

Treasury Committee

Oral evidence: Consumers' access to financial services, HC 1642 .

Tuesday 16 October 2018

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Members present: Nicky Morgan (Chair); Mr Simon Clarke; Charlie Elphicke; Stephen Hammond; Stewart Hosie; John Mann; Catherine McKinnell; Wes Streeting.

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Witnesses

I: Sian Williams, Director of Financial Health Exchange, Toynbee Hall; Matthew Upton, Head of Consumer and Public Policy, Citizens Advice.

Examination of Witnesses

Witnesses: Sian Williams and Matthew Upton.

Chair: Thank you both very much indeed for being here today, for the start of what we hope will be a wide-ranging inquiry on consumers' access to financial services. Just for the benefit of the tape, I am going to ask you both to introduce yourselves.

Sian Williams: I am Sian Williams from Toynbee Hall.

Matthew Upton: I am Matthew Upton from Citizens Advice.

Q1 **Chair:** Thank you very much, as I say, for being here. Wes is going to talk in his bit shortly about the definitions of vulnerability and it would be interesting to hear your perspectives. I want to start with a broader question for both of you. What do you think are the top three issues affecting consumers' access to financial services? I mean financial services in the broadest sense. We tend to think particularly about banks. Stephen is also going to ask about insurance companies at some point. What are the barriers to access to financial services?

Matthew Upton: To start with, I would split access very quickly into two parts. There is technical access to services, which is being able to use ATMs, access to credit and things like that. There is then what you would think of as reasonable access to services: are those services for vulnerable consumers worse than perhaps I would get? I am going to focus mainly on the latter.

In terms of technical access, one of my three biggest ones would be access to credit. I probably should not, but I will constantly draw this analogy between myself and our clients: I can access credit very cheaply and easily; our clients continually have to go to payday lenders and rent-to-own firms and so on. The Committee has heard evidence before about the harm that can be caused by those firms. There are still unanswered questions there about protections from products, since the FCA's announcement about a possible rent-to-own cap. There is more that can be done in other markets, such as doorstep lending. There are other questions about alternatives for more vulnerable consumers as well, that stop them getting into spirals of debt. One is access to credit.

My other two would probably be on the reasonable access side. My second big challenge or problem would be around the prices that vulnerable consumers pay for their everyday essentials, as compared with someone like myself. When I am shopping around for insurance, energy or mobile phones, I get brilliant deals subsidised by the most vulnerable in society, because they are much more likely to be hit by what we call the loyalty penalty, which is the price you pay once your initial contract jumps up.

This may sound like a trite issue, but we worked out that the average consumer, if they are paying a loyalty penalty in each of six essential



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markets that we looked at, could be paying nearly £1,000 extra per year. If you look at the lowest 10% of the income decile, that can be about 8% of their expenditure. It is huge amounts of money that people are being ripped off, very knowingly, by firms. That should be looked at as a priority. That is why we made a super-complaint to the Competition and Markets Authority a couple of weeks ago, highlighting this issue. That should be looked at. A good issue for the Committee to look at is what genuine alternatives there are to stop people being ripped off by the loyalty penalty.

A third point that would fall under the definition of reasonable access to financial services is the difference between when someone like myself gets into difficulty and one of our clients. I will focus on collections. When you do fall behind on your essential bills, our clients, the people we see, are that much more likely to be chased aggressively, often by Government but still by utility and financial services firms. The use of bailiffs is that much more likely as well. Again, we have given evidence to the Committee in the past about the damage that bailiffs can cause to people's lives when they are pursued.

My three would be access to credit, the prices that people pay and collections with bailiffs.

Sian Williams: I will frame it slightly differently so that you are not hearing the same thing twice. Thinking of it from the consumer's perspective, the first thing is that to access financial services I need to know what I need. It is around the fact that products are too complex, the information and language around them is not helpful and products are not necessarily framed to meet people's needs, as opposed to, "How can I bundle up the most number of consumers for this product?" Because then of course my product gets to the most number of consumers and earns me, as the financial services sector, money. Products are too complex, they are not explained carefully and clearly, and they are not necessarily nuanced enough to meet people's real needs.

When I am thinking about what I need and how to take all of that information, I also need to understand how my life might work. If it is insurance, for example, I need to be able to have some ability to predict my own future. There is also a sense of education. Literacy is an issue but it is not the central issue. The second thing would be around unpredictability of life; increasingly we are seeing people's circumstances become unpredictable. Employment, healthcare, insurance and housing all make life quite difficult to predict. That is the first thing.

The second thing is the products provided. As I said, they are too complex and they are not meeting people's needs, but also they are not really changing over time. For example, if you take payments, there are parts of the financial services sector that are just stuck. It took a huge amount of work and the regulator to say, "Something is not working



here”, and setting up the Payments Strategy Forum, to solve the problem around, for example, direct debits or access to markets in order to increase competition. Somehow, we need to recognise that competition alone is not driving the right set of products in all circumstances.

The third issue is around what the financial services system—Government, regulator and firms—have decided that they need to know about me in order to be able to give me the product that I am asking for. That is around ID and address verification, making sure that I am not fraudulent or money laundering, for example. That is very hard for some people. We can talk about that in more detail. The second thing is around the data that you, as a financial services firm, want to have on me before you will let me have your product. Matt has already talked about access to credit, which is definitely there, but there is insurance as well and the kind of data that I need to disclose. How do I know what data I need to disclose? How is data used well and fairly across the system, so that we are not necessarily offered unfair prices or unfair products?

Q2 Chair: That is really fascinating and we are going to explore a lot of those issues in the course of this morning. That has really given us a good framework for the inquiry. Before I move on, the FCA has proposed a duty of care. It has defined that very broadly in its consultation, I suspect to gather as many comments as possible. Do you agree? Do you think there are gaps that a duty of care would fill?

Sian Williams: I absolutely agree that there should be a duty of care. The reason I think that is because, at the moment, legislation and regulation only require that firms put the best interests of their customers first in certain circumstances. This means that there are many other circumstances where they do not have to put the best interests of their customers first. That goes to the heart of the problem. Finding a way to change that so that whatever you are selling as a financial services firm, in the same way as if you were selling me housing, food, water or utilities, you would have to protect my wellbeing. The moment that a firm is seen not to be protecting my wellbeing by selling something that is harmful, it should have to withdraw the product. We have a much greater tolerance for harm in financial services for much longer, mostly because we think that consumers should be well educated, literate and take financial responsibility, but they can only take financial responsibility in an environment that is created for them.

Putting a duty of care on financial services firms would not be to the extent that they can never do good business. I recognise that this must be a nerve-wracking discussion for some people in the financial services sector, with the sense that there might suddenly be no space for competition and no space for business. That is not the intent, but it goes back to that point about competition causing harm rather than good outcomes. A duty of care should come in to say, “In the space of competition, the primary consideration must be the wellbeing of your



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customer. If you do that well, you will thrive as a firm". That is the kind of competition we should be encouraging.

We are looking in close detail at what a duty of care might look like and we want to work with the regulator and firms on how we shape that so it is workable, but it is a really important step forward.

Q3 **Chair:** Do you have anything to add?

Matthew Upton: Credit cards are a good and interesting example where the dilemma plays out. On the one hand, you see people struggling ever to pay down the capital, just paying endless fees every month; for a credit card firm that is incredibly profitable. In a normal market provision, there is very little incentive for a firm to help someone like that. Something like a duty of care could help.

Backing up what Sian said, the real issue is whether it would have any teeth. There are always principles in place to treat customers fairly, which a lot of firms do not take very seriously, in our view. It would be a positive step if the FCA were willing to follow through and back it up, and firms took it seriously.

Chair: That is very helpful.

Q4 **Wes Streeting:** Good morning. As the Chair indicated, I want to explore this notion of vulnerability as part of this inquiry. The FCA defines vulnerability as "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care". My first question is about whether you think "vulnerability" is the best term to be using. Secondly, do you agree with the FCA's description of vulnerability?

Matthew Upton: This is a really difficult area, because I understand in many ways the bind that firms feel they are in. There is almost this ping-pong back and forward between very static definitions of vulnerability that give everyone clarity—you know as a firm who the vulnerable groups are, and if you look after them you are fine—and the incredibly dynamic definitions where people fluctuate in and out. The dynamic definitions are very good. We get into unhelpful territory when, rightly, people say that everyone can be vulnerable in different circumstances.

I heard something at an event or meeting that I was at a few months ago, where people talked about, with something like mental health, maybe we should not be talking about the one in four, given everyone can have a mental health problem. Maybe we should be talking about the one in one. Things like that make it incredibly unhelpful. What is a firm supposed to do?

My view is that "vulnerability" is the right term to be using. The right place is somewhere right in the middle of static and dynamic definitions, where you do have groups that you know are vulnerable and for which special measures should be taken, but firms are always incentivised and



pushed by the FCA to look out for those who may be experiencing more fluctuating periods of vulnerability. Right in the middle is the right place to be. This is not a debate that will ever be settled. The second you feel like you have settled a vulnerability debate and you have defined it, it will quickly be shown to be inadequate. It is almost right that the debate fluctuates backwards and forwards, if that makes any sense.

Wes Streeting: It does, yes.

Sian Williams: I am challenged by that.

Q5 **Wes Streeting:** Excellent. We have disagreement. Go for it.

Sian Williams: First, we need some language that everyone can use, so that we know what we are talking about. No term will ever be right, so “vulnerable” and “vulnerability” are probably as good as anything else, as words.

On the definition, you know that there was a consultation around changing the definition and that many of us contributed to arguing to keep the current definition. There is a really important reason for that, because if we move away from thinking that anyone can be vulnerable at any given point, then we risk creating an environment in which I am overlooked at the moment that I most need support.

It really comes down to this: although I really agree with Matt that no firm can essentially be a social worker, mental health worker or counsellor, that is not the point of a financial services firm. It is more important to go away from thinking about the whole sector and instead think about the relationship between a firm and a customer. It could be a one-off transaction, at which point you are talking to me in some way—face-to-face, by telephone, on a website or whatever—about me and the need that I have right there and then. There is nothing to stop people checking to make sure that this person’s needs are being properly met.

On the other hand, it could be a relationship. My bank and I have a relationship over far too many years. In an insurance firm, for example, we have a relationship throughout the year and ongoing. Again, there is nothing to stop the firm making sure that, at crucial moments, it understands the signs of vulnerability, such as life events. I know you want to talk about triggers like life events. They are very helpful. Firms also have a lot of data and they can see my patterns.

The more we encourage a conversation between the firm and their customer, whether it is a one-off transaction or a long-term relationship, and recognise that vulnerability, such as mental health, which we will talk about in more detail, bereavement or any of these issues that can surface in someone’s life at any moment, it is not somehow going to make me a bad customer. They are giving you more information as a firm to serve me well and to avoid either of us getting into financial difficulty with each other.



