MONEY TALKS:
HOW CAN WE TACKLE FINANCIAL EXCLUSION?

Part three, September 2015

In September 2015, Church Urban Fund and Edinburgh University's Divinity School hosted an event on the theme of financial exclusion. Funded by the Arts and Humanities Research Council, this event was one of a series of four that will be held in different locations and on different themes around England.

This series of events aims to bridge the gap between theory and practice, bringing together academics, clergy and practitioners in order to share their diverse expertise and experience on various poverty-related themes.

This paper is a summary of the presentations delivered in the third event and has been written in order to share the learning and hopefully, to encourage similar discussions around the country.

A POLICY PERSPECTIVE

Dr Paul A. Jones, *Lead of the Research Unit for Financial Inclusion, Liverpool John Moores University*

Financial exclusion is a process in which people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and would enable them to lead a normal social life in the society in which they belong.

Factors that contribute to financial exclusion can be divided into supply side and demand side. Supply side factors, which are the result of provider decisions, include the way in which products are delivered, the increasing complexity of products, product profitability and the flight to quality, unwillingness to serve lower income and higher risk consumers, legislation and regulation.

Demand side factors, which are the result of personal choice, include intentional self-exclusion, historic cultural self-exclusion, a lack of financial awareness, low financial capability, a lack of trust in banks, a preference for cash, and negative experiences in the past.

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Financial exclusion is a significant problem as it entails the loss of economic citizenship, which contributes to social exclusion. The EU recognises that, in present society, a bank account is essential for full social participation.

During the later 2000s, 1.1 million more people gained access to banking. However, charges and other penalties have meant that there have been as many net financial losers as gainers, with around 25% of the newly banked becoming worse off. Nevertheless, the significant social and psychological benefits of possessing a bank account have remained.

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Many people who are unable to obtain an account of their own often feel judged, rejected and isolated from society. Among others, prisoners who were helped to obtain an account often spoke of the social and psychological benefits of becoming banked. One said: 'The most important thing for me is that I can be like anyone else.'

People on low incomes, many of whom are in work, obtain credit from sub-prime lenders such as home credit, rent-to-own stores and pawnbrokers. More widespread, however, are overdrafts, credit cards, friends and family, bank loans, catalogues and store credits. Overall, not being able to pay down overdrafts and credit cards causes greater hardship in low-income households than sub-prime loans.

The demand for credit is widespread and not about to disappear. If it were regulated out of existence, it would simply go underground. 69% of low-income households and 10.5 million low-income individuals are credit users. This is largely a result of the lack of savings safety nets.

Credit unions have historic roots and have often arisen with the direct or indirect support of churches. However, in Britain their modern development stems from the 1960s and was initiated by people involved in London churches. Fundamentally, they are able to reach out to people on low and moderate incomes and enable them to achieve financial stability and become part of society.

However, credit unions face financial and organisation challenges. These include: low income to average assets, high operating expenses and a loan to asset ratio as low as 50%. In order to serve communities better, credit unions need good leadership, governance and management, to provide quality and consistent products and services, to develop information technology and modernised digital delivery systems.

Credit unions need to nurture effective partnerships with employers, churches and trade unions. In particular, *all* parishioners should be encouraged to join one. As well as credit, credit unions need to provide financial education on simple topics like how a bank account works, as well as enabling people to access money and debt advice.

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Credit unions enable people to save and not just borrow. This is because savings and assets are fundamentally important in the lives of individuals. Research has demonstrated that they change how people interact with the world and think about themselves. Savings and assets bring positive psychological effects, confidence about the future, and improved family and social relationships.

RESPONSE

Matt Padley, *Senior Research Associate,*
Centre for Research in Social Policy, Loughborough University

Financial exclusion and poverty are linked but not identical. In Britain, one half of the people in poverty have jobs. There is no longer an effective state buffer, and the rental or purchase of housing is expensive. The exclusion of the under-25s from the national living wage entitlement will exacerbate these problems and has the potential to increase financial exclusion within this age group. Exclusion, both financial and social, has knock-on effects on the prospects and aspirations of future generations. Responses include small sum loans and savings, the provision of appropriate and targeted advice and support, and helping people claim what they're entitled to.

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A THEOLOGICAL PERSPECTIVE

David Clough, *Professor of Theological Ethics, University of Chester*

Any discussion of credit should begin by recognising that God is the only true owner of anything. The earth is the Lord's (Psalm 24.1) and a common possession to be shared by all people. More specifically, the Old Testament tradition of a 50-year jubilee provides a model for limiting the inequalities that result from credit flows. At the end of the period, property reverts to how it was at the beginning.

Private property is a consequence of the fall, being a necessary way of regulating a sinful world. This insight has led to very radical church teaching on the use of wealth.

A concern with poverty continues into the New Testament. In the Gospel of Luke, Jesus highlights the spiritual risks to being wealthy in sometimes shocking terms. For instance, he pictures a rich man feasting daily while a beggar sits at his gate, then describes the reversal of their prospects in death (16.19-31).

