

Financial inclusion and new means of payment

Qualitative review in
five European countries
May 2013



European Foundation
for Financial Inclusion



EUFFI was set up in 2010 and is a non-profit organization which aims to promote financial inclusion, i.e. access for all to a choice of basic and affordable banking and payment services, and to a wide range of financial services including credit, savings schemes and insurance, services that are essential for integration into modern society.

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Study commissioned by EUFFI,
the European Foundation for Financial Inclusion

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Foreword

Living without a bank account is hardly imaginable for the majority of people anymore. Nowadays, a banking account is an actual requirement for being able to take part in societal and economic life. Without the access to basic banking services, daily life is difficult and expensive. Bank transfers of wages and the payment of electricity, gas or water bills are becoming a real challenge.

According to an impact assessment by the European Commission from 2011, around 30 million people over 18 years living in the European Union do not have access to a basic payment account. The reasons for the refusal of a bank account are multifaceted. An area-wide access to bank branches or automatic teller machines (ATM) is not guaranteed in all Member States which prevents European citizens from having the chance to enjoy the benefits of financial services. Furthermore, insolvency can be a reason for banks to refuse consumers the access to a basic payment account. Moreover, EU residents who are very mobile because of their jobs and activities as students, seasonal or posted workers can be hindered to open a bank account, for example if they need to prove residence in the respective Member State. Guaranteeing mobility within the European Union must remain a common objective of the Member States. The access to a bank account as a universal right for all citizens in the European Union, including vulnerable groups, constitutes a crucial contribution to this goal.

It is already stated in the Report by Mario Monti in 2010 and in the Single Market Act I, adopted by the Commission in 2011, that the access to a bank account is an important requirement for the smooth functioning of the European Internal Market. Consumers shall be able to profit from the online markets, new technological inventions and cheaper services and prices.

Currently, banking service providers in the European Union fall short in providing basic banking services in a comprehensive manner. It is therefore indispensable that European lawmakers adapt the current legislation. The guarantee of the access to a bank account is an essential step towards the social and economic inclusion of EU citizens and a fairer European society.

The access to basic banking services and traditional means of payment, such as cash payments or paper-based transactions, must become a universal right. Recently, new means of payment, especially online-banking and various forms of electronic transactions, try to make payments faster and life easier. While they provide an opportunity to increase financial inclusion, special attention has to be given to vulnerable consumers who do not always have access to the necessary technologies for new payment methods. It is the task of politics and the business sector to prevent these consumers from further financial exclusion.

Evelyne Gebhardt,
Member of the European Parliament since 1994.
Member and spokesperson for the Group of the
Progressive Alliance of Socialists and Democrats
in the European Parliament for the Committee on
Internal Market and Consumer Protection,
and Substitute in the Committee on Civil
Liberties, Justice and Home Affairs.



EUFFI Introduction to Study

New payment systems are proliferating, in a cloud of competing hopes, expectations and claims, not to mention regulatory challenges.

This study was commissioned by EUFFI as a contribution to EU policy making on financial services, and in particular on payment systems. It is meant to contribute to policy on the Commission's recent proposal on access to basic payment accounts, and to the on-going discussions on card internet and mobile payments. We will draw on the results in our submissions on these issues.

Most of us take for granted the financial services that we use all the time and that are a part of living in modern society. We do not know enough about the experiences and needs of those who for one reason or another are excluded or at risk of exclusion from such services. This study is part of what I hope will be a much wider effort to understand the needs of the financially excluded and to integrate that understanding into policy making.

The methodology of the study was to draw on the experience and views of those working with the financially excluded – a total of 33 NGOs or agencies in five Member States and we are grateful for their cooperation. Responding to questionnaires is not the most favoured activities of NGOs.

The study was managed and coordinated by another NGO working in the field Réseau Financement Alternatif. Our thanks here go to Olivier Jerusalem for his enthusiasm, professionalism and for the rigour that he brought to the task.

People with very different life experiences can be financially excluded or at risk of exclusion for many and diverse reasons. The financially excluded are not a homogenous group and the study does not try to make them so. It is a qualitative study that describes and brings together a range of diverse experiences with only one common factor – financial exclusion or a risk of such exclusion.

Cash remains, by a very long way, the most important means for payment for the vulnerable and those living on the margin. For many it is the only means available but the study results suggest that it is getting harder or more expensive to pay in cash as new payment methods spread.

Some of the financially excluded do have a choice in principle between payment methods but their experience to date is that cash is better, more convenient, or more adapted to their needs than any other means.

This is not to exclude new payment methods as a means towards financial inclusion. A number of respondents saw potential in new payment methods if for example problems of cost, transparency and budget management could be overcome. There is a challenge here for policy makers and payment system providers.

EUFFI has welcomed the Commission's recent proposal for mandatory access to basic payment systems. As the study indicates, access to such payment systems can be the first step towards financial inclusion for many.

Some respondents saw potential in prepaid cards, e-wallets and other systems that do not necessarily require a bank account but here too there are problems of costs, transparency and budget management.

The success of payments by mobile phones in some developing countries has led to expectations of similar success in Europe but, for the present at least, they have little or no impact in terms of financial inclusion. They may in the future if they are well adapted to the actual needs of those at risk of exclusion. Here the technical challenges may be easier to meet than the non-technical ones.

EUFFI has no preference for one means of payment over another, and we will be very happy to see any new form of payment that might bring more benefits to those at risk of exclusion. The danger here, however, is that existing options are restricted as new systems are introduced for the more profitable segment of users. It is clear from the study that there is a trend in this direction already.

In our view the following key principles should be integrated into future policy. The first is Choice – those at risk of exclusion must always have a wide choice of payment systems, including cash, available. Competition, too, is always important – if a payment system wins market share it should be on its merits and not because other options are restricted or closed down. Open standards are essential to achieve competition. In marketing, choice should not be restricted by the bundling of services or similar devices. Transparency is the third key principle – transparency in terms of costs and conditions of service. For most consumers and users, financial services are among the least transparent of all services. This problem is compounded for those on the margin. Those at risk of exclusion need, and often exhibit, greater money management skills than the rest of the population, precisely because they have no room for error.

If choice, competition, transparency and open standards are not enough to meet the goal of affordability, further regulatory intervention may be necessary.

It is wrong to think of those at risk of exclusion as being somehow distinct or separate from the rest of the population. They are not. As already noted, they are a diverse group. The factors that trigger exclusion include low income, uncertain income, changes in status, isolation, disability, and previous history; these are factors that may affect many people at some time in their lives. For some, sadly, financial exclusion is lifelong but there are many others who will experience it at some time in their lives.

The integration of financial inclusion in policy is not just good for those at risk. It is good for all of us. To cite the principle behind the “Design for All” movement, when services are designed for people with specific needs the results favours the whole population. This principle certainly applies to financial services. Services, and technology, that are more transparent and more accessible for those at risk will be more transparent and more accessible for us all. The results of this study have lessons for us all.

Finally, I would like to thank Commissioner Barnier and Evelyne Gebhardt MEP for their encouragement and support of our work.

Jim Murray,
President EUFFI

Executive summary

1. Since financial inclusion often refers one's access to a bank account or to appropriate credit, the way vulnerable people make their financial transactions, with or without a bank account, and the way they use their bank account transaction facilities is not well documented.
2. This qualitative survey, implemented in France, Italy, Poland, Sweden and the United Kingdom, sheds light on the various ways vulnerable people make payments and manage their money. Interviews based on a common questionnaire have been carried out with professionals dealing on a daily basis with vulnerable people. Five specific groups have been studied: migrants, low-income people, over-indebted people, old people and the disabled. A minimum of five interviews have been carried out per country.
3. The new means of payment considered in this study are mainly the ones which require access to a bank account (i.e. bank transfer, debit card, internet banking). On a few occasions, pre-paid cards or e-wallets have been mentioned.
4. These new means of payment are not as accessible as cash. They always require something in addition, including; an identification card, proof of residence, good credit history, clear credit balance, physical dexterity (computer, keyboards, screens), technological knowledge (information technology devices), speed of memory (personal identity codes / security process), budgeting skills to keep clear tracks of expenditure (when using various means of payment available to spend limited resources).
5. If new means of payment are sometimes seen as an opportunity to increase financial inclusion and to reduce the risk of difficulties related to cash handling, this report presents how technology today does not always take vulnerable people into account. There are some exceptions that illustrate the high potential of technology to make life simpler for a broad range of people, but certainly not all of them. Indeed, the recent changes in transactions show increased complexity, but also an increase in fees related to the use of traditional means of payment: cash, paper-based transactions or plain physical contact-based transactions.
6. This report opens a small window on a significant dimension of financial inclusion, that should lead all stakeholders involved to investigate more, to learn and to innovate, taking into account the fact that being able to make a transaction is an essential need in today's economy to live a normal life and integrate fully into modern society.

1 Introduction

Financial transaction needs...

Besides recent efforts to document financial exclusion issues via research and mutual learning actions, some particular issues remain unclear. Among them, there is the issue related to the way people at risk of financial exclusion deal with their current financial transaction needs.

The reasons people are excluded are numerous, and a non-exhaustive list would include lack of literacy/numeracy or other technological knowledge (educational/technological gap...), lack of income (economical), lack of administrative inclusion (migrants, homeless people), lack of mobility (bank branches/automatic teller machines (ATM) deprived areas, bank branches unadapted for the disabled) etc.

...and new technologies

New payment methods and financial services based on new technologies are developing rapidly. Examples include new payment cards, mobile phones, internet payment systems or e-wallets among others.

New technologies have the potential to facilitate greater financial inclusion but they may also develop, or be introduced in ways, that could increase financial exclusion.

To date, very little information is available on the impact new technologies in financial services have on financial inclusion. The purpose of this study is to gather information on this subject.

This qualitative study implemented in five European countries provides valuable insights on financial transaction issues related to people at risk of financial exclusion.

2 Study methodology, implementation and presentation

1 Study general information

The study was implemented in the field from mid-February until end of April 2013 in the five selected countries: France, Italy, Poland, Sweden and the United Kingdom. This report is a synthesis of five national reports based on desktop research and qualitative interviews.

A common interview questionnaire was elaborated by the research team (see annex).

In each of the five studied countries, the common objective was to identify professionals in daily contact with people at risk of financial exclusion. The five following specific target groups were chosen:

- people with low incomes,
- migrants;
- over-indebted people;
- older/younger people; older people refer to people aged 65 and will be called seniors in this report, younger people refer to adults between 18 and 25 and will be called the young
- disabled people; All national reports are available in the annexes.

2 Financial inclusion definition

"Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong." This definition is the starting point of the study: to what extent people at risk of exclusion may encounter access or use difficulties in their financial transactions that would impact the quality of their social and economic life.

3 National report details: experts and professional interviewees

FRANCE

Expert :

Georges Gloukoviezoff – 2G RECHERCHE

Interviews :

CCAS Saint-Etienne (municipality social support):

personal microcredit beneficiaries

CCAS Laval (municipality social support):

blind or partially blind people

Les petits frères des pauvres: seniors

Association Valentin Haüy: low-income people,

migrants, over-indebted people

Emmaüs défi: migrants, extreme poverty and

homeless people

Observatoire International des Prisons France -

prisoners

ITALY

Expert :

Elizabeth Aro – independent researcher

Interviews :

CARITAS: people in poverty, migrants

Centro Diurno Disabili di Milano: disabled people

CONF. A.E.L. Trade union: employee, self-

employed people, pensioners, migrants,

unemployed people, job-seekers

IDEA VITA Foundation: parents

of disabled children

IL GIRASOLE association: prisoners

PRO.SEGUO association: over-indebted people

VEDOGIOVANE cooperative: young people

POLAND

Expert :

Ewa Janikowska – ConCorda SP.

Interviews :

Polish Humanitarian Action: migrants

Society for Promotion of Financial Education:

over-indebted people

"Graduates out of suitcases" Association:

students and graduates

¹ L. Anderloni, B. Bayot (...), 2008, Financial Services Provision and Prevention of Financial Exclusion, VC/2006/0183, European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities Unit E2

District Employment Office: unemployed people
 District Social Support Office (financial advisors):
 over-indebted people
 Polish Union of Retirees, Pensioners and Disabled:
 elderly and disabled people
 Integration Association: disabled people

SWEDEN

Expert :

Richard Alström – Malmö University

Interviews :

Konsumentverket (Swedish Consumer Agency):
 consumers' representative

Migrationsverket (Swedish Immigrant Agency):
 applicants for temporary or permanent stay in
 Sweden

Handisam (Swedish Agency for Disability Policy
 Co-ordination): disabled people

PRO-Pensionärernas Rikorganisation: National
 Pensioners' Organisation representative,
 politically independent

Insolvens-Riksförbundet för överskuldssatta NGO:
 over-indebted people

UNITED KINGDOM

Expert :

Sharon Collard – Personal Finance Research Centre

Interviews :

Age UK: Charity representing older people

Christians Against Poverty: Debt Counseling
 Centre representative

Citizens Advice: Consumer protection agency –
 general public representative

Chartered Institute of Housing: tenants – 1/3 on
 benefits, 1/3 are retired, 1/3 are working

The Disability trust: disabled people

Refugee Action: asylum seekers

Rethink: Mental health charity

SNAPI: system that allows a user to record their
 preferences onto a smart card or other security
 token.

4 Results presentation structure

National information on how people receive income and make payments in the five studied countries:

- France
- Poland
- Sweden
- United Kingdom (UK)

General contextual elements that impact access
 and/or use of payment means.

Situation for the vulnerable target groups studied :

- Migrants
 - Over-indebted people
 - People on low-incomes
 - Old people and issues related to age
 - Disabled people
 - People in jail
 - Other vulnerable target groups
- Five conclusions, on the following questions:
 To what extent are new payment systems
 (NPS) accessible and relevant to the financially
 excluded and vulnerable groups, in terms of
 cost, proximity, convenience, adaptability to
 their needs etc.?
 - To what extent are new systems not adapted to
 the needs of the financially excluded? What are
 the main factors that limit their usefulness? Is
 take-up a problem?
 - To what extent, if any, are the financially
 excluded and vulnerable groups faced with
 diminishing options in terms of their traditional
 use of payment methods (e.g. cash) and finan-
 cial services?
 - Are there concrete examples of new payment
 methods that have brought benefits to the
 financially excluded and vulnerable groups?
 - Are there concrete examples of new payment
 methods that have been accompanied by new
 restrictions on financial inclusion – for example
 factors that encourage forced migration to new
 services?

3 National information on how people receive income and make payments in the five studied countries

Although this issue is quite poorly documented on a financial exclusion perspective, the national experts have identified some particularly relevant or illustrative information to provide support to the qualitative data collected via their interviews.

The most frequent, but not exclusive, way to access modern means of payment is directly related to a bank account access and use. Therefore, bank account penetration in each of the national societies studied is an interesting data to measure, reflecting not only the potential access to modern means of payment, but also the potential degree of difficulty to live a normal life for deprived people.

1 France

Thanks to a quite detailed quantitative study provided by a French research Centre in 2010, our French expert could provide highly focused information on the use of transaction means by the general population and by vulnerable people. For this reason, a large part of his report is maintained in this final report in the annex.

1.1 Modern mean of payment: bank account, debit card, cheque

The above mentioned quantitative study² provides interesting data on the way some vulnerable people use modern means of payment. In this study, vulnerable people are represented by people at risk of poverty (under 60% of the median income) and by benefits recipients.

Regarding access to modern means of payment, it appears that while less than 1% of the general population has no debit card, no chequebook or current account, 14% of benefit recipients and 12% of people at risk of poverty are in that situation.

When they do have access, it is limited access as only 57% of benefit recipients and 61% of people at risk of poverty have access to cheques and debit cards while 88% of the general population has access. It appears that benefit recipients and people at risk of poverty are more likely to use cash as their main means of payment, as respectively a third and a quarter of them are in that situation, compared to less than 10% of the global population. The main difference is related to the use of debit cards which is the favourite means of payment of 70% of the global population compared to less than half of the population of benefit recipients and people at risk of poverty. The situation in terms of usage is quite similar regarding cheques while the level of access is very different.

Apart from debit cards, cheques, and direct debit people at risk of financial exclusion in France as well as the general population make very little use of new payment methods. While the proportion of the general population using them is always higher, it is not the case regarding postal money orders. It appears that 5% of benefit recipients and 6% of people at risk of poverty have already used postal orders at least once while only 1% of the general population is in a similar situation.

1.2 Use of other modern means of payment³

No information is available regarding access and use of mobile banking and mobile payments in France. Regarding e-wallets, a pilot has been implemented in France but it did not lead to a level of take-up allowing comparison between the general population and people at risk of financial exclusion.

2 CREDOC, 2010, Les conditions d'accès aux services bancaires des ménages vivant sous le seuil de pauvreté, report for the Comité consultatif du secteur financier, Paris:CREDOC.

3 CREDOC (2010)

4 CREDOC (2010)

1.3 Specific use of means of payment⁴

When looking at main groups of transactions, some differences appear between people at risk of financial exclusion and the general population. For the purpose of comparison, only the three most popular means of payment amongst people at risk of financial exclusion have been included.

For purchases lower than €45, almost half of the people at risk of financial exclusion use cash while only 25% of the general population does the same. The most popular mean of payment amongst the general population are debit cards which are used by 65% of people. In comparison, only 41% of benefit recipients and 43% of people at risk of poverty use debit cards.

For a purchase of over €45, cash almost disappears as only 6% of the general population uses it as a means of payment but it is still the preferred means of payment for more than a quarter of people at risk of financial exclusion. For less expensive purchases, debit cards are the main means of payment for the vast majority of the general population (75%) while it is only the case for 54% of benefit recipients and 57% of people at risk of poverty.

1.4 Rent and mortgage

If the most popular means of payment for rent or mortgage payments is direct debit, the proportions are very different regarding different sections of the populations. While 62% of the general population pay by direct debit, only 40% of benefit recipients and 38% of people at risk of poverty do the same. These populations at risk of financial exclusion are far more likely to use cash (18% and 12%) than the general population (2%) to make such expenditures.

These differences can be partly explained by two reasons. Creditors' payment procedures differ for property owners since they generally prefer to collect the credit instalment via direct debit, which is less the case in rental situations. Also, the house-owner group probably includes fewer vulnerable people than the tenant group.

People at risk of financial exclusion and the general population both use similar means of payment when paying utility bills. It appears that almost 60% of people at risk of financial exclusion pay

with direct debit compared to 67% for the general population. The proportion of people paying in cash continues to be higher amongst benefit recipients (8%) and people at risk of poverty (6%) than in the rest of the population (1%) but compared to most of other financial transactions the level of use of cash is amongst the lowest.

1.5 Others

Mail/online order purchases

Mail/online order purchases are very difficult to make through cash payments as it is illegal to send cash via mail. People at risk of financial exclusion have a similar use as the general population use, except that between 4% and 6% of them use bank transfers (0% for the general population) as a result of the exclusion from debit card and cheques.

School canteen fees

Cash is used significantly more by people at risk of financial exclusion to pay school canteen fees. This can create difficulties for some families as some schools refuse this mean of payment due to the risks linked to handling cash.

Taxes

It is possible to pay taxes in cash as public bodies are committed to making financial transactions easier for people excluded from banking services. Nevertheless, it remains an unusual way of paying taxes. Cash is less used although it has to be noted that only a third of people at risk of benefit recipient and people at risk of poverty pay taxes.

People at risk of financial exclusion use cash more often than other means of payment. This results from their lack of access as well as lack of trust in modern means of payment. Social norms as well as rules established by some service providers or creditors make it impossible or extremely difficult to manage financial transactions in cash only which therefore creates costs for people with no alternative.

However, people at risk of financial exclusion are not without access to modern means of payment. The majority of them use them for most types of expenditures even if their level of use is, on average, lower than what it is for the general population.

2 Italy

In Italy, no specific study oriented on the use of payment means by vulnerable people has been identified, so the Italian expert proposed a multi-dimensional presentation to provide a perception of the Italian context.

2.1 The diffusion rate of banking services in the country

As far as the rate of diffusion of banking services in the country is concerned, Italy has generally shown a lower diffusion of banking accounts among the population compared to other European countries. Various factors are behind this: In the past, diffusion was ensured by postal accounts in Italy. However, it is only since about ten years ago, that these accounts offer similar functions to those of bank accounts; in the past, postal accounts did not offer modern payment services, nor cheque-books. The high level of banking fees and costs is also a factor – due at least partly perhaps to the fact that in Italy stamp duties apply to many banking transactions.

Gender differences

About 11.3% of male heads of household do not have a bank nor a postal current account (i.e. an account which provides payment services) and this percentage is as high as 21.8% when the head of household is a woman⁵. The rate of diffusion of bank accounts has risen in recent years, but the percentage of people who do not have a bank or postal account which provides payment services is still large, and this phenomenon is mainly concentrated among low-income people. To give an idea of the earlier situation, at the beginning of the 1990s, only about 70.6% of male heads of household had a current bank account and this percentage was as low as 48.9% when the head of household was a woman (Bank of Italy, SHIW 1991, p.47).

2.2 Payment services diffusion in the country: demand side explanations

The comparatively low level of bank and postal accounts (in comparison with the rest of the EU) which provide payment services, in addition to the use of cash, motivate the large use of cash for payments, instead of modern payment instruments.

This national context makes the use of cash easy and very common, with a reduced pressure to use modern means of payment for the general population as well as vulnerable people.

Nevertheless, various initiatives, both in the area of bank marketing and of financial education as well as of regulation, aimed at reducing cash payments and improving traceable payments have been undertaken - with the aim to reduce the phenomena of both of tax evasion (a significant underground economic sector) and money laundering.

Recent figures from the Bank of Italy (Annual report 2012) clearly depict the situation: in 2011 in Italy, there was an average of 68 cashless payments per capita in Italy that year, compared with 182 in the euro area as a whole in 2010. This gap becomes larger when paper-based payments (cheques, in-person credit transfers and postal current account deposits) are not included in the analysis: there were 51 electronic payments per capita in Italy versus 168 in Europe.

Comparative analysis (international and Italian interregional) suggests that the main factors in the lower use of electronic payments in Italy, and in some regions in particular, are the following:

1. low per capita income;
2. the relatively limited acceptance of cards by businesses.

Innovation and security should be crucial factors to better diffuse electronic payments in Italy.

Nevertheless, over the past five years the use of electronic instruments has increased throughout the country - internet payments, on-line payments using credit and prepaid cards and on-line credit transfers.

⁵ Bank of Italy, SHIW 2012, p. 72

According to the Bank of Italy (2012), "the fees for payment services are an essential tool for fostering the use of innovative instruments, especially following transposition of the Payment Services Directive, which bans hidden fees such as those deriving from value dates. For some innovative payment channels, such as the internet, there has been some decline in average charges to customers while in the traditional channels, such as bank branches, fees have been increasing. Bringing the fees for payment services more closely into line with costs is a necessary condition to trigger a replacement process to take full advantage of scale economies in the development of innovative instruments."

As previously mentioned and as the Bank of Italy points out (2012, p. 278), other factors other than undeclared work and the hidden economy play a role in the intensive cash use for payments, including economic factors (fixed and variable costs to keep a current account are unbearable for poor people or low-income people which have unstable income) and cultural factors (including risks of penal sanctions as a consequence of issuance of cheques without provision or overdraft risks due to liquidity needs or to mistakes in calculating the effective amount available on the current account).

A relevant innovation in the regulatory framework has been the introduction of a ceiling on the maximum amount of cash payments at €1.000 (Law Decree 201/11) and to require that salaries, wages and pensions be credited to a personal bank or postal account. This new regulation has been in place since January 2012 and at the beginning it triggered many difficulties for low-income people who were used to managing without a bank or postal account.

Indeed, in order to face difficulties of those without a bank or postal account, the same regulation introduced the obligation for banks, post

offices and payment institutions to offer a basic bank account, which is free for some disadvantaged people (Law Decree 201/2011). These people are identified as those with an annual income less than €7.500. The basic account is free of charge and exempt from stamp duties. This is also the case for retired people or those living on benefits, provided his/her monthly pension or benefit are lower than €1.500 and that the credit and debit transaction is connected to the pension or benefit. Additional services are charged separately. This basic account includes an unlimited number of transactions free of charge.

