



Select Committee on Financial Exclusion

Corrected oral evidence: Financial Exclusion

Tuesday 13 December 2016

10.40 am

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Members present: Baroness Tyler of Enfield (The Chairman); The Bishop of Birmingham; Viscount Brookeborough; Lord Empey; Lord Fellowes; Lord Harrison; Lord Kirkwood of Kirkhope; Lord McKenzie of Luton; Lord Holmes of Richmond; Lord Shinkwin.

Evidence Session No. 23

Heard in Public

Questions 231 - 250

Witnesses

I: The Rt Hon Lord Freud, Minister of State for Welfare Reform, Department for Work and Pensions, Nick Gibb MP, Minister of State for School Standards, Department for Education, Simon Kirby MP, Economic Secretary to the Treasury, HM Treasury.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of Witnesses

The Rt Hon Lord Freud, Minister of State for Welfare Reform, Department for Work and Pensions; Nick Gibb MP, Minister of State for School Standards, Department for Education; Simon Kirby MP, Economic Secretary to the Treasury, HM Treasury.

Q231 The Chairman: First of all, could I say thank you very much indeed for coming? This is our final evidence-taking session. It is obviously a very important one for us and we are very grateful to you for coming and giving your time. I shall just run through a couple of formalities first. Welcome to the evidence session of the Select Committee on Financial Exclusion. You have in front of you a list of interests that have been declared by members of the Committee.

The meeting is being broadcast live via the parliamentary website. A transcript of the meeting will be taken and published on the website and you will, of course, have the opportunity to make any corrections to the transcript where it is necessary. Whilst we around the table all know exactly who you are, could I ask, for the benefit of the transcript, if you could introduce yourself please?

Lord Freud: Good morning. I am David Freud, Lord Freud. I am the Minister for Welfare Reform.

Simon Kirby: Good morning. I am Simon Kirby. I am the Economic Secretary to the Treasury, and I am very pleased to be here.

Mr Gibb: I am Nick Gibb. I am the Minister of State for School Standards, and I am also pleased to be here.

Q232 The Chairman: I am going to kick off with the first question, which is probably primarily aimed in the first instance to Mr Kirby, but I am sure we would be interested to hear all of your thoughts on this. In preparing for this meeting, I have been looking back at all the evidence we have received, and one of the very strong themes that has come across from everyone we have heard from is the need for really strong government leadership and co-ordination in the area of financial exclusion. Indeed, many of our witnesses have said they feel there is a need for stronger government leadership and co-ordination than we currently have.

At the end of each session, I have asked all of our witnesses what is at the top of their wish list for this Committee. A large number of them talked about the need for this strong government leadership and co-ordination. I was very struck when Gwyneth Nurse, Director of Financial Services at the Treasury, came and gave very helpful evidence to the Committee. She talked about how financial inclusion is dealt with in Government and the different roles that different departments have. However, she said—and I will quote this to you—“There is no single committee that sits and looks at those issues”, i.e. how they are all co-ordinated and how the big picture comes together.

Could I ask you, first of all Mr Kirby, how the Government is carrying out

its co-ordination role, how you think it could strengthen that role and the leadership role, and what plans are in place to do so?

Simon Kirby: Thank you for inviting me here today. This is a very important issue and goes beyond just Government, but I will do my very best to answer your specific points. Financial exclusion is a cross-cutting topic and the powers to address financial exclusion rest in several places: the financial services industry, regulators, local authorities and, of course, across Government. Different financial exclusion issues require different approaches. Some can be addressed effectively by the market, some will require regulation or government intervention, and others will require more collaborative working across departments, regulators and industry. Therefore, there is no one-size-fits-all approach to this question.

My role in Government is to look after the financial services sector in the UK. It is about making sure the industry is stable and secure. It is about making sure, in these interesting times, that the UK continues to lead the world in financial services, but it is also about making sure that financial services are there to help people at every stage of their lives. That expression, "every stage of their lives", is an important one. This means working closely with the industry, with the regulators and across Government to protect consumers and to build products that meet consumers' changing needs.

The Chairman: I am very clear about your role in relation to the financial services industry. It is a very important role. The heart of my question is about who has the role of pulling this together across Government, because tackling financial exclusion is very much a multi-faceted issue. We have heard this from many of our witnesses. We have heard that there is no piece of machinery within Government and no single committee that is pulling this all together. Who is doing that? Who is responsible for ensuring there is an overall financial exclusion strategy?

Lord Harrison: Is it still right that there is no committee, as Gwyneth Nurse told us?

Simon Kirby: Let me be very clear.

Lord Harrison: Be very clear: is there a committee or not?

Simon Kirby: There are a wide number of meetings and discussions that happen on a very regular basis. There is no formal structure but we have a series of successful dialogues. I am the Minister responsible for financial inclusion in my role as Economic Secretary to the Treasury. My remit covers insurance retail, financial services, consumer finance and financial advice.

Lord Harrison: Why is there no co-ordinating committee?

Simon Kirby: Because the Government decided in 2011 that it was a more sustainable, cost-effective and successful way forward to integrate financial inclusion into departmental work.

Lord Harrison: Was that wise?

Simon Kirby: It was wise. Each of the departments has it very much at the centre of its objectives and its way of working. I can give you examples: basic bank accounts working with the DWP; people being charged for unpaid item fees; my work with the DWP about a money advice service and how we best provide that simple source of guidance to customers; and my work with the Department for Business, about the importance of post offices. The Government has financial inclusion at the heart and centre of their work. Each of the departments has it at the heart and centre of its work. My role as the Economic Secretary is to co-ordinate and facilitate that important area. I cannot be much clearer than that.

The Chairman: We have heard a lot about initiatives taken forward by individual departments. We have had a lot of evidence on them and we will have further questions on them. Sir Sherard Cowper-Coles, who was chair of the Financial Inclusion Commission, said something that was quite memorable to us: that we need to make sure that what Government are doing adds up to more than the sum of its parts. There was a feeling that, at the moment, it was adding up to less than the sum of its parts because of this lack of co-ordination across Government.

Mr Gibb: From my recollection from when we brought financial education into the curriculum, Treasury Ministers were heavily involved in that. You are asking for formal procedures. The way Government works, as you will know, is through a dialogue between Ministers on a range of issues. Issues have to be sent around for clearance by various committees. I certainly recall that when we did include financial education in the curriculum, there was heavy involvement from Treasury Ministers, from the Chancellor of the Exchequer downwards.

