Financial inclusion in the East of England

A report commissioned by the East of England Development Agency

Rocket Science UK Ltd
September 2008
# Contents

Executive Summary 1  
1. Introduction and background 7  
2. Policy context 9  
4. Understanding financial capability 34  
5. An assessment of service provision 42  
6. Conclusions and recommendations 59  
Acknowledgements 64  
Bibliography 65  

Appendix 1: Method statement 68  
Appendix 2: Tables 78  
Appendix 3: Maps 81  
Appendix 4: Charts 86
Executive Summary

Introduction

Financial exclusion imposes real costs not just on individuals and their families, but also on the communities and neighbourhoods in which they live and can be a significant barrier to employment and starting in enterprise.

Providing improved access to essential ‘basic’ services, including financial services and advice, is an increasingly important component of economic development. Within the region increasing the economic viability of employment and enterprise amongst the economically inactive and working poor will require a holistic approach to workforce integration that incorporates housing, childcare, education and skills, health, employment and greater access to financial inclusion services.

Aims and objectives

This study explores the complex relationship that exists between financial exclusion, indebtedness and financial capability. The three key areas of this research are:

- To map and understand financial exclusion and indebtedness
- To assess current services and provision, highlighting promising practices, gaps or weaknesses, and future developments
- To look ahead at key drivers of change – national policy developments, demographic, socio-economic, technological factors and trends that may impact on this agenda in future.

Policy Context

Financial exclusion is broadly defined as the inability of individuals to access mainstream financial products and services. However, the term can be used in different ways. The literature identifies that financial exclusion can result from a variety of barriers, including individual circumstances, geographical exclusion and self-exclusion. The Financial Inclusion Taskforce has emphasised that the problem is not solely one of access and availability and have increasingly focused on the need to stimulate demand for appropriate services amongst excluded groups.

With this recent emphasis on the demand for services, policy has been increasingly influenced by the concept of financial capability. The Treasury have defined this term, which has largely displaced the narrower concept of ‘financial literacy’ as ‘people’s knowledge and skills to understand their own financial circumstance, along with the motivation to take action’. The literature identifies that the UK population does not sufficiently display this capability. This applies to people on both high and low incomes.

Financial advice is recognised as a key component in tackling financial exclusion and capability. The UK Government has acknowledged that there is a gap in the availability of generic financial advice. The literature also highlights that some people are reluctant to take up advice, even when it is available. The reasons for this can vary and include: a
Financial inclusion in the East of England

Financial exclusion has been analysed in relation to a set of variables about different financial products. The data has been supplied by CACI, a data management company, at the Lower Tier Super Output (LSOA) level. Of the 4.6 million working age people living in the East of England:

- 1,293,000 (28%) have no savings account
- 205,000 (4%) have no current account
- 624,000 (13%) have been refused credit in the past
- 1,332,000 (29%) have no home contents insurance, and
- 2,184,000 (47%) have no credit card.

It is not possible to identify which members of the general population have a combination of the different measures identified above. However, an area based approach allows for a composite ranking of financial exclusion. According to this method we can identify where financial exclusion is most concentrated. There are 624,400 people living in the 500 most financially excluded LSOAs in the East of England. This represents approximately fourteen per cent of the total working age population for the region.

Examination of the financial exclusion variables shows that they are highly correlated with one another. Those without a savings account, for example, are also unlikely to have home contents insurance. However, the gap between the regional average and the most excluded areas is greatest amongst those with no current account. In some areas over 20% of the population have no current account compared with 4% across the region.

The distribution of financial exclusion is mostly concentrated in urban areas like Norwich, Luton, Basildon, Peterborough, Ipswich, Thurrock and Great Yarmouth. There are also a small number of rural areas that feature amongst the most financially excluded LSOAs. However, there is a greater proportion of the urban population living in the most financially excluded areas. There is also a greater likelihood that LSOAs will be in urban areas as the degree of financial inclusion increases.

Mapping financial inclusion at the LSOA level confirms a strong inverse relationship with household income. Conversely financial exclusion is strongly correlated with areas of multiple deprivation, high populations of benefit claimants, migrant communities and tenants of rented accommodation.
Understanding financial capability

Households in the East of England that exhibit higher levels of financial capability are more likely to save and less likely to resort to high levels of unsecured borrowing or sub-prime loans. They are also more likely to read the financial pages in the papers and know how much they have in their account at any one time. However, the relationship between attitudes (to saving and borrowing) and household income is complex, particularly at the local area level. Analysis at the regional level suggests that capability is most likely to be found in populations where median household income and levels of owner occupancy are higher than average.

The level of sub-prime take up, i.e. use of loans or mortgages provided by the sub-prime sector, is greater amongst couples with no children; lone parents; and those living in social housing. There are a higher proportion of households with sub-prime loans to finance basic consumption needs than can be found in the mainstream market. Areas with low levels of sub-prime debt broadly correspond to areas of both high and low household incomes. Conversely areas with high levels of sub-prime borrowing correspond to median income households. While many of the identified geographical ‘hotspots’ for sub-prime markets can be found within and alongside more prosperous areas.

An assessment of service provision

There are a number of organisations delivering money advice, financial services and financial capability training across the region. Services are delivered in a variety of ways and in a number of different locations. However, we have identified financially excluded areas which have limited or no provision in relation to independent money advice and financial services. These areas include;

- Wells-next-the-Sea
- Tilbury
- Lowestoft
- Peterborough

However, what our analysis of both service delivery and best practice shows is that partnerships are developing between organisations that aim to link individuals into different services and to capture and engage with hard to reach and vulnerable groups.

Conclusions

Financial inclusion and financial capability are conflated when discussing issues of savings and indebtedness. However, unlike financial inclusion, financial capability is not associated with areas of low household income and high deprivation. In an environment where credit has been relatively easy and cheap to obtain many households have become increasingly indebted. The extent to which they are over-indebted will be tested by rising affordability and tightening credit terms which will leave a significant proportion of the population in the East of England without access to mainstream finance.
There are a significant number of people in the region that remain excluded from the mainstream financial markets and services. Part of the solution, identified by Government, is to stimulate demand for these services amongst excluded groups. At the same time independent agencies are reporting increasing difficulty by people trying to gain mainstream credit and huge increases in mortgage arrears and new debt problems.

The increase in the volume and nature of the demand for financial advice will present a huge challenge for existing services. The solution will require a greater level of multi-agency working. In the case of financial inclusion this will mean improved integration of advisory services, particularly between Jobcentre Plus, Registered Social Landlords, and the independent advice sector (e.g. CAB). Addressing financial capability is likely to require new interventions to improve awareness, promote literacy, and signpost people to appropriate services.

**Recommendations**

Whilst these recommendations do not address all the nuanced issues of financial exclusion and capability in the region they do provide a structure for targeting existing limited resources on the most financially excluded areas and groups and the identified ‘hotspots’ for financial capability where the potential return on investment is the greatest.

It is recognised that action will need to be taken at the local, sub-regional and regional level by a range of different partners. We have identified EEDA in providing a key leadership role at the regional level, particularly in championing this agenda and helping to facilitate some of the cross boundary issues that exist between different partners including local government, housing associations and service deliverers. Implementation will clearly be taken forward by other stakeholders and agencies.

1. We recommend that EEDA should form a regional task force to take forward and implement action to address the issues of financial inclusion and capability in the region. This study has identified that excluded households are key service users of Jobcentre Plus (welfare), Social Landlords (housing) and CAB (independent financial advice). We recommend that these partners should form the nucleus of the task force and be tasked with co-ordinating the strategic regional infrastructure for the integration of services in the region and developing and taking forward the recommendations outlined below.

2. The Thoreson Review has recommended a large scale regional pathfinder to thoroughly road-test a national Money Guidance service. We suggest that EEDA, working with partners, should offer the East of England as the pathfinder region for this service.

3. The National Housing Federation has recommended in their response to HM Treasury’s Financial Capability Strategy (2007) that all RSLs should consider placing a dedicated financial adviser within their organisations to assist tenants. We suggest that RSLs work with CAB and other independent advisory services to provide frontline workers as part of an independent and impartial service. Following on from the work of the regional task force this partnership should look to overcome the complications associated with different administrative boundaries and provide appropriate coverage for all tenants.
4. The availability of affordable credit to complement financial and debt advice is increasingly important in the region. While some of the more financially excluded areas in the region have available credit unions, there is a significant mismatch in the South West area of the Eastern region between some of the identified capability ‘hotspots’ and credit union provision. It is recommended that EEDA should work with the DWP Growth Fund, Local Authorities and ABCUL (Association of British Credit Unions Ltd) to influence the priorities in the region. This may facilitate the expansion of existing credit unions, or failing this the growth of new credit unions, to service this area.

5. This study has identified that in some postcodes in the region more than 20% of the population do not have current bank accounts. Having a current account is necessary for most financial transactions and therefore an essential component of financial inclusion. We recommend that the findings of this study, particularly those postcodes with low levels of current accounts, are shared with all mainstream banks and that they be encouraged to work with partners (e.g. CABs, RSLs) to help promote the take up of basic bank accounts in these areas and across the region.

6. Nearly 30% of all households have no home contents insurance. The correlation between rented accommodation and no home insurance is nearly 90%. It is recommended that RSLs should consider incorporating home contents insurance as part of their tenancy agreements. Smaller RSLs should look to partner with larger RSLs to off-set the set-up costs. Premiums could be kept low through using the combined purchasing power of RSLs in the region. Learning about how to best implement this approach should be based on the best practice examples identified in this report.

7. The Cashmachine Taskforce brought together LINK, banks, independent cash machine operators and consumer groups like the CAB to address the issue of fee-charging cash machine hotspots. It has subsequently drawn up a nationwide list of areas which do not have access to a free ATM. It is recommended that eeda and its partners work with the LINK to place free ATMs in the financially excluded areas in the region which currently do not have provision.

8. We recommend that the regional task force undertake a campaign to address financial literacy / capability in the region. This needs to be targeted on the places where people go to access services, including Jobcentre Plus, Health Centres, Colleges and other community facilities. Ideally this campaign would fit with a regional pathfinder for Money Advice, alternatively it should sign post users to existing services within the region.

---

1 This area, part of the doughnut effect around Greater London, is also identified in the Thoresen review.
9. The availability of services in rural areas is a key problem which will need to be tackled by partners in the region. Efforts to address digital inclusion will clearly align with financial inclusion regarding services such as internet banking. There is, however, a proficiency issue – requiring training for users; an affordability issue – requiring free communal internet access points – and a demographic issue – there is an aging population in rural (and urban areas) where strategies to address digital exclusion are unlikely to make significant inroads. There is no easy answer to this problem that doesn’t cost a lot of money. We therefore recommend that any outreach provision, is appropriate and relative to the level of demand and the potential cost-benefit impact compared to other interventions.

10. We have identified that many migrant communities are concentrated in the most financially excluded areas and that many of these areas, such as Peterborough, have limited or no provision in relation to independent money advice and financial services. Although migrants from East European countries arrive in the UK with personal bank accounts and have high levels of financial capability, there are other communities from outside of the ‘Euro-Zone’ that may not be as financially included or capable and may be subjected to higher charges for the payment of remittances. We recommend that mainstream banking services are made more accessible to some migrant communities and that financial literacy (including awareness of products and services) should be embedded in ESOL, basic skills and other learning provision.

11. There is a tendency for the most financially excluded LSOAs to have higher proportions of their population in the younger age bands. The research literature has consistently identified elderly people (aged over 70), who are part of a cash only culture, as a key target group at risk of financial exclusion. However, there would appear to be evidence to support early intervention with young people. To a large extent the national curriculum is currently addressing this through Personal Social and Health Education. Enhanced provision of financial literacy in schools servicing the most excluded areas would help to support this agenda.
1. Introduction and background

This work could not be timelier, given the current credit crunch which is gripping the global finance markets and threatening to undermine the economic performance of the UK and the English regions. The East of England is one of the UK’s most successful regions and has overseen high levels of economic growth. However, there is evidence of significant disparities in economic performance across the region.

The regional economy is experiencing high growth rates in Gross Value Added (GVA) driven by high value industries and an increasingly competitive and highly skilled workforce. This economic growth is leading to a rise in the cost of living, most evident in the housing market (rents and mortgages), which is making the region less affordable for the low waged and those on benefits.

This widening gap is leading to major disincentives for workless benefit claimants to enter the labour market, since low paid work does not significantly improve the financial circumstances of many individuals and families. It is also contributing to increased financial instability as issues surrounding affordability are leading many of those on lower incomes to increase their indebtedness to meet the cost of living in the region.

But there is a greater risk to the region and not only to those with poor credit histories and low incomes – sub prime borrowers – who are finding it increasingly difficult to get mortgages, personal loans or credit cards. This is a problem which faces the financially included and excluded alike. The literature and emerging discourse concerning indebtedness and financial capability suggests that the relationship with exclusion is less clear. Indeed there are a much greater number of indebted individuals and households that are financially included (in terms of their access to a range of financial products) that will require different types of information and advice to address their needs.

The current climate presents a significant challenge to EEDA and its partners in maintaining overall levels of prosperity while ‘closing the gap’ between affluent and deprived areas.

People who are socially excluded in terms of income, access to services and a poor environment are likely to have their exclusion exacerbated by financial exclusion. Financial exclusion imposes real costs not just on individuals and their families, but also on the communities and neighbourhoods in which they live and can be a significant barrier to employment and starting in enterprise.

Providing improved access to essential ‘basic’ services, including financial services and advice, is an important component of economic development. Within the region increasing the economic viability of employment and enterprise amongst the economically inactive and working poor will require a holistic approach to workforce integration that incorporates housing, childcare, education and skills, health, employment and greater access to financial inclusion services.
Aims and objectives

This study explores the complex relationship that exists between financial exclusion, indebtedness and financial capability. The three key areas of this research are:

- To map and understand financial exclusion and indebtedness
- To assess current services and provision, highlighting promising practices, gaps or weaknesses, and future developments
- To look ahead at key drivers of change – national policy developments, demographic, socio-economic, technological factors and trends that may impact on this agenda in future.

Method

The methodology is based on the financial inclusion study commissioned by SEEDA (2006). We have adapted the approach to address the particular requirements of this brief and to reflect learning from the South East study.

We have also provided an assessment of financial capability which has been informed by research conducted by the Personal Finance Research Centre (PFRC) at the University of Bristol. This approach has enabled an analysis of areas in the East of England and the degree of financial strain they exhibit.

We have sourced data from CACI to derive a measure of financial exclusion (based on the SEEDA study) and a data extract from the NOP/GfK Financial Research Survey to inform an understanding of financial capability in the region.

The supply of services in the region has been identified using data provided by independent agencies and commercial databases. The scope of this provision, including the number and type of services, has been mapped using GIS software to assess the gaps between supply and demand.

In addition we have conducted a review of recent policy and research literature, and conducted a range of interviews with key stakeholders in the region.

A detailed method statement can be found at Appendix 1.
2. Policy context

The following section provides a review of the recent literature relevant to this study. The review highlights recent policy developments in response to the research evidence about why people do not currently access financial services and advice. The aim of this review is to strengthen the understanding of the broader financial exclusion agenda and how partners in the East of England region can effectively reach and serve their customers.

2.1 Financial exclusion

‘Financial exclusion’ can be broadly defined as the inability of individuals to access mainstream financial products such as bank accounts and low cost loans. According to the Government’s 2004 strategy to tackle financial exclusion, ‘Promoting financial inclusion’, the term ‘financial exclusion’ is used in different ways. It can be a broad concept related to a lack of access to a range of financial services or a narrow concept reflecting particular circumstances such as geographical exclusion. Self-exclusion is also important – where an individual believes there is little point in applying for a financial product because they expect to be refused or where individuals are locked into a cash economy.2

The literature on the financial exclusion of individuals and businesses in the UK recognises that it can occur as a result of a variety of barriers, including:

- Lack of physical access;
- Cost of products and services;
- Conditions attached to products and services that make them inappropriate;
- Language of marketing and sales being targeted at other groups;
- Mistrust of banks and other providers of financial services;
- Attraction of alternatives;
- Risk avoidance strategies of working in cash;
- Lack of literacy skills or numeracy skills;
- Confusion about range of financial products and services on offer; and
- Socio-cultural factors and generational habits.

These aspects of exclusion are not mutually exclusive. They will overlap and reinforce each other, resulting in individuals, households and communities having little or no connection to mainstream banking and financial services.