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I recognise the challenge for financial services firms, but it is not limited to the financial services sector. It does not matter which sector we talk to about support and vulnerability; whether it is housing or education, everyone is challenged. It is a huge burden at one level. The other side of it is that investing in it upfront, before you give the person the financial service product, saves you money in the long term. It saves the state money in the long term and ultimately saves us, as a country, money in the long-term.

We need to keep this vulnerability definition. I like it. The word "vulnerability" is never going to be perfect, but it is shorthand, as long as we understand and keep working with the fact that it is a dynamic definition for the individual. It is also a dynamic definition for us as a country. We need to keep thinking about where vulnerability happens and how we work within it. If we were all honest and looked at our own lives, we either have been vulnerable at times or we know someone who is. We want them to be protected as well as some other person over there, who is just a customer in this language.

Q6 Wes Streeting: I do not know how Citizens Advice and Toynbee Hall define vulnerability. If you do have your own organisational definitions that you apply, then do write to us. We would be interested.

Can I just explore something that I find quite challenging from the FCA? They have said that over 50% of the UK population display characteristics that could signal potential vulnerability. It is potential vulnerability, but it does seem to be a very broad definition if it encompasses half of the population. I wonder whether the way in which the FCA definition is applied is helpful if it is casting so wide a net that we are talking about half the population, unless you think that half the population are vulnerable or potentially vulnerable and that this is a fair description, which is probably a bigger public policy challenge.

Matthew Upton: No, because this come back to my answer. Having the narrow definitions of groups that we know will be vulnerable is just helpful for firms to always have in their mind, because you will need to take special measures. Where I agree with what Sian is saying and I agree with the FCA casting that wide net is not that firms should be expected to automatically treat that 50% differently, because there are lots of different characteristics and, as you say, it is potential rather than actual; it is more that it should be incumbent on firms to look out for signs of vulnerability within those groups.

One of the big debates as part of the consultation was about whether firms should be let off the hook by this idea of whether vulnerability is readily identifiable or not. It should not just have to be readily identifiable; I think it should be, as I say, incumbent on firms to seek out proactively where they think their clients might be vulnerable, for all the reasons that Sian talked about, about wanting to have a positive relationship between the provider and the customer. That is how you get



around it: you take provision for fixed groups but firms should have to look out for vulnerability in those wider groups.

Sian Williams: You mentioned a really important point: that there is a wider public policy issue, and there is. If you travel across the country, as I am sure many of us do, we see entrenched poverty, an absolute decimation of public services supporting people in poverty or with mental health conditions, and children with special needs, and every time an individual person is struggling with some kind of issue, it ricochets around.

In the last few years, my family has suffered multiple bereavements, and that has made us incredibly stressed and exhausted, and there have been moments, where we would normally have taken really good decisions, that we have had to just take a step back and say, "Someone is coming at us with all kinds of information and we need to think". We are lucky enough that we have a support network and a really strong economic framework for our own family to survive, but if we were on a very low income, in unpredictable employment or in insecure housing, that could really unsettle us.

It is a wider public policy issue and it is around recognising that financial services serve a purpose to a wider life. Money is not, for most of us, an end; it is the means to an end. It is the means to a well-lived life full of opportunities that we can take up.

I find it fascinating that the FCA, of all organisations, would put out two reports saying that 50% of the population are really at risk of vulnerability. They are not just talking about something like a terminal illness; they are also talking about long-term chipping away at people's resilience from the multiple challenges that people are facing across the country.

Q7 Wes Streeting: I expect all of us around this table will have had constituency cases where financial hardship has been caused precisely in the sorts of circumstances you described: tragic life events and difficult life events that mean that bills have stacked up or important letters have come through the post and the envelopes have not been opened.

That leads me neatly on to the line of questioning you anticipated, which was around life events. The FCA suggests there are four drivers to vulnerability: health, life events, resilience and capability. Do you think that these drivers are useful indicators for financial services firms to use? Sian, particularly thinking about what you just said about public services and where financial services fit, do you think that there should be a greater sense of universalism in terms of entitlement of access to public services? Firms are not under an obligation to provide certain products and services, such as financial products that I think all of the rest of us would rely on. Do you think that is something that needs to change?



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Sian Williams: Yes. We are in a world where we increasingly need to be able to transact quickly, safely and electronically, with a suite of products that are no-frills, minimal cost to provide and minimal risk to the provider—that is really important; I recognise that—but that serve the functions that we know people are struggling to meet in financial services. In terms of transactions, it is crucial that I can receive my income wherever I get it from and pay my essential bills; that is really important. We still have 2 million people who are unbanked; the figure goes up and down and we are never going to know it for certain. The Post Office card account is still not fit for purpose in this changing world, so it is really important to get that right.

It is about access to a savings product that, when I have a small amount of money that I can put to one side, I can easily put to one side in a safe and secure place that I trust, and I can also access. Emergency savings are crucial. We have done a lot of research on this and we know that people on low incomes are putting money to one side, but they are tending to put it under the bed or down the back of the sofa; they are putting it in places so that they know it is there but it is not a formal product, so it has no protection. If there is a house fire, a theft or an unscrupulous friend, neighbour or family member, all of that is then subject to risk. We think that a savings product that feels welcoming, is not daunting and is not framed in ISA terms of thousands but in emergency savings terms of hundreds, maybe, or even tens of pounds, is really important.

On insurance, we know that we just do not have a really good rollout of affordable, cheap, low-cost and low-amount—so low-cover—policy insurance for people around contents. That is really important. If you need your child to have access to a laptop to be able to do their maths homework and all of their other homework, but that laptop is very vulnerable, you want to be able to cover that. Rather than paying for individual item cover, we would much rather see households have a single policy that just covers everything but at a low cost. Many households do not need high cover. The products are there but they are not easy to access, so I think that is really important.

I have been leading work for the Financial Inclusion Policy Forum around access to affordable credit and we have not yet got that range right. Absolutely, we need to really think through who needs credit, and when and why, and who can pay for it and how much they can pay. There absolutely should be a competitive marketplace for most people for the credit space. However, there are situations where the state would benefit from someone being able to flex having to pay for an essential item; that might be a pair of school shoes for a child, where they just do not have the money right now but they could spend the money over the next four weeks. Having access to a small, no-interest loan that will not really increase their total outgoings but would allow them to not then get into trouble somewhere else with a higher-cost lender or to have to forgo really essential items like food and fuel is really crucial. That is



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something that we know we want to take forward, and the Treasury and the Financial Inclusion Policy Forum are working on that with us.

That suite of products is really important. Of course, how we access it is crucial. I honestly think that the mainstream banks have lost the trust of people being able to go to their high street, because of the closure of bank branches. That is a major barrier to overcome. It is not the brands themselves but the locality and being able to go in and have that conversation. Many people still want to be able to speak to someone face to face about the first time they take out some kind of product, so I think we need to reconsider two things: the Post Office as a delivery mechanism for an essential suite of products, but also opening up the conversation around what it would mean for multiple bank brands to be located in a single space. The Post Office is doing that through access to bank accounts through its counter; I think that we could consider a more open discussion around having four or five different bank brands in a single location.

Wes Streeting: That is interesting.

Matthew Upton: Just very quickly, this question of universal banking obligation is a really interesting debate. From our side, access to credit is an essential and, as we know, some people pay hugely more for that and, to an extent, that would be expected because of the risk profile. However, having access to pay for essentials, which is what most people do currently use high-cost credit for, is a big social policy question that I think is currently going unanswered. There is lots of good talk about alternatives and lots of good talk about curbing the harm from existing providers, but there are debates that are tied up with the provision of the welfare system as well, and that would be a really good focus, to genuinely try to crack that. Often in the past the question of access to credit has almost been dodged by just chucking money at credit unions and assuming that will solve everything. I think this is a more fundamental question about how you really make sure about a group who miss out. I agree with Sian that I do not see banks stepping up to the plate on this one.

In terms of other aspects of universalism, again something that the Committee looked at a couple of months ago, which is just worth touching on again, is the difference in treatment that you would get when being pursued for debt from financial services firms versus the state. It is incredible that, as the Committee said, the state are worst in class when it comes to collections. It is so counterintuitive to what the person on the street would think. If you told them, they would just assume. No one is debating about the need to collect taxpayers' money and get money in the door—that is a separate issue—but if you told them that the most rapacious, aggressive debt collectors were the people they elected, or represented by the people they elected, they would be shocked. There are so many reasons to look at improving that, not just in terms of the



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fairness aspects but the fact that aggressive collections just do not work at getting money in the door.

Chair: We are going to move on. There is a lot of ground to cover, so I am going to ask if you can keep answers fairly short. A lot of the answers are quite broad and we are going to cover the issues. I promise you that at the end, if there is anything you feel we have not touched on, you are absolutely welcome to say, "Look, this is an issue that you have missed", and we are going to pick up on some of the issues picked up in the household finances report, for which we are very grateful for your earlier evidence.

I will move on to John—I think you want to pick up a little bit on the vulnerability—and then move on to best practice.

Q8 **John Mann:** I want to know how Citizens Advice assesses vulnerability when someone walks through the door.

Matthew Upton: I guess we would probably take the broadest, most dynamic definition whereby, going back to Wes's point, the typical client does not just walk in with an incredibly identifiable vulnerability and an incredibly identifiable problem. They do very much what they do in your constituency surgeries: they dump a bunch of letters on the desk and are in vital need of help, so we will try to take the broadest definition. We will talk to them about the problems they are facing. We will try to solve that very specific problem, which may or may not be—

Q9 **John Mann:** I am not sure what "the broadest definition" means. How do you assess vulnerability when someone walks in the door?

Matthew Upton: We speak to them. We try to understand what might be causing their problems and whether it might be linked to something very specific—such as a mental health problem—or whether it might be linked to something more like a life event.

Q10 **John Mann:** How do you assess vulnerability when someone walks in the door? That is not an answer. I want to know how you assess vulnerability in Worksop CAB when someone walks in the door.

Matthew Upton: I feel like I am trying to answer the question.

Q11 **John Mann:** You are not. You are giving a generality. I am asking, if one of my constituents walks in the door, how you assess vulnerability.

Sian Williams: Toynbee Hall and Citizens Advice will be very similar. We have frameworks of questionnaires, which is the way we are collecting data. For example, at Toynbee Hall, we have an initial assessor. Someone walks in to the reception. There is a receptionist: "How can I help you?" "I want to speak to someone. I have a problem". "Okay, please wait. We will either make you an appointment or someone will come and have a quick chat".

The initial assessor will take you through a conversation: "Why are you here today?" They are doing two things: they are asking you factual



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questions about the problem, but they are also reading your body language, the way you are talking and your emotional state; they are trained to do that. They are looking for, "What are the facts that you are telling us about the problem?" That is against a set of criteria that we have as part of the advice agencies worked on together and individually.

