

# Treasury Committee

## Oral evidence: Financial inclusion strategy, HC 1552

Tuesday 3 February 2026

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Members present: Dame Meg Hillier (Chair); Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Luke Murphy; Catherine West.

Questions 1 - 58

### Witnesses

I: Sian Williams, Chair, Financial Inclusion Commission (FIC); Mick McAteer, Co-Director, Financial Inclusion and Markets Centre; Dr Eleni Karagiannaki, Research Fellow, Centre for Analysis of Social Exclusion, London School of Economics and Political Science; Professor Abdelhafid Benamraoui, Professor of Finance, University of Westminster.

Written evidence from witnesses:

- [FIS0070, submitted by the Financial Inclusion Commission](#)
- [FIS0027, submitted by the Financial Inclusion and Markets Centre](#)
- [FIS0022, submitted by Dr Eleni Karagiannaki](#)
- [FIS0040, submitted by Dr Tantawy Moussa, Professor Abdelhafid Benamraoui, Dr Amira Hawas and Professor Alaa Zalata](#)

## Examination of witnesses

Witnesses: Sian Williams, Mick McAteer, Dr Eleni Karagiannaki and Professor Abdelhafid Benamraoui.

**Chair:** Welcome to the Treasury Select Committee. Today we are looking at the Government's new financial inclusion strategy. This is the first session looking at this issue, although it is core business for the Committee to look at financial inclusion in the round.

We are pleased today to have a panel of witnesses who have expertise outside of Government and in this area to help us critique what the Government have delivered. We hope to get some information out of them today about how good it is and where it may be not as good as it should be. I would like to welcome the panel: Dr Eleni Karagiannaki, who is a research fellow at the Centre for Analysis of Social Exclusion at the London School of Economics and Political Science, known as LSE; Mick McAteer, who is the co-director of the Financial Inclusion and Markets Centre; Sian Williams, who is the chair of the Financial Inclusion Commission; and Professor Abdelhafid Benamraoui, who is the professor of finance at the University of Westminster. I extend a warm welcome to you all.

We have a declaration of interest from Mr John Glen.

**John Glen:** I am a member of the Financial Inclusion Commission, as Ms Williams knows, and I should declare that in the context of what we are discussing today.

Q1 **Catherine West:** Could I thank the panel for coming? We have been long awaiting the financial inclusion strategy and it is wonderful to have you with us today. In your view, who is missing from or underrepresented in the development of the financial inclusion strategy? Perhaps I could ask Ms Williams to kick off.

**Sian Williams:** I was looking at the composition of the Financial Inclusion Committee again this morning, just to refresh to my mind. When you count the numbers, there are roughly seven and seven. There are seven representatives from industry or Government and seven from the consumer world and yet, when I thought about what power really looks like, that is incredibly disjointed and unequal in a power imbalance.

Why? Because once you have the big banks, the big insurance companies, the big credit companies sitting around a table with the Government, it is going to be much harder for the Government to hear from the consumer voices. There was an intent to include consumer voices and that intent was right and proper. However, the idea that you can have seven and seven and that would somehow lead to balance is a mistake.



We really need a much larger inclusion approach. For example, there was no call for written evidence for the financial inclusion strategy. That is one of the ways the sector that supports citizens, consumers and people struggling with financial inclusion can actually draw out all of the detail. That is our opportunity to really bring that through. There are two elements there. Seven and seven is not a real balance of power and balance of voices. That should have been thought about.

For example, as well as Citizens Advice, we could have had many more organisations around the table representing the needs of underserved consumers. Secondly, there should have been a written call for evidence over a period of time, including consultations with people's assemblies, for example, around the country. That would have allowed the true impact of financial exclusion to be heard.

**Q2 Catherine West:** Thank you for your openness on that question. Mr McAteer, does the strategy strike the right balance between industry influence and consumer influence?

**Mick McAteer:** It is a very good question. Previously, we have submitted evidence explaining how there have been 130 members across the past big six working groups the Government and others have set up. Of those groups, only 10 have been from civil society. That is one out of 13. To be fair, in terms of membership, this structure is better balanced. There is more civil society representation on that.

Nevertheless, to echo what Sian is saying, we are very concerned about the lack of structured engagement in the whole process and the lack of analysis around who is actually most affected by exclusion, vulnerability, marginalisation and, in some cases, we would argue, potentially systemic discrimination.

The figures show that members of black and minority ethnic groups are much less likely to have a savings account. They are twice as likely to be using high-cost credit. They are much more likely to be financially vulnerable. The same applies to people with a disability and single parents, but there did not seem to be any real, structured analysis of the scale and nature of the problem. As a result, even though there are very good recommendations in the strategy, they are not ambitious enough to tackle the scale and the nature of financial exclusion.

For the record, I am also on the board of the Consumer Council for Northern Ireland and I know the Consumer Council is also concerned that, even though they had a representative on the credit sub-committee, the interests of the regions—not just Northern Ireland or Scotland, but the regions within England as well—were not fully represented in the deliberations and the analysis of the problem.

**Q3 Catherine West:** Professor Benamraoui, do you feel that there was enough reflection of the diversity of the UK population and the services consumers need within the financial inclusion strategy?



**Professor Benamraoui:** The strategy is quite ambitious, in a way, but is more about activities, rather than being backed by data. In terms of the groups that are correctly included, there is the economic abuse category and also those with mental health. There is emphasis on these two groups, but there are a number of groups that are not fully captured by the strategy. There are, for example, the elderly. These are those who are excluded because of age, particularly if we talk about digital inclusion, because now we cannot separate physical inclusion and digital inclusion. Most financial products are now online or on specific platforms.

The other group is young people, who may be excluded around affordability and pricing. If we talk, for example, about insurance, it is not about availability. It is about pricing of insurance products. This group is also not mentioned. I agree with previous statements. Some of our communities are more likely to be excluded, particularly minorities. It could be for educational reasons. It could be for self-exclusion reasons and other reasons.

All in all, the strategy does capture some groups, but some groups are excluded. The other one, on which I am going to elaborate more, is the measurement. The current strategy does not provide a scientific back-up for the decisions made. It does refer to some of the statistics, but various quantitative or qualitative data is not used to back up the aims stated in the strategy.

**Dr Karagiannaki:** I would echo my fellow witnesses. There were good intentions in terms of the half/half balance between members of the committee, but it is difficult to maintain balance with equal numbers of representatives when there is actually an imbalance of powers.

I would echo the point that there is no representation of underserved communities, especially racialised ethnic minority communities. I did some work over the last two years on ethnic wealth inequalities and over-indebtedness. The gaps are huge, for some groups especially. In London, black and ethnic minorities are at around three times' higher risk of being over-indebted, adopting a very acute definition of over-indebtedness. It says something.

I have to note here that this is over and above income and other characteristics. It is not the whole of the gap, but a significant part of the gap remains unexplained. It was a bit of a miss not to have representatives of underserved communities. It is not that they are the only ones excluded; there are other people who are excluded who should have been included in the committee.

Q4 **Bobby Dean:** I wonder if I could get from each of you the strengths of the overall strategy and a little bit about the scope. Do you think anything is missing from the scope? I know they have set out the six pillars.



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**Dr Karagiannaki:** My overview is that the six pillars were towards the right direction. What I could not see is an integration across the pillars. We will come to that later, in terms of an implementation framework. There are some very good, strong discrete interventions, but there was no integration across the pillars, something to integrate things. In my written evidence, I talked about how the life course approach could give us a good starting point to integrate things.

This is about taking the stance that disadvantages start low and accumulate across the lifetime. Early interventions are important. It is a good thing that financial education capabilities are built into the strategy, but we have to go a bit further on that and set up interventions at key points in people's lifetimes. That starts from exiting the education system, getting a job, and goes into when people have their first child.

Q5 **Bobby Dean:** If I can clarify, do you think it is too focused on very short-lived interventions, rather than looking at people's overall life cycle? Is that what you are saying?

**Dr Karagiannaki:** There is no mapping across. I could not see interventions targeting particular time points, with a strategy to achieve that. I may be missing something, but I could not see a journey, an integrated framework. There were some sporadic, nice, very good, strong interventions, but they could go further.

Q6 **Bobby Dean:** Mr McAteer, you have talked about how the strategy is working with the market, rather than fixing the broken market itself. I do not know if you care to expand on that and also cover my point about scope.

**Mick McAteer:** Thanks for that question. It is interesting. Certainly, with the civil society organisations I talk to, the general attitude is that there are some very good things here but it is nowhere near ambitious enough. The most telling remark I heard was, "There is nothing in the strategy that the industry would not like." That is never a good sign, in my experience of 30 years.