Barriers to financial inclusion can occur on the demand side (e.g. lack of literacy skills or numeracy skills) or on the supply side (e.g. conditions attached to products and services that make them inappropriate). The financial inclusion agenda has in recent years increasingly focused on the demand side, with the Financial Inclusion Taskforce recognising that “the problem of financial exclusion is not solely one of availability of products or practices of providers” and that there is a “need to stimulate demand for

---

2 A survey conducted by BMRG for the Financial Inclusion Taskforce identified that unbanked individual status was largely a result of personal choice rather than forced circumstance: Access to financial services by those on the margins of banking, 2006.
appropriate banking services and credit products amongst financially excluded groups, and to equip individuals to make the most appropriate choice for themselves."

As outlined in ‘Financial Inclusion: The way forward’ the Government’s three goals are that:

- Everyone should be able to manage their money effectively and securely, through having access to a bank account, and the confidence and capability to get the most from it;
- Everyone should be able to plan for the future with a reasonable degree of security. Therefore, affordable credit, saving accounts and simple insurance products should be available to all who need them; and
- Everyone should have the information, support and confidence they need to prevent avoidable financial difficulty, and to know where to turn if they do find themselves in financial distress.

The table below summaries the Government’s priorities for action to meet these goals, addressing both supply and demand issues.

<table>
<thead>
<tr>
<th>Financial Inclusion Goals</th>
<th>promoted by</th>
<th>Financial Services Product(s)</th>
<th>leading to</th>
<th>Policy Priorities for Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective day-to-day money management</td>
<td>➔</td>
<td>Transactional bank accounts</td>
<td>➔</td>
<td>Access to banking services</td>
</tr>
<tr>
<td>Planning for the future and coping with financial pressures</td>
<td>➔</td>
<td>Affordable credit, saving, and insurance</td>
<td>➔</td>
<td>Access to affordable credit, saving and insurance products</td>
</tr>
<tr>
<td>Dealing effectively with financial distress</td>
<td>➔</td>
<td>Specialist money and debt advice</td>
<td>➔</td>
<td>Access to appropriate money advice</td>
</tr>
</tbody>
</table>

The government’s first financial inclusion strategy launched in 2004 included a £120 million Financial Inclusion Fund focused on helping people to obtain access to a bank account, affordable credit, and free money advice. To advise the Government and monitor progress it also established an independent Financial Inclusion Taskforce. In the Comprehensive Spending Review in October 2007, the government allocated a further £130 million to financial inclusion along with an action plan and extended the life of the Financial Inclusion Taskforce to cover the period 2008-11.

---

3 http://www.financialinclusion-taskforce.org.uk/principles.htm
Rural exclusion

In 2006, the Commission for Rural Communities (CRC) reviewed the evidence around rural disadvantage – including financial disadvantage. The CRC defines disadvantage as “an inability to participate fully in society” and sees this inability as determined by more than simply resources, but also by access to opportunities and services. The Disadvantage Study notes that it is difficult to measure disadvantage in rural areas – particularly because standard metrics emphasise concentration which, in rural areas, will always be less visible than in urban locales. Nonetheless, the Disadvantage Study found that many groups in rural areas are disadvantaged in a variety of ways.

One of the twelve disadvantage ‘headings’ highlighted by the CRC’s Disadvantage Study was ‘Financial disadvantage’. The study found clear evidence in rural communities of both low incomes and wider forms of financial exclusion. For example, the CRC has highlighted that only around one in eight banks and building societies are in rural areas, though a fifth of the population live there. Similarly, under a tenth of cashpoints are in rural areas, with fewer of these free to use – around 45% compared to 60% in urban areas. This poor access to services manifests itself in the statistic that 300,000 people in rural areas do not have a bank account, while 22% of rural households live in poverty. Moreover, access to financial services may be getting worse in rural areas. The CRC has produced evidence to suggest that the accessibility of banks and building societies has reduced in rural areas, alongside a trend towards fee-charging cash machines.

Specific groups were found to be particularly vulnerable, including older people, migrant workers, those with no/low qualifications, those used to operating in a cash-only economy and those that are self-employed. Some of these groups, such as older people and those with disabilities, may find it harder to obtain access to face-to-face advice (which could be more effective than other forms of advice for the financially excluded), particularly if they do not have access to transport, and live in remote rural areas.

The New Policy Institute (NPI) has highlighted the presence of these problems of social exclusion – including financial exclusion – in rural areas in the East of England. It found that although rural East of England is, on average, more affluent than many other parts of the country, it still has significant numbers of people living on low income. An estimated 400,000 people in rural East of England are living in households with incomes below the low income threshold that the Government uses in measuring progress on its income poverty objectives. Of these, around 100,000 are children, 100,000 are pensioners and 200,000 are of working age. Furthermore, these statistics do not take account of the local cost of living which is likely to be higher in East of England than in some other parts of the country.

The NPI also found that low income in rural East of England is not just about lack of paid work, it is also about low pay and poor educational attainment. Excluding the pensioners, around 100,000 of those in low income are in workless households but 200,000 are in households where at least one of the adults is in paid work. A fifth of employees in rural East of England earn less than £250 per week. Around 50,000 people in rural East of England are officially unemployed; a further 50,000 of those aged 25 to retirement do not

---

6 Commission for Rural Communities (2006), Rural Disadvantage: reviewing the evidence
7 Commission for Rural Communities (2007), The State of the Countryside 2007
work but do not qualify as officially unemployed and, when surveyed, say that they want paid work. The largest group of these are people with a limiting longstanding illness.8

At both a national and a regional level, therefore, financial exclusion is recognised as a problem in rural areas. A report for CRC by SQW in November 2007 explored the success of schemes to tackle financial exclusion specifically in rural areas.9 The study pointed to difficulties in maintaining and setting up financial services in rural communities. Examples of financial services which are scarce already or under threat of becoming scarce in rural areas include:

- **Post office branches** provide a range of banking services, which are particularly important for certain disadvantaged groups who would have difficulty travelling, including older people, those without their own transport, people on low incomes and people with a disability. However, the programme of closing post offices means that some rural communities will be threatened with the loss of a vital resource and an increasingly important means of addressing financial exclusion.

- **Credit unions** in rural areas face substantial challenges linked to growth and becoming financially sustainable. Operating in a sparsely populated area, they find it difficult to reach the critical mass of membership base and available funds that would make it possible for them to employ full-time staff. Rural areas are also associated with increased time and travel costs for volunteers to oversee the ‘collection points’, and a scarcity of local banking facilities, which can make the collection and transfer of cash difficult. Furthermore, rural credit unions are often not of a sufficient size to offer other services, such as using PayPoint for paying-in.

- **Face-to-face financial advice** is not offered in some rural areas for several reasons. One of these is a perceived lack of demand: the extent of rural need is largely ‘hidden’, and in one case study came to light only in response to actively going into new areas which previously had not had ready access to advice services. The extra expense incurred in service delivery in rural areas and the need to meet targets (which is much easier in urban areas with a higher density of population) also make it difficult to make a business case for the provision of more financial advice in rural areas. However, one of the 16 projects in the Financial Inclusion Fund’s Face-to-Face Debt Advice Programme focuses specifically on providing financial and debt advice through rural Citizens Advice Bureaux. Using the Ely CAB as a case study, SQW found that the rural fund allows case-workers to meet unmet need in rural areas, and the project also reduces waiting times for advice in these areas – often a critical factor in success.

While the case studies in the SQW report emphasise the good practice that is going on in some places across the country, the study also reiterates the extent of the difficulties in establishing financial inclusion programmes in sparsely populated rural areas like those in the East of England. As a result, the focus of many schemes and policy initiatives to tackle financial exclusion to date has been on specific (mostly urban) areas, at least in the initial stages.

---

8 New Policy Institute (2004), Poverty and Social Exclusion in rural East of England
9 SQW (2007), Promoting Financial Inclusion in Rural Areas: A report for the Commission for Rural Communities
2.2 Financial capability

With the recent emphasis on tackling the demand side of financial inclusion, policy and thinking has been increasingly influenced by the concept of financial capability. This is reflected in the CSR 2007 ‘Fairness and Opportunity for All’ and the different emphasis which is placed on savings, financial capability and inclusion. ‘Financial capability’ (which has largely displaced the narrower concept of ‘financial literacy’) refers to “people’s knowledge and skills to understand their own financial circumstance, along with the motivation to take action.”

Therefore, this model of financial capability rests on three interrelated elements of an individual’s ability, defined by the Personal Finance Research Centre as:

- Knowledge and understanding;
- Skills; and
- Confidence and attitudes.

The dominance of this broader concept of financial capability as a policy issue in the financial inclusion agenda has reflected the growing financial pressures and personal responsibilities placed on people across the UK, which necessitates a wider financial ability than ‘literacy’. As the literature on the topic recognises, these pressures and responsibilities include:

- **Costs of higher education**: young people have to bear more of the cost of their education and routinely borrow far larger sums of money than previously;
- **Changing pattern of pension provision**: people are having to take more responsibility for saving for their retirement as the number of defined benefit (‘final salary’) pension schemes sharply decreases and as growing numbers of elderly people live at a distance from their families;
- **Changing labour market**: people are having to take more personal responsibility for planning their own finances as they experience less regular work patterns;
- **Complexity of financial services market**: people are faced with an often bewildering choice of financial products in a fast-paced market and many find it difficult to understand the terminology around these products and the risks associated with them; and
- **Changing attitudes towards saving and debt**: people rely more and more upon debt to manage personal finances and many people have no savings at all.

Despite financial capability being increasingly important in the current financial environment, the overall UK population does not sufficiently display the knowledge, skills and attitudes that make up this capability. A survey for the Financial Services Consumer Panel in 2000 showed that only 45% of people considered themselves financially literate and only 38% were confident about making their own financial decisions. Moreover, in 2006, the largest UK survey ever undertaken of financial capability found many people that:

---

11 Personal Finance Research Centre for the Financial Services Authority (2005), *Measuring financial capability: an exploratory study*
12 Financial Services Consumer Panel (2000), *Consumers in the financial market*
13 FSA (2006), *Financial Capability in the UK: Establishing a Baseline*
• **Fail to plan for the future:** 70% of those questioned are making no personal provision to cover an unexpected drop in income;

• **Are not financially prepared for retirement:** 81% of the pre-retired think that a state pension will not provide them with the standard of living they hope for in retirement but 37% of these people have not made any additional pension provision;

• **Struggle to make ends meet:** 1.5 million people say they are falling behind with bills or credit commitments (of which 500,000 say they have real financial problems), and almost three million more people (or two million households) say it is a constant struggle to keep up with commitments;

• **Do not shop around to choose the best financial product:** 33% of people, who hold no more complex products than general insurance, bought their policy without comparing it to even one other product;

• **Do not understand the risks associated with financial services:** 40% of people who own an equity ISA are not aware that its value fluctuates with stock market performance, and 15% of people who own a cash ISA think its value does; and

• **Are ‘unduly optimistic’ about their financial situation:** for example, 45% of those who said that they would be able to make ends meet if faced with a large drop in income had made no actual provision.

Significantly, it was found that these characteristics apply to people on higher incomes as well as those on lower incomes:

• People who struggle to make ends meet include many earning average or even above average income;

• Plenty of higher earners are not doing well at planning ahead; and

• People on higher incomes are slightly more likely to be less capable at keeping track of their finances, sometimes because they have the luxury of an income which comfortably exceeds their outgoings.

Other reports have emphasised the particular difficulties faced by people earning lower than average incomes but the FSA survey reminds us that there is a need to improve financial capability across the whole income spectrum.

This idea is supported by the approach taken by the Thoresen Review, set up by the government in January 2007 to explore how Generic Financial Advice (GFA) can be provided across the UK. The report, published in March 2008, included a segmentation of the potential market and recommended a national Money Guidance service.

The Thoresen Review identified 7.5 million people who were “most vulnerable” along with a further 11.7 million who could be regular users of the service. The definitions of “vulnerability” were based on 17 indicators derived from the FSA’s baseline survey of financial capability. With this non-income-based methodology, the Review did however find that the 7.5 million most vulnerable people had average incomes of 60% of the

---


national average, while the 11.7 million regular users had on average incomes slightly lower than national average but approximately 5% had higher incomes.16

Unlike financial exclusion, financial capability is not necessarily correlated with areas of high deprivation. This is reflected in profiling research conducted by the Personal Finance Research Centre (PFRC) at the University of Bristol. In a recent report published by PFRC, researchers "used a statistical technique called cluster analysis to segment the UK’s population according to the degree of financial strain they exhibited".17 The PFRC analysed data reflecting several key financial characteristics ranging from levels of unsecured borrowing to individual attitudes to money. The research concluded that the UK population is comprised of five distinct groups, including:

- **Financially sound** – This represents 60% of the population who show no real signs of financial strain. People belonging to this grouping tend to owe little money, be older (usually past retirement age). Their attitude to money is prudent and they tend to be “cautious of money managers”.18
- **Managing reasonably well** – It is thought that 25% of the population fall into this category. With a median monthly income of £1,700, it has the highest median income of all the groups. People belonging to this group tend to be well-educated and have little or no unsecured credit commitments. Of all the groups, this group “had the highest number of two-earner households”.19
- **Showing financial stress** – With a median monthly income of £1,400 and a high proportion of people aged below 40 years old, this group is set to account for 9% of the population. This group has the second highest education attainment levels and the highest proportion of people in full time education. The research found that members of this group tend to be “spenders and impulse buyers, often in constant overdraft and with high levels of unsecured lending and mortgage borrowing”.20
- **Struggling on low-income** – Representing 6% of the population, this group has the lowest median monthly income (£780). Over 60% of households in this group had members not in employment and a high proportion of people not working because of sickness or caring for a family member. This group has the lowest educational attainment and includes the highest number of social housing tenants and lone parents. This group shows markedly low levels of unsecured credit usage, loans or mortgage borrowing, crucially say the researchers, because of limited access to these financial products.
- **Over-indebted** – Representing 2% of the population, this group admits to being spenders, impulse buyers and heavily dependent on the use of credit. Two-thirds of this group are under 40 and have dependent children. Members of this group have heavy unsecured loan commitments and little or no savings. The group includes the highest number of people not working through illness or disability, despite having above average rates of households headed by someone in work. 21

---

18 Ibid
21 Gross incomes are referenced throughout
2.3 Financial advice

Financial advice is recognised as a key component in any scheme to tackle the weaknesses in financial capability that has been identified. It is also one of the biggest gaps in current financial capability provision in the UK as a whole. The UK Government recently acknowledged that there is “a gap in the market” around generic financial advice and “a clear case for developing a national approach”.

Different types of financial advice

Financial advice falls into three broad categories. The boundaries of these categories are often blurred and it is useful to refer to the Resolution Foundation’s typology:

- **Regulated advice**: advice relating to specific products or providers falls under the FSA’s regulatory regime. It is provided through the market by financial services companies, independent financial advisers or other intermediaries (these arrangements are currently being examined by the FSA’s Retail Distribution Review).
- **Debt advice**: also known as ‘money advice’, a number of organisations including Citizens Advice, National Debtline and the Consumer Credit Counselling Service provide specialist advice for people with debt problems.
- **Generic advice**: advice and guidance given in light of people’s individual circumstances which helps them understand their financial needs, identify their options and take appropriate action. As it stops short of making recommendations about particular products or providers, generic advice does not fall under the FSA’s regulatory regime.

Across the UK, there is a well developed network of organisations providing crisis or debt advice but there are widely acknowledged gaps in provision of generic advice, which aims to raise people’s financial capability before they reach the crisis point that causes them to seek debt advice.

2.4 Reasons why people do not access financial advice

The literature points to a number of factors that are particularly important when considering why people fail to access financial advice services.

Culture of not using advice services

People will often consult informal sources (friends, colleagues, family members, and trusted magazines and newspapers) in preference to professional advisers. For example, the FSA has found that, when purchasing financial products, 42% of people rely only on product information and/or advice from family and friends; one in five do not seek any advice at all.

---

23 Resolution Foundation (2007), *In brief: Financial Capability*
24 FSA (2006), *Financial Capability in the UK: Establishing a Baseline*
Similarly, in a survey for IFA Promotion\textsuperscript{25}, 39% of people said that they would go to a high-street bank or building society and 19% said that they would ask friends or relatives for financial advice. Only 10% of respondents said that they would go to an Independent Financial Adviser.