We will be looking for whether there are signs of mental health issues, either because you are telling us that there are mental health problems or because we are noticing something about the way you are behaving that might trigger a question around that. Are there physical barriers? Do you have a disability? Are you telling us about bereavement or, when we ask questions about life changes, does that come out? We ask about your income, so we can start to see where you are on an income scale, to see whether you are at risk of extreme poverty. We will also ask questions around whether you have stable housing and if you have access to enough food. We will really start to drill into that.

In terms of the whole range of vulnerabilities, you will never cover all of that, for us, in that first, initial assessment, because that is just trying to decide what kind of help you need or what kind of advice you need. When you then get put through to the next range, we will have more questions, and it is always against a set of questionnaires. Different organisations will use different frameworks but we each have one.

Q12 **John Mann:** What is your definition of "literacy"?

Sian Williams: Ours is about whether you can read the paperwork that you need to be able to read. You do not have to be able to read every word, but can you understand the purpose of what it is asking you to do?

Q13 **John Mann:** We are talking about financial communications.

Sian Williams: Yes. For example, if you are coming to us because you are in debt and you cannot understand the paperwork that is being sent to you, we will assume that that means you need to help to read that paperwork. It does not matter that you might be able to read something else; it is in the context that you are coming to us for help, where you are struggling. If it is about going on to do financial education, which is a whole different thing, then we would assess that differently.

Q14 **John Mann:** If you were trying to take a case against a bank or other financial institution for their failure to assess vulnerability on literacy, how do you do that, from your own definitions and the person who has come in the door?

Sian Williams: I will give you an example from where I am trying to bring it in to the work on APP scams. There has been a really big discussion around, if we are asking people to protect themselves using the tools given to them by a financial services firm, how we know that the person understands the tools and can use them. The question you are asking has this dual answer: first, we do not have it right yet; I do not think we are there. Secondly, it cannot be a standoff of the financial



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services support sector—so advice—saying it is one thing and financial services firms thinking it is another. It is something that we need to work on together, and that why is the Financial Capability Strategy, the Money Advice Service and the Single Financial Guidance Body, going forward, have a really important role to help us define what people need to be able to understand in a given context in order to be able to protect themselves and to be able to make good decisions.

We often talk about APR as a thing that people do not understand. Most of us would say it probably does not matter. What most people, when they are taking out credit, need to know is, “How much am I going to pay, can I afford to pay it, do I want to pay this, and can I get a better deal somewhere else?” If you cannot assess that and if you cannot make those decisions, then probably the lender should be saying, “I am not sure that you can make the right decision here”.

Q15 John Mann: When Citizens Advice writes to someone, how do you know someone can read the letter that you have written them?

Matthew Upton: In an individual case, we obviously do not. What we do is all of our communication—everything we design and our website content—is built around trying to maximise how much people understand. When we write our content, of course we make it legally accurate and so on, but we literally look at how you make an issue as understandable as it can possibly be, and then start from there and flesh it out. We try to make all our communications as comprehensible as possible.

Q16 John Mann: When you have advised my constituents to go for bankruptcy, what have they been able to read, separate from your advice, when you have given them a course of action, which happened regularly for a period of time? You have given them a course of action—your recommendation as the experts. Where do they get their independent advice if they have a reading age below the age of, say, 11, which would be quite a lot of my older constituents, to make an assessment that your advice is appropriate?

Sian Williams: I would say that we are in a situation—

John Mann: No, I am asking Citizens Advice here.

Sian Williams: But I would say that we are in a never-ending circle because, if you are suggesting that for every piece of advice, you need another independent view on the advice, it would be never-ending.

Q17 John Mann: No, I am not. I am asking about literacy, because the Financial Ombudsman Service does not have a definition of literacy. The FCA has not had a definition of literacy. The legal service remedy systems now do, after it was demonstrated to them that tens of thousands of complainants to them could not read the letters that they were sending out. In 90% of the cases I deal with, the person getting the mortgage offer or whatever cannot technically read what they have initially signed but they have signed it. I do not mean they cannot



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understand it; they cannot actually read it.

Matthew Upton: Yes.

- Q18 **John Mann:** But there is no system yet for redress on that. I am asking about your systems in relation to that, because I am not convinced, if they go to you, that there is that system there either, which makes it harder, therefore, to change the system with financial services. I am asking what best practice you are demonstrating in relation to literacy.

Matthew Upton: I would defend the quality and comprehensibility of our advice.

John Mann: It is what every bank tells me.

Matthew Upton: We audit ourselves.

John Mann: It is what every bank tells me.

Matthew Upton: We have huge processes in place. We work very closely with the Money Advice Service—

- Q19 **John Mann:** That is why I was asking precisely about your systems and defining vulnerability, so let me come back to it. In terms of best practice, what is your best practice for constituents such as the 500,000 retired coalminers in the country, the majority of whom left school at 14 or 15, for whom, demonstrably, levels of literacy are significantly lower than the majority of the population, who are sold financial services, not least because they were relatively well-paid and have bought housing, say, from the Coal Board? They are users of products. What I am trying to ascertain, in terms of the systems that the FCA uses, that the banks use and that the FOS uses—in my view, they do not incorporate this at all and it is a fundamental weakness—is what your best practices are in relation to it. I mean your precise ones, not your general ones, because I get that from the banks. What are your precise best practices in defining that for people such as some of my constituents?

Matthew Upton: If there is a particular case that it would be helpful to talk about, which we have advised on, we would be more than happy to do that.

- Q20 **John Mann:** I took 2,000 cases to the legal services ombudsman. It is not particular cases. There are vast numbers of cases, including with CAB and including with countless banks. Literacy is only one part of vulnerability, of course, but it is a pretty big one because people are signing things. The whole basis of financial services—the contract—is based on a signature. I could go into side issues such as people who cannot even write, where they do not sign it themselves. That is a small subset, but in most of the cases I deal with in this sphere, people cannot read the letters. It is no good me writing to them. They are trusting, therefore, the advice that you give or I give.

Matthew Upton: I agree.



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John Mann: But we do not have a system where the regulators, the ombudsman or the financial institutions accept that yet as a vulnerability—the very thing that they get people to sign. There are ongoing cases now, never mind historic ones.

Let me put the final question: that change of precise definitions, in my view, would make a major difference because it would allow redress. If there is lots of redress coming, then those institutions, for commercial reasons, are going to improve their systems very greatly. Literacy is such a big one because people sign stuff. Therefore, would you not agree with me that providing systems of best practice—and if you can help the Committee by providing them—on how that could be done would have a very significant impact on how the financial services industry would have to carry out its business, precisely because they require people to sign things that allegedly they have read? That is my long-winded question to you.

Chair: Would you like to come back to us on this issue of people who literally cannot read?

Matthew Upton: Yes.

Q21 **Chair:** I think that all of us, as Members of Parliament, have people who bring letters of all kinds—literally a piece of paper with, as far as they are concerned, squiggles on them and they bring it to our offices and our caseworkers read them for them.

Matthew Upton: Likewise, yes.

Chair: John makes a good point: that having stuff on websites is irrelevant for people who cannot read. It would be very interesting to know how both of you handle people who literally cannot read and who come to you for advice. Is it all done face to face or with somebody else in the room who is able to listen and, therefore, then take away paperwork and read it on behalf of somebody else?

John Mann: I am talking about low literacy, not just illiteracy.

Matthew Upton: Yes, absolutely. We are happy to provide it. To be honest, that is why face-to-face and phone advice is so important. If people think that online, however smart it gets, can work for John's constituents, it is a mistake.

Chair: We are going to come and look at bank branches, and I think you have already made the point as well about that. We are going to move on to the loyalty penalty.

Q22 **Charlie Elphicke:** Many of my constituents in Dover do not have a lot of money. Internet access can be patchy in some of the more rural areas. I often get complaints about people having the same house insurer who just puts the rates up, up and away each year, or the same car insurer, and they are quite literally taken for a ride. It is the same issue with broadband, mobile and savings accounts: the interest rate just suddenly disappears to nothing. Do you not think that it is entirely unacceptable



for consumers to be taken for a ride in this way? What do you think should be done about it?

Matthew Upton: Yes. That is literally why we submitted the super-complaint. I could not agree more. I think you are right that it is a business model where, in the way these industries are currently set up, the businesses that will thrive are the ones that are best at hooking people and then ramping up the price.

In terms of what should be done, there was a really interesting debate at one of the party conference events that I was at with the Chair, Martin Lewis and John Glen, where Martin Lewis drew the distinction between the acceptable and the unacceptable victims of competition. The competitive environment in these sectors works for a lot of people and it can drive down prices, but there are too many groups—people with mental health problems would be one of the most prime examples—where any expectation that they will be able to shop around effectively and compete is just, in our view, very unrealistic.

It is time. The reason we launched the super-complaint is that there is an interesting, arguably, precedent being set in energy, where, for some groups perhaps it is right to intervene to protect prices. There were lots of debates between whether you bring in a whole market cap or a safeguard tariff for vulnerable consumers. It would be interesting for people who know better than we do, like the CMA and other regulators, to explore whether similar protections could work in those other markets. For me, it would be a bit irresponsible to say right now that you could bring in similar caps or things in those markets, because there needs to be a real look at what impact it might have on competition, but I completely agree that it is unacceptable and needs to be looked at.

Q23 Charlie Elphicke: Let me put a different case to you. You are drawing a distinction between vulnerable consumers and all other consumers—let us say someone aged 25, who is really internet-savvy and gets a really good deal. Let me put to you a different case: everyone is getting stung by this model, and everyone is getting stung because the people who are making out like bandits are the price comparison websites, which I read the other day charge as much as 10% of the entire deal value, which is an astonishing amount of money. Is it time that we looked at a model where the FCA woke up and started to put requirements on the industry that they should have to offer each consumer their best available deal that they would offer to a new consumer in order that consumers are not taken for a ride?

Matthew Upton: Personally I think that would be very much worth exploring. Again, I am tempted just to give wholesale support, because we have been tempted to recommend that very measure and, in some markets, we have pushed it. The reason we did a super-complaint is we would like the FCA and the CMA, and so on, to look at exactly what you are proposing: would that measure work? What would the impact be on



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competition? Would it stop people shopping around? I think it could very well be a good remedy, yes.

- Q24 **Charlie Elphicke:** Were we to go with that model, where you have to give the best offer to everyone, in that case you would end the business model of just ramping up. Also, how much does it cost a business to have a whole load of people who are working on trying to stiff their existing consumers and then trying to win new business and shelling out all this money to price comparison websites? Would it not be better that all consumers get a saving?

Matthew Upton: I could not agree more.

- Q25 **Charlie Elphicke:** It would also be better for the business because the business would probably make more money, as well as giving consumers a better deal.