Q233 **The Chairman:** Do the Government intend to take up the recommendation of the Financial Inclusion Commission that there should be a Minister for financial health who has national responsibility and oversight? If it did, do you agree that Treasury would be the right place to have that Minister?

Lord Freud: I do not agree with this at all. This is not realistically how things work. One of the driving factors in financial inclusion is universal credit. The way we are doing that is creating a relationship between each claimant with the state on a digital platform. It is not exclusively digital but largely digital. We have put alongside that structures to help people with their budgeting. I am sure you have had a lot of evidence on that. One of the key things is we have built out something we have called universal support to make sure that people with budgeting issues have a support mechanism.

You can try to centralise all of that, but the trouble is the knowledge of how universal credit works and how it develops through is very concentrated. It is much better for us to talk to the Treasury on the key issues as they arise where there is a relevant Minister who understands

those issues than to have some overarching body, which we used to have, that could not pick up the specifics. We have done a lot of work, particularly with the Treasury, on inclusion. You will have had a lot of evidence on our credit union expansion project, which was a joint project. The Treasury was very heavily involved in making sure on how much credit unions could charge. They did that half. We did the half to make sure the expansion platform was available. We did the £38 million contract for that.

We were heavily involved with the Treasury on the payday loans issue. You will all remember how much pressure you put on me about the payday loans industry growing. It probably has a place. We—the Treasury and ourselves—spent an enormous amount of time with the FCA to help get those controls in. I was particularly worrying about continuous payment authorities, which I thought would come in and puncture universal credit. I am completely against the proposition that there is another overarching body over there.

Lord Kirkwood of Kirkhope: Who does the strategy?

Lord Freud: That depends. This is a huge issue.

Lord Kirkwood of Kirkhope: We need somebody to control the strategy. You in particular have done an enormous amount. I know this because of the work you have done in universal credit. That is all banked. There are some issues that need to be tidied up but that is all welcome. It is all being done on a piecemeal basis. You cannot persuade the Committee: from the evidence we have heard, without someone holding the ring, developing momentum and delivering a strategy within which these initiatives can flourish, you are wrong in saying that we are wrong.

Q234 **The Chairman:** I do not think anyone has argued to us that everything should be centralised. They absolutely see the benefit of having these things embedded in departments: as you say, universal credit in DWP, financial education in DfE and all of that. What do you think is the reason for the difference in perception between all of these players who come before us, who have been involved in this area for many years, saying that we need stronger central government co-ordination, and your own perception that that is not an issue? Why is there such a difference of view?

Simon Kirby: That is an interesting question. Look at some of the improvements to financial guidance, auto-enrolment, Help to Save, Help to Buy, credit union expansion and payday loans. Look at the very recent good news about fee-free bank accounts. Only yesterday, 420,000 new people are paying no fees at all for basic bank accounts. These are all tangible examples of how the one size does not fit all. I am, I suppose, the HMT lead on financial inclusion. As such, I am effectively the Minister for financial health.

There is a co-ordinated, albeit it one-size-not-fitting-all, effort from the Treasury to make sure we include financial inclusion in everything we do

as the Government. The Prime Minister has been very clear that we want to build an economy that works for everyone. It is important that when we negotiate our leaving the EU we get a deal that benefits everyone in the UK. These are things that are at the core of Government. Clearly there is work to be done but we have had a great number of successes.

Q235 The Chairman: It is helpful to hear that you think that you are the Minister for financial health. That is interesting because we have not heard that statement before. We are still left with the position that we are not aware, as you are saying, that there is any central co-ordinating machinery that you sometimes have in Government in those cross-cutting issues.

On the basic bank accounts—and I was grateful to you for sending that information through yesterday—it is an area where Government have made a very helpful push and nudge. Things have changed as a result. What occurred to me is the way different banks have reacted to this. Some banks have done a lot of these basic bank accounts; Lloyds have done a very large number. Some, like RBS, have done a very large number but are trying to make people switch from the basic bank accounts to regular current accounts as soon as possible. We have heard a lot of evidence that other banks have not taken it up or promoted it very effectively. What do you think your role is next in trying to get some of those banks who have not been promoting this as hard as you would like to do so?

Simon Kirby: The information and transparency is a good start because it enables consumers, Government and the industry itself to see how things are going. It is important to note that the figures are very encouraging; 420,000 new fee-free bank accounts in the first six months is good news.

It is right and proper that different businesses approach things differently but the important thing to stress in all of this is these are accounts open to everyone. It does not matter if you have a poor credit history or have never had a bank account before. They are there to increase financial inclusion and the figures released yesterday will encourage the nine banks to do more and for people to come forward. I am sure the DWP will be encouraging people who do not have bank accounts to open one. Bank staff will be empowered to inform people of the existence of the products.

You are absolutely right: seven out of the nine have provided all the accounts in the six months as fee-free. Lloyds and RBS have done things slightly differently, but, at the end of the day, a quarter of the unbanked people are no longer unbanked. That has to be very good news, has it not?

The Chairman: I also note that 18,000 applications in this year alone were turned down. That is for people for whom even basic bank accounts do not seem to be working.

Q236 Bishop of Birmingham: I am sure we will come back to that and

universal credit, but in terms of joined up, or not joined up, one of the bits of evidence we got was about the vital importance of independent advice for people who are managing unmanageable debt. Caroline Rookes of the Money Advice Service told us that in the last few weeks 13 local authorities have closed down their money advice and debt advice approaches, which she said was terrible. What are the Government doing to protect this particular aspect of the sector in order that people who might be falling through the net in these transitional times could get help to improve their conditions and better manage their debt?

Simon Kirby: I can be very clear and helpful. One of my first decisions as new Economic Secretary along with the Minister for Pensions was to look again at how we provided debt advice to make sure that it was not just for people who were in terrible trouble or people with huge pension pots; it was for everyone, from birth to the grave. Financial education is an important thing, not only in school but for people throughout their lives. The Government are considering how we best, after consultation, roll that out.

There will be the same if not more money available, but making sure people have the tools and the access to good, sound financial advice is absolutely essential. The other thing that is essential, as you rightly highlighted, is that it is independent. There is advice out there, some of it quite good, but it leads to certain products or solutions. As a Government, we need to be clear that advice should be independent, appropriate for all and cost effective, so we get the biggest bang for our buck.

Bishop of Birmingham: If there is more money available for this very important transitional period for people, what is the best location for that money from the Government's point of view? Is it going to be local authorities or other bodies that are in touch with local people as they try to work out their financial inclusion?

