

# Update

## Welcome to our latest update on the fight against financial exclusion

We remain focused on three key areas of work to make sure everyone has access to the right financial products and services, whenever they need them.

- **Increasing the availability of affordable credit provision** to sustainably meet customer needs
- **Partnering with banks and financial services providers** to increase access to products and services
- **Developing the market to consistently provide products** that meet the needs of all customers

There's a lot going on and plenty of opportunities for you to get involved. Read on for more details or use the links below to jump to what you're most interested in.

- 1 [Sustaining and growing the provision of affordable credit in the community finance sector](#)
- 2 [Understanding the needs of people in financially vulnerable circumstances and designing solutions to meet them](#)
- 3 [Accessing funding to partner with us on our No Interest Loan Scheme and Consolidation lending pilots](#)
- 4 [Helping customers access the financial support they are entitled to](#)

---

### Financial exclusion is a growing problem

Our recent [research into illegal moneylending](#) shines a light on one of the most harmful symptoms of financial exclusion. With more than 3 million people having borrowed from an unlicensed or unauthorised lender in the last three years, the dangers of a growing credit vacuum for low income borrowers are clear.

### Our work together is making a big difference

Our first [Impact Report](#) showcases the difference our collaborative work has already made to the organisations we support, the people they serve and the wider financial services system, including:

- £26m invested in organisations projected to increase the availability of affordable credit to £500m by 2025

- £29m in interest saved by customers of our investees vs high cost credit
- £16.68 social value generated from every £1 lent by our investee Fair for You

### We can do so much more if the whole sector works together

There's a growing consensus that structural change is needed to create a market that serves everyone. We've worked with mainstream finance, policy makers, regulators, community finance and third sector organisations to develop a shared [Financial Inclusion Plan](#) to tackle financial exclusion head on.

**Read more [here](#) about the plan, the action group we've convened to deliver it and what you or your organisation can do to support financial inclusion.**

# Increasing the availability of affordable credit provision

**Community finance providers play an important role in the provision of affordable credit and other products and services to people in financially vulnerable circumstances. We want to help the sector thrive and grow, so it can reach more customers and prove that it's possible to serve people in financially vulnerable circumstances well in a sustainable way.**

## Community Finance Resilience Fund

We know that community finance providers and the people that borrow from them continue to face real challenges from the cost of living crisis. Earlier this year we were [allocated further dormant assets funding to help with this](#) and we've been working on establishing a **Community Finance Resilience Fund** which is aimed specifically to meet those challenges, support sustainability and deploy our funds effectively.

**Thank you to everyone who took part in our recent consultation and shared their thoughts with us** - It's important this fund is designed collaboratively with you in mind and your insights were a key feed into the design principles.

Work on the fund is progressing well and we recently set out what to expect next and when we're hoping to launch the fund. In summary, we've agreed the design principles with our board and our focus over the next few weeks is to develop these into a fully functioning fund that's open for applications and ready for the expected high demand.

**We're hoping to launch the fund in late October/early November** and we'll be holding a webinar then to cover everything you need to know about the Fund and how to apply. We'll let you know as soon as we have a confirmed date for the launch webinar. Don't worry if you can't make it - we'll be recording the webinar and also following up via email and online with all the important details of how to apply and the anticipated timetable.

**In the meantime, you can [read our update](#) for more info on how you can keep in touch and what you can do now ahead of the fund opening for applications.**

## Affordable Credit Scale Up Programme

Access to affordable credit can often be a lifeline to people in vulnerable circumstances. Since our last update, we've successfully completed several investments as part of our Affordable Credit Scale Up programme:

- Invested up to an [additional £2m into social lender Fair for You](#) as part of their 'Iceland Food Club' partnership with Iceland Foods. So far the scheme has helped over 44,000 children get a good meal during the school holidays by providing financially vulnerable customers with interest free microloans of £25-£100 to buy everyday items
- [Invested £150k into My Community Bank](#) to introduce a new affordable loan product, targeted at customers on lower incomes through price comparison websites

### Making a difference

Two recent reports showcase the wide ranging impact community finance providers are having:

- [A group of credit unions in Merseyside](#) are reducing interest costs and improving the overall health and wellbeing of their members by providing affordable credit and promoting financial resilience and stability
- Our investee [Salad Money is having a positive impact](#) on lower paid public sector workers, proving that it's possible to serve people in financially vulnerable circumstances with a fair credit option

# Partnering with bank and financial services providers

## Segmentation

Our research with Trajectory and CACI identified at least 17.5m people in financially vulnerable circumstances across the UK, with a spectrum of those who are precarious to those who are fully excluded.

### Number of UK adults in financially vulnerable circumstances:

Unsteady starters <b>1.3m</b>	Squeezed and sliding <b>3.9m</b>	Credit crisis families <b>3.5m</b>	Difficult debts <b>2.2m</b>	Forgotten families <b>3.6m</b>	(Un)golden years <b>3m</b>
----------------------------------	-------------------------------------	---------------------------------------	--------------------------------	-----------------------------------	-------------------------------

### What does this mean for you and your organisation?

Our customer segmentation model supports financial services providers of all types to better understand the needs of different customer groups and to design and develop appropriate products and services to meet them.

[Access our segmentation tools and resources here](#)

### How can you use these tools and resources?

These tools can be used for lots of different purposes, with two main ways to:

- Identify needs and opportunities to focus new product development
- Tailor your marketing targeting and messaging based on actual customer need



Email [hello@fair4allfinance.org.uk](mailto:hello@fair4allfinance.org.uk) to find out how we can work with you and your organisation.