**Lack of trust in advice services**

The FSA has suggested that this culture of not using advice services may stem partly from a lack of trust. Some people assume that a financial adviser will just try to sell them a product, and are unaware that many independent financial advisers can provide generic financial advice.\textsuperscript{26} This assumption is supported by research recently undertaken for the Thoresen Review.

\begin{quote}
"The responses to the Call for Evidence and the Review’s own research have shown some wariness towards the financial services industry. The effect of low levels of trust in financial services contributes to the lack of engagement. Some of the public’s reluctance to trust the industry stems from a perception of disappointing past performance of investment products, some poor experiences of claiming on protection products and past high-profile mis-selling episodes."\textsuperscript{27}
\end{quote}

The issue of trust was also recognised as vital by a report evaluating a pilot project of joint working between Citizens Advice Bureaux (CAB) and Independent Financial Advisers (IFAs) offering generic financial product advice for people on low and middle incomes:

\begin{quote}
"The report confirmed the high level of trust that people have in the CAB service and the value that they place on the impartiality of the advice given. Within the financial services industry it is recognized that IFAs do not share the same level of trust for historical reasons."\textsuperscript{28}
\end{quote}

The pilot project aimed to combine the expertise of IFAs with the ‘brand’ that CAB have within the community to increase consumer confidence and trust in the IFA sector. It tested 3 different models of joint working and found that users were more likely to act upon the advice that they were given if they saw an IFA within the bureau rather than being referred to see an IFA in their own office.\textsuperscript{29}

**Lack of understanding of the value and relevance of advice services**

The culture of not using advice services is also due to the lack of widespread understanding of the value and relevance of advice services. This was highlighted by an IFA in the CAB joint working pilot project, who said that key to people seeking advice was “the value that people placed on financial advice. Although cost was the key issue for

\textsuperscript{25} IFAPromotion (2004), Omnibus Research
\textsuperscript{26} FSA (2005), Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project
\textsuperscript{28} Bob Widdowsen for Citizens Advice (2005), Financial advice pilot project: evaluation report
\textsuperscript{29} 84% of the users of Model 2, where IFAs visited the bureau for appointments, said that they had acted on the advice, compared with 69% and 60% respectively for the two models that did not involve direct contact with the IFA within the bureau.
most enquirers for some this was not the only question. Giving sufficient priority to obtaining financial advice was also an issue.”

People on low to median incomes often find the language of financial advice off-putting. Many on lower incomes are sceptical that such advice is relevant to them, especially since they associate financial advice with saving and investing, and having the surplus cash necessary for these activities. As the CAB/IFA evaluation report pointed out, “the advice and information needed by this group may need to encompass issues such as credit, debt, tax credits and social security benefits, as much as savings, investments, mortgages, insurance and pensions.” Mainstream financial advice does not market itself as catering to these needs.

Yet financial advice is clearly valuable and relevant to consumers at all levels of income. The Resolution Foundation has suggested that increased access to financial advice could leave people on low to moderate incomes up to £60,000 better off by the time they reach 60 years of age.

Moreover, when a person gains financial advice that helps them to shop around for better financial products, the personal benefits can be immediate. Research by the FSA showed that the typical consumer can save between £70 and £710 a year by making better financial product choices. Research for IFA Promotion shows that once people have actually experienced independent financial advice, they are generally very satisfied.

The challenge is to communicate these benefits to the target market so that they realise the relevance and value of financial advice to them. In order to encourage a greater take-up of services, any financial advice programme needs to be effectively marketed using language which appeals to people on low to median incomes, as well as those on higher incomes.

**Lack of knowledge of where to get advice**

The FSA has suggested that even when people are aware of the need to get advice, they do not know where to get it. One of their studies found that 20% encountered problems in connection both with the availability of and need for advice. Many people are not aware of the advice services that are available to them, even though they may be enthusiastic users of services once they are made aware of them and some are even willing to pay for advice.

---

30 Bob Widdowsen for Citizens Advice (2005), *Financial advice pilot project: evaluation report*
31 FSA (2005), *Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project*
32 Bob Widdowsen for Citizens Advice (2005), *Financial advice pilot project: evaluation report*
33 Resolution Foundation (2006), *A national dividend: the economic impact of financial advice*
34 FSA occasional paper series 19 (2002), *Losing interest: how much can consumers save by shopping around for financial products?*
35 IFA Promotion (2004), *Enquirer Research - report of findings*
36 FSA (2005), *Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project*
37 FSA (2003), *Consumer Research 19 - Review of the regulatory regime for Stakeholder pensions*
Cost of advice services

There has been little substantial research focusing on whether cost is a factor that discourages the general population from accessing generic financial advice. As the FSA has pointed out, “Affluent consumers who engage the services of financial planners are clearly willing to pay for generic financial advice. But there doesn’t seem to be any research into the willingness of consumers generally to pay for generic financial advice.” However, there has been some research into the effect of cost on consumers accessing regulated advice. Research undertaken for the FSA in 2003 into initial disclosure reported that “It was a surprise to some of the less financially sophisticated respondents that some firms charged a fee for advice - some of these respondents stated that they would never consider going for advice if a fee was charged.”

Similarly, the evaluation report of joint working between Citizens Advice Bureaux and IFAs found that “Previous contact with IFAs was rare among the enquirers. For most this was a question of affordability but not always.” Even after they had been introduced to an IFA through a Citizens Advice Bureau and received free generic financial advice, only 6 out of 244 enquirers are recorded as going on to make subsequent fee-paying appointments with the IFA. One reason given for the figure being this low was that many people on low to medium incomes cannot afford to pay for further advice. They are also more vulnerable to emergencies and cash crises which affected their long-term engagement with an IFA.

A further indication of how willing people might be to pay for advice is given by comparisons with other non-financial advice services like Consumer Direct, NHS Direct, and Community Legal Advice. In most cases, the only cost to the consumer of these services is that of the phone call or connecting to the internet. A pilot study that preceded the national launch of Community Legal Services Direct found that telephone advice is cheap enough at local rate call for the cost of calling it not to be an issue. This suggests that more expensive advice could put consumers off accessing the service.

A survey carried out by McKinsey & Co found that only 25% of those on low to median incomes would be willing to pay a small fee for a generic financial advice service. Similarly, a focus group evaluating the AXA Avenue project in Brighton found that only 3 out of 10 households who had received free access to an independent financial adviser as part of the programme would pay for advice from an IFA in the future, despite the fact that access to the IFA had made the 10 households collectively £50,000 better off over 12 months.

Furthermore, the issue of paying for independent financial advice is compounded for people on low to medium incomes because the level of business they might bring to an IFA would not be of commercial interest and therefore they are not targeted by advisers.

---

38 FSA (2005), Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project
39 FSA (2003), Consumer Research 17 – Initial disclosure documentation research
40 Bob Widdowsen for Citizens Advice (2005), Financial advice pilot project: evaluation report
41 Legal Services Commission (2004), Improving access to advice in the Community Legal Service – Report on Evaluation Research on Alternative Methods of Delivery
42 Resolution Foundation (2006), Closing the Advice Gap
43 AXA Avenue (2007), Fourth Quarter Review: Learnings and Recommendations
Affordable Credit

In addition to financial and debt advice, affordable credit, savings and insurance help people plan for the future and manage short-term fluctuations in income and expenditure. They provide a financial buffer against a range of short-term contingencies, both known and unknown. Those without access to these products are often forced into using high-cost credit, such as home credit, pawnbrokers or mail order catalogues (see box below).

<table>
<thead>
<tr>
<th>The use and cost of non-mainstream credit(^44)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As part of its recent investigation into the home credit market, the Competition Commission has published findings on usage and estimated cost of non mainstream types of credit.(^17)</td>
</tr>
<tr>
<td><strong>Home credit companies</strong>, also referred to as doorstep lenders, lent £1.5 billion to around 2.3 million customers in 2004. Loans, usually for several hundred pounds, are repaid in weekly instalments (typically £10-25) through agents. APRs vary from around 150 per cent to 500 per cent for short-term loans; customers typically pay a total cost of credit of between £40 and £80 per £100. The Competition Commission recently concluded that the consumer detriment of high prices is substantial, and made a number of recommendations to increase competition.</td>
</tr>
<tr>
<td><strong>Agency mail order</strong> is one of the most popular sources of credit for those on low incomes – research shows that in 2004, over 20 per cent of low-income households had used this type of credit.(^18) Weekly or monthly repayments are made through agents. Agency mail order credit can be advertised as ‘interest free’ but prices for goods can be far higher than from high street outlets.</td>
</tr>
<tr>
<td><strong>Pawnbrokers</strong> are used by about 600,000 customers a year, who are required to deposit an item of value as security for a loan. The majority of loans are for a six-month redemption period, with interest rates of seven to 12 per cent a month. A loan of £200 over four months would cost around £56. An estimated 29 per cent of customers fail to recover the pawn.</td>
</tr>
<tr>
<td><strong>Cheque cashers</strong> may advance money against a borrower’s cheque. Charges vary from £6 to £14 for a £100 cheque. There are around 400 cheque cashers in the UK with 1,500 outlets.</td>
</tr>
<tr>
<td><strong>Sale and buy-back</strong> is a service offered by some lenders whereby the customer sells an item to the lender and can then buy it back at a higher price within a short period of time. There are more than 100 outlets in the UK, often combining sale and buy-back with pawn broking and cheque cashing services.</td>
</tr>
<tr>
<td><strong>Rental purchase</strong> shops allow customers to spread the cost of buying goods, either by paying in weekly instalments or monthly by direct debit. The advertised APR is normally around 30 per cent, however the good is often more expensive than on the high street. Customers are also strongly encouraged to take out insurance, which will add to the cost of the loan. The largest provider has over 130 stores.</td>
</tr>
</tbody>
</table>

In addition to these legal non-mainstream sources of credit, a minority of people are forced to resort to borrowing from illegal lenders. Research 19 has estimated that there are some 165,000 UK households using illegal lenders, concentrated in areas of high crime and social problems that are often not served by legal home credit lenders. Borrowers on average pay a total cost of credit of £185 per £100 borrowed, and APRs can run into several thousand per cent. Late or missed payments are frequently punished with disproportionate and often arbitrary charges, and the use of intimidation and violence to elicit payment are common.

Third sector lenders have been identified as key players in delivering the Government’s objective to promote improved access to affordable credit. The Financial Inclusion Action Plan notes that whilst progress has been made, coverage remains incomplete and the key challenge is to increase the coverage and capacity of credit unions and CDFIs so that they are able to provide affordable credit to excluded consumers nationwide.

\(^{44}\) HMT: Financial inclusion the way forward. March 2007
The DWP Growth Fund has been fully operational since July 2006. In that period, more than 46,000 loans have been made, totalling over £20 million. 85% of these have reached low income individuals in the areas of highest financial exclusion. Supply and demand mapping of third sector affordable credit commissioned by the Financial Inclusion Taskforce’s working group on third sector credit shows that there are 25 "red alert" areas, and a further 56 "amber" areas, with very high or high levels of under-served demand for affordable credit.

To address this mismatch the Working Group recommended a doubling of the capacity of the third sector in order to provide affordable credit to 150,000 financially excluded customers a year, and to extend coverage into 25 priority under-served areas. To deliver this increase, the Government has agreed to continue to support the DWP’s Growth Fund initiative, with £38 million of funding from the Financial Inclusion Fund. This funding will go towards supporting the revenue and capital funding requirements of existing performing Growth Fund lenders, including continuing support for training needs within third sector lenders, as well as providing capital to new lenders established in priority areas. The banks have also committed to support third sector affordable credit, including actions to develop new provision in the 25 high priority areas.

2.5 Summary

Financial exclusion is broadly defined as the inability of individuals to access mainstream financial products and services. However, the term can be used in different ways. The literature identifies that financial exclusion can result from a variety of barriers, including individual circumstances, geographical exclusion and self-exclusion. The Financial Inclusion Taskforce has emphasised that the problem is not solely one of access and availability and have increasingly focused on the need to stimulate demand for appropriate services amongst excluded groups.

With this recent emphasis on the demand for services, policy has been increasingly influenced by the concept of financial capability. The Treasury have defined this term, which has largely displaced the narrower concept of ‘financial literacy’ as ‘people’s knowledge and skills to understand their own financial circumstance, along with the motivation to take action’. The literature identifies that the UK population does not sufficiently display this capability. This applies to people on both high and low incomes.

Financial advice is recognised as a key component in tackling financial exclusion and capability. The UK Government has acknowledged that there is a gap in the availability of generic financial advice. The literature also highlights that some people are reluctant to take up advice, even when it is available. The reasons for this can vary and include: a culture of not using financial advice services; a lack of trust in advice services; a lack of understanding of the value and relevance of advice services; a lack of knowledge about where to find advice and prohibitive costs of services. The Thoresen Review, established by government, has recently recommended an independent national Money Guidance service to address these issues. A large-scale regional pathfinder is suggested to help road-test this service.
3. Financial exclusion in the East of England

This section provides a measurement of financial exclusion in the region, mapping the geographies of exclusion and identifying some of the characteristics of excluded individuals and groups.

3.1 The five measures of financial exclusion

The key variables for measuring financial exclusion, which were identified in the South East Study for SEEDA, include individuals and households with:

- No savings
- No current account
- Difficulty in accessing affordable credit
- No home contents insurance
- No credit card.

Data for the five variables, as well as median household income and population count were supplied at Lower Tier Super Output Area (LSOA) level by CACI. This covered all 3,550 Eastern Region LSOAs. Of the 4.6 million working age people living in Eastern region:

- 1,293,000 (28%) have no savings account
- 205,000 (4%) have no current account
- 624,000 (13%) have been refused credit in the past
- 1,332,000 (29%) have no home contents insurance, and
- 2,184,000 (47%) have no credit card.

The five variables were converted to proportions, using the LSOA population counts, to indicate the share of each LSOA population with no savings account; no current account; no home contents etc. Examination of the financial exclusion variables shows that they are highly correlated with one another, so that, for example, areas where a relatively high proportion of the working age population have no current account are also likely to have a relatively high proportion with no savings account or no home contents insurance. See Table 1 in Appendix 2.

When the variables were ranked and charted across the range of LSOAs they all produced similar characteristics – a reclining S shaped distribution - similar to that for ‘proportion with no savings account’ shown in Chart 1 below.

---

45 CACI is a data management company providing demographic and market information for the United Kingdom and Europe.
46 The type of current account, or number of multiple accounts, held by individuals are not identified by CACI. Comparison with the UK or other regions requires the purchase of comparable data from CACI. The research literature identifies a range of estimates. Promoting Financial Inclusion (HM Treasury), 2004 identifies 8% in the UK having no current account while the Financial Capability Survey finds that 11% of people do not have a current account.
This distribution shows a small number of LSOAs with very low proportions of their populations with no savings account and a small number at the other extreme, with very high proportions of their population with no savings account. The upper part of the ‘S’ curve represents the 500 most excluded LSOAs. The highest LSOA contained over 60% of its population with no savings compared with an average across the region of 28%.

Correlations were carried out for each exclusion variable in turn and these are shown in Appendix 4. The single variable showing the highest degree of correlation with the rest is the proportion of the population with no current account. This variable together with household income was also correlated against LSOA level IMD2007 income deprivation scores for the region. As expected the degree of correlation was high as can be seen in Table 2 in Appendix 2.

3.2 A composite measure of exclusion

Analysis was also carried out using a composite exclusion measure. In order to aggregate the five financial exclusion variables they were each ranked across all LSOAs from 1 to 3,550. The five ranks were then averaged and the average rank was used for mapping (Appendix 3, Map 2). However, a composite of all five variables distorts the distribution of financial exclusion across LSOAs since no single LSOA ranks highest or lowest for all five variables.

In deciding on a composite measure it was considered that the most important of the five exclusion measures was ‘no current account’. While the proportion of people without a current account is lower than other measures of exclusion, the gap between the regional average and the most excluded areas is greatest. In the most excluded areas over 20% of the population have no current account compared with an average of 4% across the region.
In addition public policy has given emphasis to the current account. Without a current account it is difficult to conduct most of the financial transactions taken for granted in modern society. Most utilities offer discounts for payment by direct debit – impossible without a current account. Having a current account is an important aspect of credit checks for mortgages, loans and credit – even in the subprime market (with the exception of the provident). Most mortgage providers insist on direct debit payments as do providers of other kinds of loans and credit. Increasingly, wages and particularly benefit income can only be paid into a current account; often employers will not employ somebody unless they have a current account. Research also shows that the costs to individuals of being unbanked rise as the number of unbanked people falls.\textsuperscript{47} This variable was therefore considered to be an essential component in exclusion.