Matthew Upton: I agree because, as you say, the whole incentive structure at the moment is set up to reward businesses that pursue bad practice and all sorts of “tease and squeeze” deals, as you said. If you can turn the market in the way you describe, to incentivise businesses that want to look after their consumers, then great. We have spoken to lots of businesses that have tried to come in against the prevailing business model and just have generally cheap prices, and are not staying. The problem is that, financially, it does not stack up because it makes sense, on a rational business level, to bring people in and then whack up the price and hope they do not notice. I agree: the picture you paint for how it should work is exactly right.

- Q26 **Charlie Elphicke:** Can I put it to you that there is perhaps a sickness in the business culture in this country as regards the behaviour of price comparison websites and with regard to the business models that companies feel they have to pursue, and what we need is for the FCA to step in and take real action to correct the way the market works in order to make it work for consumers—all consumers, not just vulnerable consumers—and make sure that businesses themselves have fewer unnecessary costs?

Sian Williams: I agree with almost all of that except one piece, which is that, in that hypothesis, you are putting price comparison websites at the heart of the problem. I think the problem existed long before price comparison websites started charging fees for comparing prices. I think it is at the heart of the business model of financial services. We have to accept it is at the heart of the business model of most competitive markets: if the way to get a customer is to tempt them, you are going to offer them something. In the long term, you probably cannot keep offering them that. It is about the way that we interact and transact in this country and in this type of market.

You are right to say that we need to look at the way that price comparison websites act as a friend but they are possibly a false friend, but I think the systemic problem is deeper. One of the things that we



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need to look at is the duty to shareholder and the duty to shareholder return on investment. If the legislation within this country requires boards to prioritise the return to shareholder, not good outcomes for consumers, then we still cannot solve the problem that you are describing so well.

Q27 **Charlie Elphicke:** I would say that price comparison websites are at least part of the problem.

Sian Williams: Yes.

Q28 **Charlie Elphicke:** Should it be enforceable that they should have to provide full transparency as to the level of commission that they are getting and how much they are paying each of these businesses, so that consumers will know?

Matthew Upton: It is an interesting question. I agree with the principle. We did look at this issue. When the CMA did an investigation—I think it was last year—we did look at whether we supported full transparency on the price comparison websites themselves, and one of our worries was that it would potentially just confuse consumers further. Do they need more than just to see the headline price? Effectively, what I really care about is consumers paying as low as possible. Hopefully, commission being low would be a key part of that. That is why we did not fully ask for transparency on the site.

There are other mechanisms of transparency. For example, organisations like Citizens Advice could be almost naming and shaming the providers that are charging more; that would be something interesting to look at.

Q29 **Charlie Elphicke:** Looking at the whole duty of shareholder return and all the rest of it, is not the principle that an open competitive market, where there is open competition, will have the effect of making sure that consumers have maximum choice, which will have the effect of driving down prices? The question here is whether it is an issue of market transparency or simply one of consumer inertia?

Sian Williams: Full transparency is probably impossible to achieve, and only full transparency in the way you are describing will solve the market problem you are describing, if we are relying on transparency to be the sole tool. Inertia is a given, and most people just want to get on with their lives. Most people are not thinking about financial services. They might be thinking about money: "Do I have enough and can it meet my needs?" They are not thinking about the margins in financial services that we are considering here.

There are many, many times, going back to the literacy point, where I have sat with someone who is struggling to read the documents. I point out to them that, for example, in their gas bill they are £262 in credit, because they do not understand that "CR" on the statement means that they are in credit, so they keep paying money. When I say to them, "How long have you been with British Gas?" for example, they will tell



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me, "I have been with them for 10 years. They are great. They are wonderful. They look after me", and I explain the whole problem of the loyalty penalty. They will say, "But I like it. They are nice to me. What is £52 a year when I know that nothing will go wrong with these people?" Of course, things are going wrong. It is just not a type of wrong that means that they immediately have a crisis to solve. Some of them, when I tell them they are £252 in credit, will say, "That is great. I have some savings. That is really good".

People are much more complex than inertia really explains. When any of us are thinking about our lives, and particularly when someone is busy, their life is full, they have children or parents to care for, they have a job to do or whatever it is that is going on for them, in terms of spending ages trying to compare lots of prices and still not getting much of a difference, how much can we put on the consumer? I agree with you that, where someone is earning money out of comparing prices, they need to declare that, because I need to see, "Why are you telling me this one is better than that one? What are you getting out of it?"

I really like the central point that you are making outside of just the price comparison websites, which is that there is a duty on the firm to offer a customer the best possible price. It should not be just at the point of entry to that customer's life; it should be throughout your relationship with them. How do we get there? We certainly cannot do it in the market framework that we have right now because the market does not encourage that and it does not legislate for that.

Q30 **Stephen Hammond:** Good morning and thank you for coming to give evidence this morning. A lot of the issues we have spoken about so far and that I would like you to talk about are relevant across all financial services sectors but I wanted to concentrate specifically on insurance for a few minutes. Could you highlight any access issues that you have come across that we have not so far discussed? Secondly, in your experience with insurance companies, could you highlight perhaps a couple of examples of bad practice but potentially also good practice, if it exists?

Matthew Upton: We have already talked about the loyalty penalty, so I will not talk about that. Our biggest challenge around insurance for our clients is them being under-insured or uninsured; people feel like they cannot afford it and are excluded from the system, so they just do not. It is a really interesting challenge about the risk they are exposed to. How you solve that problem is incredibly tricky.

The second biggest issue, which is only starting to come through and which will become more and more prevalent, is around the information that is used to profile people. As you know better than I do, the whole basis of insurance is based on pooled risk. As people start to gather more and more intelligence on their consumers, there is an interesting question about whether that will start to break down and whether you will just know so much about said consumer that they just become, from a



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firm's point of view, uninsurable. That is an interesting one. You see that starting to break. There was a scandal—I will not name the firm—about the mystery shopping that a newspaper did, where they filled in different characteristics with huge differentials in price. That is one of the big practices that we are worried about.

Linked to that, our big worry is that, at the moment, it would be pretty easy to see where a firm—whether in insurance or somewhere else—is choosing to price-discriminate between different consumers. It was very easy back in the day: someone weighs you up and then charges you accordingly. As you move into a world of unaccountable and even unseeable algorithms and machine-learning, firms are even starting to admit themselves that they are nearly at the stage where they cannot see themselves why a decision will have been made. That is a huge risk for some of the clients who we see, as proxies such as ethnicity start to be used to price people out of the market. There are current worries around lack of access and uninsured, and future worries about how data is used.

Sian Williams: It is really hard to find good examples of insurance practice but I will find some and send them to you.

Stephen Hammond: That would be helpful.

Sian Williams: On poor practice, disclosure is a big issue. What an insurer is trying to do is to insure risk. In order to be able to insure risk appropriately, they need to understand the risk, so creating a culture within which the person seeking insurance and the insurer can have a conversation, where the person feels able to disclose absolutely everything that is relevant, without somehow then either being penalised or excluded, is crucial. That is the fundamental problem: the lack of transparency and the lack of equality around data-sharing in the insurance industry. When I was on the Financial Inclusion Commission to begin with and we were holding evidence sessions and trying to understand something about insurance, we got absolutely nothing. No matter who came from the insurance industry, whatever we tried to ask them, they said, "Sorry, we cannot disclose. Sorry, that is commercially sensitive." There are just too many black-art models, and I think that is a big problem.

The one area I have seen good practice is in the social housing sector and the use of an intermediary organisation that has a good relationship with people who need something that they would not normally try to access—contents insurance—and where we see that bundled up in a rent payment and also flexed over the year to meet someone's ability to pay. Often with insurance, you end up paying extra if you cannot pay in a one-off payment. That is one of the big issues: trying to find a way to allow people to pay for insurance as and when they need it.

There are some emerging examples of flexing insurance. For example, if you need to cover driving someone else's car just today, you can buy a



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day's worth of insurance, rather than having to be put on the policy for the year. In terms of meeting people's needs in a responsive way and increasing a sense that it is okay to disclose—"I have to tell you what is going on in my life in order for you to be able to judge the risk but you are not going to exclude or exploit me as a result of that", so a trusted relationship—we cannot get there without better disclosure of data from the insurance company side.

I will go away and find some more examples, because they are there but they are difficult.

- Q31 **Stephen Hammond:** The last point you were making, about disclosure, is crucial. Is that disclosure then leading to discrimination or is it a better pricing of a pooled risk, which is what you referred to, Mr Upton? It is almost impossible to break that up in terms of where it goes. There is a question, from my point of view, listening to your response. If the issue is uninsurability, which is one of the things you referred to, we have seen Flood Re as a Government type of product for uninsurable flood risk. What would your advice be on whether or not setting up a similar form of organisation—there is Pool Re as well, as you know—would be a way to overcome some of the access issues but also potentially force more disclosure or insurance companies to reconsider the way they price risk?

Matthew Upton: It is not something specifically we have looked at but I think it is a really interesting one to explore because, as you say, these are a group that the market does not provide. Overcoming some of those disclosure risks will just be incredibly hard, for the reasons you outlined, so I think it would definitely be something worth exploring.

Sian Williams: On Flood Re, the key thing there is that the risk is likely to the extent that any individual insurer would be insane to insure it, because that particular area is so at risk of flooding that what you are really saying is that it is not so much insurance but a pooled risk model. It is a fantastic tool. I would not want to use it instead of making the insurance market do its job properly. Where I am not necessarily going to experience the actual event that we are trying to insure against but there is a risk I might, that is insurance. Where the likelihood is that at some point this is definitely going to happen, that is pooled risk, and we share that. That is where the hard analysis is not yet done: on which topics, which themes and which risks are impossible to insure in a classic insurance model because they are almost certainly going to happen at some point. We then go off the competitive model and into the more collaborative, shared risk model.

We cannot let the insurance industry off the hook for discriminating against people because they are harder to insure or they are more expensive to insure. We need to work on solutions for that.

- Q32 **Stephen Hammond:** Potentially, by setting that sort of organisation up, you could force what you want to happen. It seems to me quite tricky also in terms of where you are going to be able to set guidelines to



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dictate to insurance companies how they are going to price risk in any given situation.

Sian Williams: Yes. I am sitting on the new household resilience taskforce, and one of the things we are considering is whether, in the context of where insurance has a role to play—for example, in unpredictable employment or critical illness, which could happen to anyone at any point—a collaborative solution for low-income households or a low-income employer could be a solution there.

Q33 **Stephen Hammond:** Finally, the FCA has published a document on access to insurance, concentrating principally on travel insurance. I wondered what your views on that document were. Have you seen any response to it in terms of making it easier for people to potentially gain travel insurance? What might its application be for other areas, or what lessons should be learned out of that for other areas?