What I found a bit disappointing was the lack of analysis of the structural and systemic barriers to inclusion, including low or irregular incomes. Financial services industries are not charities. We do not expect them to provide products at a loss, but if society expects citizens to use the financial services industry and the financial services industry cannot serve their needs, then we do need alternative solutions to tackle that systemic barrier.

Very interestingly and surprisingly, it did not really address the big elephant in the room here, and that is the risk profiling models that are at the heart of financial services. People, particularly in credit and insurance markets, are segmented and profiled according to whether they are high or low risk or low profitability or high profitability. There was no real structural analysis of the systemic barriers.



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The last thing was a surprise as well. There was no significant data analysis of where the problems are. It is fine having themes; those are very good for communicating the strategy, but it is very difficult to act on themes unless you know who is excluded or who faces the most egregious forms of exclusion. I will give you an example.

For the record, I also chair the Registry Trust, which is the non-profit that operates the register of judgments for the Ministry of Justice. If you look at the number of county court judgments around the country, in the poorest areas there are 170 county court judgments per 1,000 adults. If you look at that another way, that is like one judgment per six adults. Across the UK, that figure is about 90 per 1,000. There are significant differences in the levels of financial vulnerability at the local level, whether that be parliamentary constituency level or local authority level.

Again, we were surprised that there was not that targeted data analysis to allow us to understand which groups are affected most by exclusion and where the interventions should be targeted.

**Q7 Bobby Dean:** We are going to get more into the risk profiling a little bit later. Ms Williams, Mr McAteer said that there is nothing in the strategy that the industry would not like. You have also said that you do not think voluntary commitments alone will be enough. What would you have liked to see in there?

**Sian Williams:** Are you sure you want that list now?

**Bobby Dean:** Here is your chance.

**Sian Williams:** Can I come back to your first framing of the question, which is the scope? When I look at the strategy, the framing of the strategy and the scope for the strategy, there are a couple of points. First, all of the research that we have seems to have been applied after decisions made to justify them, rather than driving the analysis. I agree with all my colleagues here. That really deep analysis of what the data tells us over the last 20 years, since the last time we had an attempt at a strategy—where we have made progress, where we have not and the barriers to those—is missing.

Instead, we look at the strategy and can see that some bits of academic research have been applied to justify decisions made. Those decisions are not wrong. It is just that that is not how you use research to scope out what the problems are, what the challenges are, what the barriers are or where progress has or has not been made.

The second piece is that the strategy was almost shoehorned into a space, rather than claiming the landscape. For example, the payments review was under way. The pensions review was under way. There were various other pieces of work under way and, rather than saying the strategy must integrate with those, overlay those and really claim those into the tent, so they all contribute in some way to financial inclusion or



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exclusion, it was almost a hands-off approach. You cannot talk about pensions, because pensions are being reviewed elsewhere. You cannot talk about payments, because payments are being reviewed elsewhere. There are big gaps in the financial inclusion strategy where they just do not mention those points at all.

For example, there is a whole piece on savings, but savings happen over a lifetime. If you do not take pensions into account when you are thinking about how people will save, then you really cannot solve for savings now, because people are thinking long and short term. There is something there around a timidity about claiming the landscape, rather than being ambitious and bold, and saying, "This is the chance that we have been waiting for, for a very long time, to write an ambitious 10 to 20-year strategy that goes across all of Parliament and all parties." We all want to see financial inclusion happen. When you ask me about scope, the scope was too narrow in its view. It allowed others to take the lead on areas that really belong under a financial inclusion strategy.

That does not mean that it is the financial inclusion strategy that can deliver on those, but it should set out an ambition for what inclusive payments look like. It should set out an ambition for what tackling state debt looks like, for example. We can talk about these things in more detail in a moment. There was too much of a hands-off approach and, "That is not in our domain."

Finally, to your question around what we would have wanted to see in there, we would have wanted to see every aspect of financial services products addressed. That would include an assessment of where they are now, where the gaps are, where the barriers are and what the current market can do. For example, we know that competition does not solve financial exclusion for those on the lowest incomes or who are the most expensive to serve. Competition is not the tool that drives financial inclusion in those spaces.

There has to be an agreement around collaboration and sometimes there needs to be a compulsion around collaboration or sole action. We have not seen any real discussion of that. There is far too much reliance on a coalition of the willing but, over the last 20 to 30 years, we have seen very little progress where Government have not set out a requirement in some way. We have not seen progress around insurance. We have not seen progress around access to credit. We have not seen progress around recovery of debt in a more holistic and supportive way.

Where Government set out a recommendation and a requirement, and compel financial services to comply, it happens. I want to give you one example on that. This Committee had to call to hold to account one of the leading banks when we moved to basic bank accounts, fee-free bank accounts. The largest supplier of basic bank accounts did not move people from fee-charging accounts to fee-free accounts, because it





thought it could get away with it, because it was not going to have to publish the data.

Q8 **Bobby Dean:** Who was that?

**Sian Williams:** It was Lloyds. This Committee summoned the Lloyds leadership to explain why they had gone against their voluntary agreement. It was not until they were forced to publish their data that they actually moved hundreds of thousands of people from fee-charging accounts, which were causing extreme detriment to people, across to fee-free accounts. Lloyds is in a very different place now. They would not do that now, I am sure. However, at the time, that was not really happening.

The scope is too narrow. It is trying to fit in amongst other inquiries. It is not claiming the landscape. It is not wide enough in scope. It is missing essential parts of the drivers of financial exclusion and it is not understanding that competition and voluntary action alone will never solve this. Some of that is not the financial services sector's fault. They are compelled under competition law to behave in certain ways. You have to give them space to act.

**Professor Benamraoui:** To be honest, the strategy does capture the main areas, such as savings, access to credit, debt advice and so on, but it is not scientifically backed up. The other one is the missing performance indicators. When we set outcomes, we do not see in the strategy the KPI for the outcome being set or the actual target.

The other one that is missing is a clear monitoring framework and system. It does refer to a two-year review, but it would be better to have an interim review, let us say a six-month or one-year review, to see if any progress has been made. The other one is accountability. It is not clear who is accountable for what. There is reference to civil society organisations. There is reference to community finance and so on, but there is no obligation clearly set in the strategy for these bodies. There is a lack of clarity around accountability and the stakeholders.

The other one is around regulation. As we know, the financial sector is one of the most heavily regulated industries, but most of it here is voluntary, rather than compulsory. It is very important, in certain cases, when there is a stagnation, to move from voluntary into compulsory regulation. Also, to back up what has been said, there is no scientific data backing up some of the outcomes.

The other one that is good in the strategy is capturing good practice in Northern Ireland, for example, in Wales, England and Scotland. That is very good to capture, so other nations can learn from each other but, again, we need to consider the differentiation between these nations, in terms of, for example, the population, the communities and so on. While we capture good practice, it is very important to also appreciate the differences.





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The other one is around funding. It does mention that there is funding in certain areas, but there is no explanation of how these figures are arrived at, for example, and if this funding is sufficient to deliver on the outcomes that we set.

My final point is that everything is in aggregated, rather than disaggregated form. It would be beneficial to present some of the data in a disaggregated form, particularly, as has been mentioned, because some communities are affected differently. For example, if we talk about ethnic minorities, women or the elderly, disaggregated data will give us a better picture and also inform the outcome that we set in this strategy.

Q9 **Chair:** Could I just ask what issues there are about disaggregating that data? Why do you think it has not happened? The evidence exists, from what you have all been telling us, so is there any particular reason?

**Professor Benamraoui:** We need the data in the first instance to use. For example, there is a reliance on the generic stats.

Q10 **Chair:** The Treasury has been relying on those generic statistics.

**Professor Benamraoui:** Yes, the Treasury has been relying too much on the generic data, such as 900,000 not having accessibility or 49% of people having some form of financial vulnerability, but it does not split this into groups. Some groups are more affected in terms of financial exclusion than other groups. The other one that is very important to focus on is the digital exclusion.

**Chair:** We will come to the digital. We are now going to move into slightly sharper questions. We have a good overview, so thank you for that, but we want to get into some specifics about what is right and wrong about the strategy.

Q11 **John Grady:** I have a question I would like you to answer yes or no to, and just stick with a yes or no, if you would. I have listened very carefully to what Mr McAteer and Ms Williams have said. One of the things I have been grappling with is that you have wider issues, such as poverty, and poverty causes financial exclusion, because you do not have enough money. It is as simple as that.

What I take from what you have said so far is that this policy and this strategy is not clear as to how it fits into the wider universe of anti-poverty measures, and that is a flaw. Mr McAteer—literally I want a yes or a no—do I have that right?

**Mick McAteer:** Partially right, yes. Yes, you have got it right, because it did not look at poverty as a structural barrier to inclusion.