Prepaid credit cards, to facilitate the need to make easy and secure payments on the internet, play a part in promoting financial inclusion. Indeed, their rapid diffusion is due to the fact that they offer the function of current accounts (the so-called account cards⁶ provided with IBAN code). In fact, these cards allow users to receive and to make bank transfers. The Bank of Italy estimates that these 'account cards' accounted for more than fifty percent of the total prepaid cards issued at the end of 2011.

According to the Bank of Italy's data (SHIW, 2012) the substitution rate of current accounts with prepaid cards increases when personal income is lower (i.e. there is an inverted relation): this confirms that they are a used substitute for current accounts for people on low-income.

2.3 Payment services diffusion in the country: supply side explanations

According to the Bank of Italy (2012), an average of 31% of Italian service firms have a point of sale, compared to 44% of other more developed European countries where paying by card is more common. If we do not consider the large distribution sector within this figure, then the percentage falls

⁶ It is a tool that offers various functions as a current account, but with lower costs or no costs. It is a prepaid card with an IBAN code. Various surveys demonstrated that in Italy the costs of having a current account are very high and higher than in other European countries. This is due to various items of charges, including stamp duties and banking fees and charges. Accounts cards are exempt from stamp duties and as they have an IBAN code they can be used to credit wages and salaries and other inflows, to pay utility bills such as gas, electricity and water, to make purchases and pay through POS or on line shopping.

to 20% in the sector of food retailers, restaurants and cafeterias. The high number of microenterprises in Italy is another reason for this low state of diffusion of payment services and infrastructure in Italy.

2.4 The attention paid in the country to the phenomenon of financial exclusion

In Italy, the attention paid to financial exclusion problems is only recent, compared to other European countries.

When academic research and consumer associations in the early 2000s (Anderloni 2003 and 2007) questioned how to tackle this little known phenomenon, a long period was required to raise awareness and to search for answers. The initiatives that followed were mainly self-regulation by the banking system and financial literacy promotion by the Italian Banking Association and the Bank of Italy. In addition, there was also the goal to remove cultural barriers to using banking services and to increase awareness on the risks the inappropriate use of credit and incorrect use of payment tools such as cheques and promissory notes.

Another response was the 'basic bank account' offer with limited services/functions and limited costs. However, banks did not really promote them among poor and low-income vulnerable consumers (using them preferably to attract new potentially interesting, young customers), nor did old people or those on low-income and precarious jobs perceive a real utility to this account.

2.5 The impact of the recent economic crisis on financial vulnerability.

The current economic and financial crisis has played an important part in Italian households' conditions and their financial behavior, especially for more vulnerable people.

The crisis sharpened the decrease, which started

from the early 1990s, of Italian households' saving capability, especially for some categories of households. According to the Bank of Italy data (SHIW 2012), the decrease has been larger for young households (where the head of household is less than 35 years old) and those in the lowest quarter for net income. In this segment of the population, the rate of saving has fallen to zero.

All the indicators of vulnerability are becoming worse in more acute ways for young households in recent years.

Finally, in order to understand gender differences with reference to access to bank accounts and use of payment instruments it is worthwhile to mention that in Italy the rate of employment among women is still far lower than among men. Indeed, in 2011 Italy was ranked among the most unequal countries according to the Global Gender Gap Index (it stood at 74th place out of 145 countries and at the 21th place among European countries).

3 Poland

Similarly to the Italian report, the Polish expert gathered a broad range of data in order to provide a general context for the use of financial services in Poland. .

3.1 Bank account access and use: demand side

Cash remains the most frequently used means of payment in all out-going transactions. Even if all regular incoming payments (wages, salaries, state benefits) are paid to current accounts operated by banks or credit unions, beneficiaries of such payments mostly withdraw money in cash for further spending.

23% of adult Polish citizens (i.e. approximately 7.1 million persons) do not have a bank account. According to the survey⁷, the following factors increased the probability of not using a bank account:

⁷ <http://www.federacja-konsumentow.org.pl/download/raport.pdf>

- a) Low education – 62% of the people surveyed only have primary education
- b) Unemployment – 55% of the people surveyed have no income and 38% receive an income comparable to a subsistence allowance
- c) Age – 44% of the people surveyed are aged 59 years old or more
- d) Internet illiteracy or lack of access – 39% of the people surveyed do not use the internet
- d) Community habits – 33% of the people surveyed live in villages.

People showing these characteristics tend to use cash as the main means of payment.

In an opinion survey carried in 2009⁸, unbanked people declared the following reasons for not having a bank account: (i) I don't need one; (ii) I prefer cash; (iii) I don't have enough money; (iv) I don't have a regular income; (v) I don't have a permanent job.

Similar reasons were given in an opinion survey⁹ carried in 2012, regarding the use or not of payment cards: (i) I don't need one [44% of respondents]; (ii) I fear lack of security [27% of respondents]; (iii) I fear high charges [23% of respondents]; (iv) I prefer using cash [21% of respondents].

3.2 Bank account access and use: supply side

Low level of accessibility of non-cash infrastructure impacts the overall use of different means of payment in Poland by all citizens, irrespective of their status of being financially included/excluded. This is more visible in villages and small towns.

3.3 Means of payment in use

Cards

According to data available from the National Bank of Poland, the use of payment cards, including debit cards (79.8%), credit cards (19.4%) and prepaid

cards (0.9%) is becoming more and more popular.

From a use perspective, 60.8% of the total number of transactions using payment cards were to access cash via ATMs. From a use perspective, 60.8% of the total number of transactions using payment cards were non-cash. However, non-cash operations represented a limited ratio in terms of value of operations (2.9 % of the total - domestic use only).

Bank accounts and internet banking

There are about 26 million bank accounts and over 2.5 million accounts run by credit unions in Poland. The use of payment transfers and direct debits falls below the EU average, but is improving steadily.

About 11 million bank accounts are accessible via the internet. About 50% of account holders use internet banking, including 'at risk of exclusion' groups: about 9% of users are aged 60+ and 10% of users have primary education.

Among all transactions using payment cards, no more than 0.4% were done through the internet (both for number and value of transactions).

Mobile Payments

Over 1.181.000 people use mobile payments linked to bank accounts.

3.4 Payment means and type of transactions

Making payments

At open-air markets, the use of cash is almost the exclusive means available. In shops, only about 20% of retail outlets accept payment by cards, and cash remains the means of payment in 85% of trade. The share of cash transactions diminishes for larger outlets.

The cost of accepting card payments is considered by retailers much more expensive than the handling of cash. Polish enterprises are used to cash – as a general rule, 71% of enterprises use cash as the main means of payment and 22% do not use

⁸ <http://pbs.pl/x.php/1,1072/Wskaznik-ubankowienia-Polakow-zwalnia.html>

⁹ KoDliński Tomasz, Porównanie wyników badań ubankowienia Polaków przeprowadzonych przez NBP w 2006 i 2009 r., National Bank of Poland 2009

bank services to pay in/pay out the daily turnover. Cash is considered a safe means of payment and much quicker to settle than a payment card transaction..However, over 20% of retailers declare their openness to new means of payment¹⁰, e.g. based on mobile phones, provided the security of such transactions is similar to payment cards and transaction cost are much lower.

For leisure, health and transport, cash is the major means of payment, but cards are more frequently used when the transaction amount is bigger and in cities where more businesses have the appropriate payment infrastructure. For airline tickets, the use of payment cards and bank transfers is more often required.

For utility bills, cash and/or payments from a bank account [transfers, standing orders or direct debit] are often used but payment in cash can be done at the service provider's cash desk, through the means of a post order, cash payment in a bank or a payment intermediary.

Receiving income

Regular income (wages, salary) is paid into a bank account, as required by the Law.

It is important to note however, that revenue coming from illegal/grey/unregistered jobs will often be paid in cash.

Regular payments from the state (e.g. old age and disability pensions, unemployment benefits, disability allowance, child benefit etc.) are paid into a bank account, as required by the law.

Small amounts are paid in cash e.g. paid ad hoc to beneficiaries of social support offices as reimbursement for medical prescriptions, or are offered as in kind contribution [e.g. an employee of a social support office buys medicine in a pharmacy and gives it to a beneficiary]. This may be caused by strict fiscal and accounting regulations in Poland, requiring original invoices for every kind of income, deductible items and/or by lack of trust.

4 Sweden

Using general bank services in Sweden is straightforward as long as one has a valid social security number. It is not necessary to have a permanent residency address. According to the law, everyone with a valid social security number can have access to a deposit bank account. Also, newly arrived migrants - for example refugees - receive a temporary social security number, sometimes within one month, which can be used to open a deposit bank account. However, a deposit bank account does not allow credit. It is only to receive and save money.

Among the general population, less and less people visit bank branches to pay bills and invoices, since over the last couple of years it has become very costly.. In addition, some bank branches refuse to handle cash anymore, citing security reasons. Instead, bank customers rely on internet banking. Visiting banks in person is usually to meet bank staff in order to apply for substantial loans (exceeding €20.000), for example for cars or real estate (i.e. mortgage applications).

When it comes to banking inclusion, that is having access to credit provided by banks, it is estimated that about 10%-15% of the population is excluded. Main reasons for exclusion are; registered payment default, long-term unemployment, newly arrived migrants or students without regular income, or other reasons (e.g. prison sentence due to fraud).

Of course, like in many other countries, it is still possible to have access to credit, through 'the general financial credit sector' rather than banks. Sweden was f one of the first countries in the world to legally approve mobile phone operated loans, the so-called SMS-loan. About ten percent of the population uses, or has used this kind of credit. However, it is a very risky enterprise to rely solely on SMS-loans. There are examples in Sweden in which creditors have charged an annual interest rate of 1.800 percent. Vulnerable groups are classed as young people, people with irregular income, and, unfortunately, more and more old people with small pensions.

Overall, 96% of the Swedish people above 18 years of age have loans or credit of some sort.

¹⁰ National Bank of Poland, 2012

5 United Kingdom (UK)

5.1 Payment means and type of transactions

Making payments

Consumers' use of debit cards and credit cards for retail spending has steadily increased in the UK. Statistics show that 18.9 million cardholders used their cards regularly at least once a month to make purchases in the UK. On average, regular users made 104 payments during the year, spending £117 (+/- € 139) per week on their cards. The annual growth rate in spending on debit and credit cards in December 2012 was 5.2 per cent, with a faster growth rate for debit cards than credit cards (6.6 per cent and 2.1 per cent respectively).

Using credit and debit cards to make purchases online has also increased significantly in the UK over the last 10 years. In 2011, 37.6 million adults (equating to 75 per cent of the population) purchased goods and services online, with a total spend of £ 63 billion (+/- €74.6 billion). These online payments accounted for 8.5 per cent of purchases made using cards.

In addition, there has been a steady growth in electronic payments by Direct Debit. Direct Debits are generally used to pay regular bills such as housing costs, utility bills and insurance premiums. At the same time, the use of cheques has declined.

Receiving income

The most common way that people in the UK receive wages, state benefits and pensions is by automated credit into an account. This is usually a current account or basic bank account. Relatively few people in the UK do not have a bank account: five per cent of households lack a transaction account (Kempson and Collard, 2012). In terms of accessing cash from a current or basic bank account, the UK has over 66,000 ATMs. The majority of ATMs (70 per cent) are free-to-use.

Automated credit transfers into a bank account became the default method of paying state benefits and pensions in the early 2000s, replacing giro cheques that claimants cashed at the Post Office. State benefits and pensions can also be paid into and withdrawn from a Post Office Card Account (POCA). The POCA is essentially an electronic girocheque which has no other functionality, for

example income from other sources cannot be paid into a POCA and payments cannot be made from a POCA. For people who receive state benefits or pensions but do not have or do not want to use a bank account or a POCA, there is a Simple Payment Scheme. Users of the Simple Payment Scheme receive a plastic card and are sent a personal identification number (PIN) every month that allows them to withdraw their benefit or pension from a PayPoint outlet. PayPoint operates a bill payment service through local retail outlets such as newsagents. People can pay bills in cash at PayPoint outlets, which makes it particularly attractive for people on low incomes. The costs of using the service are usually covered by the bill originator.

5.2 A reform that may impact the access and use of modern means of payment by vulnerable people

The coalition government of the Conservatives and the Liberal Democrats is in the process of implementing radical welfare reforms, which will significantly change the way people apply for and receive state benefits and pension systems (as well as the amount of money they receive). From October 2013, Universal Credit will replace the six main social security benefits. Claimants are expected to claim their benefits online, and a single payment will be made to a household (rather than an individual). People who are eligible for financial help with their housing costs will receive money towards their rent as part of Universal Credit. Unlike now, people who rent their home from a local authority or housing association will be responsible for paying their rent to their landlord. At present, the landlord receives the money direct from the government. There are serious concerns among housing providers that this will lead to increased rent arrears.

5.3 Payments Council

Information campaign and facilitation action to increase access and use of new means of payment

The Payments Council is responsible for setting the UK payments strategy by means of the National Payments Plan. Recent actions taken by the Payments Council include:

- The publication of a Financial Inclusion Policy Information for consumers, including an online information hub (www.payyourway.org.uk) and information about banking safely online (www.banksafeonline.org.uk).
- Publicity campaigns, for example a campaign with older people on the benefits of online banking, and a campaign to raise awareness of Chip and Signature cards
- A review of access to cash
- Establishing a central database to link mobile phone numbers to bank account details, to facilitate payments by mobile phone without having to know bank account details. The new service is due to be launched in spring 2014.

6 Contextual elements with impact on access and/or use of transactions means

The review in these five countries brings together new information with existing knowledge about financial exclusion on bank access and bank account use¹¹.

The general and common understanding of financial inclusion related to new payment methods by the five experts can be considered as the following:

Exclusion 'a pragmatic and common perception':

The term exclusion refers, on a pragmatic perspective, to the easy access and use of a bank account, besides the use of cash. This is indeed the major way to access to modern means of payment.

The exclusion intensity varies therefore from one country to another, but also within each country, from rural areas to urban centers.

Where the use of cash is the most used and common means of transaction (rural areas in Poland or in Italy), non-access to bank accounts or the access but non-use of new payment methods related to the bank account is not stigmatizing, nor does it creating significant barriers.

On the contrary, in societies where goods and services (energy, e-commerce, etc) mainly require access to modern means of payment, many difficulties may arise in trying to pay in cash (when it is even possible). It may require transportation means to reach a particular payment point, therefore it requires time, costs related to transportation and costs related to payment means (via postal money order, via PayPoint branches etc.).

Financial inclusion related to new payment methods is therefore highly related to bank account access and use.

Modern means of payment that are not related to bank access exist, but remain until now quite exceptional (prepaid debit cards, e-wallet, account cards). They can represent a positive option in the fight against exclusion as long as their own costs (access and use) remain low, they generate transaction track records to allow for expenditure control and their use is easy for disabled people.

¹¹ Financial services provision and prevention of financial exclusion (2006-2007) outputs, available on

4 Situation for the vulnerable target groups studied

1 Migrants

Based on the qualitative data collection, a range of issues and difficulties have been identified. The intensity of each one can differ from one country to another, depending on particular circumstances, context and practices. The following section summarises in the main results.

1.1 Migrant status

The status of migrants has a direct impact on the capacity to conduct transactions other than in cash. The issue is mainly related to bank account access that requires proof of identity, and in most cases, this means to be legally registered.

For people in illegal situations, cash is the exclusive means of payment beside remittances. For the others, access to bank account is in principle open, with the related access to modern means of payment.

1.2 Cultural, language or literacy

1. For the first generation of migrants, the cultural background and language can represent two barriers to access and use of modern means of payment.

Cultural background refers to country of origin habits where no modern means of payment are proposed, nor used. This lack of experience makes the learning process in a foreign country even more difficult.

The language barrier has been often mentioned in reports and questionnaires: it exists in many dimensions, from the staff in the bank branches to the bank documents, to the bank's website, but also for all type of advice services, and consumer protection organisations (public / private) that provide online information.

Modern means of payment require an intensive use of written documents that can also create difficulties for people with a low level of reading skills.

Access: these difficulties may impact the ...

- Basic knowledge about people's rights (access to basic bank accounts when they exist),... (FR IT PL SE UK);
- Understanding the commitments and the management rules of the accounts (costs and penalties);
- Understanding the technical dimension of the use, with a potential negative impact on security.

Use: some relevant elements

- The previously mentioned elements impact the intensity of use of the payment means provided by the bank account. Usually, people receive money on an account (for example when they have a legal income) but they deal in cash for their expenditures.
- The consequence of having to pay fees or penalties due to bank account misuse increases the reluctance to use such means of payment (direct debit when the account does not have sufficient funds, refused cheques).
- They do not have access to the 'good deals' exclusively available on the internet via online payment
- Paying in cash for some goods or services may require transportation, and waiting in specific premises, to pay related fees for postal transfer or PayPoint facilities
- Security is poor in relation to cash savings and cash use.

1.3 The use of remittances

Remittances are quite often used by first and/or second generation migrants to receive and send money to their country of origin. This element plays an important part in the use of cash by migrants.

These three elements (status, language and remittances) push migrants to use cash in a more intense way than the general population. These reasons are linked to supply side as well as demand side elements, but they could all be politically targeted to increase and improve the financial inclusion situation of migrants.

1.4 Complementary views from respondents

It is important to mention that if some problems have been mentioned in some national reports but not in another, it should not be assumed that the problem therefore does not exist in that other country.

ITALY

The Italian respondent explains that migrants are seen to be able to use modern payment instruments but because of poverty, low income and unstable employment they are forced to manage with cash. Online banking is generally 'manageable' by migrants but if no internet is available at home, the space open to the public is not considered to be safe enough (lack of privacy).

A partial solution could be to access to microcredit to finance a computer and internet connection and to use prepaid cards as a temporary solution since they generate more costs than a bank account.

For legal migrants in Italy, bank account access seems to be at similar levels to that of the general population.

In Italy, since many people use cash, the intensity of financial exclusion for migrants dealing in cash is probably less damaging.

For migrants in an irregular situation, cash is the rule, and this is a common situation in all the 5 countries studied. In cases where the grey economy plays an important role, then cash transactions are more popular. This was also mentioned in detail in the Polish report.

SWEDEN

For official asylum seekers or migrants, the Swedish administration takes care of the essential needs until a permanent permit of residency is received (together with a social security number and work permit).

There are increased difficulties in remote areas for migrants (as well as other excluded people for bank account use) since cash is much less convenient for groceries, paying rent and health-care costs. In remote areas, cash access can also be challenging (access to ATM or bank branches). This Swedish reality has also been mentioned in the UK, Poland and Italy in geographically deprived areas.

In Sweden, exclusion seems to be very severe if a person cannot prove a 'clean' economic record (no arrears, no debt record).

UNITED KINGDOM

Migrants have, like in the other studied countries, poor access to debit cards or direct debit, problems to securely store money, and usually carry cash on their persons.

A specific issue: unsuccessful asylum seekers, before being deported back to their country of origin, cannot receive state financial support in the form of cash. This is only provided on plastic payment cards, credited weekly, to buy essentials goods in a restricted list of shops and providers. This solution is reported to be stigmatising, and brings about hostile behaviour in some shops and supermarkets.

2 Over-indebted people

The term 'over-indebted people' does not refer to a precise definition. All respondents in this report are professionals who provide advice and support on social/economic/budgeting issues to people who cannot face all their financial obligations, including expenditures and ongoing contracts.

On the more precise perspective of access to and use of electronic payment methods, the most common indicator is a negative record in a credit database (credit default). All respondents underline the fact that being considered as over-indebted creates difficulties in accessing or using some modern means of payment.

If access to a bank account is not anymore always impossible for people with a negative record (right to a bank account with no overdraft facilities), access to means of payment that include some credit facilities is more difficult to get or in fact prohibited.

When income is credited on a bank account, in many countries, over-indebted people take the money in cash before foreclosure or garnishment action.

2.1 Restricted access to transaction means of payment

Being considered over-indebted is not a facilitating element to access bank inclusion, though in many countries, a legal right to a bank account protects people from bank exclusion.

All means that include a potential 'credit dimension', like cheques, credit cards, debit cards without protection from unauthorised overdrafts may be difficult or impossible to access.

These restrictions may push people in the situation of using more cash than the general population. Being restricted in using cash is mentioned in all countries as increasing cost and insecurity and generates other types of difficulties (geographical access to ATMs, bank branches, service provider offices (utilities etc.), PayPoint).

On the other hand, it is also mentioned that new means of payment do themselves also generate usage difficulties that reduce the capacity of people of managing a strict budget, with a particular concern over keeping track of expenditures (when using mobile phone payment).

FRANCE

- Over-indebted people may face particular difficulties in the use of modern means of payment as a consequence of the growing amount of penalties (when payments are refused).
- It may also be a sign of using inappropriate products (credit facilities, high fees in case of difficulties, lack of knowledge and confidence) or being forced to use them because of the situation.
- Difficulties are reported concerning the access to non-cash means of payment (despite the fact it is not a legal requirement), in particular chequebooks, that are very popular in France.

Positive practices

- ++ Debit cards with systematic authorisation of payments (to check money availability) have increased access to debit cards.
- ++ The Postal Bank tries to facilitate procedures for all vulnerable target groups.

ITALY

Over-indebted people surveyed by the PRO-SEGUO do not belong to the poorest margins of society. They usually can access mainstream credit providers and have an appropriate level of financial literacy.

- The situation is quite similar to the one in France: the use of prepaid credit cards, pre-authorized debit on current accounts and mobile phones has been mentioned, and cheques are more rarely used.
- The use of manual/paper money transfers and online banking are also available for these over-indebted people. However, there is no mention of the cost related to the use of prepaid cards.

POLAND

Since there is a risk of forced litigation, over-indebted people prefer to use cash. For the same reason, they prefer to receive additional loans (for emergency purposes) in cash.

In rural areas, access to cash can be difficult because most legal incomes are paid to a bank account, and to get the cash one needs access to ATMs, which are not easily available in some places.

It is also underlined that paying in cash can generate additional costs.

SWEDEN

When registered with payment default, there are many complications and costs because people are pushed to deal with cash in a more and more cash-less economy:

- Cash access can be difficult in remote areas (no ATMs nor bank branches)
- High costs: to pay bills in bank branches, fees can cost up to €85
- Time consuming (collecting cash and then paying in a bank branch)

Regarding transportation, over-indebted people are not able to access monthly public transport cards and have to buy more expensive single-fare tickets. Tickets are not easy to buy in cash, it is usually done via SMS through a mobile phone. However, to buy a mobile phone one needs a clean credit history.

Sweden can be seen as the country within the five studied where being excluded from modern means of payment generates the highest level of life difficulties and increased costs for transacting in cash.

UNITED KINGDOM

In the UK, some specificities have been mentioned:

- People may choose to open a second specific bank account (CAP) dedicated to regular payments and standing orders (debt reimbursement plan, rent) and maintain a 'normal' one for daily life expenditures.
- Over-indebted people on low-incomes may have restricted access to bank accounts (because of bank or credit history) or to the 'basic bank account and/or Post Office account' with sometimes a limited variety of payment methods. These accounts may be incompatible with CAP accounts.

New means of payment, to be relevant and useful for over-indebted people should limit prices, fees and penalties and, in general terms, limit actions that may create such costs. In this instance, preauthorised debit cards is a potential tool which could be developed to fulfill this criteria.

A second element to support and allow strict budget management is to provide clear records of transactions and expenditures of each type of means.

3 People on low-incomes

If people on low incomes are using more cash in the 5 countries studied (not much information for Sweden), the reasons are quite heterogeneous:

- The cash preference can be related to a low level of education or low financial literacy, and to the costs related to misuse;
- This first reason is generally not compensated by complementary information, or advice provided by financial providers;
- This preference can also be related to the level of income that does not allow to be split in two – one part on bank account, one part for cash expenditures (small amounts);

- In order to avoid seizure or garnishment, people on low incomes may avoid using bank account related payments;
- It can also be related to the expenditures that are necessary to access a full capacity of modern means - the cost of the hardware: mobile phones, computers or laptops, but also the running charges i.e. internet contracts;
- When available, the post bank has been mentioned in playing a significant part in the financial inclusion of vulnerable people;
- There can be ancillary costs in paying by cash – the cost of transport to the place of payment, for example.