Lord Freud: We have created a series of partnerships with local authorities and the DWP, which again is the universal support framework that currently handles two barriers, one of which is budgeting and the other is digital support. There is now a process for people coming into the universal credit area to be provided that support. There is somewhere around 500,000 or 400,000 people at the moment but that will be growing in the years to come. That is a route through.

The other area that is interesting is we spent a lot of time with the Money Advice Service looking at online support. There was not a real way of helping people handling budgeting, particularly in a UC context. We have been trialling that kind of approach. We do not have enough to lay hard figures down, but my own instinct is for the online support for people, in a large number of areas as a first step, rather than having to provide all that information to people in different areas—whether it is how you better your skills, negotiate bits of bureaucracy, or how you budget. In my view, you would be much better off having a series of online support mechanisms that you can direct people to at the first stage.

Encouragement in that direction from this Committee would be one of the most effective ways of trying to help people navigate difficult issues.

Bishop of Birmingham: Thank you very much. The aim of digital communication is very well understood and we are in the adventure of that. What we are anxious about are people who are in transition. Some of the most vulnerable people who are navigating either the welfare system or managing their own affairs are not connected up digitally and need face-to-face help at this period. That is where we are asking whether resources can be allocated.

Lord Freud: Can I just get some correctives on that? We are all of a certain age in this room. We like face-to-face. As we go into the full service of UC, which is everyone—not just the selective group, which is the JSA group who tend to be younger—I have been rather surprised at how many of them have been using the digital channels as choice. We are effectively in the 90% region with that, which is much more than we thought. We thought we would have to do much more education to get to that.

The other very dramatic thing, and the reason why we are all in the wrong generation, is how the phone has taken off. Fifty per cent of our interactions now are off people's smartphones. When you talk about digital exclusion, which is so closely connected with financial exclusion, this revolution in the use of a smartphone is dramatic right across the range.

We are really working in the trial area really hard, and another trial we are doing, as some of you may have read, is that the fuddy-duddy DWP is the only organisation doing a blockchain test. It is a proof of concept; it is not a trial. Blockchain is what Bitcoin and all of that is about. We are testing with a small number of people, delivering their money—their benefit—on to their phone. It allows them to put it into jam jars themselves, make payments in different ways and see their flows. It is a very interesting trial.

As you think about how we really tackle financial exclusion, it is these new technologies that are going to be incredibly relevant. As you plan ahead, nothing happens in less than five years if you are lucky. If you plan ahead, you have to plan into the new technologies if you are going to make an impact. I really think this Committee should be thinking about these areas as they start making recommendations on how to help people.

The Chairman: The Committee has received a wide range of views on digital initiatives, how they help some groups and other groups they do not. We are going to return to that later on.

Q237 **Lord McKenzie of Luton:** It was agreed that before I ask a question I should place on record that I am shadow spokesperson—or one of them—on DWP for the Opposition. Indeed, I have engaged with Lord Freud over many years on some of these issues—sadly for not much longer. My

question is to do with universal credit and the representation received about the gap between people's entitlement and receiving payment in the six or eight-week periods, exacerbated last year by the decision to have a one week waiting period. It must be recognised that creates incredible hardship for vulnerable people.

Is there any prospect of the Government revisiting that particular issue, particularly using technology if it is a question of speeding up the process so that that does not occur? I am aware that there are arrangements for people to have alternative payments but this is not the norm. Do the Government recognise that level of hardship that these arrangements are creating?

Lord Freud: We are monitoring this closely. I am on record saying that we are monitoring how waiting days and other aspects are working. I am not quite in a position to say when that will come out but there will be information around that that will help members of this Committee analyse that more precisely, albeit not today. This is a multi-faceted issue. At the first level, there is a gap between the period at which people have been paid up until now and then going on to UC. There is a flow issue that we have aimed to close by using advances. People can get an advance of 50% and the number taking that I think is around 40% currently. I will double-check the exact number.

Likewise, the plan with waiting days is to protect more vulnerable people but try to look at the people who are effectively moving out of a job with payments. They are the ones that see the waiting list. There is a range of protections on waiting days. As I say, there will be more information coming out on that. Other people have issues around whether they are able to handle their finances to the extent they can pay the landlord themselves. That is a different issue and we handle it in a different way, by providing alternative payment arrangements. That process is going through rapid development currently.

One of the most promising developments is the trusted partner trial, which allies ourselves with the social landlords so that they effectively say, "This person should be on an alternative payment arrangement." We do that without questions asked. That has been, again, not yet formally published, so my response is anecdotal. I have been very encouraged by the response of those social landlords, not least because, having put someone on alternative payment, they then work to get them financially able to manage their own payments in the subsequent months, which is the general objective here. There is a lot of work going on in this space. There is a lot of data to come in, and clearly that will be something members of this Committee will be concentrating on in the months to come, with someone else.

Lord McKenzie of Luton: Notwithstanding all of that good work, at the end of the day, for example, when you deliberately have a seven-day waiting period introduced into the system, is that not bound to hurt vulnerable people? What is the purpose of that?

Lord Freud: The purpose of it, which we have spent many happy hours discussing, is that we have exemptions designed for the vulnerable people you are concerned about. It is designed so that people who move out of work and are in that transition have payments coming to them in that period, because you are paid in work in arrears. We are trying to match that up. The Chancellor said at the time that the intention was that people should be able to maintain themselves for the first week. Universal credit was not designed for short periods. That was the formal position and that has not changed.

Q238 **Lord Kirkwood of Kirkhope:** Before the Minister hands in his seals of office, can the Committee offer him a return ticket to Coventry? I was lucky to be part of the Committee's very good visit to Coventry. We spent a whole lot of time listening to concerned professionals who were trying to look at the holistic picture facing them. I have been in this subject area for a long time, and what struck me was that they were absolutely convinced that, looked at across the totality of the whole public purse spend, some of the effects of universal credit, late payments, overpayments and the like were costing the public purse more.

That was also reinforced when we had an exchange about this recently with the National Audit Office looking at sanctions. There could be a Minister for financial well-being who was able to look not just at what the DWP was doing—I want to look at universal credit delivered locally as well—but at the totality of homelessness and family disruption. The problem is that the Minister does not get the access to the direct, passionate streams of consciousness from individuals because he is a Minister. It is not a criticism of him; he is as good as any and in fact better than most, but the point is a big one to support what the Chairman said at the beginning: there is nobody looking, and if the NAO cannot say there is value for money in the sanctions regime, that is something that has a direct impact on financial inclusion. I want someone like yourself in the 10 days that are still given to you to solve this before you hand back your seals of office.