**Sian Williams:** Yes.

**Professor Benamraoui:** Yes.

**Dr Karagiannaki:** Yes.



**Q12 Catherine West:** The panel is correct to say that we thought about it 20 years ago and now we are trying to catch up. What would you each like to see happen, perhaps in a policy area, by the end of the Parliament? What has been identified from this morning's session is that there has not been an implementation strategy with outcomes attached quite yet. That is because you are still in the formation period but, from an election in 2024, we are now in 2026. By 2029, what are two or three things we would like to see? The Chair wants us to be extremely quick.

**Chair:** Answer as appropriate but specifically. Where do you want to start, Ms West?

**Catherine West:** Dr Karagiannaki, what policy area of the total strategy would you like to see highlighted? There is a lot in it.

**Dr Karagiannaki:** If employer savings accounts become mandatory, especially for younger people entering the market, that would be strong.

**Mick McAteer:** In terms of structural interventions, it would be a fair banking Act for banking to extend access to credit. When it comes to access to insurance, which is the Cinderella of financial inclusion, it would be really good to explore whether we can set up a version of Flood Re, but for inclusion. We could call it "Inclusion Re".

If I could mention one specific, relatively small change, which could have a big impact, I have mentioned the issue with county court judgments: 4.6 million people have at least one county court judgment. We do not know exactly, but we estimate at the Registry Trust that tens of thousands of women particularly may have a county court judgment as a result of economic abuse or coerced debt. It just seems unfair that a creditor can enforce a debt that has arisen as a result of a criminal offence under the Domestic Abuse Act.

There is a process called the set aside process, where a judgment can be disappplied and removed from the register of judgments. We would very much welcome the opportunity to chat with all stakeholders and see whether there is a fast-track process for adapting the set aside process to remove judgments that have arisen from coerced debt.

**Q13 Chair:** You have mentioned that figure about county court judgments a couple of times now. Is there a breakdown of who is in that cohort?

**Mick McAteer:** We do have very granular data at constituency level and local authority level. We do have some estimates about ethnicity.

**Chair:** You have the geographical.

**Mick McAteer:** We definitely have the geographical at a very granular level.

**Q14 Chair:** You have estimates of the ethnicity.



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**Mick McAteer:** We have estimates for ethnicity. Because of GDPR, some of these things are difficult. We can make an estimate around gender and age as well. We are very willing to work on that, to see if we can develop a better—

**Chair:** I am seeing some other nods. It is possible to get that data. Thank you.

**Sian Williams:** I agree with all of those. Motor insurance has been completely overlooked in both this strategy and, really, the insurance taskforce. We would like to see Government requiring the industry to model the costs and impact of a subsidy scheme to reduce the costs and the exclusion of people, particularly on low incomes. Motor insurance is very important. It has been completely ignored.

Government-backed guarantees is another. For example, with the no-interest loan scheme, we have seen the power of a Government guarantee to offset the risk around lending to excluded customers. The evaluation for that is under way, but the Government have had no qualms in making many guarantees for other parts of the industry, such as the British Business Bank.

We would like to ask the Government to look again at thinking about how Government guarantees can be used to support the development of the relationship between the commercial lenders and the community lenders. The problem for community lenders is capital—capital requirements and capital investment—and, if we can get Government guarantees around that, we can significantly change it.

On problem debt, I absolutely agree that we must tackle the way the state recovers debt and the way that it talks to debtors. There is no one more scary than the state telling you that you are in debt and that you must therefore do something. Children are going without food. Rent is not getting paid. People are very frightened by the way that the state talks to them about money that they owe. We must tackle that.

Q15 **Chair:** Can you just be precise? When you say “tackle that”, what do you mean? Is it just the way letters are worded or are you saying people should not have to be pursued?

**Sian Williams:** We should hold the state to the same standards that the state tries to hold commercial lenders to around debt recovery. For example, we are still sending letters threatening people to go to prison for not paying their TV licence. There is that whole language. The commercial sector, regulated by the FCA—

Q16 **Chair:** The thing is, you actually can go to prison if you do not pay, so at some point, legally, they have to tell people that.

**Sian Williams:** Yes, but have you ever received those letters? Think about how many you get. There is a whole narrative there. The state is not held to the same standards as those to which the FCA holds the



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industry. It is about really looking back and looking again at the way the state talks to citizens around money that is owed. The final piece is on payments.

**Chair:** Dame Siobhain McDonagh wants to come in on that point about talking to citizens.

**Q17 Dame Siobhain McDonagh:** My concern is about how councils pursue council tax. Clearly, they have to and I do not have an issue with that, but are you shocked by the speed at which they proceed for a court summons, banging £75 on top of what can often be a tiny amount of money owed?

**Sian Williams:** For me, this fits completely into the fact that councils and other state departments are really not holding themselves to the same standards. They are not assessed. No one has power over them. They can really act in any way they want to. We have known for a long time that if you load debt with more fees or charges for slow or failed repayments, that just creates more debt, more stress and more exclusion.

When you look at the commercial sector, there is still a lot to do, but the commercial sector has been forced by the regulators to change the way it recovers debt. We have to hold the state to the same standards.

**Professor Benamraoui:** I agree with everything that has been raised. I would add two points. The first is on pricing. A number of these products are not about accessibility, but rather affordability. This applies, for example, to insurance—motor insurance, health insurance and so on. One of the items that the strategy could focus on is addressing affordability through correct pricing, so that the products are priced correctly.

This aligns also with the cost of living. As we know, since covid and 2020, many households are really struggling in terms of day-to-day spending. This actually impacts the rest of the access to financial products. The other one is around financial education and capability. If we address this, it can influence the rest.

**Chair:** We are going to talk about that a bit more later on.

**Professor Benamraoui:** One of the suggestions is to make it compulsory in schools in England—

**Chair:** We want to get on to that a little later, if that is okay.

**Q18 Luke Murphy:** I wanted to ask a specific question about buy now, pay later. There has been specific concern, as you have seen, in recent days around retailers offering incentives to consumers of a 10% or 15% discount to sign up to buy now, pay later deals, obviously without affordability checks. I just had two questions on that. Do you think that is responsible behaviour on behalf of those large retailers? Secondly, will the FCA regulation that is due to come in later this year cover that issue



sufficiently?

**Mick McAteer:** It is irresponsible behaviour on the part of the lenders, because buy now, pay later is a particular form of what policy wonks like me call embedded finance. It is very clever in the way it sits in the middle of some other purchasing decision. It is very good at enabling impulse buying. That combination of someone looking for discounted goods or services and that being enabled through easy access to credit does create overconsumption and leads to over-borrowing.

Will the FCA regulation address that? To a large part it will, because there will be affordability checks built into the system. However, as we have said to the FCA, it will not go far enough to address this impulse buying problem. It does not put enough friction points into the sales process of buying credit or buying goods. The FCA is all about smoothing the customer journey to make it easier for people to transact. We would argue that the lesson of payday lending and buy now, pay later is that you have to put some friction points into the system to help people think twice before making an impulse purchase.

The other big gap in the buy now, pay later regulation is that it only applies to third-party providers of buy now, pay later products. What happens if a big tech giant decides to go out on its own and offer its own buy now, pay later scheme? We will have to wait for that to be brought back into the system, because they are not within the system as it is currently constituted.

**Professor Benamraoui:** From a consumer point of view, sometimes they are not aware of the consequences of buying now and paying later. For those who are using these kinds of products, they need to provide more clarity to the clients or to the consumers, rather than just trying to boost their income. There is an awareness element and there is a risk element that the seller should be responsible for or take accountability for.

Q19 **Luke Murphy:** This is a quick follow-up to Mr McAteer. You mentioned third-party providers. If a retailer, for example, in the future decided not to go down the third-party route and offered that kind of finance itself, it would not be covered by the FCA regulation.

**Mick McAteer:** Not unless the Treasury defined it within the perimeter, no.

Q20 **John Glen:** Can I just follow up on that last point? Does the Government intervention on buy now, pay later account for multiple purchases across multiple platforms to assess affordability? If you have done buy now, pay later five times and you want to take a sixth, how does it account for the aggregate debt?

**Mick McAteer:** That is such a good point. We are still waiting to see the details of how the credit-worthiness assessment and affordability test will be done. As a mainstream lender, you are meant to really try to uncover



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whether or not someone has multiple debts or multiple credit facilities. We are still waiting to see the detail of how that would work in buy now, pay later. Sorry for the cliché, but the devil will be in the detail of the affordability test.

**Q21 John Glen:** It is conceivable that an affordability test on one transaction would not have sight of others. Therefore, the overall indebtedness of the individual would not be dealt with.

