Financial Inclusion Officer
- Starter tenancy interview at six weeks to establish whether the tenant has settled into their new property and to check they are receiving any benefit entitlements
- Provide decorating vouchers for new properties, reducing new tenants decorating costs
- Providing start up packs including tenancy information
- Energy efficiency initiatives have undertaken the following improvements:
 - Provide customers with low energy light bulbs
 - Cavity wall and top up insulation to 300 mm thickness
 - New upvc doors and windows
 - Fuel efficient heating systems
- The Association new homes programme will factor in energy efficiency measures and ensure compliance with eco homes
- Supporting tenants during the first few months of a new tenancy where they have been identified as having poor literacy or money management skills. The Association does this by:
 - Providing advice and assistance at sign up
 - Visiting all new tenants after 6 weeks to ensure any problems have been resolved
 - Negotiating with debtors on behalf of tenants to ensure repayment plan are affordable

6.4 Consideration has been given as to whether services such as debt and money advice should be delivered directly by the Association or in partnership with specialist organisations. A service provided in house needs to consider whether it can do this in a sufficiently impartial manner, whether it is able to attract and or train staff to the

necessary skill levels and whether management is sufficiently skilled to oversee this kind of work. Good quality, independent money and debt advice is seen as a key aspect of any Financial Inclusion strategy. The CIH identify three types of advice:

- Financial management and product advice - delivered by qualified financial advisor, authorised by the Financial Services Authority (FSA) and specialises on mortgage advice, investments and pensions.
- Debt advice - delivered by specialist trained advisors with extensive knowledge of a range of issues from benefits, financial products, and legal position of debtors. This person may be directly employed by an RSL or advice organisation.
- Information of generic advice - a range of advice on financial skills and money management skills. Housing staff who have received appropriate training are able to provide initial risk/need assessments or signposting to appropriate agencies.

6.5 The Association has contacted the identified specialist providers of money and debt advice to explore the scope of partnership working. The recommended strategy considers a hybrid approach, which allows for:

- The introduction a full-time Financial Inclusion Officer (FIO) based within the Rent Income Team to provide general advice and support across the organisation.
- Working with partners across each local authority to assist residents with the more serious and complex debt issues, which include the following types of work: advice on the legal consequences of debt non payment, rights and responsibilities in financial and debt matters, creditor negotiation to establish affordable and sustainable repayment agreements, assisting with court forms and negotiations.

7. Financial Inclusion Strategy Action Plan

Subject	Actions	Indicator/Target	Milestones	Resources required	Time bound	
					By when	Short/ Medium/ Long term
Promotion of financial inclusion services	<p>Benefit awareness day</p> <p>Leaflets to be displayed in reception</p> <p>Engaging with tenants at an early stage to identify potential financial and other support needs they need in order to sustain their tenancy</p> <p>Promote use of Association's web page, housing benefit calculator and benefits advice page</p>	<p>Number of tenants attending</p> <p>Number of leaflets taken</p> <p>100% of tenants</p>	<p>Increased benefit take up</p> <p>Increased use of services</p> <p>Reduced rent arrears levels</p> <p>More tenancies sustained</p> <p>Increased use of website, reduction in arrears,</p>			
Promotion of external agencies	<p>Promote external agencies available to assist with financial problems</p> <p>Directory of services/agencies produced</p>	<p>Greater take up of services</p> <p>Increase awareness</p>	<p>Increased referrals and awareness</p>			

Launch strategy	Develop and launch Financial Inclusion Strategy	Strategy produced Launch Strategy to staff	Strategy approved by Board Strategy launched to staff and staff receive appropriate training			
Staff training	Provision of training related to Financial Inclusion delivered as required	Incomes maximised Tenancies sustained	Training provided Increased income/take up of benefits			
Basic bank accounts	Promote the partnership with RBS/Natwest for tenants to access basic bank accounts	% take up	Promoted at sign up stage			
Direct debit	Promote payment of rent by direct debit	% take up Publicise benefits	Reduction in rent arrears			
Home content insurance	Publicise take up of home contents insurance policies	% take up Publicise benefits	Increased take up Majority of tenants covered			
Loan sharks/doorstep sellers	Identify level of debt/number of people accessing these services Awareness campaign to discourage customers from using these services	% with arrears Tenants referred to specialist agencies to discuss options	Obtain information via arrears process Reduction in number of tenants using loan sharks/door step sellers			