Lord Freud: My answer is more personal than ministerial at this stage. We have set up a universal support framework that is a partnership between the DWP and local authorities. We have tackled two barriers that people have through that. The point is that you have an envelope in which you can put people where they are supported. What we have discovered is that people have more barriers than those two and they are complex barriers. You need to handle all of those barriers.

They maybe have colossal debt; that needs to be sorted out. They may not know how to budget, they may have an addiction; they may have a mental health issue. You need to get people round the journey in the right order. At the moment, what we do in this country is we may tackle a particular issue, but that is all we do. Nothing then gets solved because you have not talked all four problems that that person has.

Lord Kirkwood of Kirkhope: That is a lack of strategy.

Lord Freud: Let me finish the description, because I want you to pick this up and start pushing it. What we are looking at is what we will call expanded universal support: i.e. how many barriers we can get in there and how it would look. The features are that you are put into this either through a universal credit work coach or any other way in. You have a diagnostic or a case worker or whatever—an IPS function, a big function in the local authority situation—and get on an organised journey to handle all of your barriers. The information then is shared on a safe basis round that circuit.

The right way to do data is to give the people control of their own information. They come to the next desk, they give their code and they effectively have a digital wallet with their information. Data is the key here. It sounds awfully dry but the reason we have all these failures of pulling things together is because we have never organised the data provision. The solution that needs to be tested, and I am reasonably confident that we will be testing this, is giving people control of the data on the basis that we can collect the anonymised data for MI, payment by results and all the other releases we wanted.

Lord Kirkwood of Kirkhope: I want the Minister for financial well-being to have control of that data as well.

Lord Freud: I do not want him to have it because he will screw it up. I am back at my core point. I do not want someone over there in Treasury or anywhere else messing around with an incredibly complicated set-up.

Lord Kirkwood of Kirkhope: I agree with that.

Lord Freud: You agree with it. That is the point.

Lord Kirkwood of Kirkhope: You said two separate things. For the 10% or 15% we are dealing with here, it is the people who are most disadvantaged, both digitally and financially. If you persuaded me of what you have just explained—that someone was really handed on to a desk and not a website—I would be completely sold. You need a warm handover. You cannot say, “We have 10 new websites; here are the URLs,” and send people happily out of the door. There has to be a warm handover to an appropriate authority who is a real person and can take that on. Meanwhile, you can go into the backroom and work with the data. I absolutely agree with that but I still think you need a strategy overseeing it all.

Viscount Brookeborough: You said, “You should push it”. I am not sure that we are not working back to front because we have the three people, including yourself, the self-confessed Minister of financial exclusion. You are the people who can put what you are talking about into action and on the ground. We will push it but you are the people that we are pushing.

Lord Freud: Yes. That is what I am telling you to do.

Viscount Brookeborough: Why should we be the stimulus for you to do

your job?

Lord Freud: There is a political process going on where putting pressure on Ministers to achieve certain ends is very valuable in terms of allowing Ministers to get on to achieve certain ends. We are not acting in a vacuum. The importance of lobby groups and people who work on solutions is, in our political structure, very important. If this is the direction of travel that you agree with, say so, because it helps Ministers to deliver it.

Simon Kirby: Across Government, we will be looking with interest at this Committee's report. Who knows? We may not agree with all of it, we may agree with all of it, but it is clearly an important thing for us to consider. That is worth saying.

Q239 **Lord Empey:** You have already referred to the question of housing and the payment for housing benefit. It goes currently to the individual. I am unconvinced about that. Anybody that has ever dealt with a constituency and individuals will know that there is a level of vulnerability and a range. There is no one size fits all.

What I am concerned about is that those who are in the private rented sector, and that is a growing proportion, have a roof over their heads secured. That is a good thing for family, particularly if you have a lot of single women looking after children. At least if the roof over their head is secure, that provides a basis of stability for the family. While it would be nice to have people learning to handle their own budgets, the fact is that they are subjected to a series of individuals and organisations hitting them the minute they know the money is coming in.

Why did you feel it is so important that the individual pays the landlord rather than paying the landlord directly?

Lord Freud: If your prime objective is to give people the independence to be able to go into work and earn their own money, what you do by not paying them their rent directly is that their hassle factor is at the point of going into work and becomes a non-financial barrier to going into work. Interestingly, social landlords now seem to have swung round. They were very keen on maintaining the direct payment of state-to-landlord structure. They are now moving towards seeing it as a real hassle having it paid by the state, and when they get a job having it paid directly, and back and forth. What has been happening is that the number of workless households in social housing has been collapsing. It was never much below 46% at the peak of the cycle; we now have it down to 38%. It is a hassle factor for them and for the individual, but it is a real barrier for the individual. We have some reasonable data points around how many people are able to handle their own housing or can be helped to handle their own housing. We know what happened in private housing where it was introduced that you would pay your own rent. Somewhere around a quarter of people have an APA—a managed payment. In social housing, in the end that will be somewhat higher than that figure. Nevertheless, a

large proportion of people can pay their own rent, particularly with a bit of help.

We have done the direct payment project. We found that, after a three-month adjustment process, the majority of people were able to handle paying their own rent. You have given them back their independence by doing that and made them free agents. It is something we are spending an enormous amount of time on to get right, but rather than tucking people away in little corners where they do not cause us any problems, which was a classic example in the old legacy system, we are trying to give people their freedom and independence. This is key. We cannot not do that if that is our objective.

Lord Empey: I fully understand a very laudable objective but, when reality hits, in certain cases it does not necessarily work out that way if the home is insecure. First of all, we heard some of the cases on the Coventry visit: landlords are becoming increasingly nervous. We have a tight supply situation in housing.

We also found out that local authorities were one of the first people to move in if people were in debt. In fact, public authorities were amongst the first to challenge and take people to court. I wonder whether it is appropriate in all cases. If people have the option, then those who have themselves sorted out perhaps are at a benefit while those who still have not reached that point would at least ensure, particularly where there are children, that the home is secure.

Lord Freud: We have turned that approach somewhat on its head by saying that in the social housing area, in the trusted partner pilot—I cannot pre-empt whether that goes national at this stage because we need to publish it, but you can hear how warmly I am speaking of it—the landlord says, “This person is not going to handle their own rent. They need to be on managed payment.” We do that without any questions asked. We are developing systems to get that right. There are quite a lot of tests and learnings involved. We are in early days.

Our intention is to make sure that people who can handle it do, the people who never can do not have to and the people in the middle are given all the support we can to move to the independence that we want them to. That is the intention and I am quite encouraged at the development and improvements we are making through the last half-year. It has been quite dramatic in some cases.