**Mick McAteer:** Yes, but we are hoping and expecting that the buy now, pay later lenders will be expected to consult the register of judgments, the credit reference agencies, open banking sources and other data sources to try to get a fully rounded picture of someone's combined commitments. That is such an important point, which needs to be really thrashed out.

**Q22 John Glen:** Could I move to Ms Williams? I wanted to address this issue that we had last week with Matt Bland of ABCUL. The Government have committed to this £30 million credit union transformation fund. I wonder what you think about that. The Financial Inclusion Commission wants to get to £3 billion by 2030 in terms of the affordable lending.

What do you see when you look at credit unions and the role that they could play? There has been a history of failed attempts to build the infrastructure. Do you think this will work this time?

**Sian Williams:** Where we are now, we are seeing much more intentional leadership in the credit union sector around challenging some of the structural challenges. The credit union sector is a regulated sector, but also is a sector that has very strong values about how it should be and what kinds of services it should perform. It is really important to recognise that.

Across the country, there are credit unions that want to be small and want to be local. They want to provide a community service. They are not trying to compete with banks. They are not trying to compete with large financial services providers. That has been one of the challenges for the credit union sector in terms of growth, because some credit unions want to grow. They want to become a new type of financial provider, but they are held back by the regulation.

When conversations have been had with Government around changing the regulation, it is the smaller credit unions that want to stay in the community, grassroots provider culture that don't like that change in legislation. As we know, one of the challenges has been around the interest rate cap and what it should be. It is really only the credit union sector that asks for interest caps. Every other lender does not want caps on its ability to lend. It is really interesting.

We cannot pretend that the credit union sector is like the mainstream financial services sector when we come to think about structural reform. We have to take them with us. However, behind that, you can see that





there is a real appetite in the credit union sector to do better for more people. What they need is support.

They also need—I talked about it earlier—a better relationship with the mainstream financial services sector, so that we can, for example, cross-refer. Banks can refer comfortably and confidently to credit unions and vice versa. Instead of seeing these two as completely separate, we need to build a really healthy relationship between them and Government need to help.

**Q23 John Glen:** Could I follow up on the no-interest loan scheme? We have worked on this previously. I have always thought this could make a meaningful contribution, if scaled up. Mr Bland was not so sure. I wonder where you think we are at with this. What is the big decision point that would determine whether it is scalable or not, or am I mistaken? Is it not going to be a success?

**Sian Williams:** As you know, we are waiting for the final evaluation, but all the interim evaluations show that it did what we hoped it would do. As you remember, we could see that there was a gap. There was a gap for people for whom mainstream lenders would not lend. They had no ability to repay with interest and charges and yet we could see that a small injection into their cash flow would enable them to make a significant sea change within their life circumstances.

For example, they could move their family to safe and stable accommodation, because they could put down a rent deposit that they did not otherwise have. They could buy a car, pay for car insurance or take their driving test, which would enable them to drive to a workplace that they could not reach in any other way. They could, for example, pay funeral costs, so that they could bury a family member with dignity, without going into high-cost debt.

Those products were not available for them in any place other than the very high-cost market. When we looked at it, we saw that there was a social benefit here, to be able to support people to pay for those costs in a way that does not get them into long-term, unmanageable debt. Let us test and see what happens. That was always what we wanted to do, was it not? We were testing this hypothesis that there is a benefit for the state, for society and for the individual in being able to access small-sum credit at a cost they could afford.

Everything is showing us that that is the case, and that it is working. The challenge is that, first, it is really important to be able to scale. The credit sector is always trying to scale, but it has to be able to cover its costs. When you are charging at no cost to the borrower, then you have to find another way to cover your costs. We have to solve that problem.

At the moment, Government have not committed within the financial inclusion strategy to continue the roll-out of the no-interest loan scheme. That is a mistake. We can absolutely see from the people who have been





borrowing that it helps them build their credit score. It helps them build their relationships, going to the piece around education. The chief executive of Salad Money has said that without the no-interest loan scheme, he would never have lent to these people. The no-interest loan scheme has shown him that he can and that they become profitable, so we should back it.

**John Glen:** I personally found that very helpful. Thank you.

**Chair:** Mr Glen did introduce this when he was serving as Economic Secretary.

Q24 **John Glen:** If it does not work, then fine, but if it does work, let us keep it. That is basically what I think.

Could I turn to you, Professor? Can you help us to understand, when banks fail vulnerable people, because they cannot match their product to the needs of a vulnerable person, what you think should happen? We do see a patchwork of initiatives occasionally from different banks to offer pathway products, but we do not see a systematic, efficient referral to community development financial institutions, for example.

How do you think this strategy helps? Does it help? What would you do or suggest we do to create better linkages, so that there can be a referral mechanism down to those institutions that are more appropriate to help vulnerable people?

**Professor Benamraoui:** Thank you so much for the very good question. There should be a referral system when, for example, the bank is not satisfied with the client. That is why we mentioned the issue of accountability. If we do not have a framework in place where banks are obliged, for example, when they do not accept a specific person for a specific product, to refer them, then there is no obligation on the bank.

We may need some regulation around this, where the bank is obliged to refer. The other point is how we use these credit unions, community finance and so on.

Q25 **John Glen:** Sorry to intervene, but I want to get to the heart of this. You accept the principle that banks will not always be able to serve everyone, but you recognise that they have an obligation. It is about the mechanism and the obligation they have to refer to others. That is the space where intervention could happen.

**Professor Benamraoui:** Yes, and there is variation between products. For current accounts, banks will usually do everything to make sure that this basic product is available to every person or to every individual. If we move this into other products, then there is less willingness for the bank to satisfy the need of each client or of each person.

Going back to what you said in terms of referral, there should be a referral mechanism where the bank cannot fully satisfy or deliver the financial service to the person. The other one is awareness of these other



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institutions that we have in the market, such as credit unions. Many people are aware of banks, but they may not be aware that there are other institutions there to provide financial services.

That is why we talk about financial education. One of the points I am going to mention is that there should be an obligation on banks to financially educate and not just provide the service to consumers.

**Q26 John Glen:** Ms Williams or Mr McAteer, do you want to say something on this area?

**Sian Williams:** Can I say two things? First, we could see more banks providing small-sum savings. Some of those people the bank cannot serve it could serve if it introduced small-sum savings. Secondly, there is an aspect here around the FCA's having regard to financial inclusion that could be used. For example, a bank could be asked to demonstrate to the FCA how it is increasing financial inclusion, including which institutions it has built relationships with, so it can refer. The FCA could include that within its regulation of banks.

**Mick McAteer:** When it comes to people who are excluded entirely from the financial system, because the market is unable or unwilling to serve them, there are really only two solutions: you either mandate provision or you set up alternatives, such as referral systems. Referral schemes are a very good idea. The only concern I have is about how you ensure that each individual bank behaves fairly when it comes to referral. Then you have the free rider effect. The bad guys will just refer anybody on to the other system. We have seen this in the past with basic bank accounts. We knew who the good guys were. We knew who the bad guys were.

Unless we have some kind of mechanism, like a fair banking Act, to ensure a level playing field and to ensure transparency over individual bank performance, there is a real risk that a referral system could be abused by those actors who are not really interested in playing fairly, leaving the good people, the good banks, holding the can or else the alternative system, the credit union sector, being left with a lump of high-risk individuals. Without some kind of underwriting mechanism, they are not going to be able to—

**Q27 Chair:** It is about spreading the risk.

**Mick McAteer:** Exactly, yes.

**Q28 John Glen:** Just to quickly abbreviate another set of questions I was going to ask you, why would the consumer duty not be satisfactory on that? That is what the FCA would say, would they not, in terms of resisting a fair banking Act?

**Mick McAteer:** Speaking as a former FCA board member, the FCA is really only interested in people the market can serve. It will always say, "It is not a social policy." It would say, "We cannot tell banks to accept unprofitable customers." That would be the answer.



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Q29 **Chair:** Dr Karagiannaki, you argued about this issue of first-generation migrants having a thin credit history, and certainly there are other people with thin credit histories and there are credit builders. What practical things could be included in the strategy that would help people in that situation? Someone earlier was mentioning employer savings accounts—that might have been Ms Williams—or rent being paid.

**Dr Karagiannaki:** Yes, there are these kinds of things or maybe remittances that these people may have sent, so they have some accounts within—

Q30 **Chair:** Because they are sending money back home, they can prove they have money each month they are regularly paying.