Our composition variable was therefore formed by taking the most excluded 500 LSOAs according to each of the five exclusion variables and identifying the LSOAs which figured in the top 500 for all five variables. This resulted in:

- 224 LSOAs having all five measures
- 94 LSOAs having four measure including ‘no current account’
- 64 LSOAs having three measures including ‘no current account’
- 73 LSOAs having two measures including ‘no current account’, and
- 41 having ‘no current account’ only.

This process gave us 500 financially excluded LSOAs graded from one through to five. Five being those LSOAs where all the financial exclusion variables were ranked in the most excluded 500. These excluded LSOAs cover 624,400 working age residents comprising 13.5% of the East of England population.\textsuperscript{48}

3.3 The geography of financial exclusion

Having settled on a composite exclusion measure, the next step was to map it so as to discover the distribution of financial exclusion across Eastern England. Figure 1, below, shows pockets of exclusion concentrated in mostly urban areas:

- Norwich
- Luton
- Basildon
- Peterborough
- Ipswich
- Thurrock, and
- Great Yarmouth.

\textsuperscript{47} Policy level responses to financial exclusion in developed countries: lessons for developing countries, Personal Finance Research Centre, May 2006).

\textsuperscript{48} This is not to say that there are 624,400 financially excluded people living in the East of England. Only that there are 624,400 people living in those LSOAs with the highest proportions of financially excluded residents.
However, there are also a number of rural areas that feature amongst the most financially excluded LSOAs. This includes, for example, single LSOA in rural areas of Rochford and Three Rivers. We discuss the urban/rural morphology further below.

**Figure 1: Financial exclusion in the East of England**

Mapping the financial variables at LSOA level confirmed the strong inverse relationship between the financial exclusion variables and household income. The median income map (Appendix 3, Map 1) shows the highest household incomes clustered around the southern half of the region, tending to follow the main commuter routes into London. The lower

**Financial exclusion and household income**

Mapping the financial variables at LSOA level confirmed the strong inverse relationship between the financial exclusion variables and household income. The median income map (Appendix 3, Map 1) shows the highest household incomes clustered around the southern half of the region, tending to follow the main commuter routes into London. The lower
incomes are to the north of the region and around the coast. Financial exclusion is virtually the inverse of this, with the highest levels of financial exclusion to the north of the region and around the coast and the lowest levels around the main London commuter routes.

**Urban/Rural morphology**

We have categorised the financially excluded LSOAs by standard urban/rural morphologies (Urban with populations greater than 10,000; Town and Fringe; Village, Hamlet & Isolated Dwellings). The results are shown in Chart 2 below.

*Chart 2: Urban/Rural morphology of financial exclusion*

In population terms the number of people living in the most financially excluded ‘Urban’ LSOAs is 583,800; the number living in the most financially excluded LSOAs in ‘Town and Fringe’ areas is 39,400 and the number living in LSOAs classified as ‘Village, Hamlet & Isolated Dwelling’ is 1,220. This means that 93.5% of people living in the most financially excluded LSOAs live in urban areas. In those LSOAs not among the most financially excluded two thirds live in urban areas with the remainder divided roughly equally between ‘Town and fringes’ and ‘Village, hamlet, isolated dwelling’.

Chart 3 shows that as the degree of financial exclusion increases, the greater the likelihood that LSOAs will be in urban areas. 99% of LSOAs which are amongst the most excluded 500 for all five financial variables are in urban areas whereas only 74% of LSOAs are amongst the most excluded 500 for just one variable – ‘no current account’.
There are significantly greater numbers of financially excluded people in urban areas. However, the analysis has identified a small number of LSOAs in rural areas where the degree of exclusion is as severe as some urban areas. (See Table 3 in Appendix 2 which presents all LSOAs ranked by degree of exclusion). Of those financially people living in rural areas in the East of England:

- 169,539 have no savings account (none in the most excluded 500 LSOAs)
- 22,713 have no current account (98 in the most excluded 500 LSOAs)
- 79,638 have been refused credit in the past (199 in the most excluded 500 LSOAs)
- 168,475 have no home contents insurance (937 in the most excluded 500 LSOAs) and
- 340,279 have no credit card (15,407 in the most excluded 500 LSOAs).

The urban/rural morphology presents a different set of policy and service delivery challenges which we address later in the report.

### 3.4 Characteristics of the most financially excluded areas

Financial exclusion variables were analysed against a number of characteristics including: housing tenure; benefits and Working Tax Credits status; age distribution and migrant populations.

#### Housing tenure

The proportion of rented housing in the East of England region Lower Tier Super Output Areas ranges from 1% through to 96%. This includes local authority, social and private
renting. Chart 4, below, shows that those LSOAs with the highest levels of financial exclusion are likely to have higher proportions of their population living in rented accommodation and lower proportions living in owner occupied housing than LSOAs not among the most financially excluded.

**Chart 4: Housing tenure in the most financially excluded LSOAs**

Only 2 per cent of the most financially excluded LSOAs have 1 to 24% of rented accommodation whereas 40% of the most financially excluded LSOAs have between 24 and 47% of rented accommodation and the remaining 58% have over 47% of rented accommodation. The correlation between living in rented accommodation and having no house contents insurance is over 90%. For owner occupation the pattern observed for renting is reversed, with only 2% of the most financially excluded LSOAs having over three quarters of their housing in owner occupation.

**Benefit status**

The most financially excluded LSOAs tend to also have the highest proportions of benefit claimants in their populations. The proportion of benefit claimants in the LSOAs ranges from 0 to 44%. Chart 5, below, shows that only 10% of the most financially excluded LSOAs have between 0 and 11% of benefit claimants whereas most LSOAs outside the most excluded are in this benefits band. The majority of the most financially excluded LSOAs have more than 11% of their population claiming some kind of state benefit, and nearly a fifth of the most excluded LSOAs have over 22% of their population claiming state benefits of some kind.

---

49 Analysis of combined rented tenures reveals stronger correlation with financial exclusion than analysis of individual tenures.
The tendency of the most financially excluded LSOAs to have the highest proportions of benefits claimants hold true across the main benefit groups: jobseekers, incapacity benefits claimants and lone parents.

**Working Tax Credits**

An analysis of Working Tax Credits (WTC) in the East of England region reveals, not surprisingly, a strong positive correlation with low household incomes. Figure 2, below, shows the location of households claiming WTC. Those areas with more than 15% of all households claiming WTC include Luton, Peterborough, Norwich, Great Yarmouth and King's Lynn, areas which have been identified amongst the most financially excluded in the region. 50

50 The WTC data are part of HM Revenue and Customs Analysis Team experimental small area data
Figure 2: Households Claiming Working Tax Credits

Age band

There is a tendency both at national and international level for the populations of deprived areas to have higher proportions of young people than is the case in more affluent areas. Given that we already know that financially excluded LSOAs in the East of England tend to have lower median household incomes (see Table 1, Appendix 2) and higher proportions of benefit claimants than other Eastern region LSOAs, we would also expect them to have higher proportions of young people. Charts 6 and 7 show that this is the case.

The proportion of children in the East of England region LSOAs ranges from 2% to 38% of the population. Chart 6 shows that 9 per cent of the most financially excluded LSOAs have between 29 and 38% of children in their population. However the distribution tends to be concentrated in the 11% to 29% range. 59% of the most financially excluded LSOAs having between 20 and 29% of children in their population and 29% with 11 to 20% compared with 43% of all other LSOAs with between 20 and 29% of children and 54% with between 11 and 20% of children.
Chart 6: Proportion of children 0 to 15 in the most financially excluded LSOAs

Chart 7 shows an almost mirror image for the age group 45 to retirement age. This age group accounts for between 2 and 36% of the population of LSOAs in the East of England with most LSOAs clustered in the 10 to 27% range. Here we see that 52% of the most financially excluded LSOAs have between 10 and 19% of their populations aged between 45 and retirement age compared with only 15% of all other East of England LSOAs. 48% of the most excluded LSOAs have between 19 and 27% of their population aged between 45 and retirement age compared with 67% of all other LSOAs in the region. 18% of all other LSOAs have between 27 and 36% of their populations between 45 and retirement age.

Across the age bands the tendency is for the most financially excluded LSOAs to have higher proportions of their population in the younger age bands than is the case for all other LSOAs in the East of England. The research literature has consistently identified elderly people (aged over 70) who are part of a cash only culture as a key target group at risk of financial exclusion. This will be the case in the East of England regardless of geography. However, there would appear to be evidence from the most financially excluded areas that early intervention with young people may prove to be effective in tackling financial exclusion. To a large extent the national curriculum is currently addressing this through personal social and health education at Key Stage 3. Enhanced provision of financial literacy in schools servicing the most excluded areas would help to support this agenda.

51 For statistical purposes this is 64 for men and 59 for women.
52 Understanding and Combating Financial Exclusion, JRF, 1999
Migration

In order to map migration into Eastern region we used data for the number of National Insurance Number (NINo) Allocations. Figure 3, below, shows the location of the 37,196 overseas nationals applying for NINos during the period 1st February to 31st December 2006. The largest concentration of overseas migrants is found in Peterborough. Comparing Figure 3 with Figure 1 shows that the concentration of migrants can be found in the financially excluded areas around Peterborough, King’s Lynn, Great Yarmouth, Ipswich, Luton and Bedford. Bearing in mind that these are urban areas tending to have high proportions of rented housing it probably isn’t surprising that new migrants can be found here.

The concentration of new arrivals in parts of the Eastern region raises a number of issues about financial services and products which may be targeted at a migrant population. The payment of remittances – sending money home – varies between different migrant groups. East Europeans have been recognised as an important emerging market by mainstream UK banks for some time. Most arrive in the UK with personal accounts already set up through UK agents of mainstream banks. New business accounts are increasingly sought by migrant populations and the banks, recognising this, have actively marketed their business services to newcomers.

However, other migrants, from outside of the ‘Euro-Zone’, may not be as financially included or capable and may be subjected to higher charges for the payment of remittances. We will further consider these implications as part of our assessment of

---

53 Overseas nationals entering the UK require a NINo for employment/self employment for the administration of tax and national insurance contributions. A NINo is also required to claim benefits and tax credits. NINo allocations to overseas nationals are handled by Jobcentre Plus. Overseas nationals applying for NINos attend an interview where their date of arrival in the UK is recorded.
service provision, below, but there are opportunities to make mainstream banking services more accessible to some migrant communities and to embed financial literacy (including awareness of products and services) in ESOL and other learning provision.

**Figure 3: Location of Overseas Nationals Making NINo Applications**

3.5 Summary

There are 624,400 people living in the 500 most financially excluded LSOAs in Eastern England. This represents approximately fourteen per cent of the total working age population for the region. Examination of the financial exclusion variables shows that they are highly correlated with one another. Those without a savings account, for example, are also unlikely to have home contents insurance. However, the gap between the regional average and the most excluded areas is greatest amongst those with no current account. In some areas over 20% of the population have no current account compared with 4% across the region.

The distribution of financial exclusion is mostly concentrated in urban areas like Norwich, Luton, Basildon, Peterborough, Ipswich, Thurrock and Great Yarmouth. There are also a small number of rural areas that feature amongst the most financially excluded LSOAs. However, there is a greater proportion of the urban population living in the most financially excluded areas. There is also a greater likelihood that LSOAs will be in urban areas as the degree of financial inclusion increases.
4. Understanding financial capability

The concept of financial capability assumes knowledge and understanding of personal and household finance coupled with sound financial management. Our assessment of financial capability in the East of England uses data taken from the GfK/NOP Financial Research Survey. This data allows for an analysis of attitudes towards savings and debt as well the ways of thinking about different types of financial services and different levels of financial literacy which the survey results reveal. This approach allows for a segmentation of the population according to the degree of financial strain they exhibit. It is a way of identifying financial resilience within the region and where some areas and groups may be vulnerable to financial difficulties.

4.1 Attitudes to savings and debt

We have analysed attitudes to savings and debt at postcode sector level. Applying capability concepts at area level necessitates an altogether more broad brush approach than is the case when analysis is carried out at the level of the individual or household, and inevitably some of the subtler nuances will be lost. However as credit becomes more difficult and more expensive to obtain an area based approach has the benefit of enabling us to identify those areas in the East of England where advisory services can be usefully deployed.

Households exhibiting high levels of financial capability would be likely to see virtue in saving and unlikely to resort to high levels of unsecured borrowing or sub-prime loans and visa versa. Figure 4 shows the regional distribution of households that only save for a specific purpose. This could include saving for school uniforms, holidays, and electrical goods.

When analysed at geographical levels the highest proportions of households that only save for a specific purpose (94%) does not clearly align with the geographical distribution of household income. In fact some of the areas with the highest proportions of households saving for specific purposes include geographies with the higher household incomes, including St. Albans, Cambridge and Newmarket.

The number of households who do not save for a specific purpose is perhaps more difficult to interpret. This includes large areas of both the prosperous M11 corridor and the areas of the Norfolk broads with the lowest household incomes in the region. This demonstrates the difference in both attitudes to and abilities to save. In more prosperous areas households do not need to save for specific reasons, while the poorest areas can not afford to. The geographical distribution of those households that only save for a specific purpose is also similar to the proportion of households with unsecured loans, in Figure 5.
**Figure 4: Only save for specific purposes**


**Figure 5: Distribution of households with unsecured loans**

While the local area level is more difficult to interpret, our analysis at the regional level suggests that capability is most likely to be found in populations where median household incomes and levels of owner occupancy are higher than average.

The proportion of the population with some kind of savings balance is positively correlated with average age; median household income; and owner occupation, either outright or with a mortgage. Conversely it is negatively correlated with single adult households and those living in socially rented housing or living with a relative or friend (see Table 1).

**Table 1: Proportion of households with savings**

<table>
<thead>
<tr>
<th>Proportion of households/heads of households</th>
<th>Have any savings balance</th>
<th>Pearson Correlation</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single adult household</td>
<td>- .364**</td>
<td>131</td>
<td></td>
</tr>
<tr>
<td>Have savings account</td>
<td>.839**</td>
<td>143</td>
<td></td>
</tr>
<tr>
<td>Owing any money, unsecured borrowing or mortgages</td>
<td>.332**</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>&quot;Only save for specific purposes&quot; Agree strongly/agree slightly</td>
<td>-.408**</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>&quot;Only save for specific purposes&quot; Disagree strongly/disagree slightly</td>
<td>.352**</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>Educated to GCSE level</td>
<td>.331**</td>
<td>143</td>
<td></td>
</tr>
<tr>
<td>Average age</td>
<td>.358**</td>
<td>143</td>
<td></td>
</tr>
<tr>
<td>Median household income</td>
<td>.310**</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td>Owner occupier (mortgage)</td>
<td>.297**</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>Owner occupier (owned outright)</td>
<td>.277**</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td>Other tenure (e.g. social landlord, living with relative or friend)</td>
<td>-.331**</td>
<td>109</td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Source: Financial Research Survey, 12 months ending December 2007

The proportion of the population agreeing with the proposition that they ‘only save for specific purposes’ is also positively correlated with lone parent and single adult households and with the proportion of the population in housing tenure other than owner occupier/private or local authority rented (e.g. other social rented or living with a relative or friend). It is negatively correlated with the proportion of the population with savings accounts or having a savings balance; with average age and with median household income (see Table 2).
Table 2: Proportion of households only saving for specific purposes

<table>
<thead>
<tr>
<th>Proportion of households/heads of households</th>
<th>Pearson Correlation</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lone parent household</td>
<td>.420**</td>
<td>114</td>
</tr>
<tr>
<td>Single adult household</td>
<td>.405**</td>
<td>130</td>
</tr>
<tr>
<td>Have savings account</td>
<td>-.536**</td>
<td>142</td>
</tr>
<tr>
<td>Have any savings balance</td>
<td>-.408**</td>
<td>141</td>
</tr>
<tr>
<td>&quot;Only save for specific purposes&quot; Disagree strongly/disagree slightly</td>
<td>-.826**</td>
<td>140</td>
</tr>
<tr>
<td>Average age</td>
<td>-.349**</td>
<td>142</td>
</tr>
<tr>
<td>Median household income</td>
<td>-.335**</td>
<td>139</td>
</tr>
<tr>
<td>Other tenure (e.g. social landlord, living with relative or friend)</td>
<td>.373**</td>
<td>109</td>
</tr>
<tr>
<td>Loan to finance consumption, e.g. holiday, clothes, electrical goods etc.</td>
<td>.309**</td>
<td>139</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Source: Financial Research Survey, 12 months ending December 2007

The most striking, if not surprising, feature of take-up of unsecured loans is the fairly strong negative correlation with the proportion of the population in owner occupation (owned outright). There is also a highly statistically significant negative correlation with average age (see Table 3). Of the reasons stated for taking out unsecure loans, the most common include loans for the purchasing of motor vehicles (cars and motorbikes); home improvements and refinancing existing debt.