Private property is a consequence of the fall, being a necessary way of regulating a sinful world. This insight has led to very radical church teaching on the use of wealth. Basil of Caesarea taught that the bread in your cupboard belongs to the hungry person, meaning that we are only entitled to our immediate needs. John Chrysostom described withholding goods from the poor as theft. Later, Thomas Aquinas wrote that what we own should be used as if it were intended for the common good, and stated that when the urgently needy take wealth not being used in this way they are not guilty of theft.

Money is easy to picture as a simple, physical possession. However, during the Middle Ages, as market transactions developed, wealth accumulation became more complex. Concepts developed of the just wage and the just price, which were not simply the outcomes of the market mechanics of supply and demand. Later, John Wesley set up a loan bank that enabled people to buy tools that they could then use to work. By being alongside the poor he saw a whole range of things that they needed.

These ideas were further developed by liberation theologians in South America, who read the Bible from the viewpoint of the poor. The Church, they argued, should not be neutral in struggles between the wealthy and the oppressed, but should adopt an 'option for the poor'. Pope Francis has echoed some of these ideas, presenting the worship of money as idolatry.

Among British theologians, recent prominent critics of the making of money from money have included Timothy Gorringe, Peter Sedgwick and Peter Selby. They have argued that Christians should be angry about how the rich are treating the poor today. The manipulation of markets is analogous to the deceitful weighting of the scales that the prophets rightly condemned. Theology should promote justice, not just charity.

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SPOTLIGHT ON PROJECTS

St Andrews Community Network provides a range of services to people in its neighbourhood including debt advice and mental health support. Over the past three years it has helped 14,000 people and delivered £14 million of social benefits. It has 170 volunteers and 11 staff. Supporting people at points of crisis, it has helped manage over £3 million of debt. However, it has also promoted longer-term planning, with 12,000 people feeling able to leave its debt advice programme. The network's key values are welcome, hope, empowerment, excellence and love. These contrast with mainstream systems, from which relationships have largely been removed. See more at ***www.standrewsclubmoor.org.uk/community-network***.

Partners Credit Union was established in 1993 for employees of Liverpool City Council, but the common bond was later extended to include anyone living in Merseyside or employed by an organisation with a branch there. It has 13,000 members, £7 million in savings and £6.7 million on loan, over 50 sponsoring employers making payroll deductions, and four branches. The credit union offers simple regular savings plans, Christmas and holiday savings accounts, children's accounts, loans, ISAs, rent direct accounts, and free life insurance. See more at ***www.partnerscreditunion.co.uk***.

Church Credit Champions Network was born last year following criticism of payday lenders and recommendations of the Archbishop's Task Group on Responsible Credit and Savings. Piloted in London, Southwark and Liverpool, it promotes outreach in churches for debt and advice services and training in debt signposting, credit union awareness and money mentoring. In Liverpool, the Network supports 17 credit unions by encouraging employers to offer payroll savings and helping credit unions to balance borrowers and lenders. In talking to churches, the critique of usury in Nehemiah 5 has been an effective way of breaking the traditional silence on financial issues. See more at ***www.toyourcredit.org.uk/credit-champions***.

POINTS FROM DISCUSSION

The event ended with an extended time of discussion, reflecting on the day's presentations and identifying key learning points, including:

- Small credit unions need to agglomerate, although local accountability must be maintained because boards of directors are responsible to members.
- People with hearing and visual impairments are often disadvantaged when accessing credit union services.
- Financial awareness is now part of the secondary school curriculum. A savings project designed to promote positive behaviours is currently being trialled by the Archbishop's task group in primary schools in Nottingham, Bradford and London.
- Full financial inclusion won't be in every person's best interests. The possibility of cash, Post Office or no fee accounts must remain.

Greater equality raises average income for all. Moreover, the social problems that inequality produces effect everyone, including the wealthy.

We need to be flexible about how we think about church–state relations, focusing on their concrete implications for the poor rather than on abstract models of either conflict or cooperation.

Although the Protestant ethos of hard work, thrift and saving has increased the wealth of many Christians, it is also important to give money away.

Financial matters are part of the churches' pastoral responsibility. However, great agendas aren't needed to address them. Rather, churches should encourage cooperation at grassroots level, nurturing networks that themselves precipitate change.

Churches need to restate the very old message about the dignity of labour. At present, work very often doesn't pay.

Food banks shouldn't just distribute food, but collect stories and challenge the structural basis of food poverty as part of a 'justice journey'.

Churches that, because of their geographical location, don't engage directly with the poor should at least exchange narratives with those living in poverty.

Financial products should be created that encourage good behaviour, such as saving and borrowing at the same time.

To safeguard the future of credit unions, young people need to be encouraged to join. This creates information technology challenges, because this is how younger people access banking services.

We hope that this event was an encouragement for the people who attended, and also for those who read this summary. We would like to thank all the speakers who contributed to the day and look forward to working more closely in partnership with many of the people and organisations who work so hard to build flourishing communities.