FRANCE

French respondents give complementary elements that help to perceive the complexity of this broad category of people:

- Direct debit: considered to be helpful for some, but complicated and costly for others
- Debit cards seem to be always helpful;
- For part of the public, contact with 'physical money' makes the money use more real e.g.: testimony of people who lose 'control/track/memory' of expenditure made via the internet or underestimate transaction fees;
- Debit cards with the 'month later' payment facility is tempting for low-income people but usually leads to management difficulties and/or over-indebtedness;
- Despite a general low level of knowledge, some vulnerable people do attain high skills but these are not easy to transfer within groups of vulnerable people;
- When alternatives are proposed such as vouchers to buy specific goods, they are usually less convenient and can be stigmatising.

ITALY

The difficulties encountered in Italy are very similar to the other countries, except for an option available via 'the account card'. The latter is a basic bank account free of charge, unfortunately not well-known by social workers. When used, it is mainly to cash salaries, without any use of transaction facilities.

POLAND

Low-income people may be pushed to use cash, though the use of cash remains very common, in particular for daily expenditures. Not all shops are equipped with point of sale terminals. In small cities and rural areas, cash is the main means of payment used by all people.

- For utility bills, when non-cash, people use postal transfers or payment intermediaries in shopping malls even if it is more expensive (additional fees are not dissuasive when forced litigation exists). There is a low use of bank transfer.

Positive practices

- +++ Post offices are trusted, especially by older people even if it is more expensive than using modern means.

SWEDEN

There was no specific interview with stakeholders working on the ground with poor people, but the general conclusion related to digital isolation (the cost to get a computer and internet access, digital education) increases the risk of isolation for vulnerable people. This assumption is consolidated by the higher cost and time needed to deal in cash and other such problems (the use of public toilet access only via SMS).

UNITED KINGDOM

- ATMs (free of charge) are more easily available than before but they usually do not provide £5 £ (+/- € 6) notes, some are out of cash or out of order, some are located available in "dangerous areas" and moreover there are still many areas that remains deprived of ATMs. Some other banks limit access to their own ATM network and the Post Officebank.
- Being pushed to use cash does not mean an easy access to cash...

Particular option to facilitate transactions

- + The 'jam jar' accounts (combine an account to pay bills and a prepaid card) and mobile wallets (provide access to a range of services via a mobile device) could potentially meet the needs of people on low incomes, but so far, there are concerns about costs and consumer protection.

- +++ Bill payment facilities provided by Post Offices and PayPoint outlets to pay household bills allow for tight budget control and reduce risks of financial penalties. This is also used by unbanked people.

Open questions

For the time being, concerns remains about the **effective tracking of transactions** and the related financial control they allow on costs, fees, transparency and consumer protection issues (these means of payment are out of the protection of the Compensation Scheme, the Ombudsman service and have limited liability).

4 Old people and issues related to age

In the field, the experts did not have many opportunities to identify organisations working on issues related to the financial inclusion of young people.

For old people, the issues reported are related to the necessary change in the existing payment habits; new products, new media, reduced direct contact with bank staff that all together require knowledge, skills, mobility, but also the means to be able to access and to use electronic devices.

The situation differs greatly in countries where bank penetration is high versus other countries: in the first group, the new means of payment have generally replaced a more intense bank branch network, with restricted access to human contact in many areas. In the countries where bank penetration is much lower, the use of cash is therefore the main transaction means available, therefore the new means of payment enlarge the range of means available to transact (in some proportion), but not in the same way for older or vulnerable people.

Old people, like other vulnerable people, often prefer cash because it allows them better control on their expenditures than plastic cards or 'immaterial' means, and because its use is much simpler than electronic means.

Besides that, electronic means require understanding, confidence, skills and financial means to use them with a low risk of misuse or less security. These risks can increase when the support of

a third person or the need to note a PIN code or other access codes on electronic devices are necessary. The security issues around the use of ATMs has also regularly been mentioned. The 'physical dexterity' needed to use and read screens, keyboards and type in PIN codes can create stress and complexity as well as multiply the risk of mistakes.

Therefore, on the one hand, the use of debit cards and a cash cards to access cash reduces the risk of carrying too much money when going out, while on the other hand it might well increase insecurity when memory is an issue (PIN code written on the plastic card), when it implies involving another (possibly dishonest) person, when it creates issues on expenditure control and when it requires a appropriate access and use of electronic devices (computer, Internet, mobile). New means of payment can therefore increase or reduce risk depending on the physical and mental capacities of the individual person. Difficulties may therefore emerge much more from the 'handicaps' related to old age rather than strictly 'old age'.

Here again, the use of cash is usually preferred by this section of society, but its use can generate increased costs (paper-based payment orders at Post Office branches, at PayPoints) and requires more time. This second disadvantage though is often mentioned as a positive. Indeed, queuing at the local Post Office was mentioned several times as a rare opportunity for old people to get out of their home, to do some physical exercise and to maintain a minimum level of contact with people within their community.

FRANCE

- +++ It has been reported that people with sight difficulties may have access to ATMs equipped with special audio plugs.
- --- Equivalent adjustments should be proposed for difficulties related to stiff fingers and reduced mobility not only on ATMs but also on all electronic applications.

ITALY:

- The impact of increased costs for old people using cash has been particularly underlined.

In Italy, one respondent mentioned a particular per-

spective of financial restriction met by young people, who generally have no difficulties using new means of payments. The difficulties might emerge from a lack of credit history in order to access current accounts that include debit and credit cards. For young people who have no regular income or job, they can face difficulties in accessing appropriate payment instruments.

POLAND

Particular reported practices:

- +++ Post offices have recently reduced fees for payment transactions.
- --- Less means to use or buy IT devices.
- --- Generally, seniors maintain old habits, mistrust banks and new technology
- Needed: clear and easy procedures when the misuse of an ATM happens (a mistake in the operational procedure).

Needed: improved readability/information support/clear incentives/training and advice. Develop a targeted marketing strategy to encourage older people to use new means of payment.

SWEDEN

The Swedish report was the most explicit on the various profiles that might include the 'old people' group. If a young pensioner (until 70) is used to electronic/modern means of payment (credit card, prepaid card, e-wallets), the 80+ predominantly use cash and also some means (bank cards).

Modern Swedish lifestyles (illustrative of modern EU trends?) might create unexpected but annoying difficulties. As an illustrative experience, the access to some public toilets is now exclusively reserved for people who pay their entrance via mobile phone applications.

The significant number of remote areas in Sweden increases costs for people with restricted access to modern means of transactions, brings less security and reduced convenience (public transportation is needed to reach places that allow cash payment, like post offices, but public transportation requires modern payment means)

- --- When on low incomes, any increase in the cost of means of payment means is an issue for old people.
- --- Innovations should help old people to be better included but it does not seem to be the case for the moment.
- --- There is less protection from the Swedish legal framework when someone deals with cash rather than via electronic means.

UNITED KINGDOM

Particularly interesting figures: 4% of people aged 65+ have no bank account and 36% of aged 75+ have never used the internet (lack of access to technology, lack of IT skills, lack of appropriate design of IT devices).

The UK expert, like the Swedish one, reports issues related to access to public transport tickets, monthly tickets, appropriate tariffs, but also transport information (time schedule, changes, road works) for trains and buses which can be difficult or even impossible without internet access. This trend is a real concern.

- When in care homes under state funding, people lose their state pension and receive £25 a week for personal allowances: abusive money management has been reported. No particular system has been developed so far to protect vulnerable people;
- There is a concern about progressive physical difficulties that do not send a 'clear message' that new procedures should be proposed (or sought). For example, the ability to use a phone may slowly deteriorate because of difficulty in hearing or speaking or physical dexterity;
- Dignity: using e-transaction services at bank branches and ATMs can create conflicting/degrading interaction with impatient people who are queuing in such premises, because of the lack of dexterity and familiarity of the devices for old people. This might increase anxiousness;
- Identification issues may remain for old people with no passport and for people who are widowed, when their partner used to do everything and then they do not have suitable identity verification.

5 Disabled people

Experts from France, Italy and Poland have had the opportunity to collect information about specific issues encountered by disabled people. Naturally, the difficulties identified derive directly from the nature of the handicap. On a general point of view, technology and new means of payment have a great potential to facilitate the life of disabled people. In reality, unfortunately, the increased use of technology is too often a source of new difficulties.

Disabilities increase the level of dependency on third parties, some of whom may sometimes be dishonest.

Blind or partially-sighted people should have access to adjusted ATMs and websites, otherwise they are pushed to maintain intensive cash use with the related costs already described.

For mental or sometimes physical disabilities (according to the Italian report), money management is often made by the parents or dedicated third person of the disabled person, with possible direct management for small cash amounts.

FRANCE

The French report underlines some positive impacts of technological applications:

- +++ Many ATMs do have audio plugs.
- ++ Some websites are adjusted for partially-sighted people (bigger size of characters) or for blind people (vocal recognition for making payments).
- + Some technological tools may be helpful (scanners) but they are expensive.
- + Very few banks have braille transcriptions on bank statements.

6 People in jail

From information collected in France and Italy, a common situation is that people in jail cannot directly manage a bank account during detention. Most of the time, money management is done by a third party, usually a relative.

Other issues emerge once people take alternative measures or are on conditional detention such as lack of an updated identification document or lack of skills because of jail isolation, often worsened by low-education levels.

Reasons for the use of cash are therefore unclear: it can be a sign of demand preference as well as supply side obligation. It is true that a lack of bank account need and/or want has been reported at least in Italy.

7 Other vulnerable target groups

POLAND

The Polish expert collected the view of the "Graduate out of a Suitcase Association" which represents students and unemployed tertiary education graduates. As such, they are representing highly educated people with low or irregular incomes.

- High use of modern means of payment: bank transfers, Pay Pass card, internet, mobile payment and e-wallets.
- No access to credit cards and overdrafts in current accounts because of their low creditworthiness.

5 Five conclusions

Until recently, cash, cheques, paper-based payment means (transfer orders, postal giro-cheques) were the most common and, compared to today, limited ways for people to make financial transactions on a daily base. Access to cash was usually free of charge (income, wages, business or at bank branches most of the time), the other paper-based means of payment were generally proposed for a clear price.

Since then, the general tendency in Europe, documented in the five national reports, is to increase the level of bank account access and use, and in all the studied countries, incomes, wages, public allowances and pensions, among others, tend to be credited on a bank account.

Very recently there has been a huge increase of new means of payment (based on electronic technology), and, related to them, an increased number of tariffs and potentially a source of complexity and opacity. What is included in the bank account fee (when it exists), what is not, what will be considered as a misuse and what are the related penalties, if any?

This new trend has generated an increase, observed in all studied countries, of the costs related to the use of 'old fashioned' means of payment. This increase has taken various forms. In absolute terms, this is because the current price for these means have increased (postal transfer, in many cases) or, in relative terms, because other means are proposed for free (online bank transactions). Sometimes, transaction costs are not directly involved, but because the possibility to pay by cash is restricted to particular premises, they imply going to a specific place, which might require transportation expenditures and, of course time.

In some countries, the strategy to increase bank and financial inclusion is built particularly on savings being built up via transactions made with new means of payments, and the more intensive use of the bank account.

Therefore, the inclusion issue is about the full access of all vulnerable people to free of charge or affordable means of payment (with no hidden costs related to transport for example) which are convenient to use and relevant to their needs. This includes avoiding difficulties such as arrears, unauthorised overdrafts, hidden fees, penalties, lack of a spending record, risk of seizure or forced litigation.

1 To what extent are new payment systems (NPS) accessible and relevant to the financially excluded and vulnerable groups, in terms of cost, proximity, convenience, adaptability to their needs etc. ?

1.1 NPS cost impact on accessibility and relevance

NPS reported in the 5 countries are mostly accessible via a bank account or via a prepaid card (e-wallet).

Bank accounts

Step 1 – Costs to access to a bank account

The fees related to access a bank account have been reported to be dissuasive for vulnerable people in some countries as well as penalties in case of unauthorised overdrafts or other transaction misuses.

Complexity and opacity within tariffs and penalties can generate mistrust for vulnerable people that therefore might have a bank account to receive income, wage or allowances, but who will mainly transact in cash, in order to avoid any bad surprises.

In this perspective, countries where a right to a bank account is effective, with maximum fees for transactions and clear tariffs can be seen as promoting good practice for financial inclusion.

Step 2 – Costs of transactions via a bank account

The information collected did not review all the detailed costs related to the type of transactions, since answers were not exhaustive. What has been mentioned illustrates the following specificities:

- Vulnerable people are more likely to appreciate human contact (disabled or aged people) to do their transactions than having to deal with an unadapted interface. The current trend is to limit the number of bank branches and limit the reasons why a client should visit a bank branch.
- Vulnerable people are more likely to use less cost effective means of transactions when they offer more simplicity (paper-based transfer order), similarity to old fashion means (postal transfers), or limited risk of misuse (debit card with systematic preauthorisation).
- Vulnerable people are less likely to use electronic and automatic banking premises for security reasons (risk of being robbed or being mistreated) and for unadapted interface materials (for blind or partially -sighted people and difficult to use keyboards).
- Vulnerable people are more likely to move to bank branches or provider's premises to make cash payments, though it usually means spending time and money on transport, waiting lines, and sometimes paying additional fees related to cash transactions.

Conclusions:

1. Vulnerable people generally do not benefit as much as the others from NPS development, because new payment means are not designed in a way which eases and simplifies their transaction needs;
2. As a consequence, vulnerable people stick to 'old fashioned' means of payment that are convenient but that are becoming more expensive to use.

Step 3 – Necessary devices and running costs to access 'free' home and mobile banking

Vulnerable people are less likely to use computers, laptops, mobile phones, smartphones and/or tablets to make their financial transactions. Many reasons are related to the cost of these devices, the level of the running costs, but not only these. The degree of technological knowledge required, that can be complicated by an inappropriate interface in case of physical disabilities, may force them to maintain the use of traditional means of payment.

Prepaid cards and e-wallets

This has been mentioned in various occasions as a potential facilitating tool for vulnerable people to access NPS. As a technology, it can be considered as relevant. Nevertheless, no precise information has been collected on the costs related to its use (access costs or running fees).

1.2 NPS proximity impact on accessibility and relevance

For vulnerable people, proximity to NPS will be understood as the capacity to access them.

Access to NPS is related to access to bank accounts and/or access to prepaid cards.

Access to bank accounts

Since there are legal requirements that apply to everyone, non-registered migrants are the most excluded target group of all the vulnerable public. NPS have not had much impact on accessibility by prisoners: inside jail, alternative means exist for purchases.

However, in countries where no tradition of identification cards exists, old people (widows/ers) have reported some difficulties in proving their identity when the deceased husband/wife was the one dealing with administrative matters.

For mentally disabled people, bank accounts are often managed by a relative or carer. For physical disabilities, besides some current exceptions (in which a real potential exists), NPS are not designed to be user-friendly to disabled people.

Old people (very old) might have difficulties in changing their habit of using 'old fashioned' means of payments or might have disabilities which excludes them from using NPS.

Appropriate access and use of a bank account has been reported as being potentially complicated in some countries for over-indebted people. Banks can be reluctant to open an account for people with a bad credit history, and over-indebted people might avoid transactions with their bank account in case of a risk of seizure.

Prepaid cards and e-wallets

Prepaid cards seem to have the potential to solve a range of difficulties presented above, but no evidence has been collected to confirm or illustrate such an impact.

1.3 NPS convenience and adaptability on accessibility and relevance

The French report has mentioned ATMs equipped with audio plugs, and some webpages adapted for blind or partially-sighted people such as bigger size of letters or vocal recognition to make payments.

The UK mentioned the 'jam jar' which combines a bank account with a prepaid card, providing a positive option to using NPS.

2 To what extent are new systems not adapted to the needs of the financially excluded? What are the main factors that limit their usefulness? Is take-up a problem?

Besides the cost and the proximity that are two causes already mentioned which limit the use of new payment systems by vulnerable people, other barriers have been generated by this new generation of financial transaction means.

In most cases, the new means available on the market (digitally-based) result in less contact with a person (direct contact at a bank branch, by phone or via letters) or a reduced use of paper-based money transfers, at least when bank branches are already available. In areas which lack bank branches and ATMs, the movement will jump directly from no bank use to internet related transactions.

These new means are providing less adaptability for vulnerable people, and require for adequate use, a minimum of skills, dexterity, and financial means that are far from being guaranteed and available in all vulnerable households.

The Swedish report brings specific light on these changes that can be used as a preview of potential changes in the EU: "Based on the interview data, financially excluded people express a deep concern of being even more excluded than they already are. This fear is related to the digital landscape designed for everyday life financial transactions built around human necessities like paying for food, housing, clothing, energy and water, which unfortunately tend to complicate matters even further for financially excluded people, as opposed to the situation of people without these problems. Perhaps it is correct to describe the present situation for financially excluded people as being in a more or less pronounced state of digital isolation, rather than digital liberation."

2.1 User-friendliness: elements to be improved

The digital environment is far from meeting everyone's need in a one-size-fits all approach.

In order to increase the general 'usability' of new payment systems, attention should be paid to the following elements, which are not exhaustive but which have been mentioned by the experts:

- **Language:** the range in which the information and the interface are made could be proposed not only in the national language(s), but also in the languages of the major migrant communities;
- **Vocabulary:** simple and everyday vocabulary should be used instead of technical terms;
- **Readability:** printed or on screen; the size of the characters should be adequate for disabled people. When necessary, an audio option should be offered;
- **Simplicity:** procedures should be logical, simple and safe;
- ATMs or automated bank devices where people conduct financial transactions should be:
 - Geographically accessible: close to home, easy to identify;
 - Physically accessible: adapted to older groups and disabled people;
 - Ergonomic for older groups and disabled people (screen, keyboards, audio);
 - Safe: no risk of mistake s/ limited risk of misuse at ATMs – easy claim procedures;
 - Safe: limit the risk of mistakes during the 'security processes' - find alternatives to the PIN code method;
 - Safe: reduce the need to ask help from a third party;
 - Safe: when using outside premises (protection from card being stolen or because of fraud, such as the PIN number being copied);
- For mobile devices and prepaid cards: a particular risk exists if they are lost or robbed. When used by vulnerable people, adequate information should be provided to limit abuses;

- Budget management: keep traces of transactions and make easy the control of spending, the risk of disputes;
- Balance safety: reduce the risk of unauthorised overdrafts.

Complementary to this, adjusted campaigns of information and education, should be implemented for each range of vulnerable groups to provide them not only with information and tariffs dedicated to NSP, but also to support them in understanding the advantages and the way to use them in order to reduce risk of misuse.

2.2 Filling the gap, when it exists, in the consumer protection net

Particularly underlined in the UK report, NPS or new providers seem to provide less protection for the consumer than traditional means or providers. **Vulnerable people are not likely to deal adequately with a riskier environment, therefore, these new means should benefit from an equivalent/stronger level of consumer protection.**

Two examples among others:

- E-money services are not covered by the Financial Services Compensation Scheme, the UK's statutory compensation scheme for customers of authorised financial services firms.
- New providers may fall outside the scope of the Financial Ombudsman Service, which helps settle disputes between consumers and UK-based financial services providers.

2.3 Access to devices

If the cost barrier has already been mentioned in the previous chapter, the skills and dexterity that are necessary for an appropriate use of digital devices are missing in an even more significant proportion for vulnerable people.

It is not only a matter of knowledge, but also a matter of relevance. For people who might be able to use NPS appropriately thanks to better knowledge or better interface or 'usability' others will never reach the minimum knowledge required: for this last group, NPS remain useless and meaningless.

2.4 Few initiatives and an infinity of potential

Some initiatives open the way to further development:

- ATMs with audio plugs;
- Websites adjusted for partially-sighted people (bigger size of characters) or for blind people (vocal recognition to make payments);
- Very few banks have braille transcription on bank statements;
- Prepaid cards proposed for specific groups (people on benefits, asylum seekers etc.) with a dedicated type of expenditures and/or shops where they can be used;
- Prepaid cards to allow access to e-commerce and e-banking to pay, among others, utility bills.

3 To what extent, if any, are the financially excluded and vulnerable groups faced with diminishing options in terms of their traditional use of payment methods (e.g. cash) and financial services?

Across the five studied countries, financial inclusion is perceived mainly as a larger access and use of bank accounts and related transactions means.

The aim to ensure to all citizens a general access to basic transaction bank account is very high on the EU political agenda: a proposal for a Directive of the European Parliament and of the Council on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features was presented by European Commissioners Michel Barnier and Tonio Borg on 8 May 2013.¹²

Accessing money:

To reach such an objective, the use of a bank account is more and more necessary to receive income from official activities and/or to receive public or pension allowances. This has been mentioned in all the 5 reports - FR, IT, PL, SE, UK.

Utilising cash tends to be restricted to the grey economy sector (for salary payments) and to small amounts of money that are still very convenient on a daily basis for many people and institutions.

Traditional payment methods:

Cash payments: in order to limit or reduce the use of cash payments, many banks, services, energy providers and supermarkets promote free of charge payments via the internet or via digital means. Alongside this general tendency, 'old fashioned' cash payments can become more complicated: a decreasing amount of premises or services accept them, which implies that people need to travel longer distances which adds related costs of transportation. Moreover, potential queuing at the premises can also add time loss to this method of payment.

It has been reported in many situations that there

¹² http://ec.europa.eu/internal_market/finservices-retail/docs/inclusion/20130506-proposal_en.pdf

are extra fees requested to make cash payments that can reach dissuasive levels (reported in Sweden, up to €85).

Paper-based bank transfers and post office transfers: besides a lack of very precise information, paper-based payment means seem to follow the same trend as cash payments, but more gradually

In many cases, mentioned in almost all reports, post offices via their transfer orders and their large geographical network play an essential role in the financial inclusion of vulnerable people.

Nevertheless, post offices charge extra fees (usually not mentioned as the highest), and so they are very few alternatives for older people and people on low-income to access other means of payment.

It should be added at this stage that internet-based means of payment, conversely to cash payments, open the door to e-commerce that can propose excellent discounts and prices not available in traditional shopping.

The collected information illustrates diminishing options in terms of traditional use of payment methods by vulnerable people which are not compensated for in an equivalent way (cost, easiness) by the NPS.

4 Are there concrete examples of new payment methods that have brought benefits to the financially excluded and vulnerable groups ?

The 5 national reports have provided an extended range of information to illustrate many difficulties that have emerged for vulnerable people to deal with NPS.

When examining precisely the benefits that vulnerable people might gain via NPS, the scope is rather narrow: most of the time, the positive aspects and practices identified are more related to 'reducing or cancelling a bad effect' of a NPS as opposed to offering a best option with regards to the existing one.

Ergonomy of automated bank premises

ATMs with audio plugs as well as adapted screens and keyboards might have a positive impact on a range of vulnerable people with specific disabilities. These technologies have the potential to increase their autonomy, as long as education and advice are provided alongside to train them in the use.

Attention should however be paid to the security of these clients when using these premises.

Prepaid cards and e-wallets might have a positive impact (beside the concerns related to the cost and fees) on people: they reduce risks related to use cash and increase e-commerce and e-payment access. This risk reduction on one side is however counterbalanced by security issues that might see increases in the risk of misuses, fraud, dispute or abuse. In this perspective, no perfect solution has been found.

Cards with systematic authorisation

This specific debit card does not allow unauthorized overdrafts and reduces penalties related to them. It is similar to cash (no expenditures when the card is empty), but safer than cash to carry around and it also allows access to e-commerce and e-payment.

Access to e-commerce

A positive side effect is the access to e-commerce and to the opportunities to access good and services for interesting prices. This positive side effect

can however be counterbalanced by the risk of not being able to manage temptations and non-budgeted expenditures as well as being misled by fraudulent websites.

Money transfers

For intra-eurozone migrants, money and income transfers are now much easier via SEPA¹³ transfers, which regulate fees and charges taken by banks on international transfers.

5 Are there concrete examples of new payment methods that have been accompanied by new restrictions on financial inclusion – for example factors that encourage forced migration to new services?

The information collected via qualitative interviews of professionals working daily with vulnerable people does not bring so many details concerning this dimension of the consequences of new means of payment.

Nevertheless, some examples have been identified by the national experts, and the following selection illustrates some particular bad side effects that can emerge from the recent changes in transaction means habits.

Receiving legal/registered income/wages/salary/pension/allowances in cash:

A general tendency has been reported to reduce the use of cash via an increasing use of bank accounts to credit the income. This is a great incentive in accessing a bank account (though access should be guaranteed if it becomes compulsory to have one), and to (start to) use it for transaction purposes.