Personal budget plans	Provide personal budget plan information to all housing applicants	100% applicants	Reduction in rent arrears Tenancies sustained			
Financial Inclusion Officer	Introduce a full-time Financial Inclusion Officer (FIO) based within the Rent Income Team to provide general advice and support across the organisation.					
Partnership working	Work with partners across each local authority to assist residents with the more serious and complex debt issues, which include the following types of work: advice on the legal consequences of debt non payment, rights and responsibilities in financial and debt matters, creditor negotiation to establish affordable and sustainable repayment agreements, assisting with court forms and negotiations.					

8 Policy Review Document

Policy Title	Financial Inclusion Strategy
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Review Committee	Board of Management
Version	1
Date last amended	15th April 2009
Authorised by	
Date of last review	15th April 2009
Date of next review	April 2012

Appendix 1

Housing Corporation, Community Access to Money: Social Housing Landlords Reaping The Benefit, 2006

Twenty-two Recommendations Housing associations and other social housing landlords should:

1. Adopt a strategic approach for deciding on their financial inclusion intervention policies that combine altruistic, financial, social and community reasons.
2. Establish what financial inclusion services are already available locally, what the gaps are for residents and what the opportunities are for entering into community banking partnerships with advice, banking and credit agencies.
3. Adopt a two/three year cost/benefit financial plan that reflects both the needs of the residents and the organisational benefits to the landlord.
4. Provide training for front-line housing officers. They should know and use the help and advice that is available to residents in financial difficulties and the benefits that flow for housing organisations residents and staff from financial inclusion strategies.
5. Set up best practice procedures where front-line officers can refer residents with financial difficulties to debt advice agencies.
6. Keep housing management staff, sheltered scheme wardens and other staff (e.g. at call centres) up to date with financial inclusion policies and products.
7. Ensure that residents are claiming their Housing Benefit and any other benefits to which they are entitled.
8. Carry out accompanied lets to ensure new tenants are claiming their Housing Benefit.
9. Offer residents a financial health check when they take up a tenancy or shared ownership occupancy.
10. Assist residents, especially vulnerable people and help them with forms and procedures.
11. Introduce affordable contents insurance with rent schemes.
12. To combat fuel poverty:
 - a. Switch homes to the cheapest energy supplier when they become empty to produce another important saving for customers and landlords
 - b. Social housing landlords can support Energy Clubs for residents to achieve further significant savings through energy efficiency measures.
13. Provide new residents with information about affordable loans when they move in to help keep them out of the hands of doorstep lenders.

14. Give financial and development support to credit unions and Community Development Financial Initiatives (CDFIs) to enable them to develop affordable loans, savings services and banking services for residents on low and modest incomes.
15. Enter into service-level agreements with debt advice agencies to make budgeting advice and financial health-checks available to their residents.
16. Underwrite credit union loans to their residents.
17. Encourage their staff and residents to join local credit unions and sponsor payroll deduction schemes for staff and collecting points at landlords' offices for residents.
18. Support the work of CDFIs and other agencies that make micro-enterprise advice and loans available to new and expanding small businesses, thus creating and protecting local jobs and helping to create sustainable communities.
19. Support the work of CDFIs and other agencies that are making ethical home improvement and equity release loans available to low-income homeowners – many of them older and disabled people – to carry out repairs and improvements to their homes.
20. Form partnerships with high street banks and building societies to offer basic financial services, such as savings accounts and direct debit facilities, to residents without bank accounts.
21. Liaise with other social housing landlords to jointly develop and deliver financial inclusion strategies and products in a defined area.
22. All social housing landlords should work to ensure financial inclusion of all their customers.