The Chairman: We need to move on, because we have quite a lot more territory to cover. Could I ask that questions and answers be as succinct as possible?

Q240 **Lord Fellowes:** I have three questions on one theme, primarily for Mr Kirby. The Financial Inclusion Commission recommended that the FCA should play a more proactive role in addressing exclusion with a core objective of promoting financial inclusion. I wonder what the Government’s position is on that. Secondly, do you agree with the

Financial Services Consumer Panel's suggestion that the FCA should be required to impose a duty of care on financial institutions towards their customers? Thirdly, do you have any idea what the banks might feel about the latter?

Simon Kirby: They are some very good questions. I will be slightly longer with the first one and slightly briefer with the second and third. The FCA has taken several steps to promote financial inclusion using the current statutory objectives. These include a cap on payday loans, performing a convening role and publishing a number of papers on vulnerable consumer interactions with financial services. I am particularly interested in a current paper on the way older people interact with the financial services industry.

It is worth saying that the FCA's statutory objectives are to protect consumers, enhance market integrity and promote effective competition. It is the last of these that states that the ease with which consumers who may wish to use financial services, including consumers in areas affected by social or economic deprivation, can access them is an important element of that objective. While the FCA is a powerful proactive conduct regulator, focused on securing better outcomes for all consumers, financial inclusion is far more of a social rather than regulatory issue. It is therefore a matter for Government to decide what actions should be taken to ensure financial inclusion.

In answer to your second question on duty of care, this is a decision for the FCA to make. That is right and proper. They are an independent organisation.

On your third question asking me to speculate on how the banks would view this, at the end of the day for the FCA to be effective it has to be held in high regard, not only by Government and consumers but by businesses themselves. I would hope that the banks would understand anything that the FCA decided to implement that was fair, proportionate and effective.

Lord Fellowes: You have not given me any idea whether you think it is a good idea to have a duty of care or not.

Simon Kirby: That is a matter for the FCA. My view on whether it is a good idea or not is not particularly helpful.

Lord Fellowes: Why not? You are very intimately involved in what we are talking about.

Simon Kirby: The whole point of having an arm's-length body that is independent is that it is independent. Although I have regular meetings with the FCA, as I am sure you will be pleased to hear, it is not right or proper for me to tell them what to do on an operational basis. It is a decision that they need to make themselves.

Lord Fellowes: You cannot tell the Committee whether or not you would support it?

Simon Kirby: I have an open mind.

Lord Kirkwood of Kirkhope: What about the payday loan cap? How did that come about?

Simon Kirby: That is a different issue. I am clear that if there is a requirement to bring about legislation to instruct the FCA how to work, that is something for Parliament to do. In the case of this particular question about duty of care, that is a different thing and it is right, proper and appropriate for the FCA to decide.

The Chairman: It might be worth mentioning that we had evidence from the FCA last week and they told us they found it very helpful to be backed up by legislation when introducing the payday lending cap, because they thought it reduced the possibility of a legal challenge.

Lord Harrison: It is for Governments to decide what institutions that are created by Government do. Therefore, into your open mind on this issue of duty of care, has it trickled in that it might be a good idea for the Government to give that duty?

Simon Kirby: It is the Government's responsibility, with operationally independent bodies such as the FCA, to provide a legal framework on how they should operate. Day-to-day responsibilities and the issue of whether they should or should not impose a duty of care are quite clearly independent decisions for the FCA to make.

Lord Harrison: You have just told us you have an open mind. When you said about an open mind, has it trickled in that it might be an advantage to the Government to ask the FCA to adopt that duty of care?

Simon Kirby: I do not think it would be appropriate for the Government to instruct the FCA what to do in the case of duty of care—not in every case. It is an independent decision that they need to make.

Lord Harrison: I still do not have a clue whether you think it is a good idea or not a good idea.

Simon Kirby: My view is irrelevant to answering the question. As a Minister of the Crown it would not be appropriate for me to lead the FCA, who are independent, in one direction or another in the instance of duty of care.

The Chairman: Thank you very much. In the interest of pressing on a bit, we are going to move on to the issue of credit unions.

Q241 **Lord Empey:** In many respects, this is perhaps a success story but it is one that we would like to see accelerated. Where I come from, credit unions are well embedded, highly regarded, they are fair and they are not a rip-off. The Government have helped accelerate the process by providing additional resources. What are your intentions regarding the development of these community development finance institutions? In particular, how will the successful momentum built up by the credit union

expansion project be maintained in the longer term? Are there any plans for similar public support to community development financial institutions more generally?

Simon Kirby: On the issue of the expansion programme, it is early days. The Government want to review the impact and consider how we best continue. It is an exciting scheme. I am sure it will be a great success. Incidentally, I went last week to Edinburgh and met with credit unions there. Credit unions do a fantastic job up and down the country and this Government are clear in their intention to support them and the sector across the UK. I was very pleased to see in the Autumn Statement money from the Proceeds of Crime Act, recovered from illegal money lenders, targeted at expanding the existing credit unions scheme. That is £500,000 but a move in the right direction.

The Government consider carefully, when it comes to all legislation, the role that credit unions can play because we should always remember they are not just there to lend money but are also there for savers. They are not necessarily there for savers of poorer backgrounds; they are open to people who save from all professions and all parts of society. I hope the Government will continue, and it is certainly my intention as the Minister responsible to continue, to do all we can to help the movement in this country.

Lord Empey: When you consider the amount of money that has been sucked away from people in these circumstances by these high-interest organisations, surely it is in everybody's interests to try to fast-track and promote the concept of a credit union because the sums of money that are being made by third-party lenders, payday lenders, other sorts of institutions and even credit cards are so enormous that when you put that against the credit union costs, there is such a dramatic difference. Surely it is in the Government's interest, even from the taxpayer's point of view, to see that sector promoted, expanded and perhaps even given greater scope to involve itself in other products that it could make available to its users.

Simon Kirby: I do not rule out further investment. It is right and proper that we carefully consider the effectiveness of the current investment and see how it pans out. One of the things that strikes me about credit unions that is unsatisfactory is they are at a disadvantage to other, more traditional lending people because they do not have the money to invest in advertising and marketing. I am currently looking at whether the Government can do more to help in that area. I am going to hand over to Lord Freud, but I want to reassure this Committee that they are an important part of the Government's thinking, and if we truly want an economy that works for everyone, credit unions have a part to play in that.