Matthew Upton: I will hold my hands up and say I have not read it in detail. Travel insurance is something that we have not looked at hugely, but I know we work very closely with the Money and Mental Health Policy Institute. We have highlighted the problems that particularly people with mental health problems have getting insurance. It is a really positive step. We would hope that the market study that they have kicked off takes the broad definition. When they looked, for example, at access to short-term credit, they did consider some of the access issues around alternatives and things like that. I hope it would look at some of the questions that you have raised around not just looking at how insurance companies treat people in vulnerable circumstances but almost taking the problem in a more holistic way: “These people need a solution; therefore, if the answer is not these firms”—and again I agree with Sian; I would not want to say right now that it is not the job of insurance companies and we should let them off the hook—“is there a wider question?” I would hope the FCA look at that very broad policy question.

Sian Williams: I do not have anything on it yet.

Q34 **Catherine McKinnell:** It is interesting that I do not think either of you have looked at it in great detail, because I did want to focus particularly on mental health and access to financial services in general but also the insurance market. Matthew, you said you have not looked at the Money and Mental Health Institute paper in detail. Sian, did you say you have not looked at it?

Sian Williams: You are talking about the FCA one, are you not?

Matthew Upton: Yes, I was talking about the FCA.

Q35 **Catherine McKinnell:** Okay, fine. I wanted to ask you about some of the recommendations that have been made within that and some of the issues that have been highlighted with travel insurance, as well as a general inability to differentiate between a mental health condition that may be short-term, which you highlighted an example of earlier, Sian, in



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terms of a bereavement or a life event, and something more long-term. What do you think needs to be done to tackle this issue for consumers? There are some real horror stories of people unable to access insurance, which seem to be exploitative and completely unfair.

Matthew Upton: I do not have an easy answer for you on access because we have not done a huge amount of work on it. The thing that we should start to consider being a given when it comes to mental health and things like insurance is that, where there are particular conditions in place, we just should lose and end the fallacy that they can compete effectively and get good deals. There are numerous examples of people being ripped off hundreds and hundreds of pounds, with multiple mental health conditions and problems. That is the bit that we have done work on and will continue to push on. Access is not something we have done a huge amount on.

- Q36 **Catherine McKinnell:** In terms of financial services in general and ability to get a fair deal, what can we do to make that a reality and to make sure that the market does cater for and, even more, support people with mental health conditions?

Matthew Upton: Just very quickly, picking up on some of the stuff that Charlie said earlier on, it would be an interesting solution to look at. In insurance, if we are saying they cannot compete—again, there is lots of complexity within this—should someone with certain mental health conditions automatically be on the best price that that provider has? That is genuinely interesting. If you start from the premise that they cannot compete and they will not shop around, is that the best way to protect them? It would be a really interesting one to look at. This is exactly the reason why we have launched the super-complaint: to look at this range of proposals.

- Q37 **Catherine McKinnell:** In which sectors do you think that that requirement is most pronounced?

Matthew Upton: Energy, broadband, mobile, multiple forms of insurance and mortgages, which is often where the penalties are highest. Again, people are just sitting there, drowning in debt. We will often get someone come to us in huge amounts of debt. You do all the things to try to restructure their payments, and the real problem is that they are paying £600 more on a standard variable rate than they are on an SVT that they could easily have access to. It is really interesting. You start trying to solve a debt problem and you realise it is a problem of their spending. Those would be the markets we would look at.

- Q38 **Catherine McKinnell:** Going back a little to John's questions in terms of definitions and defining those people who would require that support, can you see a way to be able to do that?

Matthew Upton: This is one we have been agonising with. Again, going back to who the unacceptable victims are, I will be honest and say I am less concerned about someone who is deciding not to compete in the



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market and therefore paying hundreds more than they should. How broad a net you cast over the group that needs price protections is a genuinely difficult question, because you could easily make an argument that everyone with pretty much a full range of short-term and long-term mental health conditions cannot compete. You could make a strong argument for a lot of older people, especially digitally excluded older people who cannot compete for the best prices, and those on lower incomes, with all the work around mental bandwidth, and so on, that the poverty premium research has shown. You could cast a pretty wide net. We are hoping that the CMA will take a really close look at that.

Sian Williams: I do a lot of work with people on low incomes directly myself, either running training sessions or co-designing sessions on what would work better. Recently, I have been doing a lot of work with people on low incomes and who also have mental health issues. Looking at what it looks like on the ground for someone, in real life as opposed to an amorphous mass, is really helpful. The first thing there is that even a long-term mental health issue fluctuates, so that is really important to recognise. It is about understanding that there will be times when someone feels really on top of everything in their life and that engaging with financial services is something that they can do. We do not want to take that away, so that is really important. Creating space within any framework so people can be empowered and independent when that works for them is really crucial.

It is true in many circumstances that people are saying, "Someone needs to help me with my financial decisions but not all the time on all things, so creating structures which allow me to get the support of someone else when I need it and to do that in a non-intrusive, supportive, empowering way but also with no stigma attached". That is crucial in terms of lasting powers of attorney versus fluctuating powers of attorney, but also in terms of products and services that allow me to switch on and switch off someone else helping me, such as PINs, cards, additional cards and additional access to accounts. We need to make all of that easier and better. That really helps.

The other thing is around a better assessment of the impact of this particular mental health condition on my finances generally, and then, as a subset of that, the risk to the firm providing me this particular service or product: "How will my mental health condition interact with what they are trying to offer me?" If it really has no impact on what they are trying to offer, it just should not be an issue at all. If, however, there is some kind of risk to them—for example, in a mortgage case—if I am long-term sufferer of depression and in my life depression has led to periods of unemployment where I cannot pay, that needs to be factored in because I want my mortgage to work for me. We need to think about coupling, for example, mortgage and insurance together to make that work. That goes back to the pooled risk, around what that looks like for people with a certain health condition that will undermine their ability to meet their financial requirements.



The final point is to say that it does not have to be just a relationship between the financial services provider and the individual. One of the things that we are missing in this country is accessible, affordable and normally free financial guidance for people on lower incomes or with particular circumstances. There is an industry of financial advisers for people with wealth; there is not an industry of financial advice for people without wealth who are not in crisis. That is missing.

Q39 Catherine McKinnell: The way you present that is very ideal-world: that there would be that level of understanding and there would be that level of ability to differentiate between a short-term mental health impact on an individual and a long-term condition that then fluctuates. Is it realistic to expect that financial service providers will be able to find a mechanism to support each individual, wherever they are, at whatever stage they are in their life?

Sian Williams: If we take it just in the context that the financial services provider would need to be able to assess that, identify it, understand the implications and build a tool specifically for it, of course that is a big ask, but none of those things needs to happen in that way. The person who has mental health issues knows they have mental health issues. They have probably already engaged with other services at some point. They could probably already describe quite well at some point—or someone in their life could describe for them—what is going on for them. That is just generally true. It does not have to be a one-on-one bilateral conversation, nor are those tools single-purpose.

For example, when we were talking about the introduction of universal credit, we were saying, “If only banks could offer jam jar accounts”. We had that conversation for a long time with the banking sector and they kept saying, “It is too niche.” We were all saying things like, “You know the student population when they go off to university. Do you not think their parents would really like jam-jar accounts for the student population?” I might have a particular life phase where, for example, I am moving and I could really do with just parcelling out money in ways that I do not have to think about later.

Many of these tools are not single-purpose; it is just that we use them for a purpose and we can also repurpose them over there. That is what is often missing in the whole discussion around vulnerability. We go, “It is them and us. Those people over there are vulnerable. They are always vulnerable. They are different. They are not like human beings. They need particular things that no one else would ever find useful”. That is absolutely not the case.

Q40 Stewart Hosie: Matthew, can I start with you? What is your assessment on the impact of branch closures, particularly on groups of consumers? What is your general take on how the branch closure programme has affected people?



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Matthew Upton: It is really difficult. This is one of the problems where often this struggles to get through, because you will have lots of constituents turning up at your door but, for a lot of the decision makers, it is something they do not really feel acutely because of the increasing use of online banking and so on and so forth. I think it can be hugely damaging. We have seen a big retreat from the high street by the banks, as is well known. The solution with the Post Office providing banking services is, in principle, a really good one. There are definite reservations that we have about levels of awareness and the quality of that service that is being provided, which we are quite keen to look at, but it does make a lot of sense as a policy solution. To your question, yes, it is hugely damaging and something that we take very seriously.

- Q41 **Stewart Hosie:** In particular, in terms of the impact on groups considered vulnerable, is it more pronounced, or are they the same kinds of issues across the piece that the general population are affected by?

Matthew Upton: I would say it is more pronounced. Again, just to pick a couple of reasons why, it would be the digital exclusion side that is more likely to be vulnerable. This is always an interesting one; people talk a lot about the social aspect of this—about the trip to the bank being the only interaction that someone has in their day, which is why the case is quite strong for the Post Office to increasingly play that role. You are right that is more pronounced for vulnerable consumers.

- Q42 **Stewart Hosie:** To either of you, in terms of the workarounds being offered for those who want to interact at the Post Office or with mobile banking, do you think that the workarounds or the solutions or the alternatives are adequate in any way?

Matthew Upton: It is a really good question. Potentially, I can see how, if you get a model right, where the Post Office is an institution that people trust and is seen as part of the fabric of society, that can work. Technically, you can get 99% of basic services that you would need from your bank provided there, from I think it is 28 different banks. That is an imperfect but decent solution to the problems of flight from high street. The issue is getting it right. I do not think enough people know about it. As I say, there are genuinely interesting challenges. We want to do more research about the quality of the service provided; it is all tied up with questions about the changes to the Post Office more broadly. It could be a good solution; I am yet to be convinced that it is the answer to the problem.

Sian Williams: On a one-off transactional basis, we can find many workarounds for many people, but there will always be people for whom face-to-face is essential. To not duplicate Matt but just to add a bit, there is something around what it means to have a financial hub in your community, which the conversation tends to miss. Bank branches are important but it goes further. If you take away a financial hub in total from a high street, then we do see a fall in the kinds of financial conversations going on in that place. It is usually an indicator that we



are going to see a drop in the overall level of wellbeing there in terms of financial wellbeing and financial resilience. Other financial services providers come in, so we start to see higher-cost financial services providers, and then, essentially, Cash Converters and those kinds of shops. I tend to see it as a predictor that this place is on the down. I think people in the community also feel that.

For example, if there is nowhere to go and pay in your cash that you have taken as a small business, then we know that you are probably now going to either stop taking cash or discourage people from taking cash. One of the big conversations that I have been having in the Access to Cash Review is about what that tells people: "If you are a cash user, you are not now welcome here". We start to see a polarisation of communities when we lose the final footprint from a financial services firm in a community, and I think that that is the bigger conversation. Again, that is one of the reasons I think hubs work.