In Italy, a new regulation in force since January 2012, obliges salaries, wages and pensions to be credited on a bank account or a postal account. It has also introduced a ceiling of a maximum cash payment of € 1.000, otherwise it must be paid through an account.

In Poland, the state social support offices require beneficiaries to open a bank account to receive regular or periodic benefits.

Social support using limited means of payment:

In France and in the United Kingdom, some public authority social services implementing social support sometimes use prepaid cards. These cards can be used by beneficiaries in order to access specific goods and services (essential ones). On the one hand, this tool can be designed and used to increase the freedom of use, when you compare them to vouchers or coupons. However, on the

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other hand, these types of cards, when not appropriately designed, can oblige people to access a restricted range of shops, they can limit the user to a minimum expenditure amount (as some do not allow change back) and it has also been reported that when the staff of the selected shops are not informed of this method, it can create bad feelings or stigmatisation for the prepaid card holders.

Public transport tickets:

Reported in the Swedish interviews, people with payment problems are, in principle, denied the possibility to buy monthly cards for public transport (bus, train, metro). This means that this group of people can only use single fare tickets which makes their commuting far more expensive and complicated.

Besides this specific experience, the increased use of new means of payment to access public transport tickets is often accompanied by reduced opportunities to buy tickets at the station with human contact (less desks are open, available) and also extra fees. Vulnerable people who cannot access or use these new means of payment are therefore often forced to pay extra fees and/or to queue in more limited premises where human contact is still available.

Public toilets facilities access

Swedish modernity is shown to have its problems. Some brand new toilets facilities are now only available via prepayment confirmed by a code received via SMS on a smartphone (not all mobile phones). This means that people without this device have, in cases of immediate need (children/old people), been obliged to do their business outside the facility, and in some cases been fined by the police. This situation is even more a source of exclusion since this type of SMS payment requires people to be exempted of payment defaults and have a valid registered home address.

Annexes

Study on 'Financial Transactions: access and use by people at risk of exclusion'

FRANCE

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1. Introduction

The way people at risk of financial exclusion deal with financial transaction is an unexplored area in France. Financial exclusion has been a social policy issue for few years now but the attention has been focusing mainly on access to financial services as well as on over-indebtedness. Therefore, despite the scarcity of reliable data, the insights of this study are particularly valuable as they show how these people make use of the various means of payment they have access to, and underline the challenges they face.

2. Evidence review at national level

The CREDOC report carried out in 2010¹ is the only reliable source of statistical information allowing comparing the financial transactions of people at risk of financial exclusion and those of the global population. Only two categories of people at risk of financial exclusion are taken into account: benefits recipients and people at risk of poverty (income under 60% of the median income).

2.1 Access to modern means of payment

Regarding access to modern means of payment, it appears that while less than 1% of the general population have no debit card, no cheque or no current account, benefits recipient are 14% in that situation and people at risk of poverty are 12%. When they have access, it is a constrained access as only 57% of benefits recipients and 61% of people at risk of poverty have access to cheques and debit card while 88% of the global population in that situation.

Access to banking services

Among benefits recipients and people at risk of poverty without access to cheques, a third of them explain their situation by the fact that they have been refused by providers for various reason (lack of resources, bad credit history, etc.). Two third of them don't want to have such a mean of payment. They mainly explain their reluctance by the fact that it is too difficult to manage (62%), too costly to use (21%) or that it is not needed (14%).

Regarding debit card, things are a bit unclear as the study carried out by CREDOC (2010) shows that a third of the respondents are unable to explain why they don't have such a mean of payment. However, as for the cheques, the main reason for not having a debit card is the facts that it is too difficult to manage and too costly. Regarding the type of debit cards that people have access to, it is interesting to notice that people at risk of financial exclusion are more likely to have a debit card which involves the balance of the account being checked before the payment being allowed.

Type of debit cards

Such debit cards played a significant role in order to increase access of people at risk of financial exclusion to debit cards as while benefits recipients were only 39% to have access to a debit card in 2001 they were 78% in 2009. Such an increase is explained by the fact that authorization required before to allow the payment suppresses in theory the risk for the card provider to have to let its customer spending more money than (s)he has.

2.2. General use of means of payment

Having access does not mean that people really make use of these means of payments. Statistics show that benefits recipients and people at risk of poverty make more use of cash than the general population.

Level of use of cash, cheques and debit cards

¹ CREDOC, 2010, *Les conditions d'accès aux services bancaires des ménages vivant sous le seuil de pauvreté*, report for the Comité consultatif du secteur financier, Paris : CREDOC.

Reading indication: “High use” means that people have quoted this mean of payment as main mean of payment for at least two types of financial transactions out of seven possibilities, “Low use” means that it has been quoted only once, and “Not main mean of payment” means that it has not been quoted despite respondents having such a mean of payment. Source: CREDOC (2010)

It appears that benefits recipients and people at risk of poverty are more likely to use cash as their main mean of payment as a third and a quarter of them are in that situation, compare to less than 10% of the global population. The main difference is related to the use of the debit card which is the favourite mean of payment of 70% of the global population while it is the case of less than half of the population of benefits recipients and people at risk of poverty. Situation in term of usage is quite similar regarding cheques while level of access is very different.

When considering modern means of payment other than debit cards and cheques, it appears that except direct debit, people at risk of financial exclusion as well as the general population make very little use of it. While the proportion of the general population making use of it is always higher, it is not the case regarding money order. It appears that 5% of benefits recipients and 6% of people at risk of poverty have already used it at least once while only 1% of the general population is in a similar situation.

Use of other modern means of payment

No information is available regarding access and use of mobile banking and mobile payment in France. Regarding e-wallet, a pilot has been implemented in France but it did not lead to a level of take-up allowing comparison between general population and people at risk of financial exclusion.

2.3. Specific use of means of payment

When looking at main groups of transactions, some differences appear between people at risk of financial exclusion and the general population. For the purpose of the comparison, only the three most popular means of payment amongst people at risk of financial exclusion have been included.

2.3.1. Open air market, shops and leisure

For purchases lower than 45 euros, almost half of the people at risk of financial exclusion use cash while only 25% of the general population do the same. The most popular mean of payment amongst the general population is the debit card which is used by 65% of the people. In comparison, only 41% of the benefit recipients and 43% of the people at risk of poverty use debit card.

Modern mean of payment used for a payment lower than 45 euros

For a purchase over 45 euros, cash almost disappears as only 6% of the general population use that type of mean of payment but it is still the preferred mean of payment of more than a quarter of the people at risk of financial exclusion. As for the less expensive purchases, the debit card is the main mean of payment for the vast majority of the general population (75%) while it is only the case for 54% of benefits recipients and 57% of the people At risk of poverty. Source: CREDOC (2010)

2.3.2. Rent and mortgage

If the most popular mean of payment for rent or mortgage is direct debit, the proportions are very different regarding the different populations. While 62% of the general population is paying by direct debit, they are only 40% of the benefits recipients and 38% of the people at risk of poverty. These populations at risk of financial exclusion are far more likely to use cash (18% and 12%) than the general population (2%) to make such expenditures. Source: CREDOC (2010)

2.3.3. Utility bills

Payment of utility bills is the type of transaction which sees people at risk of financial exclusion having the most similar use of means of payment than the general population. It appears that they are almost 60% to pay by direct debit against 67% for the general population. The proportion of people paying in cash is still higher amongst benefits recipients (8%) and people at risk of poverty (6%) than in the rest of the population (1%) but compare to most of other financial transactions the level of use of cash is amongst the lowest. Source: CREDOC (2010)

2.3.4. Others

Mail/online order purchases

Mail/online order purchases are very difficult to make through cash payment as it is illegal to send cash via mail. People at risk of financial exclusion have similar use to the general population except that between 4% and

6% of them are using bank drafts (0% for the general population) as a result of the exclusion from debit card and cheques. Source: CREDOC (2010)

School canteen's fees

Cash is significantly more used by people at risk of financial exclusion to pay school canteen's fees while it can create difficulties for families as some schools refuse that type of mean of payment due to the risks linked to the handling of cash. Source: CREDOC (2010)

Taxes

It should be possible to pay taxes in cash as public bodies commit to make financial transactions easier for people excluded from banking services however it remains an unusual way of paying taxes. Cash is therefore less used however it has to be noticed that only a third of people at risk of benefits recipient and people at risk of poverty are paying taxes. Source: CREDOC (2010)

People at risk of financial exclusion are using cash more often than other means of payment. This results from their lack of access as well as lack of trusts in modern means of payment. Social norms as well as rules established by some service providers or creditors make impossible or extremely difficult to manage financial transactions only in cash and therefore create cost for people with no alternative.

However, people at risk of financial exclusion are not without access to modern means of payment. The majority of them make use of them for most types of expenditures even if their level of use is in average lower than what it is for the general population.

3. Qualitative answers provided by data collection via questionnaire to stakeholders in contact with the following common public :

The various public below faces the same needs of modern means of payment due to the financialisation of the French society. Qualitative interviews have confirmed the results presented in the first part of this report despite difficulties for respondents to answer due to the novelty of the topic of financial transactions. Mainly they underline that part of the people at risk of financial exclusion have access to the main modern means of payment but not all of them. They also insist on the preference for cash as mean of payment as it allows a better budget management. People at risk of financial exclusion who use modern means of payment often face difficulties as these services involves fees when misused or due to their inappropriate characteristics, and create an artificial/virtual relationship to money which can confuse users.

However, modern means of payment are a necessity in France. A bank account and debit card are a necessity to get cheaper deal like phone subscription or purchases online (most of the respondents name website like leboncoin.fr where bargains are available). Current account is also a necessity to receive payment like wages or social benefits as well as to make some specific payments like rents or utility bills.

• Migrants

Qualitative answers show that migrants face different kind of issues. First is a language issue. It is extremely difficult for them to understand the commitments they are making when technical explanations are given in a language they face difficulties to understand. In the same way, they are often unaware of their existing right and therefore not able to implement them.

These language difficulties are often increased by the fact that most of the communication with banks to access services involves written documents. Also, dealing with internet payment involves being able to manage written instruction in French.

This first barrier sometimes comes with a second one related to their status. Migrants with temporary certificate of residency can face difficulties to open a bank account or to have access to modern means of payment. Finally the cost of services is often an issue. Bank services can be costly not only because of their price but also because of the fees which applies when there is a payment problem. Costs are also an issue as they apply regarding having access to internet or mobile phone in order to be able to make payment online or to manage budget online.

For these reason, even if migrants manage to have access to modern means of payment, some of them prefer to deal in cash on a daily basis. Such way of dealing with money is also made possible as transfer to people abroad is done through specific providers like "Western Union" which do not require having a bank account. Respondent underlines the needs of Multilanguage leaflets to explain banking products. Today no banks are providing such services.

- **Senior people**

The qualitative interview shows that senior citizens face heterogeneous difficulties regarding modern means of payment depending of their level of income.

When their income is low, senior people favour cash for most of their payment as it gives them a stronger sense of control. In that respect debit card and cash card are useful as they allow these people to have an easy access to their money without to have to store or carry important amount of cash (fear to be mugged is strong amongst senior people). However, some people face difficulties shared with senior people with higher level of income, like:

- Loosing these means of payment. The procedure following the loss in order to get new ones is seen as long and complicated.
- Forgetting their pin code. Such worry can lead to risky behaviour like telling the pin code to a third party (children, helper, etc.) in order to get some help with it. Problems arise when the third party is dishonest. Among the possible technical improvement which could make their life easier, one is to use finger prints instead of pin code when paying by debit card.

Modern means of payment can also create trouble in order to access money. Regarding the use of DAB, senior people can experience a lack of help to make use of it. While it could be seen as very easy to use, they require a knowledge that some senior people don't have. Regarding managing bank account through internet, such innovation makes things easier for people as they don't need to come to the bank branch however it also comes with difficulties:

- People need to have access to internet and to be able to handle it.
- The securitisation of the website (security steps) can lead to difficulties for people who have memory issues.

Finally, senior people often deal with daily purchases of a small amount. In that respect cash is the main mean of payment they use as shops often prefer to avoid payment by debit card for small amount and that they are rarely equipped for electronic wallet.

The use of smartphone to deal with money management and payment is unknown by the respondent as senior people are often excluded due to the lack of knowledge, the difficulties to make use of it due to physical issue (stiff fingers, poor eyes sight) and the cost of the subscription.

- **People at risk of poverty**

People at risk of poverty have a lower level of access to banking services however they still have access. The cost of these services is a real issue for people on low income (mainly the fees occurring when payment difficulties) as well as the cost of the related services needed to enjoy the full capacity of the modern means of payment (like internet subscription, mobile phone subscription).

Qualitative interviews reveal that there is a heterogeneity regarding the way these people include banking service in their money management. Some of them are very comfortable with direct debit which they find helpful as they don't forget to pay some bills, while other find it very difficult as direct debit suppress all kind of flexibility in money management and might lead them to face fees if they don't have the money when a bill is due.

Having access to a debit card is also seen as extremely useful even for people managing in cash as it allows an easy access to cash on a daily basis through ATM. It is seen as a safer option than to carry important amount of cash.

It is also underline that the lack of physical contact with money when using modern means of payment is an issue. As one of the respondent turned it: *"the act of paying with a debit card is the same whatever the amount spent is. In cash, notes and coins used vary and make it more real"*.

This disconnection with money also transpires from the way people manage their online purchases for those who have access to internet. It appears that often when they go through their bank statements with a social worker, they discover payment they are supposed to have made but don't have any memory of them. They also seem to underestimate the real cost of buying online (i.e. transaction fees). Such difficulties fuel a degree of mistrust of part of people at risk of poverty regarding online shopping. They consider that the risk of being swindled is too high.

Regarding banking services, qualitative interviews seem to agree on the low level of knowledge/understanding that people at risk of poverty have of the way banking services work. One common example is debit card with differed payment. It appears to be very difficult to manage for people with limited financial resources while very tempting as it allows differing payment at the end of the month. Also, it is underlined that modern means of payment are increasingly related to various form of credit which is also very tempting for people on low income while very expensive. It is a source of concern for respondents as it seems to lead to a problematic indebtedness.

Another type of issues is underlined regarding banking service: the fact that bankers informally linked the fact to “help” a customer to deal with hardship (by extending the overdraft for a period of time or accepting a payment rather than rejecting it), with the fact for the customer to subscribe to a safe (for the provider) financial services (insurance, saving products, etc.) not really needed by the customer. Such practices create extra costs and do not improve the financial situation of these people.

Qualitative interviews also show that banking services are not really suitable for the needs of homeless people as there is a need of financial and social stability not to create difficulties using such services.

If the lack of knowledge of people at risk of poverty regarding banking services is often pointed out, it is also counter balanced by two elements:

- First, it seems that advice and pedagogy which should be provided by financial services providers is almost inexistent;
- Second, people at risk of poverty often develop real budget management skills which lead to an adaptation of different means of payment to their needs. Such knowledge is unfortunately not shared between people at risk of poverty.

Appropriate support and education programme still remain to be developed in order to meet the needs of these people.

Respondents also underline the lack of appropriateness of modern means of payment but also the constraints of alternative modes of payment developed by social services. Some social services give kind of vouchers/coupons which allow specific purchases (some services or goods) but they need to be spent in full (no change can be given back). Others develop specific account to pay the canteen but these accounts needs to have a positive balance prior to the payment of the canteen if not they lead to financial difficulties as the missing payment is taken out of social benefits month after the incident occurred.

Qualitative interviews show that while access and use of modern means of payment is needed, part of people at risk of poverty:

- are not necessarily welcomed by financial services providers;
- face the barrier of costs;
- have access to inappropriate products (i.e. linked to credit facilities, with high fees in case of difficulties, etc.);
- lack of knowledge, confidence and support in order to make the best use possible of their means of payment.

• **People overindebted**

Difficulties faced by overindebted people are very similar to people sharing some of their characteristics (migrants, age, at risk of poverty, disabled, etc.). The only specificity is that whatever their level of income is, the fact to be listed by the Banque de France as overindebted lead them to face access difficulties to modern means of payment (despite the fact that there is no legal obligation for banking services providers to refuse them). Financial services providers might be more reluctant to accept them as customer for a cheques book as they look like riskier than other customers. The introduction few years ago of debit card with systematic authorisation of payment has improved their access to debit card.

• **People with disabilities**

The NGO which took part to the study is acting toward people unsighted or partially sighted. People visually impaired have usually the same level of access to banking services as the level of specific benefits they get is high enough (1 500 – 1 700 euros) to make them interesting customers for financial services providers. Technical adaptations have been put in place in order to make visually impaired people able to manage their banking services:

- Audio plug are available at many ATM;
- Some banks have develop website accessible for partially sighted people (bigger size of characters) and

- for unsighted people (vocal recognition to make payments);
- Some scanner and computer allow making easier to read (for partially sighted people) or convert written document into audio (for unsighted people). Such technical equipment is costly and not everybody have access to it.
-

However, only few banks offer a braille transcription of bank statements. Also, despite improvement in term of usage of modern means of payment, lots of visually impaired people rely on a third party in order to help them dealing with a debit card or a cheque. Therefore, such situation presents a risk if the third party is dishonest as it has been frequently seen by the NGO. It also appears that if the visual deficiency appears after the person being 70 years old, there are no benefits to help covering the costs of getting the specific equipment needed to deal with financial transaction. These people are even more relying on third party to make their daily purchases.

The NGO strongly advocates for an improvement of the level of transcription in braille of banking document as well as the provision of pedagogy and support for people who lose sight and who have suddenly to adapt to their disability.

4. Others particular results from specific stakeholders in contact with other type of vulnerable people

Another public at risk of financial exclusion is people in jail. Even if the judicial system did not prevent them to keep their rights over their financial services outside jail, there is no financial service authorised within prison. Therefore, as there is no internet either, prisoners rely on a third party to manage their account outside prison. It creates a lot of difficulties as they are totally dependent of the honesty of this third party.

It also appears that in order to open a saving or a current account while in jail, prisoners have to come themselves to the financial service provider's branch which create obvious difficulties. Such opening was possible until recently through feeling of forms from the prison.

Finally, when they leave jail, prisoners face two types of difficulties (without to consider these similar to people at risk of poverty):

- Their identification papers are often out of date therefore they are not able to open a current account and to get modern means of payment until all the administrative procedures have been carried out.
- For prisoners having been in jail for long prison sentence, they require support in order to deal with these modern means of payment that they are discovering them (mainly internet payment but also debit card for some of the prisoners).

5. Conclusions

People at risk of financial exclusion have a contrasted relationship with modern means of payment. Some of them have no access to these means of payment. Others have access to them but make a stronger use of cash. Finally some of them make an extensive use of these modern means of payment but can face difficulties related to their potential inappropriate characteristics.

It appears that modern means of payment are appreciated when they are accessible as they are a safer way to make payment than to carry or keep important amount of cash. They also allow having access to cheaper deal on internet or with utility providers. However, their usefulness comes with a downfall: their often are costly and difficult to manage for people with unstable financial circumstances or facing specific difficulties related to their cultural background, age or disability.

Three main conclusions can be underlined:

- First, cash remains an important component of the way people at risk of financial exclusion manage their finance and face their daily financial transactions despite the increasing costs and constraints to deal in cash in financialised societies.
- Second, such a study clearly shows that there is a need of a more systematic analysis of the needs of people at risk of financial exclusion as well as of the way they include modern means of payment in their budget management.
- Third, it also clearly shows that on one hand, there is a need of support and pedagogy in order to move these people closer to the financial industry, and on the other hand, there is a need to develop more appropriate products in order to move the financial industry closer to people at risk of financial exclusion.

Annex : the completed questionnaires*

- CCAS de Saint-Etienne
- CCAS de Laval
- Les petits frères des pauvres / AGE Plateform Europe
- Emmaüs Défi
- Observatoire International des Prisons France
- Association Valentin Haüy

*Only completed responses have been included

1. Description of the public you are working with

Social (age, family situation, health...)

Mainly people on low income. 25% are lone parents. 18-34 years old are the majority (40%) while over 55 years old are a minority (9%). Health issues are not a majority even if issues appear during interviews (depression, etc.)

Economical (type of income, level of income, professional statute...)

Social benefits recipients represent 49% of clients. 60% of clients are looking for a job. However part of the client are in permanent contract or temporary contract (20%). These people usually ask us for microcredits. Some of the clients are retired (6%).

Cultural (national language knowledge,...): Most of the clients speak French.

2. Description of the type of relation between the institution and the public :

What is the objective and the activities developed ?

We provide microcredit. It requires to inform people about the process as well as to assess their demand and situation, and to link them to the lender. It is also an opportunity to inform them about their social rights as well as potential benefits they would not have applied for while they would be eligible for it.

3. What is the base of your answers' content ? (professional experience – (size of the public) – research evidence,...)

Approximately 350 people.

Figures come from the website France Microcredit which centralise information regarding our activities as well as for all the stakeholders of microcredit. We also have been part to a research study carried out by a student about microcredit in Rhône Alps region.

4. Current transactional means used by the “at risk of exclusion” public : please pass through the various group of transactions (in and out)

Money coming out

Leisures: People have a low level of leisure consumption. When leisure expenditures do exist, it is mainly for gym (direct debit) and for betting (lotto, casino, etc.) paid in cash however is it still leisure or trying to get more income? Betting is widely represented (including horses). It appears on bank statement when people withdraw several times cash during the same day close to a betting place.

Health: Mainly paid by social services (CMU).

Transport: Social tariffs well known and used. Payment in cash or with debit card.

Utilities: Direct debit (mainly), money order, very few cheques. Lots of people are listed to the Central Bank following a payment incident so have no access to cheques. Therefore, they use mainly direct debit and cash. It seems that there is people managing only in cash even if they are not constrained to do it by the banks. It makes them to feel more confident. It is an important proportion of clients.

Money coming in

Income: Rarely wages but paid through an account.

Public allowances: Paid in an account mainly.

Remittances from abroad: I am not really aware of it but it seems that some of the clients who are asylum seekers are making use of specialised providers like Western Union.

5. For each mean used, are there concerns related to :

1. access/availability of the payment mean;

2. cost ;
3. security ;
4. useful / convenient ;
5. other significant criteria ?

Debit cards are often related to other services than people are not aware of or misunderstand. For example, loyalty card with a payment and credit option are risky for clients as difficult to manage. It also appears when assessing bank statements with clients that they discover internet payment that they claim not to have made. It seems that clients are very worried about paying online as they don't really understand it and they don't dare to ask for help about it.

6. What are the types of people most affected by barriers that have been identified and that affect the access and/or the use of particular transaction means ?

Clients often don't understand bank and financial services. Also bank and financial services provided are often inappropriate (overdraft, revolving credit, etc.) as the needs of these people are not really taking into account by providers

7. What are the arguments for and against encouraging the take-up and use of new transaction means?

Dematerialisation of means of payment is a real difficulty. For example, people with a 20 euro note know what they can buy with on an open air market or to top up their mobile phone. They really see what it costs. With the debit card, it is the same gesture whatever the amount paid is. They also often have deferred payment at the end of the month which makes budgeting even harder.

Modern means of payment required skills which clients often lack of. People can have language difficulties which makes checking account online or making payment online very difficult. Even when they come to the bank branch, they don't receive the support they would need to make basic payment. Smartphone and pre-paid card are not really in use. Internet use for purchase and payment would require more support like the one provided by the NGO Finances & Pedagogy. People often misunderstand what is the real cost of their online purchases.

I have also witness a great heterogeneity of level of access to banking services amongst clients for example regarding overdraft authorisation. It seems that banks employees "battered" these services against more lucrative and safer ones like saving or insurance services. Clients avoid some pament to be rejected as they accept expensive services that they don't really need but that the bank employee need to sell. The problem is that when the bank employee changes, the "facilities" given are often withdrawn creating serious difficulties for the clients. Direct debit make some clients feeling safer as they are sure not to forget paying their bills on time. Also debit cards are seen as a safer option than to carry and keep high amount of cash (even if some customer only use their debit card to withdraw money).

8. What safeguards are needed to make sure that consumers who use these new transaction means are adequately protected?

There is a real need for more pedagogy and support. Youngsters should have a greater access to information regarding budgeting through modern means of payment. In some workshop organized by ourselves, it appears that clients have develop their own way to use modern means of payment in order to keep their budget under control. It would be great if such knowledge could be shared with a wider audience.