Lord Freud: DWP has been a traditional supporter, with very heavy sums of money, of the credit union movement. We did a study, run by Deanna Oppenheimer for us, which showed that it was not a viable industry as it is present constituted. It loses a lot of money on every loan

it makes. That was why we have taken those two steps: to allow them to charge a bit more, up from 2% to 3% per month, on their loans. That is getting the return base up but the cost base is much too high. That is with the introduction of the new banking platform for them, which we have been supporting with £38 million.

I am pleased to say that the first two credit unions transferred on to that seem to be very satisfied with the process. The new one is retailCURE, which was a new billboard and the other was East London, which is a transfer. That programme can now move to starting to pool the first tranche of credit unions on. When you have a sound base, you can look at expanding industry. Until you have got to that base, it is very hard. It was losing money on every loan it made up until recently, as an industry.

The Chairman: I would like to move us on to the very important issue of financial education, on which the Committee has received a lot of evidence.

Q242 Viscount Brookeborough: Do the Government intend to implement the recommendations of a report published this year by the Financial Education APPG? In particular, will financial knowledge and skills be incorporated into the Ofsted common inspection framework? This is to do with schools, as well, but you did say that it was now in the curriculum. Most people understand the curriculum to be obligatory subjects at school. First, we understand that the curriculum does not apply to the free schools and the academies. Therefore, it is not obligatory to everyone. Secondly, we understand that Ofsted has nothing to do with it at all and does not inspect it, and would appear to have no wish to inspect it. Would you like to say something about the education and whether you think it should come under Ofsted?

Mr Gibb: Yes. That is a broad question. It is in the curriculum. The key thing about financial education is making sure that children are more fluent in arithmetic. We made very significant changes to the primary school curriculum in mathematics following the Teaching and Learning International Survey 2013. According to the survey, of the best-performing countries around the world in the area of financial education, the jurisdiction that came top was Shanghai, China. They do not actually teach financial education, but there is a direct correlation between mathematics, and fluency in mathematics, and the ability of young people to be able to navigate the complexities of the financial world. We made a huge effort to improve the primary curriculum, in particular. I have spent a lot of time looking at the scripts of GCSE maths—old scripts—particularly the E grade and F grade scripts. It was very clear that there was a basic lack of arithmetic skills and a lack of knowledge of arithmetic that leads young people to not passing a GCSE and to not being able to navigate their way around financial institutions.

Viscount Brookeborough: That was not quite what I was asking. I was asking why it does not come within Ofsted's inspection. Secondly, with regard to your first comment, we have the view of Demos, in the form of written evidence, which indicates that academies and free schools are not

obliged.

Mr Gibb: They are not obliged to teach anything that is in the national curriculum, nor is any independent school required to teach anything in the curriculum. You are now veering into: why do we want an autonomous school-led education system? We do because the evidence from around the world is that they are the most successful education system. Now funding agreements with academies do require schools to have a broad and balanced education, and it is a broad and balanced education curriculum that Ofsted will inspect.

Viscount Brookeborough: They do not inspect it. They said that they do not inspect that side of things.

Mr Gibb: They do not inspect any individual subjects when they inspect a school. They would be there for several weeks if they did that. We would not be able to afford to inspect schools on that basis. What they do is look at the broad and balanced education, the quality of teaching, and the quality of the curriculum in a school. They do not report on maths or English or history or geography or, indeed, financial education.

In terms of the curriculum, we did change the curriculum. We incorporated financial education into the maths curriculum at key stage 3 and key stage 4. It does not apply to academies, but academies are obliged to offer the GCSE to pupils. If you want to do well in GCSE maths you will have to be able to answer mathematics questions—for example, “The minimum wage for adults was £3.60 per hour. In 2013, it was £6.31 per hour. Work out the percentage increase in the minimum wage.” There are questions like that in GCSE maths, because now key stage 3 and key stage 4 of the national curriculum do contain requirements for financial education.

For example, at key stage 3, the curriculum requires pupils to understand the functions and uses of money, the importance and practice of budgeting, and managing risk. At key stage 4, the curriculum requires pupils to understand income and expenditure, credit and debt, insurance, savings and pensions, financial products and services and how public money is raised and spent. We require schools to have a broad and balanced curriculum. Therefore, Ofsted will want to make sure that schools and academies are offering that to their pupils.

Viscount Brookeborough: That leads on to Lord Harrison’s question, but I have just one more question on that. If that is really happening, why is it that for the vast majority of students leaving school—and, I believe, for the Youth Parliament—one of the major issues was not having had enough financial education?

Mr Gibb: It takes a number of years to do a curriculum review. For example, the citizenship GCSE only started to be taught from September 2016. It took years to draft; we had to consult; we had to give schools a lead time. Exam boards have to prepare the specifications. They then have to prepare the exams. They have to test them. It takes a

number of years between wanting to implement a curriculum change and getting that curriculum taught in schools.

Q243 Lord Harrison: Minister Gibb, we were repeatedly told that the inclusion of financial capability in the secondary school curriculum has been enormously inconsistent. One of the clues to that is teaching the teachers. We heard a *cri de coeur* that the teachers do not have the confidence to teach financial capability. What have you done? You have been in the school classroom for ages.

Mr Gibb: I am sorry about that. We have changed the teaching standards, so all trainees are required to meet those standards and that does include a requirement to have a secure knowledge in the subject they are teaching. Therefore, we require teachers who teach mathematics or—

Lord Harrison: That is entirely rational but what have you done extra to ensure that teachers who are sometimes thrown into it actually have the ability to impart knowledge about financial capability?

Mr Gibb: That is not something that we do from the centre. We expect schools to recruit suitably qualified people to teach these subjects. We are recruiting increasingly well qualified graduates to come into teacher training. We offer very generous bursaries across the system to do that. From my own perspective, the key is always mathematics. It really is. We do need, and we are implementing, a step change in the quality of the maths curriculum and the quality of the maths assessment.

This May the first SATs have been set and taken by 10 and 11 year-olds across the country, and on Thursday we will be publishing the final results of those tests. They are on a par with the best curricula in the world. We have revised the GCSE, so the first new GCSE in maths started to be taught in September 2015. The first exams will be next year in that GCSE. This is the key.

Lord Harrison: It is not working. That is what we have been repeatedly told by the witnesses.

Mr Gibb: It takes time between implementing a curriculum change and seeing that change happen.

Lord Harrison: Students will be on pensions by the time this is finished.