**Dr Karagiannaki:** Yes, exactly.

**Chair:** If there is anything else that occurs to you, please do write to us about it.

**Professor Benamraoui:** The strategy does mention the introduction of basic accounts with basic requirements, because some of these individuals might not meet the requirements around, for example, the rent and so on. Simplifying the requirements of opening a basic account could be a step to the next financial products. Also, nowadays, there is more requirement about the physical ID and physical address. Because we have digitalisation, we should also consider digital ID and not just physical ID. Why is this always a requirement? This would also address other groups such as the homeless, for example, and those who do not have a specific—

Q31 **Chair:** Specifically on migrants and basic bank accounts, the barriers are often about residency. Is there anything else that ought to be addressed to help that situation?

**Professor Benamraoui:** There are two points I will mention. The first one is income, because—

**Chair:** Something from the employer, to prove—

**Professor Benamraoui:** That is correct.

**Chair:** That is one.

**Professor Benamraoui:** Also, if they are renting—

**Chair:** The landlord's reference, yes.

**Professor Benamraoui:** —they could use the landlord. I also referred to the digital because most people now have some digital presence. This could be used not as full verification, but as part of the verification—

Q32 **Chair:** It is a bit chicken and egg, is it not? You cannot always rent if you do not have a bank account. Which goes first? Is that an issue that needs to be addressed?



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**Professor Benamraoui:** To be honest with you, those who are immigrants may use traditional methods, such as cash payment, rather than using bank payments. Instead of paying through a specific bank account, they may pay in cash instead. Of course, it depends on the provider—if it is the council or a private provider.

**Dr Karagiannaki:** It is not only about opening savings accounts. It is the risk profiling, in terms of getting credit. This kind of alternative proof of the financial viability of a person can be built into risk profiling, because it is high-cost credit for these individuals.

**Sian Williams:** On the opening of bank accounts, one of the challenges that is completely overlooked is that, when a bank accepts an account, they then go through a Cifas checking process. Once Cifas has said no, every bank will say no. The individual is given no information as to why. For example, I run a charity working with young men leaving prison. We face this issue all the time. First-generation migrants, for example, will face the same problem.

Very often, it is a hostel address or an address that someone has been given in the short term that has caused the problem, not the individual. There is very little account taken of the lack of control that people have over their address. We need to look not just at what the bank does, but at the system sitting behind, providing the bank with information, and how they give information on that.

Q33 **Catherine West:** Some of this might have been covered but, Mr McAteer, you have argued for an emergency support loan scheme. What would that look like in practice?

**Mick McAteer:** It all depends, really. As with every aspect of financial inclusion, there are two elements to this. There is having the product itself, which would be the emergency loan scheme, and then it is about how you distribute the product to the people you are trying to reach. It is always about the product and distribution. You can have a great product or great idea, but if it sits on the shelf it is not helping anybody.

In terms of the product itself, we argued for another structural intervention. There should be a financial inclusion levy levied on the biggest financial institutions to support a range of financial inclusion measures. That could be created. That could be used to create a fund, incorporating the no-interest loan scheme. That could be folded back into that. Then the question is how you get access to that. That is where referral schemes and other mechanisms come in.

**Catherine West:** Likewise, the panel have mentioned insurance as a running theme. What practical recommendations would the inclusion strategy make—

**Chair:** Mr Dean wanted to come in on this point. Mr Dean, did you want to ask about that?



**Q34 Bobby Dean:** It relates to a point we were speaking about earlier, Mr McAteer. You talked about risk profiling models. When I was looking at the section on insurance, it talks about surveys, signposting and working groups. It all seemed to be focused on improving consumer understanding. I guess you would posit that that is not the central problem. Can you explain to us the stuff about risk-sharing, which you have spoken about as an alternative?

**Mick McAteer:** As I mentioned, the financial inclusion strategy did not really look at the structural barriers, which are low incomes and irregular incomes, but also the model that is at the heart of financial services, particularly insurance and credit. That is the risk profiling model, which segments and profiles people according to high risk, low risk, high profitability, low profitability and so on.

That is basically how insurance works. With the advances in technology and big data, and now artificial intelligence, that segmentation and profiling can happen even more quickly at an even more granular level. We are concerned that the chances are that even more people will be excluded from mainstream insurance because of the models that are embedded at the heart of the insurance market.

If we do want to tackle that exclusion and that exclusionary barrier, then we have to think about ways of sharing the risk. We could mandate insurance companies to provide insurance through what is known as a carousel system, where they are required to take turns to insure people who are considered to be uninsurable. The alternative is to have some kind of Flood Re mechanism, as we have for the flood insurance market, where insurance companies pay a levy, which then allows them to underwrite the risk of providing insurance to homes that are at severe risk of flooding.

We would argue there is potential for a similar mechanism for the insurance sector as well, to share that risk across the market. It could be called "Inclusion Re", as I mentioned. Specifically, there is also a real issue here around premium financing in the insurance market. People on the lowest incomes are required to pay for their insurance in instalments. Because they do that, they are effectively having to borrow money through the insurance company.

**Q35 Bobby Dean:** On that point, industry would say that they suffer cost, potential non-payment and so on. How would we get around that issue or is it disproportionate in the first place?

**Mick McAteer:** This is really the crux of the matter. There are people who the market is unwilling or unable to serve on terms that make sense, both for the supplier of products and the consumer of products. Unless we find some way of underwriting the risk or sharing the risk, you cannot square that circle of providing products that make sense for both parties in a transaction.



You have to find some way of sharing the risk or, as I say, you could have a more direct mandate, requiring insurance companies to provide insurance, like a universal service obligation. People now have a legal right of access to a basic bank account. They do not have a legal right of access to basic insurance products. There are ways of doing it. You either come up with a market way to share the risk or you can get the regulators and policymakers to mandate some form of basic provision.

**Q36 Bobby Dean:** Ms Williams, we touched a little on how opaque the pricing system can be and fears that AI might exacerbate this. Can you expand on that point? What protection do you think we are going to need in place as these new technologies emerge?

**Sian Williams:** We know, for example, that it is people from ethnic minority backgrounds who are most affected by additional costs and unexplained costs in motor insurance. If you live in a deprived area, your home contents insurance will be much higher. We absolutely know that that is also going to affect people from ethnic minority backgrounds. If you put AI into that mix as well, without really thinking about the unintended consequences of discrimination, suddenly we are into a place where discrimination is exacerbated, not reduced.

When we are thinking about how we approach insurance particularly, first, there has been no challenge within the strategy to the industry around why costs are the way they are and why the evidence is clearly showing that people are disproportionately charged. There should have been a clear challenge on that.

Secondly, the motor insurance taskforce has not addressed this at all. It goes back to that very first point around there being nothing in the strategy that industry would not like. That has to stop. Where there is clear evidence that there are disproportionate costs or disproportionate exclusion that cannot be justified by the data, we have to really drill down into that.

Going to your question around AI, and particularly around insurance, the costs cannot be transparent. There is no way that the consumer industry or an individual consumer can look at the costs and say, "This is an unfair charge." There is absolutely no way. We have real concerns around the handing over the calculation of costs to an AI system and having even less explanation of why I am being charged what I am being charged. We also have concerns around the way that profiles are built, because the data does not show that it is the person. The data shows that it is, for example, the area.

**Q37 Luke Murphy:** I am going to ask about debt advice. If I am in real problem debt, what is going to be different as a result of this strategy?

**Professor Benamraoui:** To be honest with you, the issue of debt can be caused by a number of reasons. The first one, of course, is poverty or being in a low-income category and spending. As a result, a person may





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take debt they don't want to take or take more than they should be taking. The other one is around financial education, because a person may take a debt and be unaware of the consequences of taking the debt. The other one, which is similar to insurance, is the pricing, the costing of the debt and the estimating what the debt will bring in additional costs.

All of these can contribute directly or indirectly to how much the person can take in debt and the consequences. Also, the strategy refers to debt advice, which is very important to help those who get into debt, but the strategy is not clear enough, for example, on how many it is going to serve, the mechanisms of serving and referrals. For example, if the service can be provided, who is going to provide it?

I also want to pick up on the point of artificial intelligence. It is a very important tool that can be used to enhance the way we price, the way we cost and even the way we educate consumers. With AI, we can facilitate debt advice at a cheaper rate or cost. This is my view on that issue.

**Q38 Luke Murphy:** Is there anything you want to add on the strategy?

**Mick McAteer:** Hopefully, it will make some difference. There is the £100 million levy given to MaPS. Let us hope that that does make a difference. It is encouraging that there will be specialist advice set up for energy debt. Again, that is really positive but, set against that, the Money and Pensions Service estimates that 7.3 million people need debt advice. A further 11.7 million are at risk of needing debt advice, because of their financial vulnerability, yet only 1.7 million people receive debt advice through it each year. That extra injection of funding is very welcome, but there is clearly a long way to go before we tackle the overall advice need.