Table 3: Proportion of households with unsecured loans

<table>
<thead>
<tr>
<th>Proportion of households/heads of households</th>
<th>Have unsecured loan</th>
<th>Pearson Correlation</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household type other than couple, single adult or lone parent</td>
<td>-.353**</td>
<td>137</td>
<td></td>
</tr>
<tr>
<td>Have subprime loan</td>
<td>.494**</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Owing any money, unsecured borrowing or mortgages</td>
<td>.392**</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>&quot;Hate to borrow&quot; Agree strongly/agree slightly</td>
<td>-.333**</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Average age</td>
<td>-.268**</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Owner occupier (owned outright)</td>
<td>-.410**</td>
<td>133</td>
<td></td>
</tr>
<tr>
<td>Car/motorbike related loan</td>
<td>.593**</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Loan for home improvements</td>
<td>.306**</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Loan to refinance existing debt</td>
<td>.360**</td>
<td>144</td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

Source: Financial Research Survey, 12 months ending December 2007

The level of subprime loan take-up correlates positively with the proportion of couples with no children; with the proportion of lone parents; with the level of unsecured loans in general and with the proportion of the population living in socially rented housing or living with a relative or friend (see Table 4). There are a higher proportion of households with sub-prime loans to finance consumption (e.g. holiday, clothes, electrical goods etc.) than in the mainstream market. This could relate to the more stringent criteria for unsecured
loans or minimum amounts required in the mainstream market. It may also indicate the necessity of some lower income households to access sub-prime loans in order to meet their basic needs.

**Table 4: Proportion of households with subprime loans**

<table>
<thead>
<tr>
<th>Proportion of households/heads of households</th>
<th>Have subprime loan</th>
<th>Pearson Correlation</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple with no children</td>
<td></td>
<td>.476**</td>
<td>56</td>
</tr>
<tr>
<td>Lone parent household</td>
<td></td>
<td>.501**</td>
<td>51</td>
</tr>
<tr>
<td>Have unsecured loan</td>
<td></td>
<td>.494**</td>
<td>56</td>
</tr>
<tr>
<td>Owing any money, unsecured borrowing or mortgages</td>
<td></td>
<td>.351**</td>
<td>56</td>
</tr>
<tr>
<td>Other tenure (eg. social landlord, living with relative or friend)</td>
<td></td>
<td>.450**</td>
<td>50</td>
</tr>
<tr>
<td>Loan to finance consumption, e.g. holiday, clothes, electrical goods etc.</td>
<td></td>
<td>.749**</td>
<td>56</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).**

Source: Financial Research Survey, 12 months ending December 2007

Figures 6 and 7 below show the geographical distribution of the sub-prime loans and credit cards across the East of England. The areas with low levels of sub-prime debt broadly correspond, as might be expected to the areas of high and low household income. The most financially excluded areas (the dark shaded areas of the map) are amongst the areas with the lowest proportion of sub-prime debt.

Some of the identified ‘hotspots’ for sub-prime markets can be found within and alongside more prosperous areas. A significant area of Hertfordshire and Bedfordshire, which is situated within the most prosperous South West corner of the region, has some of the highest proportions of debt. One area east of Harpenden contains some of the highest levels of unsecured loans, mortgages and sub-prime debt. Here the wealthy city professionals in the commuter town of Harpenden are living alongside the trades people in Batford and East Hyde. While this latter group are neither poor or financially excluded they would appear to exhibit high levels of financial stress, including high levels of debt and possibly re-mortgaged properties.

It is possible to hypothesise about the causes and effect of these findings. Some areas will be more affected, negatively and positively, by affordability within the region. The phenomenon of ‘keeping up with the Jones’ combined with a sustained period of economic growth and rising house prices will have led some households to live beyond their means. In this sense a significant proportion of the population exhibit the characteristics of the over included, in so far as they have too much access to financial services and products. However, in an environment where credit is now becoming more difficult and more expensive to obtain many households may find themselves exposed to the risk of repossession.
Figure 6: Distribution of households with subprime loans


Figure 7: Distribution of households with subprime credit card

4.2 Attitudes to services

The Financial Resource Survey also contains a number of questions which reveal attitudes towards different types of financial services. The questions include:

- “I would be happy to use the Internet to carry out day to day banking transactions”
- “I hate having to go to the branch of my bank or building society”
- “I’m happy to use the phone to carry out day-to-day banking transactions”

Unsurprisingly there is a strong positive relationship between those who are happy to use the internet and those who dislike visiting banks. Internet and telephone bank users are younger and educated to GCSE level and above. They are also likely to have median household income while those using phone line services for banking transactions are more likely to be single adult households, who only save for specific purposes.

4.3 Financial literacy

We have also explored the significance of questions in the Financial Resource Survey which reveal levels of financial literacy amongst respondents, including:

- “I regularly read the financial pages in the papers”
- “There are one or two financial institutions which I always turn to first”
- “The way I deal with my finances reflects how my parents dealt with theirs”
- “I always know broadly how much is in my bank account at any one time”.

Those who regularly read the financial papers tend to be of average age and above, of median income and above, and owner occupiers with houses owned outright. This group are also more likely to have savings – not just for specific purposes – and know how much is in their bank account at any one time.

Knowing how much is in the bank at any one time is a good indicator of financial capability. This group ‘hates to borrow’. They are less likely to have an unsecured loan and more likely to visit their branch of bank or building society. They are also less likely to be from a single adult household unit.

There are few indications that individuals and households have a tendency to prefer one or two financial institutions, which they would turn to first or significant evidence to suggest that the way survey respondents in the East of England are dealing with their finances reflects how their parents dealt with theirs.

4.4 Summary

Households in the East of England that exhibit higher levels of financial capability are more likely to save and less likely to resort to high levels of unsecured borrowing or sub-prime loans. They are also more likely to read the financial pages in the papers and know how much they have in their account at any one time. However, the relationship between attitudes (to saving and borrowing) and household income is complex, particularly at the local area level. Analysis at the regional level suggests that capability is most likely
to be found in populations where household income and levels of owner occupancy are higher than average.

The level of sub-prime take up is greater amongst couples with no children; lone parents; and those living in social housing. There are a higher proportion of households with sub-prime loans to finance basic consumption needs than can be found in the mainstream market. Areas with low levels of sub-prime debt broadly correspond to areas of both high and low household income, while many of the identified geographical ‘hotspots’ for sub-prime markets can be found within and alongside more prosperous areas.
5. An assessment of service provision

The East of England has a population of 4,633,591 of whom 3,180,181 (69%) live in urban areas, 15% live on the urban fringe and 16% in rural areas (defined as village, hamlet and isolated dwelling).

Figure 8: Urban/Rural Morphology of the East of England Region

Source of data: National Statistics

5.1 Money advice and financial services provision

We have defined financial inclusion service provision as the following:

- Independent money and financial advice
- Financial services like ATMS, banks, credit unions and post offices
- Financial capability provision

The key deliverers of money and financial advice are Citizens Advice Bureaux, specialist money advisers in the independent sector and independent financial advisers. Financial capability provision is delivered by a range of organisations and there is often an overlap
with those that deliver money advice, like the CABx and, those that deliver financial services like Credit Unions.

The East of England has a broad range of financial advice, services and capability provision, including;

- 151 money advisers providing advice from 54 CABx in the region;
- 30 credit unions;
- 7 financial advisers in the independent sector;
- 1,137 banks
- 1,130 private companies offering independent financial advice
- 1,977 ATMs
- 878 Post Offices
- 30 FE Colleges

The provision of these services is mostly concentrated in areas of financial exclusion in the East of England. However we have identified 32 rural and urban areas across the East of England where people are experiencing varying degrees of exclusion and have limited access to money advice and financial services.

**Table 5: Provision of money advice and financial services in financial exclusion hotspots**

<table>
<thead>
<tr>
<th>Financial exclusion hotspot</th>
<th>Exclusion indicators</th>
<th>CAB provision</th>
<th>Credit Union provision</th>
<th>Free ATM</th>
<th>Post Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wells-next-the-Sea</td>
<td>5</td>
<td>Outreach only</td>
<td>None</td>
<td>Only 1</td>
<td>No</td>
</tr>
<tr>
<td>King's Lynn</td>
<td>5</td>
<td></td>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thetford</td>
<td>5</td>
<td>Outreach</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ipswich</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basildon</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tilbury</td>
<td>5</td>
<td>Outreach only</td>
<td>none</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norwich</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Great Yarmouth</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowestoft</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peterborough</td>
<td>5</td>
<td>Outreach</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huntingdon</td>
<td>5</td>
<td>Outreach</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bedford</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luton</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Braintree</td>
<td>5</td>
<td>Outreach</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amthill</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sudbury</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harlow</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stevenage</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clacton-on-Sea</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colchester</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

"-" indicates a Post Office closure
Citizens Advice Bureaux provision

There are 54 CABs in the East of England operating through approximately 235 outlets; CAB offices, hospitals, prisons, GP surgeries, Children’s Centres, libraries, county courts and others.

Delivery of advice in a range of settings like these has been shown to be an important way of engaging with hard-to-reach or excluded groups. The Thoresen Review has suggested that “any engagement strategy will need to work with trusted intermediaries from across the community to be successful. These might include the workplace, Jobcentres, Children’s Centres, Connexions services, educational establishments, GP surgeries, voluntary and community organisations. All are potential referral points from which consumers can engage with the GFA service.”

This view is supported by The Resolution Foundation which points out that an effective way to reach people is to integrate advice referrals into key locations associated with “triggers” – life events which may motivate people to seek and act upon financial advice. These triggers may include marriage, divorce, having a baby or becoming redundant and are associated with some of the locations suggested above. The CAB in the East region deliver money advice in a number of the settings suggested in the Thoresen Review.

However there are 8 bureaux in the region that do not operate any outreach services. These are:

- Bury St Edmunds
- Brandon and Mildenhall
- Castlepoint
- Newmarket
- Sudbury
- Waltham Abbey

---

54 Otto Thoresen (2008), *Thoresen Review of Generic Financial Advice*
55 Resolution Foundation (2007), *Response to the Government’s long term strategy on financial capability*
• Watford
• Welwyn

Of these, Bury St Edmunds, Newmarket, Sudbury and Welwyn bureaux all have pockets of significant financial exclusion in rural locations adjacent to them. Furthermore of the areas we have identified as experiencing significant financial exclusion, Wells-next-the-Sea, Tilbury, March, Baldock and Swaffham are only supported through outreach money advice.

**Figure 9: Distribution of Citizens Advice Bureaux in Eastern Region**

Debt represents the majority of enquiries that CABx in the East region deal with; of the 850,000 advice issues that bureaux in the East of England dealt with in 2006-2007 29% were related to debt. Within this field, the majority of enquiries, 24.4% related to problems with credit, store or charge card debts. Enquiries about ‘priority’ debts i.e. those related to meeting basic needs like the payment of rent, mortgages, council tax and utilities totalled 20.4%.

This situation is reflected in bureaux across England and Wales and in recent years the number of enquiries about debt have outstripped enquiries about welfare benefits, traditionally the largest source of enquiries and advice sought. Amongst the CAB advisers that we interviewed the majority felt that the number of enquiries about debt related
issues are likely to increase and expressed concern at their capacity to manage this. This is despite the injection of Financial Inclusion Fund money which has provided additional resource to fund provision of money advice. Some CAB workers expressed concern that the number of money advisers could be doubled yet still not be able to meet the increasing demand for money advice. This concern came from both their perceptions of the current economic climate and fear that the situation is likely to get worse but also from the profile of money advice clients. Traditionally, the client profile of the CAB is an individual in social housing, in the C2DE bracket and reliant on benefit income. Anecdotally advisers felt that the profile of money advice clients is changing and now incorporates people across a range of age groups including young people and older people, genders, families and those in employment. Advisers felt that the broadening of the profiles of people seeking help suggests that there is a significant need not just for money advice but also for financial capability support.

There is an equal split in the number of bureaux in the region that operate in urban and rural locations and there are 151 specialist money advisers providing debt advice in bureaux in the East of England. However 3 bureaux in the region do not have any specialist money advisers and these are all in rural locations.

There is also considerable variation in the number of money advisers operating from individual bureaux. Across the East of England 69% of bureaux have between 1-3 specialist money advisers whilst 26% have been 4 and 12.
Figure 10: Citizens Advice Bureaux with one or more specialist money caseworkers

Source: Citizens Advice
**Advice in the independent sector**

There are 7 advisers providing money advice through the independent advice agency Advice for Life in the East of England. In addition there are also approximately 32 LSC funded money advisers operating in settings like law centres.

Advice for Life is an advice service that is based in Cambridge and operates throughout the East region. It has two offices, one in Cambridge and one in Huntingdon providing advice on a range of issues including debt.

Housing associations also play a role in the provision of money advice and increasingly deliver financial capability work in response to the needs of their tenants. According to the Chartered Institute of Housing, around 70% of the financially excluded are social housing tenants and the FSA baseline survey of financial capability (2006) showed that social housing tenants are amongst the least capable of choosing suitable financial products and planning ahead.

Knowing the profile of their tenants, many RSLs have run "traditional" forms of financial support for many years, including:

- Offering cheap, safe white goods and free furniture
- Money advice and advice on welfare benefit claims and income maximisation
- Reduced household insurance

Some go further e.g. Cambridge Housing Society provides a wide range of financial services through its New Horizons scheme:

- Free, confidential, impartial advice on welfare benefits and tax credits, debts, loans, home contents insurance, utilities payments, managing money, and bank accounts
- Savings and Loan scheme (with Cambridge Building Society)
- Home Literacy & Numeracy tuition (with Long Road Sixth Form College)
- Direct provision of Financial Literacy training
5.2 Financial services provision

Financial exclusion and the location of ATMs

Many ATMs can be used to withdraw cash free of charge, however an increasing number charge a fee for each withdrawal. Whilst the rate of growth in the number of free machines has slowed in the last few years, the number of fee-charging machines has increased. This, coupled with the fear that banks are withdrawing free machines from the most disadvantaged areas with their place being taken by fee charging ATMs and the selling of free machines to fee-charging operators, will disadvantage residents. This has become a more pressing issue in light of the government’s decision to pay benefits directly into bank accounts as the number of people who will need to access their cash via ATMs has increased. Access to ATMs is also an issue for people in rural areas; under a tenth of ATMs are in rural areas, with fewer of these free to use – around 45% compared to 60% in urban areas.\(^{56}\)

A typical withdrawal fee for a fee charging ATM is between £1.20 to £1.75 but fees of up to £5 per withdrawal are not unknown. These charges can represent a significant proportion of someone’s income if they are reliant on benefit support. The government’s cash machine taskforce recognised that lack of access to free ATMs is a barrier to financial inclusion and is working with banks and consumer organisations to address this.\(^{57}\)

In an attempt to ascertain whether the absence of ATM availability might contribute towards financial exclusion we compared ATM locations in Eastern region against the most financially excluded LSOAs.

When we analysed ATM locations in Eastern region it was found that 55% of the most financially excluded LSOAs had at least one ATM compared with 43% of LSOAs not among the most excluded (see Fig 7). The higher proportion of ATMs in the most financially excluded LSOAs is probably explained by the fact that over 93% of financially excluded LSOAs are in urban areas, a much higher proportion than the remaining Eastern region LSOAs (see fig. 2).

