



POLICY RESPONSE

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A Response to Taking Control: Financial Capability Strategy for Northern Ireland

By the Department of Trade and Investment

July 2013

INTRODUCTION

Housing Rights Service welcomes the publication of the draft strategy. Through membership of the Financial Capability Partnership (FCP), Housing Rights Service is represented on DETI's Financial Capability Forum and has been involved in the strategy's development. Housing Rights Service is keen to continue to work with DETI and the FCP on the development and implementation of the strategy.

Housing Rights Service works to promote positive change by promoting and protecting the rights of people in housing need including:

- People who are homeless
- People at risk of becoming homeless (including as a result of debt related possession action)
- Low income households
- People in receipt of benefits (including tenants renting in private rented and social housing)
- People with disabilities
- Older people
- Prisoners and ex offenders
- Ethnic minority groups

We have been providing housing debt advice since the early 1990s. We are currently contracted by the DSD to provide the Mortgage Debt Advice Service for Northern Ireland (NI). We also provide NI's only Housing Possession Court Duty Scheme in all courts. As well this, we operate a Tenant Debt Advice Service for a number of housing associations. We are also 'licensed' by Quaker Social Action to provide its "Made of Money" courses in NI.

SUMMARY

1. Housing Rights Service is supportive of the development of the Financial Capability strategy and agrees with both its vision and priority areas for action.
2. The high level commitment by Departments within the strategy must be turned into practical measures through the Action Plan.
3. Housing Rights Service is particularly pleased that Financial Inclusion has been identified as a priority within the strategy. However, it is very disappointing that none of the practical areas for action relate specifically to promoting Financial Inclusion.
4. We are strongly of the opinion that the NI Executive must take the lead in identifying the issues and working with stakeholders, such as local financial institutions and housing providers, to ensure its citizens are financially included.
5. Given the prevalence of pay day loans and illegal lending in our lower income communities, tackling expensive lending must be a priority for the NI Executive.
6. We are firmly of the view that, in order for the strategy to be effective, Government needs to ensure every citizen has access to affordable, appropriate financial products.

7. Government should commit to working with credit unions and social enterprises (e.g. social investment businesses, housing associations) to promote the development, expansion and long term sustainability of financial inclusion initiatives.
8. Financial institutions and others (profit and non profit making) should be encouraged to provide bank accounts for financially marginalised groups – including homeless people and ex offenders.

GENERAL COMMENTS

Housing Rights Service believes the vision and scope of the strategy is relevant to the needs of NI consumers and is helpful in setting the framework for action. This high level commitment by Departments must be turned into practical measures through the Action Plans. We would welcome the opportunity to continue to review and shape the actions as they are further developed.

The draft strategy sets out a number of priority areas for work which we support. Housing Rights Service is particularly pleased that Financial Inclusion has been identified as a priority within the strategy. However, it is very disappointing that none of the areas for action, identified to achieve the vision, (Section 8, p.44-46) relate to Financial Inclusion initiatives.

Financial Inclusion

Housing Rights Service is strongly of the opinion that the NI Executive must take the lead in identifying the issues and working with stakeholders, such as local financial institutions and housing providers, to ensure its citizens are financially included.

Our years of experience in providing debt advice and representation to thousands of vulnerable households and individuals, show that many are financially excluded for a variety of reasons. One of the main areas of concern for our clients is finding affordable credit particularly for emergencies.

Most of our clients who are in debt are marginalised from mainstream financial services. They can neither afford to pay for items up front, nor do they have access to affordable credit at a reasonable rate of interest. With changes to Social Fund this is likely to be further impacted upon. Many low income households are therefore becoming reliant upon high cost credit; both legal and illegal.

Recent research¹, commissioned by Housing Rights Service, found that over fifty percent of NI Credit Unions regarded high cost, sub prime credit providers as their main competitors. Thirteen per cent said these were illegal lenders.

Access to affordable credit

Given the prevalence of such lending on lower income communities, tackling expensive lending must be a priority for the NI Executive. In order to do so, a multi faceted approach will be necessary.

¹ Towards Financial Inclusion: The expansion of credit union financial services for low income households in Northern Ireland, Liverpool John Moore's University, May 2013 <http://www.housingrights.org.uk/policy>

However, one effective way would be through the introduction of alternative products which are accessible and affordable.

We therefore recommend that the following be incorporated into the Financial Capability Strategy:

- Work with credit unions and social enterprises (e.g. social investment businesses, housing associations) to promote development, expansion and long term sustainability of services including financial inclusion initiatives.
- Assist in building greater awareness of the role credit unions and social enterprises can play in society and of how they are able to serve low-income and financially excluded groups.
- Ensure that credit unions have a legislative framework that enables them to expand the range of products and services on offer and that assists their long-term economic stability.
- Take a long-term strategic approach to the development of the capacity of the credit union sector in Northern Ireland.
- Explore the possibility of supporting the sector through capital investment and specific grant aid to enhance of capacity in the sector.

Banking

Our final comments relate to bank accounts. As the draft strategy points out, the most extreme form of financial exclusion is not having a bank account. In general, NI households are less likely to have a bank account than households elsewhere in the UK. This puts NI consumers at a disadvantage.

Some companies (e.g. utility) offer a discount to encourage consumers to pay their bills by direct debit and other companies offer deals that are conditional on paying by direct debit only. In this way, a bank account can be regarded as a gateway product to both financial and other products.

Housing Rights Service believes that specific efforts are needed to tackle the unbanked population. We therefore recommend that the following commitments be included in the strategy.

- Encourage financial institutions and others (profit and non profit making) to enable access to bank accounts in particular for financially marginalised groups – including homeless people and ex offenders.
- Ensure consumers to have free access to cash.
- To scrutinise closure of bank branches and post offices across NI with a view to identify those areas with limited access to high street banking services.

SUMMARY

Housing Rights Service is supportive of the development of the strategy and agrees with its vision and priority areas for action. We acknowledge that the emphasis for a Financial Capability must be on education and advice. Again, we fully support the commitments from various Departments to help achieve a more informed society, better equipped to make better choices regarding financial products.

We are firmly of the view that, in order for the strategy to be effective, Government needs to ensure that everyone has access to affordable financial products. To achieve this, concerted effort is needed to ensure that there is sufficient supply of appropriate products within this sector.

A number of working groups have been established to develop work within the priority areas. Housing Rights Service is represented on the Financial Inclusion Group. We firmly believe more discussion and agreement is needed with the relevant Departments to identify measures which can be taken to ensure that the NI Executive takes specific and appropriate action on promoting Financial Inclusion. We look forward to continuing to be involved in this work.

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