**Q39 Luke Murphy:** You recommend that MaPS should evolve into a national financial advice service.

**Mick McAteer:** Yes, we do. The structural problems in the advice market are such that we need some kind of equivalent to what used to be called NHS Direct, to provide that bridge between professional advice, where people pay money and go to banks or financial advisers, and Citizens Advice. It feels like there is a real need for some kind of intermediary organisation that can provide that type of advice for—

**Q40 Chair:** Would it be advice or guidance?

**Mick McAteer:** It could provide advice on a certain number of products, given the regulatory exemptions. It would not be giving advice on investments or pensions. It would be advice on debt, on how to build up savings, join a workplace payroll savings scheme and so on. It is quite basic, fundamental tenets, but it would act like NHS Direct and refer people to professional advisers. If someone came along and said, "I have £200,000. What should I do with my money?" the answer is, "Go to a professional financial adviser." There would be a referral system.

**Q41 Luke Murphy:** Maybe you want to add, Ms Williams, but finally, I had a





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question about income maximisation. There is only one reference in the strategy to that, and that is in relation to the provision of credit, and if consumers are unable to get credit, perhaps they could be directed to income maximisation. I was surprised that it is not more thoroughly woven in, given that there is £24 billion unclaimed, as it were. It is not really mentioned in terms of debt advice. Should that have been a more substantial part of the strategy?

**Sian Williams:** There is a way of thinking about debt advice that is about solving the debt but, actually, when someone is in debt and they seek support, it is an opportunity to help them build resilience for the rest of their life. When someone is in debt, something has happened. There has been a mismatch between income and expenditure in some way. Sometimes it is incremental, over many years, and sometimes it is a big shock.

Helping someone get a hold of that and also the provision of support that understands that is really important. I absolutely agree with you. Income maximisation has to be embedded in debt advice. The other thing I would say around MaPS and the debt advice sector is that it is an incredible form of intelligence about what is going wrong. I think that MaPS have their hands tied behind their backs and cannot speak up and speak out about what is going wrong.

I would like to see Government recognise the data within MaPS and all of the services that MaPS commissions around debt advice as early warning signs of where things are going wrong and how we can build resilience, not just with the individual but for communities. That is very important.

**Professor Benamraoui:** The strategy refers to the employers' input. They can have quite good input into debt as well. It does refer to savings, but they can do something around debt as well and helping their employees to better manage the savings as well as debt.

Q42 **Catherine West:** I believe that £100 million is spent on debt advice from various providers. As a constituency MP, many say that it is not necessarily working. What evidence do we have that the £100 million that is going in to debt advice is actually helping? How many people will it help? What proportion of funds that are missing in their lives is being found? What are the indicators that we have?

**Professor Benamraoui:** If we look to the statistics presented in this strategy, 49% of people have financial vulnerability and 24% have low financial resilience. This all relates to debt, ultimately. Coming to your point of the £100 million fund, there is no mention, for example, of what underpins this figure to support, as you said, debt advice.

For example, how many are to be supported by this scheme? Who are they? For example, after six months or one year, what is the impact of this intervention? That is why it is more of an initiative or an outcome without a scientific basis to say what underpins it and what it will lead to.



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In a number of instances, targets are missing. If I spend £100 million, what are my KPIs for the £100 million I am spending?

**Q43 Dame Siobhain McDonagh:** I wanted to ask about the type of financial and debt advice. In my experience as a constituency MP, the very best organisation is Christians Against Poverty. It takes a holistic view of the family and stays with them throughout the journey to become debt-free, so it can do some of the things that you mentioned, Ms Williams. So much debt advice appears to be form letters or writing to the odd credit card company, which is much easier to deal with than the council tax department. When people are in debt, they have more issues than debt generally, do they not?

**Sian Williams:** It is a tricky one, because people need a service that meets them where they are and meets their needs. If I am in full-time work and I am trying to manage debt, I really want to be able to do things around my working day, so that I can keep earning. Having to have face-to-face advice might be harder for me. There is something around recognising that these are different people at different stages in life with different needs. We have to meet that.

That means everything from online debt advice through to advice on the telephone through to sitting together and working together, as Christians Against Poverty do in people's homes. All of that is important, but you have really hit there on the key piece: debt advice needs to stay with the person or the family for as long as they need it, thinking about it in a holistic way. That really comes down to commissioning.

When services are provided by a voluntary organisation, such as Christians Against Poverty, they can be designed as and how they want. It is an exemplary service, but it is not right for everybody. When Government are commissioning services around debt advice, they must think about consumer outcomes. We have long argued that too much debt advice is focused on serving the creditor, not the debtor. It thinks about how you get as much debt repaid as possible, rather than how to get the person who is in debt back on to a path of financial resilience and wellbeing.

I would share a personal story. A member of my family was once in extreme debt and had an IVA. I have seen first hand what that IVA did to that person's mental health over a long period of time and how they lost absolutely everything. I am not convinced the debt service products that we have are fit for purpose. It is not just about the service and how wraparound it is. It is also about the debt tools and how Government, and therefore MaPS, commission.

**Professor Benamraoui:** In terms of the debt service, there is reference to civil society organisations and community finance. They could do a good job around the debt service, but this is not formalised. It is just out of the good will of these organisations. That is why we need to consider the funding of these organisations to provide these services. We also



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need to have some form of accountability. If they are funded, what are they expected to deliver?

I agree 100% that places of worship—churches, mosques, synagogues, temples—could play a role in terms of the debt service. These communities attend these places and they could help, in terms of supporting them or at least educating them around debt.

**Dr Karagiannaki:** I want to make a short note. Unfortunately, there is no good evidence of people's savings after debt advice. We do not have good estimates. I am trying to think. I could not find any good evidence of how outcomes are sustained after debt advice. Debt advice does not usually share how any case has closed or its outcome. We do not have any data on the dynamics afterwards. That is what we are missing. There are no measurable outcomes.

**Mick McAteer:** That is absolutely right. Debt advice has to deal with the problems in front of people and give people emergency support, but it should also try to help people repair their finances. To give you an example to illustrate that, I mentioned 4.6 million people having one or more county court judgments. Only 12% of those judgments are marked as satisfied on the register.

To satisfy a judgment, you have to settle a debt and inform the court that the debt has been settled. If you do not satisfy that judgment, it can have an impact on your financial wellbeing for some time to come. We argue that the onus should be on the creditor to simply email the court, to notify the court that a debt has been settled, rather than relying on the individual who is facing financial anxiety and maybe mental health issues at that point in time. If we can turn the responsibility for informing the court, that could have a significant impact on repairing finances.

**Chair:** Thank you. That is very helpful.

Q44 **Dame Siobhain McDonagh:** The financial inclusion strategy relies heavily on digital access to banking and payments. Given the national payments vision will shape the future payments infrastructure, is financial inclusion sufficiently embedded in that work or is there a risk we end up with a very sophisticated system that has not been designed around vulnerable users or just those who do not want to do stuff online?

**Professor Benamraoui:** We cannot segregate or separate financial inclusion and digital inclusion, from my point of view, because banks now are moving most or all of their services to online platforms. As you said rightly, there are people who still prefer physical access, going to the branch and so on, rather than using these digital applications. Therefore, we cannot address financial inclusion without addressing digital inclusion.

The statistics show that specific groups are affected more than others. For example, the elderly are affected more than the young when it comes to digital inclusion. Also, the statistics show that 7% of the population are



not online or using digital applications at all. What happens to this 7%? How are we going to serve this 7%?

Therefore, we need to have a balance between a physical presence and these digital applications. There is also the element of financial education around digitalisation as well. Why are people digitally excluded? Some of it is to do with education, because they are not aware of or do not know how to use these digital applications. Therefore, schools—primary schools, secondary schools and so on—can play a role in this as well.

**Sian Williams:** Can I build on that point? We have done studies under the MaPS What Works Fund, which show that it is not education that moves people into using digital, particularly around money. When you put digital and money together, there is double jeopardy. Actually, it is around assisted use.

When we rolled out the community banking hubs, we really hoped industry would embrace the idea that the banking hub could be a place where you could not only give people access to a quasi-branch, but also spend time with them and explore what they need a branch for, and which of those activities could move online with support over time.

Evidence has shown, for the last 20 years or so—over which time digital has increasingly entered financial services—that you need a couple of key things. You need a trusted, known point of contact over a period of time. This is someone you can go back to and say, “Do you remember when we did that thing three weeks ago? It has not worked out. I have got it wrong. The bill has not been paid,” or, “I thought it had happened, but it hasn’t.” That is really important. Community bankers, within banking hubs, can play that role, but only if the banks resource it.