Questionnaire CCAS LAVAL

1. Description of the public you are working with

Social (age, family situation, health ..)

Adult, family and people isolated facing social difficulties, financial difficulties, health difficulties.

Economical (type of income, level of income, professional statute...)

Low income, social benefits recipients, working poor.

Educational (education and training): Low level of diploma. Usually below leaving cert.

Cultural (national language knowledge...)

Majority is fluent in French. However, there is an increasing number of asylum seekers coming for the last 2 years which deeply modified the profile of people welcomed.

2. Description of the type of relation between the institution and the public :

What is the objective and the activities developed ?

Food stamps, grants, budget and social support, educational workshops regarding daily tasks (cooking, parenting, budgeting, French lessons, art therapy, self-esteem, internet access, social shop, etc.). There is a double aims: providing a quick answer to people needs as well as to help them to develop their autonomy on the middle or long term.

3. What is the base of your answers' content ? (professional experience – (size of the public) – research evidence,...)

11 000 people welcome at the CCAS in 2012

1 500 food stamps provided per year

160 individual budget support provided per year

250 microcredits provided

1 700 people welcomed to the social shop.

4. Description of the most common/popular transactions means used per each group of transactions by « included » people (this should be national reference) –

Money coming out

Health: Cheques and social payment

Transport: Cash

Utilities: Direct debit and pre-affected payments from benefits (public landlord) or cheques (private land lords)

Others: Child care (depending of organisations): tickets or family account prepaid (difficulties when debt as the debt is recovered through family benefits which can have a detrimental impact over family finance months after the incident)

5. Current transactional means used by the “at risk of exclusion” public : please pass through the various group of transactions (in and out)

Money coming out

Open air market : Cash

Shops: Cash, debit card (often with differed payment at the end of the month), pre-affected cheques

Leisures: Social services stamps for children

Health: Paid by social services (CMU and CMU-C)

Transport: Cash

Utilities: Direct debit

6. For each mean used, are there concerns related to :

- a) access/availability of the payment mean;
- b) cost ;
- c) security ;
- d) useful / convenient ;
- e) other significant criteria ??

Difficulties or impossibility to access some of the main modern means of payment for people overindebted or listed following payment incident (*interdit bancaire*) Pre-affected cheques given by social services does not allow to receive change when the amount paid for is less than the amount of the cheque. Also it as a cost for the community. Revolving credit while very popular are inappropriate for the needs of vulnerable people.

7. Do you have any information related to particular types of people/ communities experiencing problems in relation to each of this criteria ?

Feedback from the clients and colleagues

8. Would the beneficiaries prefer to use other available transaction means ? Yes – No

If yes : which one ? For what ? Why ?

Clients prefer to use cash as it is less stigmatising than service cheques and it allows to get change.
No use or very little use of smartphone and internet payment.

9. What are the types of people most affected by barriers that have been identified and that affect the access and/or the use of particular transaction means ?

People over indebted or people listed by the Central Bank following payment incident on their account.

Homeless people: The postal bank is slightly more welcoming than other banks. They can open a Livret A (saving account) which does not give them access to debit card. These people manage their budget on a daily basis regarding payment of their main benefit (RSA). We try to help them to develop a monthly budget but it is difficult.

Budgeting on a monthly basis is relatively easy for payment like rents etc. We also provide support to set up direct debit. However, other payments like insurance are very difficult to move to a monthly basis as insurance companies refuse it or ask for high amount of money to set it up.

150 people are supported budget wise on a free basis (no contract, no payment). Such support is really needed as costs of communication (mobile phone, internet) raised and create real difficulties for families.

10. What are the potential benefits for financially excluded people to access or use new transaction means. And the potential problems/disadvantages.

Problem is that new means of payment are often related to credit facilities which are very popular among people with budget difficulties. They allow to pay debts for a period of time by creating other debts. With cash payment, when there is no more money, it stops while with modern means of payment it becomes more difficult to manage budget.

11. What are the arguments for and against encouraging the take-up and use of new transaction means?

People in difficulties have a low level of understanding of modern means of payment. I don't know too much about payment online. I just know that they use our internet access for websites like meetic (website to meet other people) as well as Le bon coin (website with bargains). There is a low level of access to smartphone even if most of clients have mobile phone. The problem is related to the cost of the mobile internet subscription. For example Free (a service provider) offer a 2 euro for 2 hours subscription however it is not cap so people often phone for more than 2 hours and have to pay for extra charges. There is a need for pedagogy.

12. What safeguards are needed to make sure that consumers who use these new transaction means are adequately protected?

Information and budget support. We organize workshop with clients about services we provide and we discovered that there was a very low level of understanding. People go online while they barely understand French. Also lot of them don't have access to internet.

1. Description of the public you are working with

Social (age, family situation, health...): People over 50 years old, isolated, with low level of income.
Economical (type of income, level of income, professional statute...): social benefits, small pensions. Most of them have income between 600 and 800 euros a month
Cultural (national language knowledge,...): French cultural background as well as African and Maghreb background.
Others: Asylum seekers/refugees

2. Description of the type of relation between the institution and the public :

What is the objective and the activities developed ?
Administrative support. Housing support through an appropriate process and friendship. Networking at local level and support provided by volunteers.

3. What is the base of your answers' content ? (professional experience – (size of the public) – research evidence,...)

80 people met each years in Lille region

4. Current transactional means used by the “at risk of exclusion” public : please pass through the various group of transactions (in and out)

Money coming out

Open air market : Cash, cheques
Shops: Cheques, debit card
Leisures: Prepaid card (phone top up).Cash or cheque for train tickets.
Health: Cash and social security payment (CMU, CMU-C)
Transport: Free for over 60 years old.
Utilities: Cheques or direct debit

5. For each mean used, are there concerns related to :

1. access/availability of the payment mean;
2. cost ;
3. security ;
4. useful / convenient ;
5. other significant criteria ?

Cost of the bank account and the debit card is an issue. Fear to lose the debit card. Fear to forget the pin code of the debit card. There is always a need of pin code or a password to access modern services which creates difficulties for older people with memory losses.

6. Do you have any information related to particular types of people/ communities experiencing problems in relation to each of this criteria ?

Difficulties for homeless people as they fear to be attacked.

7. Would the beneficiaries prefer to use other available transaction means ? Yes – No
If yes : which one ? For what ? Why ?

Older people with low income prefer cash. Debit card is more useful for people who travel. They make their purchases in small quantities on a daily basis going to close providers. Therefore they need small amount of cash. They are happy to be able to withdraw with their card as it avoid them to store and carry important amount of cash. E-wallet are not in use as shops are not equipped to deal with it. Overall older people would be happy to make use of debit card but there is too many barriers.

8. What are the types of people most affected by barriers that have been identified and that affect the access and/or the use of particular transaction means ?

People who forget their pin code and people who have to manage very little money and therefore prefer cash to debit card payment.

9. What are the potential benefits for financially excluded people to access or use new transaction means. And the potential problems/disadvantages.

Debit card avoid to carry store important amount of cash.

There is a need of information and support to make use of DAB. Bank staff are not providing any support.

10. What are the arguments for and against encouraging the take-up and use of new transaction means?

When people lose their card it is long, complex and costly to get a new one. Using internet banking services are too complex for older people as there is many security/identification steps while they find difficult to remember all the password and they alos lack trust in themselves to make use of it (when they have access to internet). It leads older people to go to the bank branch to make bank transfer which costlier and creates problem of opening hours of the bank branch. Smartphone also appears to complex and too costly for most of older people.

11. What safeguards are needed to make sure that consumers who use these new transaction means are adequately protected?

There is a need for education and support. Password and Pin Code whould be decided by users. Fingers print or vocal recognition would be safer and easier way to give access to payment through debit card or online for older people.

Questionnaire Emmaüs Defi

1. Description of the public you are working with

Social (age, family situation, health...)

Mix of males and females. 50% of clients are between 40 and 60 years old, 25% between 25 and 40.

Half of the clients are isolated but there also are families with numerous children.

Often health issues but no accurate figures.

Majority of clients are foreigners.

Economical (type of income, level of income, professional statute...)

90% are at risk-of-poverty, 60% are looking for a job, a third are receiving social benefits, 15% have no income at all.

Educational (education and training): Very heterogeneous. 35% have living cert or equivalent. 45% have a lower level of education.

Cultural (national language knowledge....)

Lots of people are born in foreign countries. French language not always well spoken. Part of clients are unable to read/write or to make calculation.

Others: Overall, there are three types of publics: homeless people, people in a process of social insertion, families in financial difficulties.

2. Description of the type of relation between the institution and the public :

What is the objective and the activities developed ?

Social phone programme has been developed by Emmaüs Défi in partnership with SFR. The aim is to favor an access fair and sustainable to communication for people facing social or financial difficulties in order to favor their insertion. It means offering fair cost subscription and support in order to have long term impact.

3. What is the base of your answers' content ? (professional experience – (size of the public) – research evidence,...)

Since its start 3 years ago, the programme has welcomed 2 500 clients. Subscription appointments are full and we use a data base helping us better knowing our clients. A research study has been carried out by 2 independants researchs in 2011 and 2012. 3 students have also carried out an impact assessment in 2012. Also we implement one-off questionnaires to have more information about precise topic (i.e. launching an internet pilot).

4. Description of the most common/popular transactions means used per each group of transactions by « included » people (this should be national reference) –

Money coming out

Open air market : Cash

Shops: Debit card, cheques, loyalty card.

Leisures: Debit card, cash

Health: Debit card

Transport: Debit card, cash

Utilities: Direct debit

Others: Online payment: debit card

5. Current transactional means used by the “at risk of exclusion” public : please pass through the various group of transactions (in and out)

Clients have very heterogeneous profiles. Some have no banking access, some only have a saving account (Livret A) some others have a real banking access. The first two categories will favor cash for almost every type of spending.

6. For each mean used, are there concerns related to :

1. access/availability of the payment mean;
2. cost ;
3. security ;
4. useful / convenient ;
5. other significant criteria ??

1 Current account accessibility: don't know right to an account, difficulties for illegal immigrants, lack French language knowledge.

2 Same: lack of knowledge of the right to an account, cost can also be a barrier

3 Worry about payment online with a debit card.

4 Current account not really appropriate for homeless people. Consumption based on a current account (with direct debit) can also be riskier than managing in cash (risk of banking fees, commitment, involve good management of mobile phone subscription for example).

7. Would the beneficiaries prefer to use other available transaction means ? Yes – No

If yes : which one ? For what ? Why ?

Some people without a current account would like to have one. Beside the subscriptions payment (i.e. mobile phone), they also emphasis online purchases.

8. What are the types of people most affected by barriers that have been identified and that affect the access and/or the use of particular transaction means ?

Depending of clients, more or less difficulties regarding access and use. Regarding internet, they find out that they use website like LE bon coin where bargains are available. Lots of mobile phone offers are online but registering bank details and paying online is a barrier as some have no current account and others are worried about security of payment and loss of control. Very low level of use of smartphone as prepaid mobile phone does not give access to internet. SFR launched a “pay card” but seems costly and not appropriate to clients' needs (not in use amongst their client so far).

9. What are the potential benefits for financially excluded people to access or use new transaction means. And the potential problems/disadvantages.

Access to cheaper services. Easier management. Avoid to carry and keep cash. Can involve the feeling to be “normal”. Involve a different consumption, a better management.

10. What are the arguments for and against encouraging the take-up and use of new transaction means?

When people open a current account and get a debit card, people are not ready. They don't realise that if they lose it, it can be used to make payment online for example. Over costs of cash payment are important: a mobile phone subscription for 2 hours with Free (mobile phone provider) cost 2 euros, 2 hours prepaid costs 15 euros (Emmaüs offers 2 hours for 4/5 euros).

11. What safeguards are needed to make sure that consumers who use these new transaction means are adequately protected?

Precise information in different languages in order to help understand commitments and risks. Intermediary solutions might be needed at time (i.e. cap current account).

1. Description of the public you are working with

Social (age, family situation, health ...): 97,5% male.

Age: 31.5 (median)

Data Penitential administrative direction (2012)

Less than half of prisoners are in couple, 25% are single after having been in a relationship and 25% have never been in a relationship (INSEE, 2000)

At the time of imprisonment, 6% are homeless people and 11% are in precarious housing (DREES 2005)

Around 9% of prisoner have a form or another of disability (DREES, 2005)

More than half of the prisoner take drugs and alcohol, a third have a regular consumption of drugs and a third declare an excessive consumption of alcohol (DREES, 2005).

21,4% of prisoner have psychological issues (DGS, 2006).

Economical (type of income, level of income, professional statute...).

One prisoner out of seven has never worked, one out of two has been employee or worker, their parents are mainly employees, workers or at home (INSEE, 2000).

There is no official data about the socioeconomic situation of the prisoners. However it seems that only 30% had professional income before condemnation. Others have social benefits or unemployment benefits.

Educational (education and training).

50% have no degree, 41% have a lower degree than living cert, 5,5% have the living cert or equivalent and 3% have a higher level of education.

Cultural (national language knowledge,...)

15% have difficulties to read, 10% are unable to read or write, 8% don't speak French.

2. Description of the type of relation between the institution and the public

What is the objective and the activities developed ?

Access to right: information, support to prisoners or they relatives, intervention in jail, help/support to ensure right are implement inside the prison. Assessment of the way the penitential system is working. The NGO acts as a lobbyist in favor of prisoners in order to make sure that the penitential system is as effective as possible and really allows people to be rehabilitated at the end of their imprisonment.

3. What is the base of your answers' content ? (professional experience – (size of the public) – research evidence,...)

Professional experience, feedback from prisoners. More than 2 300 contacts per years. Observation.

4. Current transactional means used by the “at risk of exclusion” public : please pass through the various group of transactions (in and out)

Money coming out

Shops: Purchase of products within the jail (i.e. food, cloths, cigarettes, newspapers, etc.) is made through the penitential administration. The accountancy of the prison organized payment from the administrative account of each prisoner. Prisoners tell which purchase they want to make and the money is taken out their administrative account.

Health: Most of health costs are taken by health insurance. When not the case, prisoners have to pay for it.

Transport: When prisoners have a permission, the costs are theirs. It is the head of the prison who decide how

much money they'll get and the money is given to them in cash.

Utilities: They can use their administrative account or their account outside the prison but in that case they need a third party to act on their behalf.

Money coming in

Income: Transfer on their administrative account

Public allowances: Transfer on their administrative account

Remittances from abroad: Cash orders, transfer on their administrative account. Penitential administration does not accept cheques.

Payment back (reimbursement) from.: Cash orders or transfer on their administrative account.

5. For each mean used, are there concerns related to :

1. access/availability of the payment mean;
2. cost ;
3. security ;
4. useful / convenient ;
5. other significant criteria ??

Mainly a problem of accessibility. When arriving in jail all their mean of payment are taken (cash, cheques, debit card, etc.). prisoners get it back when they leave jail. Cash can be transferred on their administrative account within jail. The account receives money than prisoners get from outside or from their work within jail. Prisoners cannot access this money freely. They have to ask to the accountancy service of the prison. At the end of each month they receive the equivalent of a bank statement.

Except if their condemnation make specific recommendations, prisoners are entitled to keep their account(s) outside the prison they have. They need a third party to manage them. Most of prisoners keep these accounts.

Payment made in the administrative account are divided in three:

- 1 accessible for the prisoner
- 2 amount kept for victims
- 3 Saving given back to them when they are released.

From 0 to 200 all go to 1, 20% of amount between 200 and 400 euros go to 2 (25% from 400 and 600), the rest goes to 3. Over 600 euros of saving, a saving account is opened to the postal bank but no free access until being released.

6. Would the beneficiaries prefer to use other available transaction means ? Yes – No

If yes : which one ? For what ? Why ?

Having to ask help of a third party to manage accounts create lots of stress and worries. This system gives the impression to prisoners that they are considered as children. They would prefer to be able to manage their account themselves.

7. What are the types of people most affected by barriers that have been identified and that affect the access and/or the use of particular transaction means ?

People who don't speak French as everything involves writing procedures.

8. What are the arguments for and against encouraging the take-up and use of new transaction means?

When prisoners are released, their identification papers are often out of date so they cannot open an account until these administrative tasks are carried out. There is no internet in jail so prisoners with long condemnation are lost when they are released. While in jail, they can open an account but only through a third party. However the postal bank do not accept anymore to open the account if the prisoner does not come him/herself. It makes thing very difficult for prisoners. Prisoners without an account outside have to accept the 3 third system on their administrative account while those with an account outside can avoid it. There is no confidentiality regarding the

way the account outside is managed as all documentations (bank statements) as well as conversation with the third party in charge of it are known by the prison staffs.

9. What safeguards are needed to make sure that consumers who use these new transaction means are adequately protected?

Prepaid card to make purchases outside through third party as well as in jail could be an option.

Questionnaire Valention HAÛY

1. Description of the public you are working with

Social (age, family situation, health...): Within our NGO we welcome people visually impaired from all over France even if the majority are coming from Paris and its region. Most of them are over 18 years old.
Economical (type of income, level of income, professional statute...) : Clients receive social benefits (including specific social benefits for their disability), wages, pensions, etc. their average income is around 1 700 Euros. However, overindebted people or people facing social difficulties as well as people becoming visually impaired after being 70 years old face lots of difficulties.

2. Description of the type of relation between the institution and the public :

What is the objective and the activities developed ?: Access to our NGO is free except specific activities (IT training, cooking lessons, etc.). We offer social services, media center, leisure, holidays, legal advice, public writers, professional training. We also provide housing for different profiles of people visually impaired.

3. What is the base of your answers' content ? (professional experience – (size of the public) – research evidence,...)

4.

Professional experience.

5. Current transactional means used by the “at risk of exclusion” public : please pass through the various group of transactions (in and out)

Money coming out

Transport: People can access a specific card for public transport and pay by bank transfer or debit card. Others use adapted taxi and pay in cash or by debit card.

Utilities: Most of the people have direct debits which avoid them to miss a payment due to their disability.

6. For each mean used, are there concerns related to :

1. access/availability of the payment mean;
2. cost ;
3. security ;
4. useful / convenient ;
5. other significant criteria ??

In order to make use of a DAB, people have to learn how to use it. Usually DAB are equipped with a plug for headphones making possible to use vocal guidance. In order to make cheques, people can use a frame which guide them to know where to write. However they cannot check the amount written on it and they have to trust the one who is filling it or their banker. Some banks offer to edit bank statement in braille transcription or in bigger characters.

7. What are the types of people most affected by barriers that have been identified and that affect the access and/or the use of particular transaction means ?

People most at risk are people with no relatives or close friends to help them. Also older people visually impaired suffer from losing sensibility of their fingers. People who get visually impaired after being 70 years old are not financially supported.

8. What are the potential benefits for financially excluded people to access or use new transaction

means. And the potential problems/disadvantages.

DAB with headphone plug are very useful. Online payment: some banks provide website with vocal recognition facilities (i.e. Postal bank).

9. What are the arguments for and against encouraging the take-up and use of new transaction means?

Some people are robbed by people they have given their pin code in order to be able to make payment with a debit card. I met a person who forgot her debit card in a shop after having given her pin code to the cashier. The following customers heard the pin code and got the card and got 2 000 euros out of her account.

10. What safeguards are needed to make sure that consumers who use these new transaction means are adequately protected?

There is a real need of pedagogy and support for people who lost sight late in life as they are not use to that situation. All bank information should be available in braille transcription. Some banks provide this services however not all of them as there is no legal obligation. There is scanner which allows to hear what is written on a document or two convert it into a bigger character format. Problem is such equipment cost between 3 000 and 5 000 euros and not everybody can access to it.

Study on 'Financial transactions: access and use by people at risk of exclusion'

ITALY

Elizabeth Aro

1. Introduction

When studying the access and use of modern payment services by people at risk of financial exclusion in Italy, the following elements of the social and economic Italian context have to be considered:

1. The diffusion rate of banking services in the country;
2. Payment services diffusion in the country;
3. The attention paid in the country to the phenomenon of financial exclusion;
4. The impact of the recent economic crisis on financial vulnerability.

1.1. The diffusion rate of banking services in the country

As far as the rate of diffusion of banking services in the country is concerned, compared to other European countries, Italy has generally shown a lesser diffusion of banking accounts among the population. Various factors are behind this behavior:

- i) in the past, the diffusion of postal accounts in Italy. However, it is only about ten years that these accounts offer similar functions to those of banking accounts, while in the past post accounts did not offer modern payment services, nor cheque-books.
- ii) The high level of banking fees and costs. This is also due to the fact that in Italy stamp duties apply to many banking transactions.
- iii) Cultural factors.

About 11,3% of male heads of household do not have a bank or Post Office current account (i.e. an account which provides payment services) and this percentage is as high as 21,8% when the head of household is a woman (Bank of Italy, SHIW 2012, p. 72). The rate of diffusion of banking accounts has risen in recent years, however the percentage of people who did not have a banking or postal account which provides payment services is still large, and this phenomenon is mainly concentrated in the segment of low-income people. To give an idea of the situation, we should consider that at the beginning of the '90s, only about 70,6% of male heads of household had a current banking account and this percentage was as low as 48,9% when the head of household was a woman (Bank of Italy, SHIW 1991, p.47).

1.2. Payment services diffusion in the country

The above mentioned penetration in the Italian society (compared to other Western European countries) of banking and postal accounts which provide payment services in addition to the use of cash motivates the large use/diffusion of cash for payments, instead of modern payment instruments. It is a vicious circle: the very common custom to pay by cash renders less essential to have a current account among low-income people and those with a very simple lifestyle.

In Italy for historical reasons it is widespread the utilization of cash for households transactions, especially among low-income people. This behavior is still usual, although various initiatives, both in the area of bank marketing and of financial education, as well as of regulation aimed at reducing payments by cash and improving traceable payments have been undertaken. All this had also the aim to reduce the phenomena of both of tax evasion and of money laundering.

Recent figures from Bank of Italy (Annual report 2012) clearly depict the situation: in 2011, there were an average of 68 cashless payments per capita in Italy last year, compared with 182 in the euro area as a whole in 2010. This gap becomes larger when paper-based payments (cheques, in-person credit transfers and postal current account deposits) are not included in the analysis: 51 electronic payments per capita in Italy versus 168 in Europe.

Comparative analysis (international and Italian interregional) suggests that the main factors in the lesser utilization of electronic payments in Italy, and in some regions in particular, are the following: a) low per capita income and b) the relatively limited acceptance of cards by businesses. Innovation and security should be crucial factors for a greater diffusion of electronic payments in Italy.

Factors involved in the underground economy help explain the greater use of cash and the comparatively infrequent use of traceable instruments.

Nevertheless, over the past five years the use of electronic instruments has increased throughout the country, the rate of growth varying according to sectors of economic activity. Internet payments numbered 280 million last year, up 23.9%, and accounted for 7% of all transactions using bank or postal instruments. The fastest growth was recorded by online

payments using credit and pre-paid cards (27.6%), followed by online credit transfers (20.3%). Security is crucial to the diffusion of electronic means of payment.

According to Bank of Italy (2012), *“the fees for payment services are an essential tool for fostering the use of innovative instruments, especially following transposition of the Payment Services Directive, which bans hidden fees such as those deriving from value dates. For some innovative payment channels, such as the Internet, there has been some decline in average charges to customers, while in the traditional channels, such as bank branches, fees have been increasing. Bringing the fees for payment services more closely into line with costs is a necessary condition for triggering a replacement process to take full advantage of scale economies in the development of innovative instruments”*.

As previously mentioned and as Bank of Italy pointed out (2012, p. 278), other factors than undeclared work and hidden economy play a role in the intensive utilization of cash for payments: economic factors (fix and variable cost for keeping a current account are not bearable for poor people or low-income people which have unstable income) and cultural factors (including risks of penal sanctions as a consequence of issuance of cheques without provision or risks of making overdrawing due to liquidity needs or to mistakes in calculating the effective amount of sum available in the current account).

A relevant innovation in the regulatory framework is the introduction of a ceiling to the maximum amount of cash payments at 1.000 Euros (Law Decree 201/11) and that salaries, wages and pensions have to be credited on a personal bank or postal account. This new regulation is in force since January 2012 and at the beginning it posed many difficulties to low-income people who were used to doing without a bank or postal account.