Mr Gibb: Pensions are a very complicated area of our law. I would be optimistic that we have made changes to the curriculum and that is happening in schools. You do raise an important point. The APPG has looked into this issue as well and I had a discussion with that group last week. One of the issues that concerns me is there is a lack of a good-quality textbook in the subject, and I suggested to Martin Lewis and to the APPG that they might want to commission a really high-quality textbook. In terms of getting the knowledge into young people and helping teachers with that knowledge, evidence around the world shows

that having a good-quality text book is always one of the best ways of achieving this and implementing a high-quality curriculum.

The Chairman: I know Mr Kirby wants to come in. Could I just ask: are you going to do a formal response to the APPG report?

Mr Gibb: I have given evidence to the Committee and we have discussed these issues with them.

The Chairman: So the Government have not yet given a formal response to the report's recommendations?

Mr Gibb: I will come back to you on that, Chairman.

Simon Kirby: In addition to the importance of teaching young people in schools about financial education, I am very pleased that the new single financial guidance body will have a strategic role to maximise the impact of financial education by industry and charities. Financial education is not something that stops when you leave school. It is appropriate throughout all of our lives and the Government need to do all they can to make sure people are empowered to make the right decisions that affect their financial well-being.

Q244 **Lord Holmes of Richmond:** I have a question that may be for Mr Gibb. The idea of a textbook is a very sound idea and, if you are lucky and they get on with it, you might even get asked to write the foreword. There is something for your Christmas stocking already. What is the experience in financial education in the devolved Administrations of the United Kingdom and what insights and learnings are perhaps there, which may enhance the experience in the schools in England?

Mr Gibb: Financial education is compulsory in each system. It is being included in the national primary and secondary curriculum of Scotland, Wales and Northern Ireland. Scotland, Wales and Northern Ireland adopt a cross-curriculum approach when it comes to financial education and, while it is not my area of responsibility, I understand that it covers maths, PSHE, careers and humanities. In England we incorporate it into mathematics and into citizenship.

Lord Holmes of Richmond: You have mentioned other jurisdictions. What else would you say in terms of other parts of the world that you believe excel in this area?

Mr Gibb: There is a direct correlation between how well OECD countries perform in the PISA test in reading as well as mathematics. The better our country performs in those subject areas, the better our young people will perform in any international test on financial education and therefore, by implication, how well they will be able to navigate what is a very complicated financial system we have in this country.

Q245 **Lord Empey:** Mr Gibb, given that the devolved regions have a different system from England, is there any way you could find out through study, or is there already any evidence, about whether the way they do it works

better than the way England does it, or the other way round? What we are looking for is the model that produces the best outcome.

Mr Gibb: Yes. This is something we can look at in the years ahead. I do not think there is any appetite for further curriculum change in this country. We want a period of stability to let what have been very significant changes to the curriculum embed into our school system. We will see, by looking at the PISA studies in the future, how the different jurisdictions perform. We did look very carefully at the high-performing jurisdictions, such as Shanghai, China, and Singapore. We learnt very heavily on those countries in terms of the curriculum. We adopted many aspects of the Singapore mathematics curriculum into the primary curriculum, and we have had exchange visits with Shanghai. A few hundred teachers have participated in an exchange. Teachers have gone to Shanghai and Shanghai teachers have come to England. This is so that we can learn the south-east Asian maths mastery method from Shanghai to ensure that every child in the class is taught the whole curriculum. That has not historically been how it has happened in our primary schools with different tables learning different parts of the curriculum and some children not even being taught the whole curriculum. We have learnt very heavily on jurisdictions like Shanghai, in terms of how they teach mathematics. Their 15 year-olds are something like three years ahead of our 15 year-olds based on the 2012 PISA study.

The Chairman: I want to move on to the very important issue of digital exclusion and its interaction with financial exclusion. Again, it is an area we have heard a lot of evidence on, particularly on its impact on particularly vulnerable groups.

Q246 **Lord Shinkwin:** My question is for Lord Freud and Mr Kirby. Mr Kirby, in your department's press release yesterday about basic bank accounts, which we all welcome as good news through the extra take-up, you did say there was still more to be done and that you were determined to work with the industry to boost financial inclusion. Lord Freud, earlier in this session you spoke about universal credit and being digital by default. You have given us some encouraging figures on those who are digital by choice, and that is fine, but given what you also said about nothing happening in less than five years if we are lucky, I am wondering what each of you think the Government could be doing to facilitate the development of transitional support by industry so that those, such as older or disabled people, who find themselves digitally excluded do not find that that puts them at greater risk of financial exclusion.

Lord Freud: The figures are very stark on digital exclusion. Either 95% or 96% of all jobs now require you to have some level of digital competence, using either a computer or another device. If someone comes who is not able to handle digital, it truly is an issue such that you want to try to get them to be able to handle it. That is why it was the first of the barriers that we put into universal support. Having said that, somewhat to my surprise, as a problem it is decreasing every year, because the phone has become a transformative gadget that people can use. Clearly, we have designed the full service of universal credit to be on

a phone so you can do these applications. Of our 1 million interactions with the universal credit full service, 90% of them are being done online; half of them are being done on a phone. Those are the raw statistics.

We support people who are in that minority and cannot handle it, both on the telephone and face-to-face. We will go on doing that. There is an issue within universal credit, not of capability but of access in some rural areas. That tells us that the importance of getting access to some of these areas with telephone not-spots or inadequate broadband. The broad capability has been less. What has not been less, and is more of a problem than digital, is the budgeting issue, which we have been talking about. That is something we are going to end up putting in more resource, relative to what we expected at the outset, than digital.

Q247 The Chairman: Can I press you on one point, Lord Freud? The figures you have been quoting have been about people in receipt of universal credit and therefore of working age. The Committee has received a lot of evidence, particularly from charities and others advocating on behalf of older people, about some of the difficulties sometimes older people are facing, particularly with an ageing population. We have heard that whilst it works for some, things like banking apps on phones simply do not work for other older people. Are you taking that into account? As other Ministers have said, financial exclusion is something that affects everyone across the whole age spectrum.

Lord Freud: Our focus at this stage is universal credit, which is a working-age benefit. On the upside, we have been pleasantly surprised with the acceptability. Interaction for older people is pensions, pension credit and other areas. We are some years off any changes in that area. The dominant group of people who use the Post Office card account is the older people. We are aiming to get the people on UC off that and on to basic bank accounts because they have all the facilities, direct debits and the like, which are far more flexible than POCA. I suspect that, by the time we start looking at the older generations in five years' time, the transformation in our payments systems, which I was talking about with blockchain, will begin to move the dial differently. This is very fast-moving technology, and the implication of that for older people is that there could be much more straightforward and simpler, intuitive ways of handling their finances because the digital offer will be transformed.