Q43 Stewart Hosie: We will come back to that, because there are deeper psychological issues at play there. You have both spoken about the high street and about the branch that a bank or the Post Office closes. I am going to turn your attention to people who are vulnerable and not in areas with high streets but who live in villages where there was never a bank, where the last Post Office has shut. There is now precisely nothing, except perhaps for a shop or a filling station. What on earth happens? What is the impact on vulnerable people in those circumstances? It is not simply a case that the major institution has gone but there may be others—inadequate replacements but nevertheless others. What if there is precisely nothing? How would one deal with that situation?

Sian Williams: It is why I did not say "banks" but "financial institutions", because I think the Post Office is crucial for those kinds of communities. I do a lot of work with credit unions in rural areas. When I am sitting talking to the credit union, they are saying, "The Post Office has gone and now we are the place that people come and want to pay in some money or to withdraw money". People are naturally trying to seek out the next option or the next alternative.

What does it do and how do we do it? I have said that losing a financial provider and a financial hub in a community of any kind—high street or rural—has the same impact. It means that people are now almost behind a wall when they are thinking about their money. There is no place to go and talk. There is no place to go and pick up information. There is no place to go and think about it. Now you have to think in your home and on your computer. You are forced into a different mindset. That is really important. If you cannot do those things, you struggle to access anything.

When we are looking at a rural community or people living in out-of-town housing estates, and we are talking about very low income, if there is not a decent set of financial services but those people are still essentially



paying the poverty premium, we see that poverty premium go up. For example, if you cannot access cash for free, because you cannot go to a bank or a Post Office, and the only place in the area is an ATM that is charging, everything that you buy with cash is now more expensive, because you have also had to pay to get your cash out. That includes topping up your prepayment metre to get your fuel for the night. We definitely see a cost.

How do we tackle it? I do not think any of our existing models work. I do not think any of our existing structures work in order to be able to tackle that, because all institutions are charged to work alone. They are not allowed to talk about price. They are not allowed to talk about co-operation and collaboration. We have to come to an agreement that, in order to solve that, there has to be a permissive space to talk about collaboration to meet the needs of under-served communities.

Q44 Stewart Hosie: I know that Simon is going to ask some questions about the ATM issue in a minute, so I will leave him to do that, but can I just finish by asking you both whether the Access to Banking Standard has improved in any way the way in which banks interact with consumers who are going to be affected by branch closures. If not, what should be improved there?

Matthew Upton: For me, the potential is great. I think we have not done enough research yet about whether the reality is that people therefore have access to the services they need in places like Post Offices. Potentially, it is brilliant; the question is whether the implementation is as good as it needs to be.

Sian Williams: The framing of it is unhelpful, because the Access to Banking Standard is about the last bank in town leaving. We need to get to the discussion before then because, once the last bank in town has decided that there is no economic case to stay, there is nothing left to do except to say, "There are still some branches somewhere else and there is an ATM". There is no requirement to put provision in, because the last bank cannot be expected to do that on its own.

If we brought the conversation up the food chain a little bit, before the last bank is left to be the last bank, once banks start to see that their business and their footfall is starting to fall—it is not accounts but footfall in the branch—that is the point at which we need to be able to have the conversation. Financial services providers in an area need to be able to talk together and say, "We are seeing footfall in our branches drop. It is uneconomical to have staff and a branch. How are we going to handle this so that this community can continue to have something?"

Matthew Upton: Just very quickly, that is why the network transformation programme for the Post Office is key to this. Ideally, you have banks and Post Offices in as many communities as possible and do not let anyone off the hook for that withdrawal, but at least having Post Offices co-located with viable businesses in those areas offers some kind



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of commercially viable solution for those customers, however imperfect it may be.

- Q45 **Stewart Hosie:** Can I just ask, finally, just as a little adjunct to your comments, Sian, about the footfall in banks falling? Have you had discussions with the banks? If you have, have you heard this stuff that there are only 20, 30 or 40 customers who use the branch every single week of the year? If you have been faced with that kind of line, have they justified that to you, when there may be 1,000 people using it 30 weeks a year but only a very small number using it 50 or 52 weeks a year? Have you had those discussions with them about how they justify the closures?

Sian Williams: We hear it at a top level, because they will never share the data. The challenge is that we are fundamentally opposed to the argument because, for me, financial services is an essential. It is not primarily a profit-making-purpose business, although it has become that. We are in an environment where you have to be able to transact to survive. That is the truth of a capitalist market economy. We are not living in a socialist state; I do not get my food and housing for free, so you have to let me transact to make this economy work. If you do not give me the means to transact and then blame me for not transacting, this becomes very difficult.

I come from that perspective. If this is the market economy model that we are choosing, then financial services should be provided as given. It has to be an essential—it is a utility—otherwise, the market does not work. Alternatively, we accept that it is okay to exclude some people, but we know that, if we model that well and we model that accurately, the number of excluded people will grow, not fall. Poverty increases with exclusion; it does not fall.

It is in our interests to make sure that, if you choose to have a market economy model, I have to be able to transact in the market. When a bank is told that they cannot collaborate to make sure that happens, and the competitive framework and the legislation around antitrust means you cannot talk to anyone about making that happen, I think we have created an impossible conundrum.

Stewart Hosie: That is helpful. Thank you.

Mr Clarke: On that cheery note—

Sian Williams: Welcome to our world.

- Q46 **Mr Clarke:** No, welcome to my world. I see it absolutely in my own constituency, in Loftus, which is a small town near the coast. Last October, the last bank left, in the form of Barclays. In Guisborough, which is the next town up the food chain, NatWest closed in May. I suspect it is only a matter of time until the other banks go as well and, therefore, it will be Middlesbrough and Redcar where you are left with services, which are 20 miles away from some of those communities. I



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have been giving a lot of thought to this. Do you think there is a case for business rates relief for the Post Office? What worries me, taking up your point, Stewart, is that, the Post Office no longer has a viable business case in Loftus and that wants to shut too. If that happens, there is nothing left. Is that a mechanism that we could be looking at—to try to realign the tax system such that there are worthwhile incentives to make it easier for at least something to carry on operating?

Sian Williams: Yes. Given the framework that I am describing, it is a social good. It is a public good to have access to financial services in a way that allows everyone in that community to be able, if we go down the model of responsible consumers, to consume responsibly and to also engage with financial services. There is also that sense that there is a real need to have a visible presence of good finance; otherwise, bad finance comes in and fills the vacuum. I would definitely say yes, let us rethink how we use public tools to create a public good.

Q47 **Mr Clarke:** Are there examples that you are aware of from overseas, in terms of how other countries are approaching this? I am very conscious that this is not a unique challenge, presumably, to the United Kingdom, and yet we do seem to be handling it incredibly badly.

Sian Williams: Off the top of my head, I do not have anything about access to banking, but if I thought about access to credit, for example—

Mr Clarke: Access to physical premises is the point. I have lots of constituents who fall into that category.

Matthew Upton: One of the interesting debates that is around at the moment is the concept of a Post Office bank. Is that an answer to it?

Q48 **Mr Clarke:** It is and it is not, insofar as, in the very places where the banks do not work, the post offices do not work. This is the problem: that the economics of footfall are just the same. The Post Office can cross-subsidise through shops, but even that does not really work because the profit margins are tiny.

Matthew Upton: It is an interesting question whether that could work. It is worth exploration because it does seem to solve a lot of the challenges that everyone is talking about if you can get effective co-location. Independent post offices are still incredibly important as well and I do not think co-location is the answer for everything, but it could be the answer to your challenge.

Q49 **Mr Clarke:** Something that Mr Elphicke has just passed over is suggesting whether we ought to be looking at more shared premises. Going back to the point about how the Access to Banking protocol kicks in almost when the horse has bolted, is there a case for, when a certain threshold is crossed and when closure has to come into the minds of a bank operator, them being forced to have a discussion period, say, with other financial services providers in a community about how they could maybe share premises? That is not anti-competitive at all.



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Sian Williams: We argued it at the time but we were told that banks could not have the conversation, and there was no legislative framework within which they could have the conversation. I would really encourage us to revisit it.

Q50 **Mr Clarke:** Were the Committee to look into those issues with the banks themselves in future evidence sessions, you would be supportive of shared premises and business rates relief.

Sian Williams: Yes.

Q51 **Mr Clarke:** Excellent. Sian, I was intrigued by your point about the fact that you think the number of vulnerable customers or excluded customers is going to rise. It has given me some comfort thinking that my generation is that bit more likely to be internet-savvy and, therefore, the particular problems that I see with older constituents is time-limited, if you like, and that, in a generation's time, the number of people who are digitally excluded will have fallen. Why, then, do you believe that the number is set to rise? I am not questioning that; I just need to understand it.

Sian Williams: It goes back to the point around the relationship between psychological wellbeing and material wellbeing, and our relationship with money. We have just gone through 10 years of austerity. Do not underestimate what that is going to do to those people who are living in austerity and who are growing up in austerity. We know that you tend to think around money in the way that you have experienced it in the family and in your community. If we can see increasing numbers of families going to food banks, that tells us that increasing numbers of families have no money and are struggling to pay bills. If we are seeing increasing levels of household debt around essential bills rather than overconsumption through credit, that is another indicator that we are going to see people who are going to struggle. That does not necessarily translate into people having long-term vulnerabilities or long-term struggles or difficulties managing money. Those are not necessarily a given.

My point was really that, if we continue down a route where we go into a "have and have-not" world, which I think the leaving of the community by all financial institutions takes us towards, then we are at risk of increasing the number of people who do not have access to financial services when they need it and, therefore, increasing vulnerability around the only type of financial service that you can access being online. Some people are not very good at making those decisions, and I do not think that anyone is naturally good at making online financial decisions; you learn how to be good at it through many different routes. If we all just started transacting and we had never paid any money to anyone or bought a financial service or used a financial service, and we just went straight online, with no other input, I do not think we would do it very well. We are underestimating all of the other inputs into people being able to transact online.



Q52 Mr Clarke: I have not set foot in a bank for probably 15 years, and I do not feel any worse off for not having done so. I appreciate I am a sophisticated consumer in a way that many of these people are not, but nonetheless what is it about the physical conversation that you think is so valuable?

Sian Williams: Parting with money takes a lot of trust. If your entire world is untrustworthy—you do not trust authority, you do not trust business, and school and education have excluded you—it becomes much harder to trust. We often talk about people wanting to see the whites of the eyes when they are doing their first important financial transaction of any type. The first time I got a mortgage, I did not really want to do it impersonally over the internet; I wanted to talk to someone about it. Everyone will be different. That does not mean that we will not see an increase in the number of people who are comfortable transacting online.

We did a pilot. We run a really transformational piece of financial education called Community Money Mentors, which works with people across London on low incomes. Their ability to change the whole way they transact and interact with money is incredible, but what it did not do was to get people who do not transact online to transact online. They looked up information, they looked up advice and they shopped around but they did not transact. We asked them why not and they essentially said, "Because it is too risky. I cannot trust this". We then ran another pilot, just trying to test what it would take to help someone who will not transact online to move to online transacting. It took someone sitting next to them, helping them make the first transaction, to talk them through it.