Indeed, in order to face difficulties of those without a bank or postal account, the same regulation introduced the obligations for banks, post offices and payment institutes to offer a basic banking account, which is free for segments of the disadvantaged people (Law Decree 201/2011). These people are identified as those with an annual income ISEE lower than 7.500 €. The basic account is free of charges and exempt from stamp duties also for retired people or those living on benefits, provided his/her monthly pension or benefit is lower than 1.500 euro and for the utilization of the account for the transaction of credit and debit connected with the pension or benefit, while additional services are separately charged. Therefore this basic account includes e-limited number of transactions free of charges.

Prepaid credit cards, in addition to face the need to make easy and secured payments on Internet, play a part in promoting financial inclusion. Indeed their rapid diffusion has been caused by the demand of prepaid cards offering functions of current accounts (the so called “account cards” provided with IBAN code). In fact these cards allow to receive and to make bank transfers. Bank of Italy estimates that these “account cards” accounted for more than fifty percent of the total prepaid cards issued at the end of 2011.

According to Bank of Italy’s data (SHIW, 2012) the substitution rate of current accounts with prepaid cards increases when personal income are lower (i.e. there is an inversion relation): this confirms that they are a valid substitute of current account for people on low-income.

It is interesting to notice that according to a simulation performed on the above mentioned data of Bank of Italy, it has been estimated that it would possible to save about 0,3 percent of GNP if Italy reaches the same level of diffusion of modern electronic payment instruments – instead of cash – as more advanced European countries.

We should also mentioned the fact that the Italian situation is also due to behavior on the supply side: according to Bank of Italy (2012), on average about 31% of Italian retailers or service firms has a POS, compared to 44% of other more developed European countries where there is a large diffusion of payments by cards. If we do not consider in the average the large distribution sector, the percentage falls to the 20% in the sector of food retailers and of restaurants and cafeterias. The high number of micro enterprises in Italy is another reason of the state of diffusion of payment services and infrastructures in Italy.

1.3.The attention paid in the country to the phenomenon of financial exclusion

In Italy, the attention paid to the problems of financial exclusion is only recent, compared to other European countries. When academic research and consumer associations in the early 2000s (Anderloni 2003 and 2007) posed the question about how to face this unknown phenomenon, it was necessary a long period to gain awareness and to provide answers. The initiatives followed mainly the model of self-regulation by the banking system and of promotion of financial literacy by the side of the Italian Banking Association and of Bank of Italy. In this frame, there was also the goal to remove cultural barriers to use banking services and to increase the awareness about the risks of inappropriate use of credit and incorrect use of payment tools such as cheques and promissory notes.

Another response was the offer of “basic bank accounts” with limited services/functions and limited costs. However nor banks really promoted them among poor and low-income fragile people (using them preferably to attract new young customers potentially interesting), nor old people or those on low-income and precarious jobs perceived a real utility of this account.

1.4. The impact of the recent economic crisis on financial vulnerability.

The current economic and financial crisis is playing an important part on the Italian households’ conditions and their financial behavior, especially as far as more vulnerable people are concerned.

The crisis sharpened the reduction of the saving capability of Italian households that started from the early ‘90s, especially for some categories of households. According to Bank of Italy data (SHIW 2012), the reduction has been larger for young households (where the head of households has less than 35 years) and those in the lowest quartile for net income. In this segment of population the rate of saving is fallen to zero.

All the indicators of vulnerability get worse in more acute way for young households in recent years.

Finally, in order to understand gender differences with reference to access to banking accounts and the utilization of payment instruments, it is worth mentioning that in Italy the rate of employment among women is still far lower than among men: in 2011 Italy is ranked among the most backward countries according to the Global Gender Gap Index (it stands at 74th place out of 145 countries and at the 21th place among the European countries).

2. Presentation of interviewed organizations

CARITAS: is a confederation of Roman Catholic relief. It takes care of people in difficulties with aim “to help them to regain their autonomy and self-confidence”. In severe cases, using charities it provides support for food (especially if there are children and elderly in the household) or other financial and material support.. It is also very active in the segment of migrants and played an important role in promoting a greater attention towards the rights and difficulties of migrants in Italy. Caritas network covers almost the Italian territory. Offices, branches and assistance centers (centri di ascolto) are often based in churches’ rooms.

CENTRO DIURNO DISABILI DI MILANO: is a service provided by the municipality of Milan. The objective of this center is to provide activities and appropriate treatments to handicapped people, during the day. I also assists families and provides them relief in organising the life with their handicapped children. Another important goal is to promote the socialization both inside and outside the center of people with disabilities in order to promote social inclusion. The goal of the activity is to enhance the quality of life of their patients at the best

CONF.A.E.L.: is a trade union. Its members are both employee and self-employed workers. Is promotes that there were no infringements in the labour sector and provides advice and services (to fill in forms, prepare documents and practices) linked to the labour market and pensions. The main activity is concerned with making applications for retirement, disability, requests for social and county homes, various services for migrants, unemployed people and job seeking.

IDEA VITA: is a foundation, set up by parents of handicapped children. Its mission is to promote an autonomous life of people with handicaps, independent from their family in order to help them to become more self-confident and able to play their own role in their life, also if it is may be very little. It is part of this project to think about "after us" i.e. after their parents death. The goal is to provide living solutions better than those offered by institutions.

IL GIRASOLE: is an association of volunteers. Its goal is to sensitize society and the ecclesial community community to the problems in penitentiaries. They try to involve other people in order to respond to the concrete needs of prisoners and their families. In pursuing this mission, the association provides information and guidance for accessing to public

services offered in the area.

PRO.SEGUO: is an association acting as a not for profit organization. Its mission is to draw the public attention on the phenomenon of over-indebtedness, its consequences on overindebted people and possible solutions. It promotes various cultural and educational activities among social workers and professionals engaged in different ways in the management of situations of economic crisis of individuals and families, in order to enhance their professional knowledge and skills in dealing with problems of over-indebtedness.

VEDOGIOVANE: is a cooperative (not for profit organization) that deals with young people, especially but not only those at risk of social exclusion. Its mission is to help them in growing up developing their potentialities and in finding their own job. One special way of job creation is that of promoting cooperatives

3. Problems and responses in segment at risk of financial exclusion

3.1 Migrants

In order to collect information about the risk of financial exclusion and problems of dealing with modern payments instruments by the segment of migrants, we interviewed the following organizations: the various times mentioned CARITAS and CONF.A.E.L.

It is interesting to notice that, as far as the trade union CONF.A.E.L is concerned, about 20% of those who ask advice and services to the trade union is made by migrants. They registered a steady increase in the number of redundant workers and laid off. Migrants are looking for allowances and subventions less frequently than Italians: the main reason of this difference is due to the fact that - on average - migrants are younger than Italians and, consequently, in better health conditions.

As far as CARITAS is concerned, behind the general support to poor households (both Italian and “foreign” or, better, of new Italians) the main tool for helping migrants to find a job is microcredit and, in order to help them to overcome financial difficulties, small loans are granted by Caritas on trustworthy basis. The aim is to allow them to pay utilities, rent and often medical care.

According to the experience of CARITAS people interviewed by us (i.e. of a section in a suburban neighborhood area of Milan), it is possible to see the current crisis’s effects also in the utilization of payment instruments. If in the past, a large number of migrants was used to have a prepaid credit card in order to manage cash, payments and savings and to receive payments for occasional works (probably using the so called “account cards” mentioned in our introduction), today these instruments are far less used.

The worsening of economic conditions is dramatic. For migrants this involves difficulties in renewing their permits to stay and the risk of social exclusion (with the fall into an irregular/illegal situation).

Although almost all migrants are able to use modern payment instruments, in fact they do not use them, simply because they are poor or low-income and or living on instable employments so that they are forced to manage their cash flows by cash.

A few migrants who work as artisans or small retailers receive sometime small loans (or rarely donations) from the priest (i.e. CARITAS) so that they can fulfill their cheques and avoid penal consequences and the risk to trigger a vicious circus which often leads to the disruption of the economic activity and later makes impossible a fresh restart. In general self-employed (often artisans or restaurateurs or bakers) migrants are financially included and use a large range of services. Some Italian banks created a special brand and dedicated products to attract migrants as their customers for payment services.

Although the interviewed people did not know statistics concerning financial inclusion of migrants, various sources such as the CARITAS Annual report on migrants (2013), the Bank of Italy SHIW (2012) and the Italian Banking Association -Survey on Financial inclusion of migrants (2012) reveal that the gap concerning the access to current accounts and payment services between migrants and Italians is today very small: other things being equal, ethnical

factors don't matter.

CARITAS pointed out that the current welfare system in Italy is inadequate to face the new forms of poverty and new social emergencies caused by the crisis, and migrants are often among those individuals more economically and financially vulnerable.

In addition, CONF.A.E.L mentioned that the new institutional framework (i.e. the payments traceability described in our introduction) caused at the beginning some problems to migrants in order to cash their occasional salaries or work payments.

As far as online banking is concerned, the majority of migrants that are not poor or on very low income would be able to use the new technologies and procedures, but they in fact do not do it because it is not safe to do internet banking transactions in Internet points, showing your codes and various "security tools" in a space open to the public.

3.2 Age

In order to collect information about the risk of financial exclusion and problems of dealing with modern payments instruments correlated to the age, we interviewed the following organizations: the above mentioned CARITAS and VEDOGIOVANE, although other associations (PRO.SEGUO and CONF.A.E.L) provided some insights .

In this section "age", we refer to the two extremities of the adult lifetime. On one hand there are young people at risk of financial exclusion because they lack a banking history and therefore trust ability and also a permanent job which provides a stable income. This is a prerequisite often necessary to have a current account that includes debit and credit cards. On the other hand, there are old people that are often at risk of financial exclusion both for their low pensions or allowances and for their less familiarity with new technologies and innovations.

As far as young people are concerned, the association VEDOGIOVANE deals with young people with the aim to help them find their own job especially via the setup of cooperatives. This is seen as an important tool in the current economic and labour market conditions: to develop the concept of the social function of working activities. The target is mainly made by more disadvantaged young people and this organisation promotes start-ups of micro enterprises in the field of creativity, offering the typical services offered by an incubator: preparation of the business plan, legal, fiscal and accountancy advice and assistance as well as marketing consulting and advice in the area of bank services and relationships.

According to VEDOGIOVANE, Internet is the natural channel for banking relationships and payment transactions for young people. They generally prefer on line accounts, however the reverse side of the coin is that Internet banking creates an anonymous relationship with the bank and when these young micro entrepreneurs need a loan for their new economic activity, they find it difficult to set up relationship with the physical branch and unknown bank officers, as it was usual in the past. In Italy, in the past loan granting was heavily based on the personal acquaintance of the branch director.

By the segment of young micro-entrepreneurs, debit cards (bancomat), prepaid cards and paypal and cheques are usually used. Courses of financial literacy and management provided by associations or cooperative or by local authorities as well advice services help young people to better set up their banking relations.

It is worth mentioning that - due to the crisis - the amount of credit granted by the banking system to young people is nearly disappeared. The credit crunch hit the most vulnerable people, including young micro entrepreneurs.

Other young people who face difficulties in accessing to appropriate payment instruments are those with unstable job and without a pay slip.

As far as old people are concerned, CARITAS pointed out that the current crisis has made more acute the difficulties of old people, who are retired or living on allowances and the number of those who ask help to their association registered a steady rise in the last two years.

Among the old people generally is the man the person who, in the family, has a banking account. Indeed it is less frequent among women. Old people with a simple life-style generally prefer to use cash for their transactions or postal orders for distance payments.

In the past, old retired people on low-income used to do some kind of undeclared job (in the hidden job market) and they were paid by cash or by circular or banking cheques that they cashed directly at the bank branch. Nowadays, it is no more possible, but in the meantime, due to the crisis, these jobs disappeared, Old people, especially the less educated ones, find it difficult to use Internet, on line banking and smartphones. As a consequence, as said in our introduction,

they cannot benefit from the shift in banking pricing policies.

The elder people are more worried about security concerns of new payment instruments. In general, in this segment of population it is a problem the use of a PIN for debit cards (generally for making withdrawals from an ATM), so it is frequent the wrong habit to keep the PIN on a small piece of paper in their wallet.

3.3 Poverty

In order to collect information about the risk of financial exclusion and problems of dealing with modern payments instruments by the segment of poor people, we interviewed the following organizations: CARITAS, CONF.A.E.L. and IL GIRASOLE.

All the organizations pointed out the current trend toward an increase in the number of poor households in Italy or of vulnerable households at risk of become poor. A new emerging category is that of the “working poor”, i.e. of those that, although employed, earn an income but it is so low that it is insufficient to the household needs. This may be due to various, often interconnected, causes: bad paid jobs, one breadwinner and may be a large family, limited capability to manage the household budget, living costs that cannot be further reduced (for example, commuting costs).

They also pointed out the insufficient welfare instruments available in Italy to face the economic crisis that hit many Italian households (welfare payments for unemployed people or temporary workers or employees of in trouble firms). Indeed, some measures undertaken in the last years (vouchers for food purchases, households’ bonus, tax exemption for the local real estate tax (ICI) for the “first house” (i.e. household home) and bonus for electric charges and other bonus plans played only a marginal role in reducing poverty. As a consequence, a major role has to be played by municipalities, not-for profit organizations and family networks.

Poor households and those at risk of poverty are often financial excluded or benefit only of a very limited financial inclusion that, generally, is by mean of postal accounts. This segment of population on average go on using cash for all their economic transactions. A few uses prepaid cards. CARITAS however highlights that the impression is that the utilization of prepaid cards has been reduced in the last two years by this segment of population because, when the financial resources are so scarce, it is not possible to share them into cash and a deposit on a prepaid card

Generally this segment of population lacks also education and, therefore, results doubly disadvantaged by the advent of new technologies, such as Internet and smartphones. As mentioned in the introduction of this report, banking pricing policies make cheaper on line transactions and more expensive manual or in branch transactions. Rarely poor people can have an online account and to manage it in a secure way (see also the motivations expressed by those dealing with migrants, in the previous section in this report).

According to social workers dealing with poor people, those among them who still have a current account prefer to do using cash; very few use cheques and never they have a credit card. This is due to behaviors of both the supply side (banks do not offer these instruments to poor people) and the demand side (the lifestyle of poor people rarely needs these instruments. However, this lack can become a barrier to overcome poverty starting some kind of economic activities such as self-employed acting on a small scale.

Indeed, often poverty is associated with other social and financial difficulties and previous mistakes in the utilization of credit or payment instruments are among the causes of financial exclusion.

As far as cashing inflows of different nature (allowances or pensions, as well as salaries and wages of the so called “working poor” people) are concerned, in our introduction we mentioned the need of a current account for those transactions and the creation by the Law Decree 201/2011 of new basic banking accounts free of charge and of the so called “account cards”. As a matter of fact, these instruments are not well-known by the social workers who deal with this segment of population: it is likely that they exist, but are just used for cashing income money, without that further payment transactions are made on it.

3.4 Overindebtedness

In order to collect information about the risk of financial exclusion and problems of dealing with modern payments instruments by the segment of over-indebted people we interviewed the following organizations: PRO.SEGUO, and the above mentioned CARITAS and CONF.A.E.L.

If we adopt a definition of over-indebtedness that focuses both on “over borrowing” and on various situations of over-commitment, i.e. difficulties caused by payment of bills or rent or other non-financial debts, we face a complex and multidimensional problem.

Indeed we consider “over-indebted” those that *are having difficulties meeting or are falling behind with their household commitments – whether these relate to servicing secured or unsecured borrowing or to payment of rent, utility, insurances, taxes and duties or other household bills, under the condition that financial debt is involved too*”. Often difficulties in repaying debts with banks and financial companies are intertwined with other over-commitments or obligations (for paying rent, utilities or housekeeping charges). Often this situation of over-indebtedness in vulnerable segments of the population are due to an adverse shock - such as job loss, reduction in working hours, death, illness - that eliminated or reduced an income source and/or determined unexpected liabilities and negatively impact their financial situation; as a consequence the overall debt and other commitments become unbearable.

The Italian Statistic Institute (ISTAT) in its Survey on Living Conditions and Income Distribution provides insights of a worsening trend; in 2008, 17% of households declare problems in making ends meet and a third of respondents say they are not able to face significant, unexpected expenses.

Moreover, in 2008, there were rises in the number of households facing financial difficulties: in particular, 11.9% of households declared getting into arrears on the payment of utilities and other bills, whilst 10.9% of households said they were not able to heat their homes adequately.

Overindebteness is linked with poverty, but this phenomenon affects also moderate and medium-income people. The segment of over-indebted people who apply for debt restructuring procedures and non-judicial procedures for debt settlement is mainly composed by people who borrowed from mainstream credit providers (banks) and the majority of them is equipped with an appropriate level of financial literacy.

According to PRO.SEGUO, whose experience refers mainly to this upper segment, the entire range of payment instruments are used for outflows cash to a large extent, prepaid credit cards and mobile phone. Furthermore debit cards often are used and more rarely cheques. Only a small portion in this segment incurred in the issuance of cheques without provision and in the related sanctions.

In this segment of population all modern payment instruments are used: paper/manual money transfers or online banking transfers to refund mortgages or consumer credit (preauthorized debits on current account) and to pay taxes. Cheques are quoted to pay insurance premium. On the side of inflows, it is increasing the shift from payments by cash and cheques to credits on current accounts and banking orders.

With reference to this upper segment of population, generally there aren't problems of financial exclusion provided that the over-indebted people responsibly faced the situation by way of an appropriate re-negotiation of maturities and rescheduling of debt reimbursement. As far as costs are concerned, the situation varies, depending on the ability of each customer to negotiate and to choose the best offer.

3.5 Handicapped people

In order to collect information about the risk of financial exclusion and problems of dealing with modern payments instruments by the segment of people with handicaps, we interviewed the following organizations: CENTRO DIURNO DISABILI DI MILANO and IDEA VITA.

These associations are quite different: in CENTRO DIURNO DISABILI DI MILANO almost all people on the care of the centre have a percentage of inability that reaches 100% and the disabilities are both mental and physical. The range of ages of the people with handicaps in treatment there varies from 18 years to 35/40 years. In Idea Vita, handicaps are less severe and the age is - on average - lower.

In the first mentioned organisation most of them are not able either to read and write, either to count. In the latter the disabilities are less acute, so that most of them need and want to use money.

In the first context, families take care of all financial and monetary aspects of the life of their adult “children” with disabilities. The director of this organisation pointed out that, in any case, due to the fact that in the Italian framework some allowances for handicapped people are granted only with a disability of 100%, generally the families prefer not to push handicapped people towards a higher autonomy. Indeed, the Italian society offers little support to these situations so there is an additional motivation about why parents are generally so protective.

People with disabilities generally receive both a national allowance and a regional/municipal subsidy to contribute to pay those who take care of them: as a consequence, they must have a current account or an “account card” (in the past also a saving account) but those who really manage it are the parents.

Furthermore in CENTRO DIURNO DISABILI DI MILANO some parents of adult children with disabilities are poor or

very low income and generally have a low level of education and social inclusion. Only about 15% of them belongs to a medium social class. To provide an idea of the situation, we can say that only about 5% of the handicapped people of this center would be able to go to the newsagent of the area to buy a newspaper. It is evident that, in these circumstances, the cash is the only payment mean they can use. The great majority of the handicapped people attending the daily center lives in family with old parents, only a minority lives in institutions. In both the situations they manage only little cash (coins). Therefore, it is difficult to think about new or different payment means useful to them.

In the experience of IDEA VITA where the average age of assisted people is younger, the kind of disabilities is various: physical, mental and/or relationship-diseases. The large majority of people assisted by this organisation uses cash for daily purchases at shops or supermarkets, only a few have a prepaid card. Often it happens that they are not able to manage their budget, so they tend to spend all money as soon as they have it.

As previously mentioned, in order to cash their allowances and subsidies all of them have a current account or a saving book, but the parents or guardian generally uses these instruments. Very few are able to work and use a debit card (bancomat).

In the case of only physical diseases, online banking and Internet payments are a great resource and a very appreciate service.

3.6 Prisoners and ex-prisoners

In order to collect information about the risk of financial exclusion and problems of dealing with modern payments instruments by the segment of people who experienced problems with breach of law, we interviewed the following organizations: IL GIRASOLE and CARITAS.

First of all, all the interviewed people highlighted that in Italy it is not possible that a prison plays its re-educational functions until the problems of prison overcrowding are not solved.

Our interviews refer to those prisoners who benefit of the so called “alternative measures” i.e. those prisoners that during the day work outside the prison and in the night stay in prison. The above mentioned associations take care of these prisoners, ex-prisoners and their families.

The level of access to banking services and use of them is very low. People with a very low level of education make about 90% of this segment of people; about 70% of them are migrants found guilty for drug trafficking. Often the social economic conditions of their family are very low, i.e poverty or nearby.

The payment instruments used are generally cash and, only by some of them, prepaid cards.

As far as the banking habits of ex prisoners is concerned, it is interesting the consideration that they often remain unbanked for various reasons coming both from the supply side and the demand side.

On the supply side, it is easy to understand that banks generally are not happy to have among their customers people who broke the law. Furthermore, these people often share features (unemployed or temporary workers, without savings and other assets, references and so on) of other people that banks tend to exclude.

On the demand side, we should consider that often these people do not want to open a bank or postal account because before to be imprisoned they had debts and they do not want run the risk that their inflows or income or savings are seized by creditors. Therefore, they prefer to use not traceable means of payment such as cash or, more rarely, prepaid cards.

Other prefer not to be traceable for privacy reasons, i.e. the desire to be forgotten and to forget themselves their past experience.

The volunteers of the above mentioned associations pointed out that - on average -ex-prisoners are not able to plan their future, are not able to manage a family budget and to save. In their experience, only a minor part is able to use Internet, but for the above mentioned reasons they are not interested in online banking services.

Only a minor part of ex-prisoners would like a fresh restart, may be starting a microenterprise or a self-employed job. For them, a bank o postal current account would be very useful, but often previous negative experiences with unpaid cheques or promissory notes make it difficult. Indeed more often these kind of people are encouraged to join cooperatives in order to better overcome also other difficulties.

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Study on ‘Financial Transactions: access and use by people at risk of exclusion’

POLAND

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Concorda

1. INTRODUCTION

The study on **FINANCIAL TRANSACTIONS: ACCESS AND USE BY PEOPLE AT RISK OF EXCLUSION** was carried in Poland from February to April 2013.

The study aimed to provide evidence review and qualitative collection of information via interviews to answer the following questions:

- To what extent are new payment systems accessible and relevant to the financially excluded and vulnerable groups, in terms of cost, proximity, convenience, adaptability to their needs etc.?
- To what extent are new systems not adapted to the needs of the financially excluded? What are the main factors that limit their usefulness? Is take-up a problem?
- To what extent, if any, are the financially excluded and vulnerable groups faced with diminishing options in terms of their traditional use of payment methods (e.g. cash) and financial services?
- Are there concrete examples of new payment methods that have brought benefits to the financially excluded and vulnerable groups?
- Are there concrete examples of new payment methods that have been accompanied by new restrictions on financial inclusion – for example factors that encourage forced migration to new services?

THE STUDY ENTAILED:

- contribution to the scope of joint questionnaire and national report for the study – in the form of analysis of the proposed drafts and proposals of modifications exchanged by e-mail [February 2013],
- selection of potential local Stakeholders for interviews – in the form of desk / Internet research [February 2013],
- qualitative data collection – in the form of interviews with professionals representing local entities (GO = public administration units and NGO = non governmental organisations) dealing with the identified social groups potentially at risk, further e-mail and phone contact to ensure the completeness and correctness of data [March-April 2013],
- evidence review and data collection at national level – in the form of desk / Internet research [April 2013],
- analysis and synthesis of the collected information in the form of present report [April 2013].