Looking at free and charging ATMs separately, we found that 30% of the most financially excluded LSOAs had at least one free ATM compared with 22% of all other LSOAs. 39% of the most financially excluded LSOAs had at least one fee charging ATM compared with 30% of all other LSOAs. However many fee charging ATMs are in areas that also have free ATMs. When we separated out those LSOAs that only had fee charging ATM we found that 10% of the most financially excluded LSOAs had only fee charging ATMs compared with 8% of all other LSOAs with only fee charging ATMs. In all, 50 of the most financially excluded LSOAs have only fee charging ATMs while 225 have no ATM.

\(^{56}\) Promoting Financial Inclusion in Rural Areas, Commission for Rural Communities, November 2007

\(^{57}\) ATM working group, Cash machines – meeting consumers needs, December 2006
The government’s cash machine taskforce report identified 20 of the most deprived Super Output Areas in the East of England without convenient access to a free ATM. The following areas are still without access to a free ATM:\n
- Bowers Gifford, Basildon, Essex
- Chaul End, Luton
- Coldham, Cambridgeshire
- Salph End, Bedfordshire
- Seawick, Clacton-On-Sea
- Woodham Walter

**Chart 8: ATMs located in the most financially excluded LSOAs compared with all other Eastern region LSOAs**

---

58 Ibid
Figure 11: Distribution of free and fee-charging ATMs

Post office closures

Another concern is the extent to which the closure of post offices might impact on the most financially excluded communities. Post Offices are important access point to financial products and services for those at risk of financial exclusion. Individuals can access Post Office Card Accounts (POCAs) and a selection of bank accounts through the Post Office and for those in rural areas this is often their only means of doing so. For those individuals who are unable to open a bank account or who are bankrupt, they can cash their giro cheques at a post office. The only alternative available if they were not able to access a post office would be a company who offered a cheque cashing service which would incur a fee.59

Post Office closures are planned throughout the East of England but so far only plans for East Essex and Suffolk have been made public and these are shown in Fig.12.

59 Citizens Advice and Citizens Advice Scotland’s response to the DTI’s consultation on The Post Office Network, March 2007
51 closures are planned in the East Essex and Suffolk area and in the context of financial exclusion a number of these give concern, for example those in Ipswich, Clacton-on-Sea, Colchester, Braintree and Sudbury. It is proposed that Colchester will lose four Post Offices, Ipswich three, Braintree & Sudbury two each and Clacton-On-Sea one. A significant number of Post Offices in these areas will remain open. There is evidence that some closures are situated in the most deprived LSOAs, however, the impact of these closures will depend upon ease of access to alternative facilities.

**Figure 12: Planned post office closures in East Essex and Suffolk**

Source: The Post Office Area Plan Proposal

**Credit Unions**

There are 30 credit unions operating in the East of England. They mainly operate in urban areas but do have outreach and payment centres in rural or urban fringe locations. However, of the 32 financial exclusion hotspots that have been identified in the East of England approximately one-third (13) do not have access to a credit union. A further 5 only have access to a credit union in the shape of a payment centre in their town.

However there does seem to some expansion in the network and reach of credit unions in the East of England. Norfolk Credit Union is opening local offices across Norfolk, the first one at Watton opened in November 2007 and is currently trading as the Wayland Community Bank.
Credit Unions provide a range of services from traditional loans and savings plans, to providing an increased range of financial products and services. Some Credit Unions in the area have extended the work they do around financial inclusion, for example working in partnership with stakeholders to identify and work with vulnerable or hard to reach groups, financial capability work in schools and referrals to money advice practitioners.

Southend Credit Union Ltd (SCUL) opened for business 18 months ago and has the Borough of Southend-on-Sea as its common bond. As a young community based Credit Union, working in a large area, developmental outreach work is an essential element in raising awareness of alternative financial services and ensuring these services are made available to all potential members.

Financial inclusion is one of the main aims of Southend Credit Union Ltd (SCUL) and is inherent in their practice. They work proactively to reach a wide cross section of the community and have developed strong working partnerships with other organisations.

One particular project aimed at addressing financial inclusion is their work with the local authority. Imminent changes to Housing Benefit payments could result in difficulties to people without bank accounts and SCUL have developed a signposting system with the housing benefit department and have set up monthly road shows at a local Civic Centre to raise awareness of Credit Union services and to provide vulnerable people with join-on-the-spot facilities.

The recognised need for children and young people to have a good understanding of money and know the importance of saving is being met through Junior Savers Clubs at schools. SCUL has established clubs at three schools and a youth centre and is extending this facility to other schools and educational establishments.

**Figure 13: Credit Unions in the East of England**
Higher Education and Further Education financial capability provision

Understanding financial capability provision within the Higher Education and Further Education system is complex. This is because financial capability support can be delivered in several ways;

- as an explicit course
- embedded as a component of an Apprenticeship, NVQ, Diploma or Foundation degree programme; or
- in non-specific courses, for example a cookery course might contain a budgeting component.

Our definition of financial capability includes basic numeracy skills and financial literacy training.

Most of the colleges in the region offer some kind of numeracy skills training for students;

- 9 offer a Skills for Life “Numeracy” component which often includes sections on “managing money” or “managing the family budget”
- 8 colleges offer courses aimed at 16-18 year old NEETs that include an Application of Number or Numeracy component.
- 3 advertise their stand-alone adult numeracy qualifications (e.g. Levels 1 and 2 Certificates in Adult Numeracy) which include sections on handling money

A small but significant number of colleges cover “money matters” in programmes aimed specifically at those with learning difficulties. These range from entry-level through to Level 3 and can be found in at least 5 colleges in the East of England.

Across the region that are a few specific financial literacy courses on offer including,

- “Understanding Money” offered by East Norfolk Sixth Form College,
- Financial Literacy Qualifications (Level 3) for Adults offered by City College Norwich
- A unit “Financial Management – How to manage personal funds, open a bank account, etc.” in SEEVIC College’s BTEC Introductory (Level 1) Diploma in Business, Retail & Administration

As has already been stated most other related provision is embedded as a component of Apprenticeship, NVQ, Diploma or Foundation degree programmes, including:

- Numeracy skills training for students – some targeting the NEETs group or adult learners Key Skills “Application of Number”
- Skills for Life “Numeracy” often includes sections on “managing money” or “managing the family budget”

A lot of colleges also have financial advisors for students experiencing financial difficulties or offer Personal Guidance around numeracy or financial aspects of studying. The number offering this is hard to gauge as it is not always advertised on their public websites.
5.3 Overview of best practice in service delivery

Developments in the East of England will need to complement the national generic financial advice service that is expected to emerge from the Thoresen Review. With this in mind, it is worth noting that the report emphasises how signposting people to other commercial providers of advice and financial services solutions will be an important part of the proposed national GFA service: “A GFA service could broaden access to these services by identifying needs and increasing connectivity; whilst providing general guidance and signposting to the specialist service providers of those who need it.” This suggests that a local provider could position itself as an existing specialist advice provider in the East of England in order to complement the national GFA service.

Moreover, even though the delivery of advice to improve financial capability is a relatively new and developing field, there is a range of valuable work already going on across the East of England as well as the UK as a whole. Partners in the East of England can build on this solid foundation of good practice in delivering financial advice to low and middle income consumers.

Research has shown that methods of delivery like telephone and internet are a good way of reaching a lot of people at a relatively low cost. However, they will not cater fully for everyone and work the best when combined with access to face-to-face advice. However, recent research by the Commission for Rural Communities has highlighted the need to tailor services for people in rural areas, understanding that isolation and transport barriers may be a particular problem.60

For example, pilot studies for the Consumer Direct helpline found that roughly one in five telephone calls were from more vulnerable people who ultimately needed to be helped face-to-face.61 Even for this client group, the telephone service provided an entry point to the services that they needed, provided it signposted them onto appropriate face-to-face advisers. This suggests that a telephone helpline can be an effective gateway for advice services.

Internet can also be a useful gateway to further advice services, although websites do not usually deliver personalised advice to individuals. The websites of non-financial advice organisations are generally seen as providing some information and advice but signposting consumers to other sources of information that are more tailored to their needs. For example, the Community Legal Services Direct website (www.clsdirect.org.uk) is a useful source of information that supplements the telephone

---

60 Promoting Financial Inclusion in Rural Areas, Commission for Rural Communities, November 2007
61 FSA (2005), Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project
service also provided. The website had nearly 3.3 million visits in 2006-07 and clients requested over 2.7 million leaflets, of which nearly one million were downloaded.  

Notably, the internet can be a powerful medium for interactive tools that complement the advice provided through other delivery channels. In the context of financial advice, suitable interactive tools could include a financial ‘health’ check, a budgeting tool, a debt reduction tool, or a benefit eligibility calculator. There are a growing number of such online tools already in existence which analyse people’s financial situation and help them to calculate how they can make ends meet by calculating their key income and expenditure. Some tools focus on spending incurred through utilities bills, mortgage payments and Council Tax, while others go into greater detail and include food, travel to work, and leisure spending.

These tools are made more effective if they are combined with other channels of delivery. For example, an interactive online tool can be used in conjunction with face-to-face advisers or telephone advisers, who could take less confident users through the tools step-by-step as is done by Moneyextra’s Financial Planner Service.

Ultimately, however, face-to-face delivery remains at the centre of most advice services. The Thoresen Review interim report has noted this in the commercial sector’s provision of regulated financial advice: “The advice tends to be F2F because that has proven the most successful channel for overcoming customer reluctance with regard to market and product complexity. The workplace has, historically, been a channel for financial advice, especially in larger businesses with corporate pension schemes.”

Best practice in existing advice services suggests that a successful financial advice service should encompass face-to-face advice along with other delivery channels to broaden the reach of the service. Internationally this has been the dominant picture, with the Financial Services Research Forum finding that most international schemes to provide GFA “to some extent adopt a multi-channel approach, to suit the preferences of different groups.” This is also likely to be the form that the new UK-wide GFA service takes, although the particular mix of channels to be used is still under discussion.

**Combining advice with other services**

The aspiration would be to raise levels of financial capability before people hit the crisis point that induces them to seek debt advice. This means targeting a group of people who may not realise that they need advice and may be reluctant to come forward for advice. In this context, it is worth exploring ways to combine financial advice with other services.

Financial Inclusion in the East of England

This could mean integrating advice with another financial service. For example, Southend Credit Union is working with the Citizens Advice Bureau to provide people with a two way signposting system to services like debt management, affordable loans and financial advice.

Alternatively, financial advice can be combined with other advice services or education initiatives. For example, Citizens Advice has run a successful pilot project in which independent financial advisers provided financial advice on a pro bono basis to clients in Citizens Advice Bureaux.\textsuperscript{66} The Basic Skills Agency is developing ways to combine financial literacy with the teaching of basic literacy, language and numeracy skills. They are particularly targeting hard-to-reach groups including lone parents, refugees, asylum seekers and prisoners.

5.4 Summary

There are a number of organisations delivering money advice, financial services and financial capability training across the region. Services are delivered in a variety of ways and in a number of different locations. However, we have identified financially excluded areas which have limited or no provision in relation to independent money advice and financial services. These areas include:

- Wells-next-the-Sea
- Tilbury
- Lowestoft, and
- Peterborough.\textsuperscript{67}

\begin{table}[h]
\centering
\begin{tabular}{|c|}
\hline
Wells-next-the-Sea  
\hline
Tilbury  
\hline
Lowestoft, and  
\hline
Peterborough.\textsuperscript{67}  
\hline
\end{tabular}
\end{table}

\textsuperscript{66} Bob Widdowsen for Citizens Advice (2005), \textit{Financial advice pilot project: evaluation report}

\textsuperscript{67} Peterborough has been identified by Government as having a critical mismatch between the demand and supply of services delivered by the Third Sector. Towards a step-change in 3rd sector lending coverage and capacity: Report of the third sector credit Working Group of the Financial Inclusion Taskforce, 2007.
However, what our analysis of both service delivery and best practice shows is that partnerships are developing between organisations that aim to link individuals into different services and to capture and engage with hard to reach and vulnerable groups.
6. Conclusions and recommendations

This study has explored the relationship between financial inclusion and financial capability in the East of England. These two concepts become conflated when discussing issues of indebtedness. For the most financially excluded groups, with little or no access to mainstream financial markets, debt is often associated with rent arrears, council tax and utilities, catalogues and doorstep lending. There are, however, more significant levels of debt spread amongst a greater number of households in the region which we have described as financially ‘over-included’.

In an environment where credit has been relatively easy and cheap to obtain many households have become increasingly indebted. The extent to which they have been financially ‘over-included’ will be tested by rising affordability and tightening credit terms which will leave a significant proportion of the population in the east of England without access to mainstream finance.

**Geography**

We have been able to identify the most financially excluded areas in the region. These include large concentrations of urban populations and smaller, scattered communities of financial exclusion in rural areas.

However, unlike financial inclusion, financial capability is not necessarily correlated with areas of low household income and high deprivation. Many of the identified geographical ‘hotspots’ for sub-prime markets can be found within and alongside more prosperous areas.

**Characteristics**

Financially excluded people are more likely to be in receipt of welfare benefits and to live in rented accommodation. Financially excluded households are more likely to contain a higher than average number of children and young people. They are also more likely to be single parent households.

The characteristics of financial capability are more complex, although our analysis at the regional level suggests that capability is most likely to be found in populations where median household income and levels of owner occupancy are higher than average. The level of sub-prime take up is greater amongst couples with no children; lone parents; those living in social housing and those with low to median income.

We have adapted the work by PFRC on financial capability to illustrate how the population is segmented according to their key financial characteristics.
Figure 14: A typology of financial characteristics

- **Financially excluded**
  - **Workless**
    - This group has the lowest income and a high proportion of people not working due to sickness or caring for a family member. This group has the lowest educational attainment and includes the highest number of social housing tenants and lone parents.
  - **Working poor**
    - This group has the lowest pay of all working households. Like the workless group they show markedly low levels of unsecured credit usage, loans or mortgage borrowing, because of limited access to these financial products.
  - **Over indebted**
    - This group is heavily dependent on the use of credit. Members of this group have heavy unsecured loan commitments and little or no savings. The group includes above average rates of households headed by someone in work.
  - **Showing stress**
    - This group has the second highest education attainment levels and the highest proportion of people in full time education. This group tend to be in constant overdraft and with high levels of unsecured lending.

- **Financially capable**
  - **Managing well**
    - This group has the highest median income of all the groups. This group tends to be well-educated and have little or no unsecured credit commitments. Of all the groups, this group has the highest number of two-earner households.
  - **Sound**
    - This group shows no real signs of financial strain. People belonging to this grouping tend to owe little money, be older (usually past retirement age). Their attitude to money is prudent and they tend to be “cautious of money managers”.

**Service delivery implications**

There are a significant number of people in the region that remain excluded from the mainstream financial markets and services. Part of the solution, identified by Government, is to stimulate demand for these services amongst excluded groups. At the same time The Financial Services Authority estimates that up to seven million people had difficulty gaining mainstream credit and Citizens Advice are reported huge increases in mortgage arrears and new debt problems.

There are a number of organisations delivering money advice services across the region, which will need to respond to increasing demand. This will require a greater level of multi-agency working. In the case of financial inclusion this will mean improved integration of advisory services, particularly between Jobcentre Plus, Registered Social Landlords, and the independent advice sector (e.g. CAB). Addressing financial capability is likely to require new interventions to improve awareness, promote literacy, and sign post people to appropriate services.
Recommendations

Whilst these recommendations do not address all the nuanced issues of financial exclusion and capability in the region they do provide a structure for targeting existing limited resources on the most financial excluded areas and groups and the identified ‘hotspots’ for financial capability where the potential return on investment is the greatest.

It is recognised that action will need to be taken at the local, sub-regional and regional level by a range of different partners. We have identified EEDA in providing a key leadership role at the regional level, particularly in championing this agenda and helping to facilitate some of the cross boundary issues that exist between different partners including local government, housing associations and service deliverers. Implementation will clearly be taken forward by other stakeholders and agencies.

1. We recommend that EEDA should form a regional task force to take forward and implement action to address the issues of financial inclusion and capability in the region. This study has identified that excluded households are key service users of Jobcentre Plus (welfare), Social Landlords (housing) and CAB (independent financial advice). We recommend that these partners should form the nucleus of the task force and be tasked with co-ordinating the strategic regional infrastructure for the integration of services in the region and developing and taking forward the recommendations outlined below.

2. The Thoreson Review has recommended a large scale regional pathfinder to thoroughly road-test a national Money Guidance service. We suggest that eeda, working with partners, should offer the East of England as the pathfinder region for this service.