It might not necessarily be that what you need is a physical place to go and have the conversation; you might just need someone to have the conversation with you in some form.

Q53 Mr Clarke: As a penultimate question, what do you make of the value of schemes like the Barclays Digital Eagles, which, for example, I have heard a great deal about in my conversations with them? Do you think they have merit?

Sian Williams: I think two things. All forms of support to people to learn a skill or a practice that they do not currently know how to do are really helpful, so Digital Eagles absolutely is. What I disagree with is the idea that supporting people to be able to understand financial services should be a branded activity. It is not, in my view, around competitive advantage. It is part of being a responsible financial services provider and I would much prefer to see money going from firms to a shared pot so that we do not have a postcode lottery about the fact that you have a great branch of Barclays here but a bad branch of Barclays over there, or some other firm. I would much rather see that learning done well, shared and mapped across the country, because we have huge pockets of deprivation where that is not being provided. If there is no branch, how do you get it?



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Q54 Mr Clarke: I am full of policy ideas but is there a case, then, for some variation on the bank levy, say, whereby we have a set pot which, instead of being a bespoke function of each firm, goes into a pooled asset of, say, digital—

Sian Williams: It is definitely one way of working it. It is going to be a challenge to get there. It is definitely one way of working it. The Money Advice Service is currently mapping the provision of education from banks. I think it will show us that there are deserts and that there is huge inequality.

Q55 Mr Clarke: The final question, which the Committee wanted to ask about, is about the ATM network and the fact that we have heard that one ATM, which technically has a protected status, is being shut every day. To what extent do you guys see that as essential to the functioning of a good service?

Sian Williams: All the time that we accept cash in this country and all the time that digital financial tools cannot replicate the key elements of cash that help people on low, tight or unpredictable incomes manage their money well, it is crucial to allow people to access cash for free, within a reasonable distance—for me, that means walkable—from their home or their workplace or the place where they need to be able to spend money. It does not have to be their home; it just needs to be that, where they need to be able to pay money, they need to be able to access to cash. Access to a non-charging ATM network is essential.

One of the things that came out of the research that we did for LINK was that it does not have to be the ATM that does not charge. For example, if we live in the same area as someone who needs free access to cash, why can they not get the cash for free but we pay? Why can it not be on my account whether I pay or not, rather than the ATM itself? There is something around the supply model that needs to be looked at.

Matthew Upton: I completely agree that it is a hugely important issue.

Q56 Rushanara Ali: Good morning. It is great to have Sian from Toynbee Hall in my constituency. Everyone should have a Toynbee Hall in their constituency. Thank you for the work you do, and also Citizens Advice. You mention ATMs and charges. My constituency has more charging ATM machines in the borough than free ones. It had 160 a few years back, compared with 145 where you can get your money out for free; that is in the highest child-poverty-rate area in the country. Those figures just highlight how much further we need to go to improve access to money and services.

To the point that was made earlier, Simon was asking about what is so great about face-to-face banking. I suppose the issue I want to focus on is the particular groups that end up being excluded. There are 3.8 million households without internet access, so online banking is not really an option, and 93% of over-80-year-olds have never used internet banking. At least for the foreseeable future, we are going to see large swathes of



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people who are going to be even more financially excluded, without access to cash and banking.

I just wanted to pick up some of the points that have already been raised. The idea of co-sharing space by banks is not going to happen unless Government instruct them in the way that they have done, for instance, with the nine banks that have been required to provide free bank accounts, and we are starting to see a hike in the number of accounts that are now being made available by those nine banks. Do you think that there should be a requirement from Government that, if banks are closing down branches, they must co-locate branches? That is especially in a context where there are more failures in terms of things going wrong with mobile apps. We have seen that with TSB and with a number of others, and there was the laughable example recently with people being asked to go to a local branch and they were like, "Well, there isn't one; you closed it".

This is not going to change unless there is a requirement by the Government for banks to co-locate branches to reduce costs and to make sure that there is access to branch facilities? If there are barriers, they just need to be removed. This idea that the Post Office should have to step in without the banks paying for it—and presumably they are not paying for it—even if there is a Post Office left to pick up the services, cannot be acceptable. Should banks not be required to pay when they are stepping out of communities?

Matthew Upton: There is an interesting question about the behind-the-scenes operating of the relationship between the banks and the Post Office in that example. As I say, we are really keen to do some more research to see how it is working. I agree that post offices should be properly recompensed for that role.

I agree around it probably needing a stronger Government steer on sharing. The one interesting question—and it is more of a design question—to look at is making sure that we do not inadvertently give more permission to banks to flee the area. To an extent, public pressure probably has not stopped a lot of the flight but, with a lot of these solutions, again we do not want to give the impression that it is just okay to up sticks and go. You could design that out and it would be really interesting to look at the sharing side.

Sian Williams: There is no way, within the existing framework that banks are required to operate within, that we can solve these problems. The answer is that, yes, we need a recognition that this is social policy, and that current competitive frameworks prevent collaboration in the financial services sector for solving anything. Therefore, there needs to be support from Government but also—I agree with you—a directive from Government to say, "This is something that we expect you to do". A banking charter or a financial services charter that was about what consumers need and what we, as UK plc need, to work and thrive is really important.



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You have mentioned some good stats there, and one of the things that we are seeing is, because of the shifting dynamics of our economy in terms of how we work and how we live, it is taking people longer to be independent in the classic sense of having their own home, with bills in their own name. In fact, we are seeing people struggling to get access to financial services, where financial services firms are behaving in an old-fashioned way, thinking about our generation rather than a younger generation who do not have the same profile and the same footprint within the financial services sector.

We are seeing challenger banks and we are seeing FinTech answering those questions. There is Monzo, for example. They will bank almost anybody, not because they are non-discriminatory but because they are brilliant at understanding ID. Most mainstream banks cannot understand ID at all; they think it is a passport and a driving licence but it is not. It is so many different things for so many different people. I think it is not just physical access but also access at all that we need the Government to say, "You must provide these services. These are key. If you cannot do it alone in competition, we will create an environment where you can explore doing it in collaboration".

Q57 Rushanara Ali: I just wanted to pick up on an earlier point, Matthew, which you made about insurance, and then I am going to focus more on unbanked groups. You said when you were talking about risks and pooling risks, and you mentioned AI, that some were using ethnicity as a proxy. Do you know who they are?

Matthew Upton: Sorry, my worry was that ethnicity will be increasingly used as a proxy. I am not giving verification to the story that came out a year or so ago, which was about John being charged less than Mohammed; that was the example. The worry is that, at the moment, you have protections under the Equality Act from people using certain characteristics to charge more or treat people in different ways. You see a lot of the evidence emerging from different sectors about how algorithms work. They effectively learn the best ways to price people and to profile people. The worry is that they will do that and there will be no way to check.

Q58 Rushanara Ali: Should algorithms be subject to equality and anti-discrimination law?

Matthew Upton: It is a really interesting question that we have been talking to the CMA and others about, in terms of how you would practically do it. I always use this example: you can regulate around a racist bank manager because you can see what they are doing. On the idea of looking under the hood of an algorithm, I am not going to claim to understand what that practically means.

Q59 Rushanara Ali: The design of the algorithm can be set up in such a way if they are required to.



Matthew Upton: Exactly, and I think you are absolutely right. One of the interesting challenges is, as AI and machine-learning become more sophisticated, it will be difficult to even design in because, as you say, it is about what challenges you set that algorithm. Is it to maximise price differentials or to maximise profit? Then they might start doing things you cannot detect. I think you are right that there is a really good, upfront conversation to be had about what the scope of acceptable practice is.

Q60 **Rushanara Ali:** Are you coming across examples of premiums going up because crime rates are going up in certain areas?

Matthew Upton: I do not know, to be honest. It is not something that we have found specifically.

Q61 **Rushanara Ali:** Some 1.5 million people are still unbanked in the UK, and a sizable number of those are younger, which is a surprising figure. You would not expect that. You touched on some of the issues behind that. What is your assessment? You have talked a bit about it already but what is your assessment of the reasons why that is happening? You mentioned ID. That seems like an obvious thing that we can ask some of the banks that are not looking at alternatives for ID, but what are the other barriers?

Sian Williams: In the work that we do with interviewing people who are unbanked and exploring why, often what we hear is, "I tried but failed. They turned me away", so that is ID or address verification. They say, "I do not have enough money. I was told that I needed to have an income." There are all kinds of spurious reasons, and reasons that could have been overcome by an engaged, proactive, interested bank.

The second point is around the fact that the type of account that they want is not available to them; for example, they do not have a credit footprint or a digital footprint at all, so they are only offered a basic bank account, which is not what they are looking for. The only thing now that a basic bank account does not offer is credit; in terms of everything else, it should have exactly the same as a current account, so there is something around providing that clearly.

The third point would be around the perception, "It is not for me". It might be, "This mainstream, old-school type of account is not for me. I am going to go somewhere else. I need different services", or it might be, "Banking per se is not for me. I have not grown up in a household with access to banking", or, "We used banking and it went wrong and I do not want it; it is dangerous". There is a physical barrier of "The bank will not have me" and there is the person's own barrier of, "I am not going to try".

When we have looked at the data around that and we have broken it down, one emerging trend I see is that long-established communities living in poverty tend to be self-excluding—even if they try to get



banking, they would probably be turned away—whereas new arrivals or communities who see themselves as progressive and who are economically ambitious, wanting to work and wanting to study, and feeling like they have a future, try everything to get financial services, but they are normally prevented because they do not have the right paperwork.

Matthew Upton: The only thing that I would just very quickly add is that one of the big reasons is people's past experience of being treated badly. If you solve the problems of bad treatment of customers and aggressive collections, et cetera, you solve some of these problems as well.

- Q62 **Rushanara Ali:** There is a trend towards a cashless society. Only a few years ago, cheques were still reasonably widespread and now we do not hear much about cheques. They are still there but it is about the usage and being able to use them practically. It is happening with cash. You have touched on some of this already. What are the most radical ideas for dealing with this trend, given the number of people who are still dependent on using cash, and face-to-face banking or face-to-face contact, at least for the foreseeable future? What should we be recommending the Government do to try to tackle this issue before it becomes something that is more of a crisis that needs an immediate response but the damage is done? We can already see some of the damage.

Matthew Upton: I wrote my first cheque in about five years yesterday, and I had to Google how to fill it in. It was quite embarrassing.

A lot of our solutions are more traditional things that we have touched on, such as access to free ATMs. One bit I would very quickly touch on is that you look around how you get our clients to engage in the more innovative end of finance—FinTech and things that will be created from open banking. They will not unless interventions are made, whereby maybe organisations like ours act as intermediaries to try to encourage our clients to use these things. For all the reasons that Sian said yesterday—the risks and so on—they will not embrace the technologies that we are talking about because it is not seen as worth it. I say “they”; it is a very generalist comment.