THE FOLLOWING LOCAL STAKEHOLDERS WERE INTERVIEWED:

Lp.	Stakeholder	Beneficiaries	Type	Geographic coverage	Date of interview
1.	Polish Humanitarian Action	immigrants	NGO	all Poland	14.03.2013
2.	Society for Promotion of Financial Education	over-indebted	NGO	all Poland	14.03.2013
3.	"Graduates out of a suitcase" Association	students and graduates	NGO	Western Poland [Poznan]	18.03.2013
4.	District Employment Office	unemployed	GO	Southern-Eastern Poland [Rzeszow]	19.03.2013
5.	District Social Support Office – financial advisor	unemployed	GO	Central Poland [Warsaw] suburban area]	19.03.2013
6.	Polish Union of Retirees, Pensioners	elderly, handicapped	NGO	all Poland, Interviewee – Central	10.04.2013

	and Disabled			Poland [Warsaw Branch]	
7.	Integration Association	handicapped	NGO	all Poland	12.04.2013

Notes:

1. Some of the interviewed Stakeholders carry activities in a wider scope than the present study. Interviews were carried in a way to ensure their contribution to the scope of the present study.
2. Some of the interviewed Stakeholders carry activities in a wider geographic area, but it was not possible to interview a representative of the head office / management board, and the head of a regional office was appointed as a representative. In such a case, his/her responses were noted in relation to the supervised area. It should be noted, however, that the qualitative answers are indicative for the whole interviewed Stakeholder organisation.
3. The interviewed Stakeholders represent different groups of beneficiaries in scope of the present study. However, their responses to questionnaire should be treated as indicative – qualitative answers only.
4. The scope of activities of one Stakeholder – the "Graduates out of a suitcase" Association – goes beyond the social groups identified as in-scope of the present study. Moreover, it was not possible to make sure if students and tertiary education graduates, who are Beneficiaries of this Stakeholder indeed are financially excluded. Conclusions from this interview are presented in part 4.6. OTHER PARTICULAR RESULTS FROM SPECIFIC STAKEHOLDERS IN CONTACT WITH OTHER TYPE OF VULNERABLE PEOPLE.

2. EVIDENCE REVIEW AT NATIONAL LEVEL

2.1. SOCIAL AND DEMOGRAPHIC DATA

AS A BACKGROUND INFORMATION, THE FOLLOWING GENERAL SOCIAL AND DEMOGRAPHIC DATA OF POLAND ARE WORTH NOTICING [AS OF END 2012]:

	number	% of total population
TOTAL POPULATION, including:	38,533,000	100%
(i)		
– women	19,884,000	51.6%
– men	18,649,000	48.4%
(ii)		
– urban population	23,336,000	60.6%
– rural population	15,197,000	39.4%
(ii)		
– pre-working age [0-17 years old]	7,051,500	18.3%
– children [0-14 years old]	5,780,000	15.0%
– teenagers [15-17 years old]	1,271,600	3.3%
– working age [18-59/64 years old]	24,621,000	63.9%
– post working age [60/65 years old or more]	6,859,000	17.8%
– 65 years old or more	5,472,000	14.2%

Source: Poland's Central Statistical Office¹

2.2. SOCIAL GROUPS AT RISK OF EXCLUSION [AS OF END 2012]:

UNEMPLOYED

The unemployed counted to 2,136.8 thousand persons and represented 13.4% of the working population in Poland, with lowest voivodship [regional] rate at 9.9% and highest at 21.2%.

The following social groups have been identified as 'specific categories' of the unemployed^{2,3}:

- unemployed without the right to obtain benefit [1,778.5 thousand persons; 83.2% of the unemployed]
- long-time unemployed [1,073.4 thousand persons; they constituted 50.2% of the total unemployed]
- young professionals of 25-34 years of age [29.4% of the unemployed – the largest group]; the share of tertiary education graduates was 5.9%
- persons below 25 years of age [424 thousand persons; 19.8% of the unemployed]
- persons over 50 years of age [86.4 thousand persons; 22.8% of the unemployed]
- persons without occupational qualifications [623.2 thousand persons; 29.2% of the unemployed]
- single parents bringing up at least one child below 18 years of age [188.3 thousand persons; 8.8% of the unemployed]
- disabled persons [111.5 thousand persons; 5.2% of the unemployed]
- women [51.4% of the unemployed]; including women who have not been employed since childbirth [app. 226.4 thousand persons].

¹ source: http://www.stat.gov.pl/gus/5840_13164_PLK_HTML.htm

² source : ibidem

³ source:

<http://www.zus.pl/files/Wa%C5%BCniejsze%20informacje%20z%20zakresu%20ubezpiecze%C5%84%20spo%C5%82ecznych%202011%20r.pdf>

According to the National Poll carried in 2011, 25 773 persons were homeless in Poland⁴.

WORKING POOR

The group of working poor in Poland was assessed at 2 million persons, app. 12% of the working population.

In a study taken in 2011⁵, the share of 17.1% of households of the working population declared relative poverty. In the same study, a high share of 25.4% of persons living in rural areas as well as 25.9% of farmers declared absolute poverty. The risk of exclusion increased with the number of children [3 or more per household] and for a single parent status. The risk of absolute poverty for households with 3 or more children was much higher [33.8%] than for households with at least 1 handicapped person [22.5%].

OVER INDEBTED

The number of over indebted in Poland was assessed at 2.26 million persons. About 6% of bank clients reported difficulty to repay their debt. According to a 2012 report⁶, 'repayment of old debts' was declared the reason for 8% of households who took new loans in banks, 13.1% of households who took loans in non-banking financial institutions and 22.5% of households who took loans from other natural persons. All these persons are at risk of over-indebtedness and at risk of financial exclusion.

On the other hand, over indebted persons are considered by the banking sector 'over active' in their search of new sources of financing. From this view point, at present they are clients of financial institutions and therefore 'financially included'. Statistically⁷, they may have over 10 active bank accounts, they may have utilized the maximum of their overdraft or credit cards lending limit and tend to repay their debt by means of taking up new loans. The share of 72% of such 'over active' clients of banks were considered bad debtors and their debts amounted to 62.3% of the total value of bad debt in Polish banks.

RETIRED

Poland is inhabited by over 9,000.1 thousand retired persons, who sum up to 23.36% of total population. In 2011, almost 5 million persons received old age pensions from the State [4,973 thousand people]. Additional group of persons aged 65 or more who received a 'family' benefit after a deceased husband/wife was 761.5 thousand persons.

In 2011, about 24.7% of the retired were at risk of poverty, including the share of 5.2% pensioners, who receive the minimum benefit allowed by the Law [248.6 thousand persons] and the share of 4.9% pensioners with minimum allowed 'family' benefit [37,3 thousand persons].

DISABLED [AS OF END 2011]

The total number of disabled was assessed at 4,697.5 thousand, i.e. 12.2% of total population in Poland. Persons with certified disability, qualifying for disability pension, accounted to 3,133 thousand, i.e. 8.1% of total population.

Among the handicapped in 2009⁸, the share of 55.8% had moving disability, 27.3% – sight disability and 13.7% – hearing disability. All these groups require facilities in support of their active use of the available means of payment.

Disabled persons receive income mostly from public funds; 39.2% of the total [57.2% of the disabled in working age] receive disability pensions and 34.2% – old age pensions [5.9% of the disabled in working age]. About 11.4% of the disabled [13.4% of the disabled in working age] receive State benefits due to unemployment,

⁴ source: http://www.stat.gov.pl/gus/5840_14076_PLK_HTML.htm

⁵ source:

http://www.tea.org.pl/userfiles/file/Ubostwo%20i%20wykluczenie%20spoleczne%20w%20Polsce_RBakalarczyk.pdf

⁶ source: Białowolski Piotr, Rynek firm pożyczkowych w Polsce. Charakterystyka sektora i profil klienta, Konferencja Przedsiębiorstw Finansowych w Polsce 2012

⁷ source: http://www.wzieu.pl/imgs_2/12123.pdf

⁸ source: <http://www.niepelnosprawni.gov.pl/niepelnosprawnosc-w-liczbach-/stan-zdrowia/dane-na-podstawie-badania-stanu-/>

interim support before retirement and other types of social benefits. There is a low level of professional activity among the disabled in Poland. About 10.7% of the disabled [17.2% of the disabled in working age] receive income from paid jobs, whereas 3.8% of the disabled [5.3% of the disabled in working age] are dependent on other persons.

IMMIGRANTS

Inhabitants of Poland are in 98.2% of Polish origin and in 99.8% of Polish nationality⁹. Other ethnic groups remain a small minority.

Poland is at present a country in which outbound migration remains stronger than inbound immigration. Therefore immigrants, refugees and repatriated persons of Polish origin do not constitute an important group in terms of social and financial exclusion.

2.3. MEANS OF PAYMENT

THE FOLLOWING MEANS OF PAYMENT ARE AT PRESENT AVAILABLE TO INDIVIDUAL PERSONS IN POLAND:

1. cash
 - a. direct payment to a seller in exchange of goods or services
 - b. payment by cash into a bank account [using the intermediary of a bank, credit union, payment intermediary or a post office]
 - c. payment by cash to a beneficiary who will collect money in cash [using the intermediary of a post office or payment intermediary]
2. non-cash means of payment
 - a. transfer from an account [such transfer can be effected from an account opened in a bank or a credit union] and can be ordered (i) in a paper form at a branch, (ii) electronically using Internet banking or (iii) electronically using a payment intermediary [or payment integrator]
 - b. direct debit [related to an account opened in a bank or a credit union]
 - c. payment cards [issued by a bank or a credit union]
 - i. charge/debit cards
 - ii. credit cards
 - iii. pre-paid cards
 - d. mobile payment [payment out of a prepaid dedicated bank account using SMS]
 - e. Post Office means of payment
Post Office in Poland handles financial operations in a limited scope, for example
 - receive cash to make a post transfer into an account
 - receive cash to deliver a post transfer in cash to a beneficiary's address
 - pay out an order of a post transfer in cash
 - pay out cash from a bank account [by a payment card]
 - pay out old age pensions in cash.
 - f. cheque

⁹ source: http://www.stat.gov.pl/gus/5840_14076_PLK_HTML.htm

THE FOLLOWING INFRASTRUCTURE FOR CASH AND NON-CASH MEANS OF PAYMENT IS IN PLACE [AS OF END 2012]:

Lp.	Cash	Non-cash	Infrastructure type
1.	Yes [for cards with Cash Back function]	Yes	Cards acceptance network Card payments are accepted in 237,409 outlets in Poland, including: – 230,272 outlets equipped with card payment terminals [POS = point of sale] – 781 outlets equipped with imprinters – 6,356 outlets receiving Internet transfers. Cash Back = a client can draw cash from his account in a POS operation.
2.	Yes	Yes	ATMs There are 18,667 ATMs in Poland and the network continues to grow.
3.	Yes	Yes	Branch network – 15,392 bank outlets in Poland, including 13,620 own branches and 1,772 outlets operated by outsourcers. Branch network diminishes gradually, with outlets being closed mainly in smaller communities – 1,979 outlets of credit unions
4.	Yes	Yes	Post Office Operates the network of about 8,400 outlets.
5.	Yes	Yes	Payment Intermediaries They are allowed by the Law to operate in Poland since October 2011. At present there are 1,241 payment intermediaries registered at the Commission for Financial Supervision, who act through 4,676 agents. Payment intermediaries run 2,016 outlets [i.e. perform cash and non-cash operations] and/or operate as payment integrators in the Internet [i.e. in the course of a financial transaction, may debit a bank account, payment card or a mobile wallet].
6.	No	Yes	Internet banking – there are over 11 million Internet banking accounts used in Poland – 6,356 retail outlets receive Internet transfers.

Sources: National Bank of Poland, Commission for Financial Supervision, Association of Polish Banks, National Council of Credit Unions, other

Accessibility of infrastructure impacts the overall usage of different means of payment in Poland by all citizens, irrespective of their status of being financially included/excluded.

This statement relates to the infrastructure for non-cash payment transactions as well as Internet connectivity. As compared to other EU countries, Poland shows room for improvement in areas with much lower indexes of non-cash operations [unless stated otherwise, all figures are quoted after National Bank of Poland report ¹⁰]:

	Poland average	EU-27 average
– Share of cash in money supply M1 [in 2009]	23.1%	18.5%
– Adult population not having a bank account [in 2012]	33% ¹¹ or 23% ¹²	7% ¹³
– Bank branches / 1 million inhabitants [in 2009]	658 [including post offices]	567

¹⁰ source: http://www.nbp.pl/systemplatniczy/obrot_bezgotowkowy/polska_a_kraje_ue_xii2010.pdf

¹¹ source: <http://www.deloitte.com/pl/cebankingsector#>

¹² source: <http://pbs.pl/x.php/1,1072/Wskaznik-ubankowienia-Polakow-zwalnia.html>

¹³ source: http://ec.europa.eu/internal_market/finservices-retail/docs/inclusion/sec_2011_907_en.pdf

– ATMs / 1 million inhabitants [in 2009]	465 ¹⁴	867
– POS / 1 million inhabitants [in 2009]	6,043	17,099
– payment cards / 1 inhabitant [in 2009]	0.87	1.45
– Non-cash transactions using payment cards / 1 million inhabitants [in 2009]	2,978	3,496
– Share of non-cash transactions among all transactions using payment cards [in 2009]	50.6%	71.6%
– Payment transfers from bank accounts / 1 inhabitant [in 2009]	34	45.2
– Direct debits from bank accounts / 1 inhabitant [in 2009]	0.59	42.7
– Individuals aged 16 to 74 using the Internet for Internet banking [in 2012] ¹⁵	32%	38%
– individuals having ordered/bought goods or services for private use over the Internet in the last three months [in 2012] ¹⁶	21%	35%

¹⁴ source: <http://www.finance.egospodarka.pl/82653,Bankomaty-w-Polsce-rosna-w-sile,1,48,1.html>

¹⁵ source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=0&language=en&pcode=tin00099>

¹⁶ source:
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tin00067&plugin=0>

3. DESCRIPTION OF THE MOST COMMON/POPULAR TRANSACTIONS MEANS USED PER EACH GROUP OF TRANSACTIONS BY «INCLUDED» PEOPLE (NATIONAL REFERENCE).

3.1. GENERAL REMARKS

Cash remains the most frequently used means of payment in all out-going transactions. Even if all regular incoming payments [wages, salaries, State benefits] are paid to current accounts operated by banks or credit unions, beneficiaries of such payments mostly take out money in cash for further spending.

As of 2Q 2012, 23% of adult Polish citizens [i.e. approximately 7.1 million persons] did not have a bank account. According to the survey, the following factors increased the probability of not using a bank account¹⁷:

- low education – share of 62% persons with primary education
- unemployment – share of 55% persons who have no income and 38% persons who declare to receive income on the level of subsistence allowance
- age – share of 44% of persons of 59 years of age or more
- Internet illiteracy or lack of access – share of 39% persons who do not use Internet
- community habits – share of 33% persons who live in villages.

Persons showing these characteristics tend to use cash as the main means of payment.

In an opinion survey carried in 2009¹⁸, unbanked persons declared the following reasons for not having a bank account: (i) I don't need one; (ii) I prefer cash; (iii) I don't have enough money; (iv) I don't have a regular income; (v) I don't have a permanent job.

Similar reasons were given in an opinion survey carried in 2012¹⁹, regarding the use or not use of payment cards: (i) I don't need one [44% of respondents]; (ii) I fear lack of security [27% of respondents]; (iii) I fear high charges [23% of respondents]; (iv) I prefer using cash [21% of respondents].

Low level of accessibility of non-cash infrastructure impacts the overall usage of different means of payment in Poland by all citizens, irrespective of their status of being financially included/excluded. This is more visible in villages and small towns.

¹⁷ source: <http://pbs.pl/x.php/1,1072/Wskaznik-ubankowienia-Polakow-zwalnia.html>

¹⁸ source: Koźliński Tomasz, Porównanie wyników badań ubankowienia Polaków przeprowadzonych przez NBP w 2006 i 2009 r., National Bank of Poland 2009

¹⁹ source: <http://www.federacja-konsumentow.org.pl/download/raport.pdf>

3.2. USE OF MEANS OF PAYMENT IN POLAND [AS OF END 2012]

PAYMENT CARDS

According to data available from the National Bank of Poland, the total of 33.3 million payment cards were in use as of end 2012 in Poland, including 26.5 million debit cards [79.8%], 6.6 million credit cards [19.4%] and 293 thousand charge cards [0.9%].

From technological perspective, there were 27.9 million cards with magnetic stripe and microchip [83.9%], 5.2 million cards with magnetic stripe only [15.7%], 20.9 thousand cards with microchip only [0.1%] and 122.7 thousand virtual cards [0.4%].

From usage perspective, 60.8% of the total number of transactions using payment cards were non-cash. However, cash operations represented a vast majority in terms of value of operations [72.1% of the total] [note: domestic use only].

NUMBER OF TRANSACTIONS		in ATMs	in bank branches	Cash Back	Internet
Payment cards transactions – ALL					
number [thousand]	1,939,619.9				
% of total	100.0%				
Payment cards transactions – CASH					
number [thousand]	760,379.7	747,721.5	9,926.5	2,654.4	
% of total	39.2%	38.5%	0.5%	0.1%	
Payment cards transactions – NON-CASH					
number [thousand]	1,179,240.2				7,287.7
% of total	60.8%				0.4%
VALUE OF TRANSACTIONS		in ATMs	in bank branches	Cash Back	Internet
Payment cards transactions – ALL					
value [thousand pln]	398,576,363.0				
% of total	100.0%				
Payment cards transactions – CASH					
value [thousand pln]	287,363,922.6	281,819,503.4	5,145,052.4	307,344.8	
% of total	72.1%	70.7%	1.3%	0.1%	
Payment cards transactions – NON-CASH					
value [thousand pln]	111,212,440.4				1,531,555.0
% of total	27.9%				0.4%

Source: National Bank of Poland²⁰

BANK ACCOUNTS AND INTERNET BANKING

There are about 26 million bank accounts and over 2.5 million accounts run by credit unions in Poland. The usage of payment transfers and direct debits falls below the EU average values [see comparison on page 7 for details], but is improving steadily.

About 11 million bank accounts are accessible via Internet. About 50% of account holders declare to use Internet banking, including ‘at risk of exclusion’ groups: about 9% of users are aged 60+ and 10% of users have primary education.

Among all transactions using payment cards, no more than 0.4% were used in the Internet [both for number and value of transactions].

²⁰ source: http://www.nbp.pl/home.aspx?f=/systemplatniczy/karty_platnicze.html

MOBILE PAYMENTS

Over 1.181 million persons use mobile payments linked to bank accounts.

CHEQUES

Cheques are practically not used at all in Poland.

3.3. MEANS OF PAYMENT USED PER EACH GROUP OF TRANSACTIONS BY «INCLUDED» PEOPLE (NATIONAL REFERENCE).

3.3.A MONEY COMING OUT

OPEN AIR MARKET

Cash only. As reported by the National Bank of Poland [statistics and a poll carried by the National Bank of Poland in 2H 2012²¹], it is rather unlikely to find POS in open air markets, where retail sales is operated by micro enterprises.

SHOPS

Mostly cash. According to the quoted report from a poll carried by the National Bank of Poland in 2H 2012²², only about 20% of retail outlets accept payment by cards, and cash remains the means of payment in 85% of trade. The share of cash transactions diminishes for larger outlets:

- in microbusinesses [up to 9 employed] – the share of cash is 87%, whereas card payments – 6% and Internet transactions – 7%,
- in medium-size businesses [over 50 employed], cash stands up for 61% of transactions, card payments – 21% and Internet transactions – 18%.

The poll results show that the cost of accepting cards payments is considered by retailers much more expensive than handling of cash. Polish enterprises are used to cash – as a general rule, 71% of enterprises use cash as the main means of payment and 22% do not use bank services to pay in / pay out the daily turnover. Cash is considered a safe means of payment and much quicker to settle than a payment card transaction. Over 20% of retailers declare their openness to new means of payment, e.g. based on mobile phones, provided the security of such transactions is similar to payment cards and transaction cost – much lower.

LEISURE

Mostly cash. The frequency of using cards for payment instead of cash increases in line with the growth of size of service provider. It is more likely to pay by card in cinemas operated by a larger network or theatres located in large cities than in small cafeterias. Providers in small communities require cash payments – this is due to insufficient infrastructure of cards acceptance network and impacts all people, irrespective of their status of financially included/excluded.

Payment of larger amounts [e.g. in case of organised vacation stay, in a hotel or a rehabilitation centre] is more often effected by a bank transfer or a payment card, as such payment is required by the service provider.

HEALTH

Mostly cash. The frequency of using cards for payment instead of cash increases in line with the growth of size of service provider. It is more likely to pay by card in pharmacies, outdoor health care centres or clinics operated

²¹ source: Górka Jakub, Badanie akceptacji gotówki i kart płatniczych wśród polskich przedsiębiorców, National Bank of Poland 2012, http://www.nbp.pl/systemplatniczy/obrot_bezgotowkowy/badanie_akceptacji_gotowki_i_kart_platniczych.pdf

²² source: see above

by a larger network or located in large cities than operated by micro providers. Providers in small communities require cash payments – this is due to insufficient infrastructure of cards acceptance network and impacts all people, irrespective of their status of financially included/excluded.

TRANSPORT

Mostly cash. The frequency of using cards for payment instead of cash increases in line with the growth of size of service provider and the amount to be paid. Clients are more likely to pay by a bank transfer or a payment card e.g. in case of airline or train ticket], as such payment is required by the service provider.

Providers in small communities require cash payments – this is due to insufficient infrastructure of cards acceptance network and impacts all people, irrespective of their status of financially included/excluded.

UTILITIES

Cash and/or payment from a bank account [transfers, standing orders or direct debit].

Payment in cash can be effected at the service provider's cash desk, through the means of a post order, cash payment in a bank or a payment intermediary.

OTHERS

POS are rather infrequently installed in retail outlets offering services and in Polish public offices. E. g. they are never used in public notary offices or legal offices – there the main payment mode is cash or a bank transfer.

If the possibility to pay using a payment card is offered to citizen in public offices [e.g. central government or local municipal offices, tax offices], as a rule they are charged additional fee [interchange fee].

3.3.B MONEY COMING IN

INCOME

Regular income [wages, salary] is paid into a bank account, as required by the Law.

It is important to note however, than revenue coming from illegal / grey / unregistered jobs will often be paid in cash. According to Poland's Central Statistical Office, 732 thousand persons were employed in parallel job market in 2010, accounting for 4.6% of the total working population²³. According to a more recent study, carried in 2012 by Lewiatan Conference of Polish Private Employers²⁴, 33.2% of enterprises employed 'unregistered' employees

PUBLIC ALLOWANCES

Regular allowances from State funds [e.g. old age and disability pensions, regular social support benefits for the unemployed, handicapped, children etc.] is paid into a bank account, as required by the Law.

Small amounts are paid in cash e.g. paid ad hoc to beneficiaries of social support offices as reimbursement for medical prescription, or are offered as in kind contribution [e.g. an employee of a social support office buys medicine in a pharmacy and gives it to a beneficiary]. This may be caused by strict fiscal and accounting regulations in Poland, requiring original invoices for every kind of income deductible item of cost and/or lack of trust.

REMITTANCES FROM ABROAD

As of 2011, about 330 thousand Polish households [share of 2.5% of all households] benefited from private transfers from abroad²⁵. Majority of beneficiaries were inhabitants of small towns and villages, from the Western part of Poland and from regions where job migration reaches a high level; and large families with children rather

²³ source: http://stat.gov.pl/cps/rde/xbcr/gus/lis_unregistered_employment_2010.pdf

²⁴ source: <http://www.rp.pl/artykul/10,924352-Co-trzecia-firma-w-szarej-strefie.html>

²⁵ source: http://www.case-research.eu/sites/default/files/publications/2012_Western%20Union%20Raport.pdf

than elderly or single households.

Inbound international transfers were of private nature – 87% of them were revenues from work obtained abroad by other individuals.

PAYMENT BACK (REIMBURSEMENT) FROM....

Sums of money overpaid to a public authority, insurer or utility provider can be reclaimed in cash or as a transfer to a bank account. In case of small amounts of money, institutions prefer the beneficiary to collect cash from their cash desk.