3. The National Housing Federation has recommended that all RSLs should consider placing a dedicated financial adviser within their organisations to assist tenants. We suggest that RSLs work with CAB and other independent advisory services to provide frontline workers as part of an independent and impartial service. Following on from the work of the regional task force this partnership should look to overcome the complications associated with different administrative boundaries and provide appropriate coverage for all tenants.

4. The availability of affordable credit to compliment financial and debt advice is increasingly important in the region. While some of the more financially excluded areas in the region have available credit unions, there is a significant mismatch in the south west area of the East of England region between some of the identified capability ‘hotspots’ and credit union provision. It is recommended that EEDA should take a lead in working with Local Authorities and ABCUL to facilitate the expansion of existing credit unions, or failing this the growth of new credit unions, to service this area.

5. This study has identified that in some postcodes in the region more than 20% of the population do not have current bank accounts. Having a current account is

---

68 This area, part of the doughnut effect around Greater London, is also identified in the Thoresen review.
necessary for most financial transactions and therefore an essential component of financial inclusion. We recommend that the findings of this study, particularly those post codes with low levels of current accounts, are shared with all mainstream banks and that they be encouraged to work with partners (e.g. CABs, RSLs) to help promote the take up of basic bank accounts in these areas and across the region.

6. Nearly 30% of all households have no home contents insurance. The correlation between rented accommodation and no home insurance is nearly 90%. It is recommended that RSLs operating in the region should offer home contents insurance to their residents. Smaller RSLs should look to partner with larger RSLs to off-set the set-up costs. Premiums could be kept low through using the combined purchasing power of RSLs in the region. Learning about how to best implement this approach should be based on the best practice examples identified in this report.  

7. The Cashmachine Taskforce brought together LINK, banks, independent cash machine operators and consumer groups like the CAB to address the issue of fee-charging cash machine hotspots. It has subsequently drawn up a nationwide list of areas which do not have access to a free ATM. It is recommended that eeda and its partners work with the LINK to place free ATMs in the financially excluded areas in the region which currently do not have provision.

8. We recommend that the regional task force undertake a campaign to address financial literacy / capability in the region. This needs to be targeted on the places where people go to access services, including Jobcentre Plus, Health Centres, Colleges and other community facilities. Ideally this campaign would fit with a regional pathfinder for Money Advice, alternatively it should sign post users to existing services within the region.

9. The availability of services in rural areas is a key problem which will need to be tackled by partners in the region. Efforts to address digital inclusion will clearly align with financial inclusion regarding services such as internet banking. There is, however, a proficiency issue – requiring training for users; an affordability issue – requiring free communal internet access points – and a demographic issue – there is an aging population in rural (and urban areas) where strategies to address digital exclusion are unlikely to make significant inroads. There is no easy answer to this problem that doesn’t cost a lot of money. We therefore recommend that any outreach provision, is appropriate and relative to the level of demand and the potential cost-benefit impact compared to other interventions.

10. We have identified that many migrant communities are concentrated in the most financially excluded areas and that many of these areas, such as Peterborough, have limited or no provision in relation to independent money advice and financial services. Although, migrants from east European countries arrive in the UK with personal bank accounts and have high levels of financial capability there are other communities from outside of the ‘Euro-Zone’ that may not be as financially

69 The National Housing Federation now provides a home contents insurance scheme through Jardine Lloyd Thompson.
included or capable and may be subjected to higher charges for the payment of remittances. We recommend that mainstream banking services are made more accessible to some migrant communities and that financial literacy (including awareness of products and services) should be embedded in ESOL, basic skills and other learning provision.

11. There is a tendency for the most financially excluded LSOAs to have higher proportions of their population in the younger age bands. The evidence would appear to support early intervention with young people. To a large extent the national curriculum is currently addressing this through Personal Social and Health Education. We recommend that EEDA support PFEG’s (Personal Finance Education Group) delivery of its financial capability and education programme in schools across the region with a particular focus on schools in the financial exclusion hotspots. EEDA should also work with PFEG to disseminate the lessons and experiences of delivery of this work with the wider financial inclusion community in the region.
Acknowledgements

A number of organisations and individuals were consulted as part of this study. We would like to thank those colleagues who contributed their time, ideas and information particularly those listed below.

Alan Squirrel – Norfolk Credit Union
David Stansfield – Southend Credit Union
Mark Fraser – Advice for Life
Val Bixby – Southend CAB
Mary Hennessey – Basildon CAB
Nigel Barnard – Peterborough CAB
Carol Gormal – Norwich CAB
Julia Cornelius – Luton CAB
Charlene Forster – Ipswich CAB

Information and data

David Williams – Legal Services Commission
Andrew Seager – Citizens Advice
CACI
NOP/GfK – Financial Resource Survey

Rocket Science Associates

Thanks also to Rocket Science associates, including David Taylor for the statistical modelling and data analysis and Peter Ramsden for advising on the project.

The Rocket Science Project Team

Andrew Carter
Francesca Hopwood Road
Mark Morrin
David Taylor
Peter Ramsden
Bibliography

ATM working group (2006) Cash machines – meeting consumer needs

AXA Avenue (2007), Fourth Quarter Review: Learnings and Recommendations

Bob Widdowson for Citizens Advice (2005), Financial advice pilot project: evaluation report

CAB (2006) Out of Pocket, Evidence on the impact of fee charging cash machines

Commission for Rural Communities (2006), Rural Disadvantage: reviewing the evidence


Experian (2007) Mapping the demand for, and supply of, third sector affordable credit: Research for the third sector credit Working Group of the Financial Inclusion Taskforce


Financial Services Consumer Panel (2000), Consumers in the financial market


FSA (2002) occasional paper series 19, Losing interest: how much can consumers save by shopping around for financial products?

FSA (2003), Consumer Research 17 – Initial disclosure documentation research

FSA (2003), Consumer Research 19 - Review of the regulatory regime for Stakeholder pensions

FSA (2004), Consumer Research 25 – Young people and financial matters

FSA (2005), Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project

FSA (2006), Financial Capability in the UK: Delivering change

FSA (2006), Financial Capability in the UK: Establishing a Baseline

GAIN (2005), Financial Awareness Strategy: Tackling financial exclusion through advice, information and education

HM Treasury (2006) Access to financial services by those on the margins of banking
HM Treasury (2007) Review of the GB cooperative and credit union legislation: a consultation


HM Treasury The 2007 Pre-Budget Report and Comprehensive Spending Review*

http://www.roehamptonstudent.com/themoneydoctors/

IFA Promotion (2004), Enquirer Research - report of findings

IFA Promotion (2004), Omnibus Research

InfoTrain (2007) Research and feasibility study into the development of a credit union in Mid Bedfordshire


Legal Services Commission (2004), Improving access to advice in the Community


MORI for the Basic Skills Agency (2003), Basic Skills and Financial Exclusion;

National Consumer Council (2004), Mind the financial gap: Access to financial services

NCC (2004) Affordable utilities

NPI, Poverty and Social Exclusion in rural East of England


Personal Finance Research Centre for the Financial Services Authority (2005), Measuring financial capability: an exploratory study

Resolution Foundation (2006), A national dividend: the economic impact of financial advice

Resolution Foundation (2006), Closing the Advice Gap

Resolution Foundation (2007), In brief: Financial Capability

Resolution Foundation (2007), Response to the Government’s long term strategy on financial capability
SQW (2007), Promoting Financial Inclusion in Rural Areas: A report for the Commission for Rural Communities

The Scottish Executive’s (2005) Financial inclusion action plan
Appendix 1: Method statement

Understanding financial exclusion

The following describes our methodology for determining the most financially excluded Lower Tier Super Output Areas in the East of England. The financial exclusion variables to be analysed have been supplied by CACI at the Lower Tier Super Output (LSOA) level and are as follows:

1. number of people with no savings account;
2. number of people with no current account;
3. number of people refused credit in the past;
4. number of people with no home contents insurance;
5. number of people with no credit card;
6. median household income.

CACI were also able to supply a count of the population aged 16 and over in each East of England LSOA.

The first step in preparing the variables for analysis was to convert numbers in the above variables 1 to 5 into proportions using the supplied population counts. These proportions were used to identify the most financially excluded LSOAs and they were also used to map financial exclusion across the region.

Not surprisingly a correlation analysis of these variables showed them to be highly correlated with one another as can be seen in the table below.

<table>
<thead>
<tr>
<th>Correlations, five financial variables and median household income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROPORTION WITH NO SAVINGS ACCOUNT</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>PROPORTION WITH NO SAVINGS ACCOUNT</strong></td>
</tr>
<tr>
<td><strong>PROPORTION WITH NO CURRENT ACCOUNT</strong></td>
</tr>
<tr>
<td><strong>PROPORTION REFUSED CREDIT IN THE PAST</strong></td>
</tr>
<tr>
<td><strong>PROPORTION WITH NO HOME CONTENTS INSURANCE</strong></td>
</tr>
<tr>
<td><strong>PROPORTION WITH NO CREDIT CARD</strong></td>
</tr>
<tr>
<td><strong>MEDIAN HOUSEHOLD INCOME</strong></td>
</tr>
<tr>
<td><strong>.596(</strong>)</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed). In all cases N = 3550.
However in order to pin down financial exclusion across the region we needed to combine the five separate exclusion variables into a single graded measure. This can be approached in a number of ways, all of which are likely to achieve very similar results. For the present study we used the five variables/proportions to rank LSOAs from most to least excluded, giving us five sets of ranked LSOAs. From the high levels of correlation between the variables we expected a high degree of overlap between these rankings and this was born out in practice.

Using the overlap between rankings we were able to identify which LSOAs were among the most excluded in respect of all five variables; four out of five variables; three out of five variables; two out of five variables and one out of five variables. However we did not regard all five variables as equal in importance. Lack of a credit card might be inconvenient – increasingly so as we move into the future - but if a person doesn’t have a bank current account many of the day to day financial transactions taken for granted by most of the adult population become difficult, time-consuming, or even impossible. Transactions involving regular payments become more expensive as the discounts available to direct debit customers are not available, and the absence of a banking track record makes credit almost impossible to obtain from mainstream providers.

In recognition of this we stipulated that ‘no current account’ should be one of the variables represented in all our most financially excluded LSOAs.

Our ranking exercise found 224 LSOAs to be among the most excluded on all five variables; a further 95 were among the most excluded on four out of five variables; 65 were among the most excluded on three variables; 74 were among the most excluded on two variables, leaving 42 LSOAs among the most excluded on only one variable (no current account).

The cut-off point for the most excluded LSOAs was set at 500. Although the precise point of the cut-off is fairly arbitrary it does encompass the part of the exclusion spectrum where higher than average levels of financial exclusion rapidly shade into extreme financial exclusion. Our 500 most excluded LSOAs were graded 5 (most financially excluded) to 1 depending on the number of exclusion variables they ranked highly on.

**Understanding capability**

We purchased a data extract for the East of England from the NOP/GfK Financial Research Survey to inform an understanding of financial capability in the region.

**About the Financial Research Survey**

The FRS is conducted by NOP and commissioned by a syndicate of financial institutions on an ongoing basis to help them better understand consumer patterns and trends in relation to financial markets and products. The survey includes over 60,000 thirty-five minute face to face interviews a year using a random location methodology across the UK. The sample includes a large number of people in the East of England (over 6000) and the survey provides details and use of the following financial products: Current accounts, Savings, Investments, Credit cards, Loans, Mortgages, Life Assurance, Pensions and Health Insurance and General Insurance.
Importantly the survey also asks about financial brand awareness and consideration, satisfaction, shopping, future buying preferences, geo-demographic classifications, value reports and attitudinal statements. This information relating to behaviours and attitudes, not present in secondary data sources, is unique to FRS and of major significance to this study.

Examples of the survey information includes the following:

- **Household**: Car ownership, children, income, household tenure, ownership of TV/PC/telephone
- **Individual**: Age, class, life events, household status, income, lifestage, mobile phone ownership, marital status, qualifications held, gender, tax status, work status
- **Internet Usage**: Presence of internet, time usage, intention to use
- **Geodemographics**: A variety of profiling techniques

### Profiling Financial Capability and Exclusion

The combination of the geo-demographic data provided by CACI and the more qualitative/attitudinal information generated annually by the FRS resulted in a comprehensive assessment of issues surrounding both financial exclusion and financial capability. This assessment is heavily informed by recent research conducted by the Personal Finance Research Centre (PFRC) at the University of Bristol. In a recent report published by the PFRC, researchers “used a statistical technique called cluster analysis to segment the UK’s population according to the degree of financial strain they exhibited”.70

As table 1 illustrates, the PFRC analysed data reflecting several key financial characteristics ranging from levels of unsecured borrowing to individual attitudes to money. The research concluded that the population is comprised of five distinct groups.

The five groups includes:

- **Financially sound** – This represents 6 out of ten people who show no real signs of financial strain. People belonging to this grouping tend to owe little money, be older (usually past retirement age). Their attitude to money is prudent and they tend to be “cautious of money managers”.71

- **Managing reasonably well** – It is thought that 25% of the population fall into this category. With a median monthly income of £1,700, it has the highest median income of all the groups. People belonging to this group tend to be well-educated and have little or no unsecured credit commitments. Of all the groups, this group “had the highest number of two-earner households”.72

- **Showing financial stress** – With a median income of £1,400 and a high proportion of people aged below 40 years old, this group is set to account for 9% of the population. This group has the second highest education attainment levels

---

71 Ibid
and the highest proportion of people in full time education. The research found that members of this group tend to be "spenders and impulse buyers, often in constant overdraft and with high levels of unsecured lending and mortgage borrowing".73

- **Struggling on low-income** – Representing 6% of the population, this group has the lowest median monthly income (£780). Over 60% of households in this group had members not in employment and a high proportion of people not working because of sickness or caring for a family member. This group has the lowest educational attainment and includes the highest number of social housing tenants and lone parents. This group shows markedly low levels of unsecured credit usage, loans or mortgage borrowing, crucially say the researchers, because of limited access to these financial products.

- **Over-indebted** – Representing 2% of the population, this group admits to being spenders, impulse buyers and heavily dependent on the use of credit. Two-thirds of this group are under 40 and have dependent children. Members of this group have heavy unsecured loan commitments and little or no savings. The group includes the highest number of people not working through illness or disability, despite having above average rates of households headed by someone in work.

We have drawn upon the data generated by the FRS and CACI to develop a similar segmentation of the population in the East of England. As table below illustrates, both the FRS and CACI provide data for the key indicators used the in development of the five profiles. Crucially, this analysis can be mapped to ascertain which areas have the highest proportion of households that are under financial strain.

---

### Data assessment for the development of the financial capability index

#### Personal Finance Research Centre

<table>
<thead>
<tr>
<th>Economic circumstances</th>
<th>Median Household Income</th>
<th>Financial Research Survey</th>
<th>CACI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of full or part-time earners (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>One</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Two</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Work status of main earner (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full time</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Part time</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>At home</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Retired</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Unemployed</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sick or disabled</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Full-time education</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Self-employed head of household (%)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Highest educational qualification (%)</td>
<td>Degree or above</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>HND/HNC</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>A level</td>
<td>✓</td>
<td>-</td>
</tr>
</tbody>
</table>
### Personal Characteristics

<table>
<thead>
<tr>
<th>Trade apprenticeship</th>
<th>✓</th>
<th>–</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCSE</td>
<td>✓</td>
<td>–</td>
</tr>
<tr>
<td>None of the above</td>
<td>✓</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average age (%)</th>
<th>✓</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-19</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>20-29</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>30-39</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>40-49</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>50-59</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>60-69</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>70+</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average range (%)</th>
<th>✓</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>70+</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family type (%)</th>
<th>✓</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single adult (not retired)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Single adult (retired)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Couple with no children (not retired)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Couple of with children (retired)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lone parent with children</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Housing characteristics</td>
<td>Housing tenure</td>
<td>Couple with children</td>
</tr>
<tr>
<td>-------------------------</td>
<td>---------------</td>
<td>----------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Levels of unsecured borrowing</td>
<td></td>
<td>Percentage owing money</td>
</tr>
<tr>
<td></td>
<td>Total amount owed (median)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Monthly repayments as a % of household income (median)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>No debt repayments</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>10 per cent or less</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>11-20 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>21-30 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>31-40 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>41-50 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>More than 50 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Don't know</td>
<td>-</td>
</tr>
<tr>
<td>Total borrowing (unsecured credit and mortgages)</td>
<td>Percentage owing any money</td>
<td>✓</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>---------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Monthly repayments as a % of net household income (median) - borrowers only</td>
<td>No debt repayments</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>10 per cent or less</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>11-20 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>21-30 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>31-40 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>41-50 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>More than 50 per cent</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Don't know</td>
<td>-</td>
</tr>
<tr>
<td>Percentage with any savings</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Total amount saved (median) - savers only</td>
<td>✓</td>
<td>-</td>
</tr>
<tr>
<td>Levels of savings</td>
<td>Total saved as a % net household income (%)</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>No savings</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>0-25%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>26-50%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>51-100%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>101-200%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>201-500%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>More than 500%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Don't know</td>
<td>-</td>
</tr>
<tr>
<td>Attitudes to money</td>
<td>I'm impulsive (%)</td>
<td></td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------</td>
<td>--</td>
</tr>
<tr>
<td>I'm more of a saver than a spender (%)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>I prefer to buy things on credit (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would rather cut back on everyday spending than use a credit card (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major expenditure of £200 or more per month (%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Understanding the supply of services

The supply of services in the region has been identified using data provided by independent agencies and commercial databases. The scope of this provision, including the number and type of services, has been mapped using GIS software to assess the gaps between supply and demand.