As I say, my solutions would be quite boring, practical stuff such as ATM access.

Sian Williams: There are three reasons why people want to use cash and why we need to be able to help them use it or be protected if they are using something else. The first is the physicality of cash as a budgeting tool: “I can count it. I can hold it. I either have it or I have not.” It is binary. If we want to help people move into digital, it has to be the same, so real-time balances have to be real-time balances and they have to be available for people all the time.



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The second thing around the physicality of cash is that it is riskless, other than it being stolen from you. If you do not hand it over to someone, you have it. You can also be certain about who you are giving it to. In the whole APP scams and broader in terms of protecting people when they use electronic or digital, non-cash-based forms of payment, the protections have to be appropriate. Of course, what we have is a really wide range of protections on different forms of payments. That makes it really hard for people, so it is about something that ensures that there is a basic level of protection on non-cash transactions. That is hard to work through but there is something there that has to be explored.

The third point is around, when a person does not have much money, being able to be certain that they cannot overspend and get into debt; having enough money to be able to survive is crucial. That is probably the major key with digital. Until digital can meet that demand and really help people feel confident that they have enough money for the right bills in the right place, and they cannot possibly overspend—so something around making sure that you cannot inadvertently get into debt through using digital payments.

- Q63 Rushanara Ali:** I just have one more question, which is back to insurance and the uninsured, and the increasing likelihood of more people being in that category. Do you think that the insurance market could be looking at how they cross-subsidise, with slightly higher premiums for those who are able to pay? I am trying to introduce subsidies into the insurance market. That is probably what the Chair is going to say.

Chair: The redistribution of insurance.

Rushanara Ali: Yes. Is there a case—and maybe they are doing that already but I doubt it—for how, within the market, there could be more creative thinking about those who are deemed uninsurable at the moment?

Matthew Upton: I am not necessarily supporting the specific proposal but, yes, and I would hope the FCA will explore it in its broadest sense. If you look at markets such as energy, with things like the prepaid cap, and at markets such as water, with social tariffs, there is no technical reason why you could not explore it. As you say, more vulnerable consumers tend to pay the highest rates both for their loyalty and inertia and because of their risk profile. You are right, and I hope the FCA take the opportunity to look at it from a social policy perspective or make clear direction to Government around the role they need to play.

- Q64 Alison McGovern:** Thank you to both of you. You have given excellent evidence and it has been very helpful. I just have a couple of questions and then I want to ask about carers specifically. I just have a couple of follow-ups. Sian, you mentioned the importance of understanding what inertia is. To be clear, there are some people who might be rationally deciding that, if it took them four hours of their time to shop around and the saving they were going to make was £50, they get paid more than



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that on an hourly rate, so they might be making a rational choice that they are just not going to save enough by doing so. Is that what you were suggesting?

Sian Williams: Yes, and that they might also say that the package that they would get in exchange for £50 is an unknown package. There is not just the cost; there is also, "But I know the provider I have. I trust them. Nothing has gone wrong. I might save £50 but it might bring unknown risk. That is not really enough payoff".

Q65 **Alison McGovern:** It is also the nominal value that we might attribute to that trust in the marketplace.

Sian Williams: Yes.

Alison McGovern: That is really interesting, because I do think that there is a culture of an assumption that people just cannot be bothered to shop around. There is something quite interesting about the "cannot be bothered" that is going on.

Matthew Upton: Very quickly, I think you are absolutely right. Inertia is so different from the "cannot be bothered". The policy debate is moving this way and regulators are taking this on board. Inertia is not a behaviour; it is literally who we are. Humans are inert. I did not expect to make that statement. Some people will be more or less.

Alison McGovern: I can think of quite a few around here who are not inert who would like to be inert.

Matthew Upton: We need to accept that inertia is a natural way that we behave, as all the behavioural science tells us now; that is who we are. It is not a quirk or something that you can fix; it is just who we are.

Q66 **Alison McGovern:** I just want to flag, especially because the Committee is going to be thinking more about these issues, another side of what inertia might be, which is anxiety. Something else that has just come up from listening to the questions that others have asked is that experience of family finances might have a knock-on effect on behaviour in terms of what people do down the line. If you, as a child or a young person, experience financial anxiety, you are more likely to panic in situations where you have to take financial decisions. That feeling of panic would cause you to be fearful and, therefore, you might avoid dealing with financial issues. There is both the "Well, it is rational"—especially if you are a moderately paid person, it is rational not to want to switch about to much—but also that people might have experience that drives the way they act. Rather than them being stupid, it might be responding to emotions. Is that where we are going?

Sian Williams: I would say that any person's financial behaviour is a mixture of maths and literacy, so skills, logic—the ability to follow something through—and emotion. We constantly forget about the fact that humans have emotion, so that is why we talk about there being no rational economic human.



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Q67 Alison McGovern: There certainly is not. On post banks, Sian, you said something very interesting about the idea of people mentioning co-location; if we are not going to be able to keep the last bank in town open, maybe we can use the Post Office network to keep the last Post Office as the last financial institution in town by forcing or enabling or allowing them to work with other financial institutions—namely banks. In order to do that, we would have to change the regulatory approach. Was that your point?

Sian Williams: Yes. At the moment, it is not possible for a competitive commercial financial institution to collaborate on pricing without breaking the law, so you need to create a framework in which two or more financial institutions can talk about collaborating to put their financial products in the same place, because that will have costs implied.

Q68 Alison McGovern: That is really helpful because I think we need to look at that.

In terms of carers, I am tempted to just say, “Carers?” and let you talk, because I think that we all know that this is also a big problem. Could you just talk for a second about the position that carers often find themselves in? I think probably everyone around the table will have had experience of having constituents come to see them, where their loved one would have liked to have been able to step in to the relationship that the cared-for person had with the bank or the insurer or whoever, but was not able to do so. Could you just talk about what the points of information are that we might need on that, or policy ideas or whatever?

Sian Williams: I will kick off. There are people who are family carers, and therefore you could think about young caring up and older caring across or down. I think that different people caring will have different life experience, which is really crucial. Every carer is individual. They are not a lump sum. They are not homogenous. We need to think about making sure that that carer is supported, so it goes back to understanding the individual circumstances. Young carers particularly find that they are taking on financial responsibility incredibly early in life. There is some brilliant work done in terms of supporting them but I would say that the financial services sector is not well set-up to help them.

Better mechanisms around being able to go and do things for your mum or dad or older relative who you are caring for, in a way that protects you and protects that person, are really important. That includes dual access to accounts, where that is appropriate, recognising that you could be 13 and doing the entire family finances. In one of our Money Mentor programmes, one young girl was looking after the entire family, and her mum came on the course so that she could then learn how to do it so that she could let her young daughter go back to study, and it transformed the family dynamics. There is something there about recognising that we might be putting a lot of burden on young people and not really giving them the support. Financial education in schools matters in so many different ways.



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There is then when the caring responsibility is lifelong for that person, so we need to think about whether the condition that requires them to be cared for is going to fluctuate, and also whether the carer having some financial responsibility is going to fluctuate. It comes back to changing powers of attorney and changing ability to help someone manage. For example, if you have someone with multiple sclerosis and someone is helping care for them, and their MS symptoms fluctuate over time, you need to factor that in, so that everyone has dignity, support and care at the right time.

There are then later-life conditions. My mum had motor neurone disease. When we saw that happen, her ability to think had not gone at all, but her ability to communicate had gone completely in a certain format and she needed other tools, so we need to think about being able to adapt financial services provision. Face-to-face, for example, would not have worked for her, but the ability to be able to use IT in a new way was really crucial, so we need to think about all of that.

The key thing is around making sure that the agreement is in place to help a carer know where the limits are about what they are allowed to do and what they are not allowed to do, even if that needs to change over time. In a way, that is the biggest risk for the person being cared for—that they could be financially abused or mistakenly believe that they are being financially abused—and, vice versa, that the carer does not know quite what they are allowed to do and could overstep the mark or could understep the mark. There is also something that comes back to the fact that it is not just the financial services provider and the individuals; it is also the facilitated support around how you set that up well, so thinking about how carer organisations and carer support services also need to be well-trained, well-resourced and enabled to facilitate putting the framework in place for an individual group of people, not just a whole mass.

Q69 Alison McGovern: I have two really quick questions to finish. First, do you have any horror examples or really bad examples in relation to carers? You could maybe follow up with us because we are just at the beginning of this discussion. We are in the market for bad behaviour to point out.

Chair: To challenge.

Sian Williams: The answer is yes, we will send you examples.

Q70 Alison McGovern: Both best practice and what ought to be avoided is helpful to know. Lastly, just on open banking, we all know that there is lots of potential, with open banking as yet underused. The chief executive of the CMA said that it possibly could help because I could give permissions for my other half or whoever to be able to do certain things in a way that I was still in control of. Do you see opportunities through technology?



Matthew Upton: Yes, very much so. There are interesting questions for my and Sian's organisations in terms of how debt advice can be provided, and that can make it easier for advisers to have access to people's spending and income and help them accordingly. There are huge opportunities. The reality is that at the moment you will get the classic model of any kind of adoption: you will get the early, excited adopters and the mainstream, and so on, and it will be people like me who are already using FinTech and will increasingly do so.

Some of this stuff is fantastic. I can see the potential for our clients but again, going back to all the reasons why they do not use it that we talked about earlier, unless there are trusted intermediaries, people will not benefit. I was listening to a "Money Box" episode three months ago about open banking, and it told the story quite well for me. You had a load of evangelists talking about how it was going to change the world. Every single call—and not just from vulnerable people but from every single walk of life—was, "This sounds absolutely crazy. I do not want these people getting their hands on my data. Please just stop this thing, whatever you are talking about, from happening". That is the reality of what this stuff means for most people. I agree that it has huge potential but there are so many barriers in people's minds.

Alison McGovern: That is helpful.

Q71 **Chair:** Thank you very much. I hope that you will both keep an eye on the evidence that we are hearing in this inquiry; if there are things that you hear that you would like to challenge or give your perspective on, we would welcome your further evidence.

One final thing, which we have touched on in various ways, is complicated terms and conditions. I suspect that is going to come up in the course of evidence. If you are writing to us on various other things, and have any thoughts on, as Stephen says, best practice of people who do it well, maybe—key term summaries and that sort of thing—or people with very bad practice from your experience or the people who you are advising, that would be very helpful.

Matthew Upton: Just on that, the Behavioural Insights Team has been doing some very interesting work on T&Cs. It is one of these things that sound incredibly obvious but, when you get into the detail, it is really hard to get right. I would definitely advise talking to the Behavioural Insights Team.

Chair: Thank you very much. It has been a fascinating session this morning, and your expertise has shone through, so we are very grateful. As I say, please do keep an eye on and an ear out for what we are hearing. Thank you.