We have additional data that is available on request.

'We used the Fair4All Finance segmentation to help us develop ideas for financially inclusive propositions and as an input for our social impact strategy.'

**David Schofield,**  
**Group Sustainability**  
**Director - Aviva**

In the coming weeks we'll be sharing a more detailed breakdown of each of our six segments in our deep dives where you can learn more about what it actually means for those in each segment.

## Building inclusive access to finance for people from minority ethnic groups

We've conducted research to better understand how people from minority ethnic groups experience, engage and view financial services providers – and how providers can best meet their needs now and in the future.

We'll be holding a launch event in November to share insights from the research and explore how the financial services sector can work individually and in partnership to meet the needs of all customers.

Keep an eye on our socials for more details coming soon.

# Developing the market

Earlier this year we were asked to [deploy further funding from the Dormant Assets Scheme](#) to support people in financially vulnerable circumstances with the rising cost of living. As part of this we've been working on expanding two key pilots - our No Interest Loan Scheme and consolidation lending.

**We have £30m of funding to extend both of these pilots and we're looking to partner with financial services organisations (including lenders, support services and technology providers) with the capacity to reach customers at scale in a responsible way, extending the availability of lending to those in financially vulnerable circumstances to create a stepping stone to financial resilience. Ideally, we'll be appointing organisations who can deliver a minimum of 5,000 loans.**



We've just issued the Applicant Guide and brief inviting proposals requesting funding for these pilots via the Subsidy Control Regime, **to be submitted to us by 5pm on Monday 6 November**. You can request access to these documents and find out more about this opportunity **by emailing us at [Consolidations@fair4allfinance.org.uk](mailto:Consolidations@fair4allfinance.org.uk)**.

## No Interest Loan Scheme

Following a successful proof of concept in 2022 we're nearing the end of the first wave of lending in our No Interest Loan Scheme (NILS) pilot. The pilot is testing the impact of providing small, short term, interest free loans to people for whom borrowing is an appropriate solution but who can't access or afford existing forms of credit.

Early indications suggest these loans are helping people manage life events and get back on their feet, and are providing a vital stepping stone to longer term financial resilience:

- The average loan value so far is £614 over an average loan term of 7-12 months
- People have used NILS loans to cover upfront nursery fees or car repairs to enable them to get back to work
- Borrowers have been able to go on to qualify for a subsequent commercial loan and some have started saving

We'll be sharing more on our learnings from the pilot soon as we scale up lending in waves two and three across the next year, with a full impact evaluation scheduled for 2025.

## Consolidation Loans

During the pandemic 11 million people built up £25bn of debt, and the cost of living crisis and rising interest rates are putting more pressure on already squeezed household budgets.

For many people, debt repayments are a significant monthly expense. And for some, consolidating and re-profiling these over a longer term and/or moving to a lower interest solution would make a huge difference. This kind of intervention can help people stay afloat, supporting them before they reach the need for formal debt solutions.

Our pilot is set up to encourage providers to lend to customers slightly outside their usual risk tolerance, so more people in financially vulnerable circumstances can access this solution.

In return, we are offering a partial bad debt guarantee which is designed to cover any potential increase in risk which may arise from lending to a wider range of customers. In some cases, we may also offer flexible funding to cover setup costs, loan fees and lending capital.

# Helping people access the support they're entitled to

## Incorporating benefit calculators and grant checkers

With an estimated £19bn in unclaimed benefit entitlement and social tariffs in the UK, our work to increase the use of benefit calculators and grant checkers is helping people in some of the most financially vulnerable circumstances access the support they're entitled to.

We've been working with lenders, loan management system providers and social purpose driven fintech organisations like [Inbest.ai](#), [Policy In Practice](#) and [Lightning Reach](#) to implement income maximisation tools into a range of different customer journeys – making it simpler and easier for people to boost their income with missing grants or benefit entitlement.

In 2023 alone, Inbest have identified and matched an astonishing £4.6m of unclaimed benefit payments to 1,000 individuals, **increasing their income by an average of £460 per month.**

We're also really pleased to see mainstream banks and building societies like Lloyds, Barclays, Santander, NatWest and Nationwide increase their focus in this space to better support their customers.

Recently we commissioned the [Behavioural Insights Team \(BIT\)](#) to explore how behavioural insights could be used to ensure as many people as possible complete these journeys and go on to apply for benefits and grants. Their research:

- Found people's journeys to getting their results were generally easy, the results motivated them to explore their options further and a large majority would recommend the tools they used to others
- It also identified helpful areas of improvement for the tools tested, including signposting to helpful documents to have to hand and including tips on how to answer specific questions in the process

You can [read more about these findings and our broader work on supporting income maximisation tools here.](#)



Contact Ayesha Begum on [ayesha@fair4allfinance.org.uk](mailto:ayesha@fair4allfinance.org.uk) to learn more about incorporating benefit and grant checkers into your customer journeys, and how we may be able to support you.

## WEBINAR: Building better financial wellbeing for tenants

**There are at least 4.9m social housing tenants in the UK struggling in financially vulnerable circumstances.**

In our recent webinar we explored how social housing providers and the community finance sector can work in partnership to help support better tenant financial wellbeing.

We look at the potential benefits for tenants, what a partnership might look like as well as details of new products and initiatives such as the No Interest Loan Scheme and Consolidation Loan Pilots. We also heard from the FCA about referral exemptions that enable these partnerships.

[Watch the webinar here](#)