In addition we have conducted a review of recent policy and research literature.

We also conducted a range of interviews with key stakeholders in the region. This included 9 telephone interviews with representatives of Credit Unions, Citizens Advice Bureaux and Advice for Life. These individuals worked across the region and included;

- Financial Inclusion Fund debt adviser, Ipswich Citizens Advice Bureau
- Financial Inclusion Fund debt adviser, Luton Citizens Advice Bureau
- Financial Inclusion Fund debt adviser, Norwich Citizens Advice Bureau
- Financial Inclusion Fund, debt adviser, Peterborough Citizens Advice Bureau
- Financial Inclusion Fund, debt adviser, Basildon Citizens Advice Bureau
- Financial Inclusion Fund, debt adviser, Southend Citizens Advice Bureau
- Norfolk Credit Union
- Southend Credit Union
- Advice for Life

The interviews sought insights in four key areas:

- indebtedness in the region;
- the supply and demand of financial inclusion services in the region, with a view to understanding gaps and duplication in services;
- examples of good practice in service delivery; and
- the role of EEDA in the financial inclusion agenda
## Appendix 2: Tables

### Table 1: Correlations, five financial variables and median household income

<table>
<thead>
<tr>
<th></th>
<th>Proportion With No Savings Account</th>
<th>Proportion With No Current Account</th>
<th>Proportion Refused Credit in the Past</th>
<th>Proportion With No Home Contents Insurance</th>
<th>Proportion With No Credit Card</th>
<th>Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion with No Savings Account</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.850(**)</td>
<td>.933(**)</td>
<td>.822(**)</td>
<td>-.596(**)</td>
</tr>
<tr>
<td>Savings</td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Proportion with No Current Account</td>
<td>Pearson Correlation</td>
<td>.850(**)</td>
<td>1</td>
<td>.875(**)</td>
<td>.810(**)</td>
<td>.824(**)</td>
</tr>
<tr>
<td>Current</td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>-.750(**)</td>
</tr>
<tr>
<td>Proportion with No Refused Credit in the Past</td>
<td>Pearson Correlation</td>
<td>.893(**)</td>
<td>.875(**)</td>
<td>1</td>
<td>.860(**)</td>
<td>.754(**)</td>
</tr>
<tr>
<td>Refused</td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>-.628(**)</td>
</tr>
<tr>
<td>Proportion with No Home Contents Insurance</td>
<td>Pearson Correlation</td>
<td>.822(**)</td>
<td>.810(**)</td>
<td>.860(**)</td>
<td>1</td>
<td>-.523(**)</td>
</tr>
<tr>
<td>Income</td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed). In all cases N = 3550.

### Table 2: Correlations between 'no current account', median household income, IMD2004 income score

<table>
<thead>
<tr>
<th></th>
<th>Proportion With No Current Account</th>
<th>Median Household Income</th>
<th>IMD2004 Income Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion with No Current Account</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-.750(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>3.550</td>
<td>3.550</td>
</tr>
<tr>
<td>N</td>
<td>3.550</td>
<td>3.550</td>
<td>3.550</td>
</tr>
<tr>
<td>Median Household Income</td>
<td>Pearson Correlation</td>
<td>-.750(**)</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>3.550</td>
<td>3.550</td>
<td>3.550</td>
</tr>
<tr>
<td>IMD2004 Income Score</td>
<td>Pearson Correlation</td>
<td>.878(**)</td>
<td>-.649(**)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>3.550</td>
<td>3.550</td>
<td>3.550</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
### Table 3: The most excluded LSOAs ranked by average exclusion score

<table>
<thead>
<tr>
<th>Local authority name</th>
<th>Population living in excluded LSOAs</th>
<th>Number of excluded LSOAs</th>
<th>Total exclusion score of excluded LSOAs</th>
<th>Average exclusion score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Rivers</td>
<td>1,148</td>
<td>1</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Rochford</td>
<td>975</td>
<td>1</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Bedford</td>
<td>17,645</td>
<td>15</td>
<td>71</td>
<td>4.7</td>
</tr>
<tr>
<td>Southend-on-Sea</td>
<td>15,568</td>
<td>12</td>
<td>55</td>
<td>4.6</td>
</tr>
<tr>
<td>East Hertfordshire</td>
<td>2,098</td>
<td>2</td>
<td>9</td>
<td>4.5</td>
</tr>
<tr>
<td>Ipswich</td>
<td>32,379</td>
<td>25</td>
<td>109</td>
<td>4.4</td>
</tr>
<tr>
<td>Brentwood</td>
<td>3,686</td>
<td>3</td>
<td>13</td>
<td>4.3</td>
</tr>
<tr>
<td>Norwich</td>
<td>59,169</td>
<td>46</td>
<td>199</td>
<td>4.3</td>
</tr>
<tr>
<td>Dacorum</td>
<td>8,180</td>
<td>7</td>
<td>30</td>
<td>4.3</td>
</tr>
<tr>
<td>Epping Forest</td>
<td>8,014</td>
<td>7</td>
<td>30</td>
<td>4.3</td>
</tr>
<tr>
<td>Luton</td>
<td>50,524</td>
<td>39</td>
<td>166</td>
<td>4.3</td>
</tr>
<tr>
<td>Watford</td>
<td>4,190</td>
<td>4</td>
<td>17</td>
<td>4.3</td>
</tr>
<tr>
<td>Thurrock</td>
<td>26,625</td>
<td>22</td>
<td>93</td>
<td>4.2</td>
</tr>
<tr>
<td>Braintree</td>
<td>12,212</td>
<td>10</td>
<td>41</td>
<td>4.1</td>
</tr>
<tr>
<td>Harlow</td>
<td>19,605</td>
<td>16</td>
<td>65</td>
<td>4.1</td>
</tr>
<tr>
<td>Stevenage</td>
<td>4,073</td>
<td>3</td>
<td>12</td>
<td>4.0</td>
</tr>
<tr>
<td>Colchester</td>
<td>8,236</td>
<td>7</td>
<td>28</td>
<td>4.0</td>
</tr>
<tr>
<td>Peterborough</td>
<td>37,425</td>
<td>31</td>
<td>123</td>
<td>4.0</td>
</tr>
<tr>
<td>North Hertfordshire</td>
<td>10,886</td>
<td>9</td>
<td>35</td>
<td>3.9</td>
</tr>
<tr>
<td>Broxbourne</td>
<td>6,754</td>
<td>5</td>
<td>19</td>
<td>3.8</td>
</tr>
<tr>
<td>Basildon</td>
<td>51,909</td>
<td>40</td>
<td>152</td>
<td>3.8</td>
</tr>
<tr>
<td>Huntingdonshire</td>
<td>12,828</td>
<td>11</td>
<td>41</td>
<td>3.7</td>
</tr>
<tr>
<td>Forest Heath</td>
<td>3,562</td>
<td>3</td>
<td>11</td>
<td>3.7</td>
</tr>
<tr>
<td>Welwyn Hatfield</td>
<td>3,177</td>
<td>3</td>
<td>11</td>
<td>3.7</td>
</tr>
<tr>
<td>South Bedfordshire</td>
<td>8,204</td>
<td>6</td>
<td>22</td>
<td>3.7</td>
</tr>
<tr>
<td>Chelmsford</td>
<td>10,668</td>
<td>9</td>
<td>33</td>
<td>3.7</td>
</tr>
<tr>
<td>Great Yarmouth</td>
<td>31,088</td>
<td>25</td>
<td>90</td>
<td>3.6</td>
</tr>
<tr>
<td>Breckland</td>
<td>10,190</td>
<td>8</td>
<td>28</td>
<td>3.5</td>
</tr>
<tr>
<td>King's Lynn and West Norfolk</td>
<td>23,514</td>
<td>18</td>
<td>62</td>
<td>3.4</td>
</tr>
<tr>
<td>Hertsmere</td>
<td>5,750</td>
<td>5</td>
<td>17</td>
<td>3.4</td>
</tr>
<tr>
<td>St. Edmundsbury</td>
<td>9,065</td>
<td>7</td>
<td>23</td>
<td>3.3</td>
</tr>
<tr>
<td>Mid Bedfordshire</td>
<td>5,442</td>
<td>4</td>
<td>13</td>
<td>3.3</td>
</tr>
<tr>
<td>Fenland</td>
<td>10,873</td>
<td>8</td>
<td>26</td>
<td>3.3</td>
</tr>
<tr>
<td>Mid Suffolk</td>
<td>2,549</td>
<td>2</td>
<td>6</td>
<td>3.0</td>
</tr>
<tr>
<td>Castle Point</td>
<td>2,290</td>
<td>2</td>
<td>6</td>
<td>3.0</td>
</tr>
<tr>
<td>Waveney</td>
<td>27,446</td>
<td>22</td>
<td>63</td>
<td>2.9</td>
</tr>
<tr>
<td>Tendring</td>
<td>14,393</td>
<td>11</td>
<td>31</td>
<td>2.8</td>
</tr>
<tr>
<td>Cambridge</td>
<td>21,349</td>
<td>18</td>
<td>49</td>
<td>2.7</td>
</tr>
<tr>
<td>Babergh</td>
<td>8,537</td>
<td>7</td>
<td>19</td>
<td>2.7</td>
</tr>
<tr>
<td>North Norfolk</td>
<td>13,997</td>
<td>11</td>
<td>29</td>
<td>2.6</td>
</tr>
<tr>
<td>East Cambridgeshire</td>
<td>1,078</td>
<td>1</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>Uttlesford</td>
<td>950</td>
<td>1</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>South Cambridgeshire</td>
<td>842</td>
<td>1</td>
<td>2</td>
<td>2.0</td>
</tr>
<tr>
<td>Suffolk Coastal</td>
<td>9,021</td>
<td>7</td>
<td>13</td>
<td>1.9</td>
</tr>
<tr>
<td>South Norfolk</td>
<td>6,286</td>
<td>5</td>
<td>9</td>
<td>1.8</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>381,301</strong></td>
<td><strong>305</strong></td>
<td><strong>1,277</strong></td>
<td><strong>4.2</strong></td>
</tr>
</tbody>
</table>
Key
Total exclusion score equals the number of exclusion variables for which an LSOA is in the top 500:
- score of 5 = in most excluded 500 LSOAs for all 5 exclusion variables
- score of 4 = in most excluded 500 LSOAs for 4 out of 5 LSOAs (the 4 include 'no current account').
- score of 3 = in most excluded 500 LSOAs for 3 out of 5 LSOAs (the 3 include 'no current account')
- score of 2 = in most excluded 500 LSOAs for 2 out of 5 LSOAs (the 2 include 'no current account')
- score of 1 = in most excluded 500 LSOAs for 'no current account'.

Table 4: The number of financially excluded people in rural areas amongst the most excluded 500 LSOAs

<table>
<thead>
<tr>
<th>Morphology</th>
<th>No savings account</th>
<th>No current account</th>
<th>Refused credit in past</th>
<th>No home contents insurance</th>
<th>No credit card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Village, Hamlet &amp; Isolated Dwellings</td>
<td>0</td>
<td>98</td>
<td>199</td>
<td>937</td>
<td>15,407</td>
</tr>
<tr>
<td>Town and Fringe</td>
<td>4,444</td>
<td>3,301</td>
<td>4,933</td>
<td>9,151</td>
<td>22,312</td>
</tr>
<tr>
<td>Urban &gt; 10K</td>
<td>262,936</td>
<td>57,571</td>
<td>130,594</td>
<td>345,341</td>
<td>325,500</td>
</tr>
</tbody>
</table>

Figures relate to the number of people aged 16 and over in the most excluded 500 Lower Tier Super Output Areas for each variable in turn.

Table 5: The number of financially excluded people in rural areas in East England

<table>
<thead>
<tr>
<th>Morphology</th>
<th>No savings account</th>
<th>No current account</th>
<th>Refused credit in past</th>
<th>No home contents insurance</th>
<th>No credit card</th>
</tr>
</thead>
<tbody>
<tr>
<td>Village, Hamlet &amp; Isolated Dwellings</td>
<td>169,539</td>
<td>22,713</td>
<td>79,638</td>
<td>168,475</td>
<td>340,279</td>
</tr>
<tr>
<td>Town and Fringe</td>
<td>175,824</td>
<td>26,972</td>
<td>85,080</td>
<td>169,475</td>
<td>322,811</td>
</tr>
<tr>
<td>Urban &gt; 10K</td>
<td>947,496</td>
<td>155,822</td>
<td>458,712</td>
<td>993,407</td>
<td>1,520,510</td>
</tr>
</tbody>
</table>
Appendix 3: Maps

Map 1: Median Household Income by Eastern Region Lower Tier Super Output Area
Map 2: Composite rankings of five financial exclusion variables (unweighted) by Eastern Region Lower Tier Super Output Area
Distribution of lone parent households

Distribution of heads of households qualified to at least GCSE level

Distribution of rented housing of all types: local authority, social and privately rented

Source: Census 2001
Appendix 4: Charts

**Chart 1: No savings account**

Percentage of the population in Eastern Region’s 3,550 Lower Tier Super Output Areas with no savings account

<table>
<thead>
<tr>
<th>Number of Lower Tier Super Output Areas</th>
<th>% of population in each LSOA with no savings account</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>500</td>
<td>10%</td>
</tr>
<tr>
<td>1,000</td>
<td>20%</td>
</tr>
<tr>
<td>1,500</td>
<td>30%</td>
</tr>
<tr>
<td>2,000</td>
<td>40%</td>
</tr>
<tr>
<td>2,500</td>
<td>50%</td>
</tr>
<tr>
<td>3,000</td>
<td>60%</td>
</tr>
<tr>
<td>3,500</td>
<td>70%</td>
</tr>
</tbody>
</table>

**Chart 2: No current account**

Percentage of the population in Eastern Region’s 3,550 Lower Tier Super Output Areas with no current account

<table>
<thead>
<tr>
<th>Number of Lower Tier Super Output Areas</th>
<th>% of population in each LSOA with no current account</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>500</td>
<td>5%</td>
</tr>
<tr>
<td>1,000</td>
<td>10%</td>
</tr>
<tr>
<td>1,500</td>
<td>15%</td>
</tr>
<tr>
<td>2,000</td>
<td>20%</td>
</tr>
<tr>
<td>2,500</td>
<td>25%</td>
</tr>
<tr>
<td>3,000</td>
<td>30%</td>
</tr>
<tr>
<td>3,500</td>
<td>35%</td>
</tr>
<tr>
<td>4,000</td>
<td>40%</td>
</tr>
</tbody>
</table>
**Chart 3: Refused credit in the past**

Percentage of the population in Eastern Region's 3,550 Lower Tier Super Output Areas refused credit in the past.

**Chart 4: Home contents insurance**

Percentage of the population in Eastern Region's 3,550 Lower Tier Super Output Areas with no home contents insurance.
**Chart 5: No credit card**

Percentage of the population in Eastern Region’s 3,550 Lower Tier Super Output Areas with no credit card

**Chart 6: Household income**

Median household income in Eastern Region’s 3,550 Lower Tier Super Output Areas