Second is inclusive design. We know that people resist shifting to digital for many reasons. It is around trust, not just of the services but also of what will happen if it goes wrong around redress. For example, for someone on a low income, at the moment there is almost no digital tool that allows them to make payments with the confidence that the money it looks like is in their account is really in their account. Real-time balances—being able to get exactly the same comfort that your real-time balance is genuine and accurate as you can with the money in your wallet or purse—are missing.

These are the very simple but fundamental barriers to overcome, to help people trust, “I can do this and move on to digital.” There is something around making sure that people have continued access to a trusted person and inclusive design in the industry.

**Q45 Dame Siobhain McDonagh:** The post office network underpins access to cash across the UK, yet its sustainability relies heavily upon funding from the five major banks on five-year contracts. Is there a credible, long-term strategy to ensure that services remain in communities as cash usage declines?



**Mick McAteer:** The alternative is to not let the banks determine the future of the Post Office. That is why we need a long-term settlement through a fair banking Act or equivalent. You raise such an important point around digital exclusion. We know that black British and British Asian households are more likely to be digitally excluded than white British households.

We know, for example, that in Northern Ireland, people rely twice as much on withdrawing cash as their GB counterparts. We do really need a combined strategy that promotes digital inclusion, of course, and promotes digital services, but factors in a way of retaining access to physical branch networks as well, to try to accommodate the needs and interests of all the population, not just the digitally included. The Post Office must form an important part of the network, just given its physical presence.

**Professor Benamraoui:** To add to this point, we need to consider regional differences and the differences across groups. Some communities may have a preference for cash or physical presence, more so than others. Age is another factor to consider. The regional differences can underpin how, for example, we use these banking apps to offer the different services that we intend to be included.

Q46 **Dame Siobhain McDonagh:** Banks are currently committed to 250 banking hubs across the UK but, in deciding a banking hub, they do not take into account face-to-face banking services—the sort of advice, Ms Williams, that you referred to earlier. If they did, we could see that number double perhaps, providing a greater introduction. Do you think the FCA should have to take into account face-to-face banking services when drawing up its rules around considering banking hubs?

**Sian Williams:** The commitment is to 350, rather than 250.

**Dame Siobhain McDonagh:** I wondered if I had my numbers right.

**Sian Williams:** I could see, so I thought I would help out. I agree, yes. At the moment, banking hubs are driven by access to cash, but access to cash is not the fundamental issue; it is just the lever that we have been able to use to ensure that people can still access their bank. I agree that the FCA should include that.

Going back to your Post Office question, at the moment, because of the way post offices run, a post office that counts as a community banking hub does not have to be fully accessible. The Post Office has no control over the sub-postmaster to make the space fully accessible. Therefore, someone in a wheelchair might not be able to access their local community banking hub, and yet a big tick is put by it as the need being met. There are some anomalies around this.

Personally, I would recommend that we move to a people's bank that is run through the Post Office and that the banks support through a levy.



That is how we get true accessibility and a truly sustainable approach. That would allow us to ensure that everyone has access. We also need to ensure that it is truly accessible in every single way, including for people with disabilities.

**Professor Benamraoui:** To add, major supermarkets could support in this as well. In addition to the role of the post offices and the banking hubs, Asda, Sainsbury's and so on can offer this kind of service.

**Chair:** Indeed, some of them have their own banks, do they not?

Q47 **John Glen:** Can we go back to the issue of the fair banking Act? The argument is that the consumer duty that the FCA oversees protects existing customers but does not deal with those who are excluded and unable to become customers.

In our earlier conversation, we established that the strategy does not do the analysis of the gap, if you like, in terms of who the excluded are, and therefore we do not have a foundation. How would you justify having a fair banking Act, when you do not really know, at this point, what you are aiming for? It is not a trick question, but it is a logical question.

**Mick McAteer:** No, it is absolutely straight to the heart of the point, as ever. The concept of a fair banking Act is, as you know, based on the US Community Reinvestment Act. I was, funnily enough, just going through the evidence provided by the Office of Thrift Supervision and the head of community affairs at the Federal Reserve deposits system. They are of the view that the Community Reinvestment Act in the US has made a significant difference to inclusion and tackling issues such as red-lining in the US.

As ever, models in one country cannot just be lifted and shifted into another. They have to be adapted for the particular circumstances. Nevertheless, the fair banking Act would be based on the US Community Reinvestment Act. The purposes would be really quite simple. It would be, first of all, to make sure we do have access to that foundational data to allow us to establish where the challenging areas are—the most economically and financially vulnerable areas. It would also ensure that the FCA had more focus on transparency and corporate accountability around the individual performance of the banks.

For example, the FCA is now collecting sales support data on consumer credit products. That template that it collects has an awful lot of potentially good data about the level of income of people receiving loans, who has been rejected, the numbers rejected and so on. It provides a mechanism for gathering that kind of data, which we could use to build a fair banking Act around. The last point is that a rating system could then be developed on the individual performance of the banks.

Q48 **John Glen:** We know that there is a counter-argument to this. The banks would say, "We are under all these different obligations." The Government will be slightly sensitive to this, optically, in terms of adding





in more bureaucracy, cost and so on. How would you counter that to say that these interventions would not be prohibitively expensive? Would you acknowledge that they would be but that is the right thing to do for social policy goals?

**Mick McAteer:** It is both, actually. There would be a short-term cost to begin with, but certainly there is quite a bit of evidence to suggest that, if you do promote financial inclusion, that can contribute to sustainable growth in the long term. It can help contribute towards tackling inequality, which brings long-term economic and social benefits. We would argue that the long-term benefit would far outweigh the initial cost.

The thing about a fair banking Act is that this is very much about rating the individual banks on their performance in terms of inclusion, but it would also rate them on how well they support community lending organisations and others. The responsibility for delivery would not necessarily fall on the banks.

Q49 **John Glen:** Is that how efficient they are at referring to people who can help?

**Mick McAteer:** It is back to your point about referring as well. A fair banking Act would very much be about corporate accountability, and transparency in the financial system.

**Sian Williams:** I want to give an example. People who are rejected for a bank account are counted, but the banks do not have to give reasons, either to the person or to the Treasury. So there is no ability to measure progress on why banks are choosing to serve or not serve, and where there are systemic barriers, there is no evidence, no data gathering and no analysis being done in that market around why we have a resistant rump of the population who remain unbanked from generation to generation.

A fair banking Act would help us gather that data, and provide the evidence of where barriers are real and need state support to overcome, and where they are commercial and unhelpful. Someone who is unbanked will find it much harder to participate, not just socially but economically, and the goal of this Government is economic growth and inclusion.

Q50 **Jim Dickson:** Just to unpack that a little bit more, what sort of metrics would we be looking to apply to a fair banking Act, to understand whether banks were succeeding and whether we are making real inroads into, for instance, unbanked customers or citizens or other signs of financial inclusion?

**Professor Benamraoui:** For this, we need a dashboard at bank level to capture all the data mentioned. For example, how many are applying for a basic bank account? How many are refused? What is the reason for refusal? When we have this for each bank, then we can see the banks' performance in that category. Also, we cannot judge banks only on





financial performance, because they are supposed or expected to contribute to society as well. We need to have social indicators alongside financial indicators.

We need a dashboard at bank level to capture all the necessary data on which we can evaluate or assess achievements, and also identify gaps. This goes back to what I said about the data being aggregated data. It does not help, in a way.

**Mick McAteer:** It is a really good question. In our written evidence to the Committee, we did list a set of metrics that could be used, including the percentage of consumers holding different products, broken down by gender, ethnicity, region and so on, the rejection rates by different groups of people, by different product types and different banks and so on, and trends in county country judgments. There is quite a range of specific metrics that could be used to track progress against a fair banking Act.

Q51 **Jim Dickson:** There has been some criticism in the US that some of the Community Reinvestment Act activity is a little bit tick-box, rather than really looking at outcomes for communities. Clearly, we would need to avoid that, would we not?

**Mick McAteer:** That is absolutely right. To come back to the original point I was making, the FCA already is in the process of collecting a lot of this data. It is a matter of analysing the data and then publishing the data. It does not involve a huge new data collection exercise, so it is not going to be overly burdensome on the industry.

Q52 **John Glen:** The next topic is looking at financial education and capability. The FCA has the Mills review, which was launched last month. That is looking at AI's impact on retail finance. We would acknowledge that hyper-personalisation could lead to hyper-exclusion, if those algorithms almost verify cost to serve, and so on. What do you think about that review and where it takes us? I am anxious that AI is seen as a positive thing generally, but in this space it could in fact be pretty negative.

**Mick McAteer:** Like a lot of innovation, there is a lot of excitement about it. There are a lot of potentially good aspects of it. The question we would always pose is whether this will result in economically and socially useful financial innovation. That is different from pure technological innovation.