Simon Kirby: Regarding digital inclusion, I am very interested in fintech. I recently went to Malaysia, Indonesia and Singapore to look at how fintech could be used to decrease financial exclusion. It is about the possibility of providing digital inclusion in a simpler, more appropriate way, and there are some quite exciting things to come in the near future. In the UK we are at the cutting edge, at number one in the world in fintech, and it is rapidly developing. It is also worth saying that access to post offices, for instance, is a very important consideration for a lot of older people. I am pleased that the banks have agreed to work with post

offices to get to a position where there is a standardised service and it is a government priority that this conclusion is reached as soon as possible.

You asked me about fee-free basic bank accounts. In broad terms, there were 2 million unbanked people. It is now 1.5 million. I suspect, as the figures were for six months only, that it is now considerably lower than that. I will not be happy until everyone has a bank account because financial exclusion is inextricably linked to people who are unbanked. Chair, you mentioned problems with people being turned down; I think it was 18,000. I am pretty certain that the vast majority of those people would have been turned down for ID reasons. I am pleased to say that the banks have agreed with the Treasury that universal credit letters will be an acceptable form of identification.

Things are moving in the right direction but, to answer your question directly, I will not be happy until everyone has access to financial services.

The Chairman: Could I just ask if Lord McKenzie wants to follow up very briefly on the ID point?

Lord McKenzie of Luton: As I understand it, the question is about the difficulties for some people to access bank accounts because of inconsistencies in the approach to ID. It is good news that the universal credit is going to be used but what else are the Government doing to try to iron out those inconsistencies?

Simon Kirby: There are a couple of points. The Chancellor in his Autumn Statement announced the guidance so that there will be electronic ID verification, so people will be able to perhaps verify themselves by email. In addition, the guidance from the snappily-named Joint Money Laundering Steering Group is being updated to make sure that as wide a range of identification as possible is acceptable. At the end of the day, we want people to open these accounts. If they are who they are, and can prove it in acceptable means, then they should be able to open an account.

Lord McKenzie of Luton: Can you comment on the inconsistencies between the banks?

Simon Kirby: That is improving and—it will be on the record now—I fully expect it to be much improved in the near future.

Q248 **Viscount Brookeborough:** You just mentioned post offices. A large number of witnesses, especially banks and others, have used the Post Office, or quoted the Post Office, as being a safety net: "Do not worry; the Post Office will cover." You have just almost said that. We are not very confident that that is actually the case. First, there are a large number of post offices that are closing. Secondly, the banks say that they go into consultation before they close their branches but we have no evidence of a single branch being held open after consultation, so the consultation seems like a paper exercise. What is the guarantee and what

are you doing to ensure that post offices are able to step in, and not only just with cheques and whatever, but with shops that need to lodge money and need to get cash out? What are you doing to ensure that when everybody says, "The Post Office will be the safety net," it can possibly be?

Simon Kirby: It is important to say that 95% of personal current accounts can use Post Office services. We want that to be universal. There is a review in progress, which I believe closes on 21 December, so we will not have long to wait, but I am quite happy here today, as the Economic Secretary to the Treasury, to say post offices play a valuable part, certainly in our rural areas, and we should be doing all we can to support them. Arguably, banks are independent businesses. We have a banking protocol as to when and where they consider closing branches, but if banks close more branches with the advent of new technology, the post offices become even more important. I am quite happy to be clear on that.

Viscount Brookeborough: Will you lead it?

Simon Kirby: It will be the Department for Business leading it, but I am quite happy to be clear on the importance that I attach to post offices for banking services.

Q249 **Lord Kirkwood of Kirkhope:** Could I ask the Economic Secretary to look at the work that Sir Brian Pomeroy did? The success of the increased access to the fee-free basic bank account started with that taskforce that was set up by that Government of the day. When the taskforce completed its work, the momentum was clearly lost, to a certain extent. If he is going to do this part of his job as completely as we would like, he actually needs some support of some kind. If it is not a taskforce, it is something that can keep drawing to his attention the importance of this issue. The economy is potentially flat-lining and people will have more problems with debt. Advice and support is going to become a greater priority. Doing that, as well as doing everything else in that very important role, is something that the Committee would like him to think more clearly about.

Simon Kirby: I am quite happy. As I said before, I look forward to the Committee's report. It is also worth saying that you have started these evidence-taking sessions before the change in Government. The Prime Minister has been very clear about wanting to share the growth in the economy with everyone, including the people at the bottom and the top, and all of us, throughout Government, will be very aware of that, I am sure.

Q250 **Lord Harrison:** Lord Freud, you are demob happy. What was the best thing you did for people with financial exclusion, and what was the worst thing you did?

Lord Freud: That is a terrible question.

Lord Harrison: Give me a terrible answer.

Lord Freud: This has been going on in the background but I have been working incredibly hard with the Payments Council—now Payments UK—and the banking system to modernise our payments infrastructure because, at the moment, we have a fairly old system. We should be able to modernise it. One of the outcomes of that was that the banks announced, under the Payments Council, that they would now go for a world-class payments system. It does things like have the information around each payment attached to each payment. As you know, when you look at your bank account, you cannot tell what on earth you have spent. That is a minor problem for you. It is a major problem for the rest of the economy. Rather than barrelling along and saying, “We want it for DWP”—and we are the biggest users of the payments system in the country—we have stood back and said that what we want is something that the economy wants, and that we would be the prime customer demanding a better and more modern payments system. A better and more modern payment system is one of these completely invisible things, but one that allows incredible innovation and transformation down the track. Getting that going has been invisibly important.

The Chairman: Thank you very much indeed. I would like to thank all three of you for your evidence. It has been a very important session for us this morning. Mr Kirby drew attention to the importance of the whole subject of tackling financial exclusion and the signals it sends out for promotion of, as the Prime Minister has said, a country that works for all. We think this is a very important area. We will be putting together our report. I am confident we will have some robust but practical recommendations. You, and in Lord Freud’s case your successor, will be the people, as Lord Kirkwood has said, who can effect change. We very much hope that this report will lead to some practical change.

As you will understand from the beginning of the session, we are very keen that the Government have a clear overarching strategy in this area. That is so that we can understand how all the individual initiatives you have talked about and filled us in on, which has been very helpful, fit together, are pulling in the same direction, and are more than the sum of their parts.

I would end where I started: on the need, as we see it, for strong co-ordination, which absolutely is not about setting up some big central secretariat controlling body. It is just some mechanism at the centre of Government to try to ensure that this is all co-ordinated, so that all the things you have talked about can move forward together. Thank you very much indeed for your time.