If AI can reduce supply chain costs in the industry, so that there are efficiencies built into the system and that is then passed on to the consumer, with more people being brought into the system and so on, then that would be a good thing, but I absolutely share your concerns about the impact of hyper-personalisation. As I mentioned, the credit market and insurance market are built on segmentation and profiling. The combination of big tech, big data and now AI allows that personalisation to happen at scale, at an even more granular level.



AI is not really artificial intelligence; it is actually automation. It is exaggerated as being artificial intelligence. It learns from what is already in the system and what is already embedded in the system. If you have that kind of risk profiling and those kinds of discriminatory practices already in the system, AI will simply exacerbate the problem through hyper-personalisation, I am afraid.

We are hearing increasing concerns about the number of consumers who are now making financial planning decisions based on AI. That raises a number of issues, because the accuracy of AI really does worry me. It also means that if you make a decision based on AI recommendations, you fall outside the advice system, which means your rights to consumer protection are also affected.

We are also hearing anecdotal stories about people coming to debt advice agencies. The consumer or that person is saying to the debt adviser, "According to AI, these are my rights," and the adviser is having to say, "I am sorry. Those are not actually your rights. I don't know where you got that from." "I got it from AI; it must be right." "This is actually the law"—as it applies in England and Wales, or in Scotland, or in Northern Ireland. There are a couple of concerns there.

**Q53 John Glen:** I am going to bring the others in, but I want to pivot, given time, into the broader issue of financial education. I failed, as Economic Secretary, to persuade my colleagues in Government to do anything to extend the obligations on financial education. This Government have brought that in, but to get that embedded into the curriculum by September 2028 is not an easy task.

Where are we at in this country in terms of financial education for the most vulnerable? What do you think Government need to do to make good on their headline pledge in the autumn?

**Mick McAteer:** It must be co-ordinated. There was a very interesting piece of research by the London Institute of Banking and Finance, which estimated that there are 400 different organisations involved in financial education and financial capability. I am sorry to say it, but the meta-analysis on the impact of financial education intervention is not terribly encouraging, to be honest, in terms of leading to long-term behavioural changes among consumers.

If we are to make a difference in terms of behavioural changes, the efforts of those 400 have to be really co-ordinated and delivered in the right way. We would argue that any education programme should focus on a number of key messages, such as understanding the consequences of a county court judgment, understanding the benefits of savings for a pension, telling your parents to join a workplace payroll savings scheme and trying to resist impulse purchases. Keep it simple. Get at the core educational messages, because the evidence is not encouraging that it results in long-term behavioural change.



**Professor Benamraoui:** Who is responsible for financial education? We have civil society organisations, community finance, banks and so on. These could each play a role in terms of financial education, but we need to have accountability. If we do not assign accountability, it becomes just a wish list for each of these organisations.

The other one is about artificial intelligence. AI has its benefits, but it also has its shortcomings. In terms of data collection, AI can be very useful, but when it comes to decision making it does have its limitations. We have to understand that AI is evolving over time. It is not a stagnated tool. It can be used in certain areas of financial education. For example, it can explain the characteristics of different products in insurance, debt, savings and so on. It could also be embedded into specific applications, to enhance them.

We also need to consider how AI can benefit some groups. For certain groups, it can have more benefit, because of their education level. For other groups, it may not be as beneficial. When we look into the trend now of banks—where they are going, where insurance is going—it is all digitalisation. That is the reality. That is why we cannot dismiss digitalisation or the role of AI in the future.

**Dr Karagiannaki:** Just a very quick note that we have to allow financial education to be culturally appropriate and have a religiously designed element embedded into it. That is important, especially considering what the evidence shows, which is that religious beliefs shape some of the saving behaviours of certain minority groups.

**Sian Williams:** The Governor of the Bank of Malaysia introduced financial education to the curriculum from the age of four about 20 years ago and was steadfast that if you are not persistent and consistent, it will have no impact. I agree with Mr McAteer that this has to be a really clear, disciplined approach. We do not have that in this country. I really welcome that financial education is going to be compulsory on the curriculum.

Q54 **Chair:** It is easy to make it compulsory, but you then have to have the right people to teach it. It quite a big issue for teachers, is it not?

**Sian Williams:** It is really important that we move away from a beauty parade, where financial services are allowed to fund financial education or support education through volunteers in schools without any real co-ordination. MaPS has done a good job of trying to corral that, but it is not enough. Where we need to get to is, instead of firms choosing where and when they deliver financial education, they need to be required to support. I don't mind if they go into schools and volunteer—

Q55 **Chair:** There is a charity that the *Financial Times* runs, which is doing a pilot in one of my schools. That is three years of persistent education in year 7, 8 and 9 and they are going to evaluate it. That sounds like what you are wanting to see happen.



**Sian Williams:** I would like to see even more co-ordination, where banks are funding national education.

**Chair:** And it is evaluated and measured.

**Sian Williams:** Yes, exactly.

Q56 **Dame Siobhain McDonagh:** The financial inclusion strategy focuses heavily on access to products, but research suggests that lack of confidence is a major barrier to saving and investing. Does the strategy sufficiently address the behavioural and psychological barriers people face?

**Professor Benamraoui:** It does refer to knowledge and capability as the two pillars of financial education, but the metrics and the targets are not there. Hopefully I am answering the question. For example, who are we targeting to address financial capability? Who are we targeting, for example, in terms of enhancing their financial knowledge? Some of it is faith-related. It could be behaviour-related, but we are not addressing these issues. There are no metrics to evaluate, assess or judge what is proposed here in terms of financial education or even digital education.

**Mick McAteer:** It is a really important point. There are demand-side reasons why people self-exclude. Black and minority ethnic communities are more likely to be rejected for financial products, but they are also more likely to self-exclude from seeking a financial product, because they think they will be rejected. That may be quite right, of course, given the evidence.

Nevertheless, in terms of causes of exclusion, we would rank it according to low or irregular incomes, structural issues around risk profiling, and then the third feature is demand-side or consumer confidence in financial services. Yes, unless we build trust and confidence in financial services, then large numbers will continue to self-exclude.

Q57 **Chair:** Dr Karagiannaki talked about needing to be religiously sensitive. There are also communities, such as west African and West Indian communities, who will do the shared pot approach. Is that them self-excluding? Is there any recognition that people do that sort of saving, and that that could improve people's credit history?

**Mick McAteer:** It is a really interesting question. You hear from my accent where I come from. Nearly half the Catholic population belong to credit unions. We have carried that over to England and Scotland particularly. There is a cultural issue to inclusion as well. There is a tendency for certain groups to self-organise around their own particular provision of services.

We saw that with the Hackney South Credit Union. The two biggest groups that were members were the second-generation Irish and the Nigerian communities. There is an element of that. The only thing I would say is that there is nothing wrong per se with that kind of self-



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organisation but, of course, it does come with its own issues around consumer protection—

**Q58 Chair:** There is no consumer protection. There is just a very strong bond of trust.

**Mick McAteer:** It is just deposit protection schemes and all that. It is not a sustainable—

**Chair:** It is hidden from financial institutions. That is my point.

**Sian Williams:** I would just add that money is all psychological. Money really underpins our ambitions for ourselves and our family and our hopes for ourselves and our community. The strategy does not take that into account. There is no setting out at the beginning about how people really engage with money and how people, therefore, really engage with financial services.

The other thing we are missing a trick on is designing for how people are and where they are, rather than what the financial services sector wants, because that is the most profitable approach. I absolutely agree. When you look at, for example, peer lending groups, across the world they drive economic growth and inclusion. We are missing those here.

**Chair:** Thank you. We have had a really interesting session. There is lots of food for thought for when we have Ministers and others in front of us on this. One of the key things is that the data is not as good as it should be. We have heard that repeatedly. If you have anything further to add in evidence, that would be very helpful.

There is not a good approach to measuring outcomes. We are concerned that that might not be enough of a part of this strategy. We have just had a discussion about the importance of financial education and digital exclusion. There is lots to cover.

Can I thank Dr Eleni Karagiannaki from LSE, Mick McAteer from the Financial Inclusion and Markets Centre, Sian Williams from the Financial Inclusion Commission, which she chairs, and Professor Abdelhafid Benamraoui of Westminster University for their time?

Thank you to our colleagues at *Hansard*. The transcript of this will be up on the website uncorrected in the next couple of days. Thank you to our colleagues at Bow Tie for the broadcasting and we will continue to pursue this. I extend a further thanks to the many people who wrote in with really good evidence. It really helps us in our work in challenging the Government, to make sure that this delivers for the people we all want to see served by financial services.