4. QUALITATIVE ANSWERS PROVIDED BY DATA COLLECTION VIA QUESTIONNAIRE TO STAKEHOLDERS IN CONTACT WITH THE FOLLOWING COMMON PUBLIC:

4.1. IMMIGRANTS

MONEY COMING OUT

- mostly use cash
- **clothes/shoes** are often bought by State Social Support Offices for them and given them for free
- **health:** mostly cash + State allowances; they are often ill and need State financial help to pay for health expenses
- **transfers abroad:** immigrants often send money abroad [cash by Western Union] to their home countries [e.g. to their families or villages] with a view to repay debt they incurred when relocating to Europe, help a family member in a bad health situation or pay for a ticket for another family member to come

MONEY COMING IN

- in 90% they receive illegal income in cash e.g. from basic jobs in restaurants, pubs, often run by their nationals
- if they receive social allowances or subsidies – small amounts are handed out in cash ; also in kind: State Social Support Offices can regularly pay for clothes and shoes (twice a year) and can sometimes give money to pay the utilities bill, in extremely bad situation – even for a flat rent
- - if they receive local State disability pension – they must have a bank account to receive transfers regularly

BARRIERS

- **access:** without a passport, there is no chance for them to open a bank account; here all groups face similar difficulties: (i) need to have a valid ID card – sometimes they do not have their passports [e.g. refugees]; (ii) we succeeded in persuading one bank to open current accounts based on Green Card, but this is not a rule; (iii) they do not understand bank account agreement [language problem, complicated vocabulary]
- **convenience:** they use mostly cash as they receive income mostly in cash
- **other concerns:** they use Western Union for transfers abroad because they are familiar with this service and there are such branches in the centre of Warsaw

POTENTIAL BENEFITS

Lack of answer.

WHAT SAFEGUARDS ARE NEEDED?

Lack of answer.

4.2. OLD AGE

MONEY COMING OUT

- mostly use cash; elderly people use small amounts of money
- about 50% of our members have bank accounts; mostly inhabitants of large cities – they are used to such means of payment
- **utilities:** 60% payments of rental or utilities are made by a bank transfer; 40% payments – by cash
- **health:** mostly cash e.g. in pharmacies; sometimes a sanatorium/travel agent requires to pay by a bank transfer to their account

MONEY COMING IN

- all our members receive State old age, retirement or disability pensions; such transfers are mostly to bank accounts
- about 20% pensions are delivered in cash by postmen; mainly in smaller towns and communities; Polish Post has offices accessible everywhere
- public allowances: small subsidies [e.g. 50 pln] are given in cash

BARRIERS

- **access:** (i) withdrawal of cash is more frequent at a post office than from a bank branch because of old habits and because post offices are often located closer than bank branches; (ii) for people who live in smaller communities – bank branches and ATMs are not that accessible [this encourages to use post offices instead of bank branches]
- **cost:** (i) post offices recently lowered fees for payment transactions [in/out], whereas banks do not do this – when paying small amounts, this is an additional reason to use postal offices; (ii) elderly people do not have computer skills and often they do not have money to buy a computer or a laptop.
- **security:** (i) ATMs and payment cards are not used frequently due to lack of security [assumed fraud when someone sees or copies the payment card electronic data]; (ii) payment cards are not well known and understood; they hear many stories about fraudulent transactions; (iii) few people use ATMS – due to the fear that a different amount will be paid out vs. the amount debited to the account or the assumed fraud when someone sees or copies the payment card electronic data
- **convenience:** mostly cash is used because of convenience and small amounts needed
- **other concerns:** (i) cheques are not used at all; (ii) credit cards are not used; (iii) elderly people take loans infrequently, perhaps 10% of population, when in urgent need of money to pay for themselves or their grandchildren; (iv) strong habits of doing things in their own ways and tradition [prefer to escape from novelties and encourage to use post offices]; (v) fear of using technical novelties offered by financial institutions; (vi) lack of clear, reliable information on financial products and benefits for clients; (vii) general mistrust of banks [banks deprive potential clients of clear and reliable information on benefits they will have from using new means of payment] and lack of trust in promotional information of the type "Dear Senior aged 50+, please come to our bank" – what is it supposed to mean?

POTENTIAL BENEFITS

Our beneficiaries may be even 80 years old. Elderly people are not interested in novelties.

WHAT SAFEGUARDS ARE NEEDED?

- **ATM:** (i) to convince elderly people that if the ATM does a wrong operation, the bank will take full responsibility for settling the transaction with the client; (ii) shorter customer claims procedures, so that they do not last for weeks [this is entirely discouraging]; (iii) conveniences – e.g. placing the ATMs in accessible and visible spots
- **all financial products:** (i) large letters in printed agreements /rules / forms / letters / brochures; (ii) creating incentives for elderly people; (iii) better information and brochures explaining specific financial products and showing clear incentives for using them; (iv) training; (v) consultation points [if an elderly person forgets some part of initial training/ information – he has no one to ask for help]; (vi) lower transaction fees [bank branches vs. post offices]; (vii) potentially – special offer dedicated to elderly persons [at present, financial institutions lack such dedicated offer]; (viii) facilities/conveniences/incentives [financial institution should offer privileges/incentives to elderly clients, with a view to encourage them to use new services]

4.3. POOR & UNEMPLOYED

Note: two interviews were carried: one with a Stakeholder from a large town and another one with a Stakeholder from a much smaller location and with experience in beneficiaries from small villages. Responses from both Stakeholders are taken into account below.

MONEY COMING OUT

- poor people use bank payment cards or cash; the choice depends on whether they are under the process of forced litigation [then they prefer cash]
- for **daily shopping**, they use mostly cash – (i) they have little money for daily subsistence; (ii) if they buy food for 3.50 pln – no shop would accept a card payment; (iii) in smaller towns and villages there are few ATMs or branches of banks; (iv) in smaller communities shops rather do not offer a possibility to pay by a bank card – they do not have such facilities [banks charge too expensive fees to shop owners]; (v) when you pay with cash, you can negotiate a discount, it is not possible when you pay by a bank card; (vi) if you do not have cash, the shop owner takes a record in his “book”, allowing you to buy goods and pay later
- **leisure:** rather seldom; (i) more frequently if they have children, then mostly cash; (ii) sometimes cigarettes – mostly cash [depends on forced litigation]; (iii) young people tend to buy goods and services through Internet, despite low quality of connection then they pay by bank transfer or bank card; - if they use credit cards, they may easily fall in trouble, as they later have difficulty to pay back; (iv) perhaps young people pay using mobile phones [I would say it is rather infrequent]
- **health:** mostly cash or received for free [State health service]
- **transport:** mostly cash, they use public transport, seldom have own cars
- **utilities:** (i) mostly cash; (ii) if non-cash – then rather post office than by bank transfer despite there is an additional fee to pay for each bill paid [because they are used to paying in a post office]; (iii) sometimes they use a payment intermediary located in a shopping mall – then there is additional fee to pay for each bill paid; (iv) sometimes they pay for mobile phones or cable tv by Internet bank transfer; (v) it is seldom they pay in a bank branch
- **others:** mostly cash; e.g. they even pay life insurance quarterly installment in cash

MONEY COMING IN

- **income:** app. 50% of beneficiaries work – if legally, then their income is paid to their bank account; if illegally – they receive cash payments; if they are under forced litigation – they prefer to receive public allowances in cash
- **public allowances:** (i) State subsidies for new jobs [subsidized new internships or new jobs] and unemployment allowance are paid monthly by a bank transfer; sometimes we give beneficiaries a cheque to be cashed in a local co-operative bank [rather infrequent]; (ii) all beneficiaries who receive Social Support allowance receive them by a bank transfer once a month, seldom by cash; (iii) if they receive regular State old

age benefit – by transfer to bank accounts [usually the received money is too small vs. the size of family and their current subsistence needs]; (iv) sometimes they receive additional support in other forms. eg. they are reimbursed for a city transport pass or for medicine bought on prescription

- **remittances from abroad:** no data available, but I think these may be large values in our region, as many people left the region and work abroad, whereas here they built beautiful large houses. They are now empty or there are wives with children staying, whereas the husband works abroad. People work abroad for 1-2-3-5 years, either come back or stay for good. Such money comes by a bank transfer or by cash [I think mostly cash, as such income may be illegal]. There used to be one branch of Western Union in Jaroslaw, but it closed down

BARRIERS

- **access:** (i) in general of no concern in large towns, different payment means are available; (ii) sometimes the beneficiaries lack access to Internet in large towns due to bad financial situation; (iii) the quality of access to the Internet in small villages is usually bad – there is just one provider and the quality is rather bad even in Jaroslaw [this is a low mountain area, large hills]; (iv) people in small towns and villages use mostly cash for convenience and due to the lack of non-cash infrastructure [lack of card payment facilities, in smaller towns and villages there are few ATMs or branches of banks]; (v) in smaller communities shops rather do not offer a possibility to pay by a bank card – they do not have such facilities [banks charge too expensive fees to shop owners]
- **cost:** (i) of no concern [they prefer to pay cash in a post office and pay a fee vs. the risk of money being taken away from their current account when under forced litigation]; (ii) they do not follow bank offers and do not understand they could earn savings if changed a bank account or if stopped paying fees for payments at post office; (iii) of no concern vs. limited accessibility of other means of payment in small villages [many people use post office despite extra cost of 2.5 pln per bill]
- **security:** (i) of no concern regarding the security of transaction; (ii) they use mostly cash due to the risk of money being taken away from their current account when under forced litigation
- **convenience:** (i) they have very little money at their disposal and even if they get cash, they have to divide it into budgets available for each week; (ii) elderly people use post offices, because they can be easily found in the district and they are used to post offices; (iii) elderly people do not use Internet because they lack Internet skills and do not know how to use it for payment area, large hills]; (iv) people in small towns and villages use mostly cash for convenience and due to the lack of non-cash infrastructure [lack of ATMs, card payment facilities]
- **other concerns:** (i) our beneficiaries use post offices because they trust post offices and post officers; (ii) they do not trust equally the security of bank Internet transfers or payment by mobile phones [no document for evidence]; (iii) they enjoy queuing in post offices and shops, it is a means of social interaction, especially for elderly people; (iv) even if there is access to Internet in small villages [in some places the quality is good and in all region the quality will gradually improve], there is a need to train elderly people how to use Internet and convince them it is safe

POTENTIAL BENEFITS

- savings: (i) when using new transaction means [other than post offices], they would save money they now spend on fees; (ii) time saving: they would not need to queue

WHAT SAFEGUARDS ARE NEEDED?

- Internet should be cheaper [i.e. Internet offered by conventional and mobile providers]
- better technology infrastructure is needed in villages: at present there is low level of technology infrastructure [lack of Internet, lack of good computers and bad quality access to the Internet in remote areas]
- better technology skills are needed in villages [how to use Internet and mobile phones for making payments], especially for elderly persons
- building awareness and confidence: beneficiaries need to be convinced that they do not need a printed document as a proof of payment; that new means of payment are safe and secure – it is important to convince them it is safe
- most beneficiaries are elderly people and/or with bad quality education [I do not mean the level of education, but the quality. We meet graduates of secondary schools who can hardly sign]; we are working to improve the offer of vocational education

4.4. OVER INDEBTED

MONEY COMING OUT

- mostly cash and bank cards; elderly persons – mostly cash
- presumably, they prefer to pay by cash when they receive income by cash
- they choose to receive income by cash in case of forced litigation from 1. the source of their income [eg. wages, pension] + 2. from bank account.

MONEY COMING IN

- app. 40% of our beneficiaries receive income by bank transfers to their accounts
- app. 50% of our beneficiaries receive old age pensions by bank transfer or cash delivered to their homes by postmen
- app. 10% of our beneficiaries receive social support allowances of different types by bank transfers to their accounts or by cash
- if they need to take an additional loan [in case of emergency], they prefer to receive it in cash [due to forced litigation from bank account] – eg. they may need a loan for health purposes, to repair a car etc.

BARRIERS

- **access:** people in smaller cities and villages – lack of sufficient infrastructure [no ATMs or no bank branches or no possibility to pay by bank cards in local shops]
- **cost:** of no concern; over-indebted people usually prefer to pay by cash [even if it costs more]
- **convenience:** eg. elderly people choose to receive money in cash delivered to their homes by postmen due this reason
- **other concerns:** (i) elderly people lack skills how to use ATMs, how to make Internet bank transfer, how to use a bank card; (ii) elderly people are afraid to use ATMs or pay by bank cards in shops, e.g. they cannot remember PIN security codes, cannot see well the ATM or card payment terminal screen, keyboards are too small for them --> this is why they prefer to have cash at home and use cash (iii) employed /professionally active people are more used to non-cash means of payment; (iv) some retired people also use bank cards; (v) fear of forced litigation prevents them from using non-cash means of payment; money from bank account would be taken away from them for the benefit of creditors; (vi) over-indebtedness leads to high level of stress, which can bring about psychological consequences (fear, panic, we saw cases of mental illnesses due to such stress), they need psychological or psychiatrist help, sometimes medicine when they cannot cope

POTENTIAL BENEFITS

- novelties are good for young people, not necessarily for the elderly
- secure and convenient transactions [including keeping money in a bank rather than at home]

WHAT SAFEGUARDS ARE NEEDED?

- awareness building – financial education program could help increase the use of non-cash means of payment: (i) education on benefits and security of such means of payment; (ii) confidence building presentations or lectures [with messages that such means of payment are secure and nobody wants to deceive them]
- building technical skills – (i) education on how to use ATMs, bank cards, make Internet transfer; (ii) simple booklet with instructions of how to use new transaction means
- large letters used in ATMs, Internet screens, keyboards

4.5. HANDICAPPED

MONEY COMING OUT

- handicapped people “at risk of exclusion” very often do not even have a bank account, so all their outcomes are made with cash

MONEY COMING IN

- employed handicapped – bank transfers
- handicapped who are unemployed / elderly / with high degree of disability – mainly post transfers [don't have bank accounts]

BARRIERS

- **access:** (i) architectural accessibility, websites (payment platforms) are not adjusted for people with eyesight disabilities; (ii) lack of Internet connection
- **cost:** such concerns come mainly from lack of knowledge and embedded negative attitude towards financial institutions
- **security:** is of concern mainly announced by elderly people and it's related usually to usage of cash dispensers
- **other concerns:** people with eyesight disabilities are more often exposed to frauds or theft, transaction means like Pay Pass bank cards enable such negative situations.

POTENTIAL BENEFITS

Lack of answer.

WHAT SAFEGUARDS ARE NEEDED?

Lack of answer.

4.6. OTHER PARTICULAR RESULTS FROM SPECIFIC STAKEHOLDERS IN CONTACT WITH OTHER TYPE OF VULNERABLE PEOPLE

The probability of financial exclusion grows when a handicapped beneficiary (i) lives in a village, (ii) has low level of education, (iii) has an advanced level of disability and/or (iv) is elderly.

Regarding the poor, a respondent said that it would be better for them to receive some money every week rather than once a month, because they are not able to plan and manage their budgets. However, this means that they would use cash even in a larger degree – as small amounts of usually not allowed for cards payment. This may be another consequence of interchange fees put on retailers.

An interviewed Stakeholder – Graduates out of a Suitcase Association – represents students and tertiary education graduates. In Poland, this social group is defined as at high risk of unemployment, what may lead to their professional inactivity in future. As the interviewed representative of a District Employment Office confirmed, “the share of unemployed graduates is increasing”.

Beneficiaries of this Association are different than other social groups described. They are well educated, live in a large university town and use a wider variety of new means of payment. They use all modern means of payment available in a large town. They use and test novelties. All larger payments are done in a non-cash form. They use cash for basic daily situation, when small amounts are needed. Up-to-date means of payment were mentioned in the interview, including Pay Pass cards and Pay Pass beepers, Internet transfers, mobile payments and e-wallets [e.g. moBilet service for payment of city transportation tickets and parking fees by mobile phones from a prepaid account]. The interviewed person also spoke of Ryanair prepaid card [gives a discount on air tickets].

Judging from the interview, they spend more money on leisure and other non-basic goods than other interviewed social groups [e.g. airline tickets or parking fees]. It was difficult for me to state with certainty that this particular social group indeed is at risk of financial exclusion. Moreover, many of students and young graduates are still supported by their parents and/or work, full time or part time, until they reach economic independence. The issue of ‘financial exclusion’ came out when speaking of credit cards and lack of possibility to get ones. The respondent said that students and young graduates are considered as of ‘low credit worthiness’ and therefore do not have access to lending limits and overdrafts in current account. The interviewed representative of this Association said that young graduates do not register as unemployed, as they feel ashamed of their status and consider the fact of registering as a ‘stigma’.

Young graduates see a need for financial education to convince people into the use of modern means of payment, e.g. to show time saving and security of such transactions. The interviewed person was – however – aware of the risk of falling into unauthorised debit in the current account and – potentially – over-indebtedness in longer term, when using such ‘quick’ means of payment.

5. CONCLUSIONS

5.1. TO WHAT EXTENT ARE NEW PAYMENT SYSTEMS ACCESSIBLE AND RELEVANT TO THE FINANCIALLY EXCLUDED AND VULNERABLE GROUPS, IN TERMS OF COST, PROXIMITY, CONVENIENCE, ADAPTABILITY TO THEIR NEEDS ETC.?

New means of payment are accessible to the financially excluded and vulnerable groups, but – according to the interviewed Stakeholders – these groups do not show much interest in benefiting from the novelties.

Financially excluded and vulnerable groups tend to use cash, however this is typical for all payment system in Poland, where 85% of transactions in retail outlets are paid in cash, irrespective of the person's included/excluded status.

The level of accessibility of non cash transactions is much higher in large towns than in smaller communities. This is due to the low quality of Internet connections [outside major towns] and insufficient network of ATMs, cards acceptance network and bank branches. The quality of payment network impacts the cash / non-cash usage by all citizens, irrespective of the person's included/excluded status.

Old time habits play an important role in using 'the old' means of payment, especially in case of elderly people. They like using cash and feel safer when using cash. Cost is usually of no concern – they prefer to receive cash delivered by postmen and use post transfers, despite charges paid on each bill. The fact that post office lowered charges is an argument to continue using post transfers; whereas the fact that no charges are put on payment transfers from a bank account – is not of equal importance.

Cost is also of no concern vs. limited accessibility of other means of payment in small villages [many people use post office despite extra cost of 2.5 pln per bill]. It is also worth noting, that the choice is not between a post transfer and bank Internet transfer – the choice is rather between a post transfer and a paper transfer in a branch of a bank. Elderly people put high attention to a paper statement of transaction. This may be considered a part of their old time habits.

Time saving is of no argument for the elderly. Quite on the contrary, a respondent said that 'queuing is an element of their social life' and if they start using other means of payment, 'they would lose queuing as an important element of their social life'.

The cost of paying a transaction fee is also of no concern for the over-indebted – they prefer to pay cash in a post office and pay a fee vs. the risk of money being taken away from their current bank account when under forced litigation.

5.2. TO WHAT EXTENT ARE NEW SYSTEMS NOT ADAPTED TO THE NEEDS OF THE FINANCIALLY EXCLUDED? WHAT ARE THE MAIN FACTORS THAT LIMIT THEIR USEFULNESS? IS TAKE-UP A PROBLEM?

Interviewed persons who deal with (i) elderly and (ii) handicapped beneficiaries pointed out to the lack of **physical facilities** allowing for a more widespread usage of non-cash means of payment. In particular, the following examples of unsuitability were brought to attention:

- ATMs are often physically placed in not accessible and/or visible spots
- difficult physical [architectural] accessibility for persons with moving disabilities
- need for large letters used in ATMs, Internet screens, keyboards [otherwise it is difficult to read info]
- difficult to put in security code on the keyboard/ POS payment terminal / internet banking
- difficult to remember security codes --> presumably there is a general need to find an easier way for authentication of payment card/bank account holders
- websites [payment platforms] are not adjusted for people with eyesight disabilities.

The following needs of **procedural** nature were brought to attention:

- wider list of ID documents (i.e. Green Cards) should be accepted for opening of a bank account [pointed out by a Stakeholder representing the immigrants],

- language problem and complicated vocabulary in bank account agreement, impossible to understand was pointed out by a Stakeholder representing the immigrants,
- long claims procedures for wrong ATM operations – this is very discouraging – as a result, elderly people prefer to have cash with them instead of money on a bank account.

The following needs of **marketing** nature were brought to attention:

- large and easily readable letters in printed agreements /rules / forms / letters / brochures are too small to read
- training and simple booklets with instructions of how to use new transaction means [ATMs, bank cards, Internet transfers]
- consultation points for elderly people on how to use new means of payment [if an elderly person forgets some part of initial training/ information – he has no one to ask for help]
- special offer dedicated to elderly persons [at present, financial institutions lack such dedicated offer]
- facilities/conveniences/incentives [financial institution should offer privileges/incentives to elderly clients, with a view to encourage them to use new services]
- better information and brochures explaining specific financial products
- better information and brochures showing clear incentives incentives/facilities/conveniences for using the new means of payment
- lower transaction fees [bank branches vs. post offices]

Lack of trust was also mentioned among barriers against using non-cash means of payment by Stakeholders representing different groups at risk, in the form of:

(i) lack of trust in physical security of transaction:

- declared by elderly people and it's related to usage of ATMs and POS [assumed fraud when someone sees or copies the payment card electronic data]
- few people use ATMS – due to the fear that a different amount will be paid out vs. the amount debited to the account
- payment cards are not well known and understood; they hear many stories about fraudulent transactions
- people with eyesight disabilities are more often exposed to frauds or theft in case of payment cards transaction, transaction means like Pay Pass bank cards enable such negative situations
- general fear of using technical novelties offered by financial institutions
- use post offices because the beneficiaries trust post offices and post officers
- the need to get a printed confirmation of a transaction

(ii) lack of trust in the marketing offers of financial institutions:

- e.g. as a respondent said, the elderly poor were often 'victims of aggressive salesmen who sold them expensive cable tv [not needed at all] or expensive youth pills'
- general mistrust of banks [banks deprive potential clients of clear and reliable information on benefits they will have from using new means of payment] and lack of trust in promotional information of the type "Dear Senior aged 50+, please come to our bank" – what is it supposed to mean?
- if an ATM does a wrong operation, the bank does not take full responsibility for settling the transaction with the client; customer claims procedure lasts for weeks [this is entirely discouraging]
- on the contrary – e.g. immigrants use Western Union for transfers abroad because they are familiar with this service.

Awareness building activities and financial education program could help overcome this type of barriers and increase the use of non-cash means of payment.

Among **other deficiencies**, the following were noted:

- generally, in all interviewed groups – lack of wide non-cash infrastructure [ATMs, card payment POS facilities, Internet] especially outside major towns
- lack of computer skills [elderly people, handicapped, in small towns and villages] --> for young users, better quality of education is needed in public schools
- lack of skills to use internet banking
- often lack of money to buy a computer or a laptop
- the social groups ‘at risk’ they have little money for daily subsistence and mostly use small amounts of money --> they tend to use cash then; cash transactions give an additional possibility to get a small discount
- poor and over-indebted persons choose cash especially if they are under the process of forced litigation [then they prefer cash due to fear of money being taken away from their bank account for the benefit of creditors]
- over-indebtedness leads to high level of stress, which can bring about psychological consequences (fear, panic, we saw cases of mental illnesses due to such stress), they need psychological or psychiatrist help, sometimes medicine when they cannot cope
- strong, old-time habits of using cash and post offices give the beneficiaries the feeling of security
- beneficiaries enjoy queuing in post offices and shops, it is a means of social interaction, especially for elderly people.

5.3. TO WHAT EXTENT, IF ANY, ARE THE FINANCIALLY EXCLUDED AND VULNERABLE GROUPS FACED WITH DIMINISHING OPTIONS IN TERMS OF THEIR TRADITIONAL USE OF PAYMENT METHODS (E.G. CASH) AND FINANCIAL SERVICES?

Polish authorities are undertaking various attempts to reduce the scale of cash operations and increase the share of non-cash operations.

Employers are required by the Law to pay out compensation into bank accounts, leaving the possibility to obtain salary in cash to rare cases.

State Social Support Office have put in practice of sending regular periodic benefits and subsidies into bank accounts of beneficiaries, leaving the possibility to cash support to ad hoc.

A similar initiative was undertaken a few times already by the State Insurance Office, who pay out old age and disability benefits. As many pensioners choose a post transfer as a means of receiving benefits [they can then obtain cash via postmen to their home address or at a nearest post office], an attempt was made to convince the pensioners to receive them through a bank account. This appeal met a strong resistance on the part of pensioners, whose counter-arguments pointed out to²⁶:

- lack of sufficient network of bank branches and ATMs in small communities
- lack of facilities to assist persons with e.g. eyesight or movement disability [on wheelchairs] in using payment cards
- additional cost of upkeep of a bank account
- lack of confidence and skills to use payment cards
- difficulty to remember PIN security code
- long time habits.

NGO representing the retired, pensioners and disabled also protested recently against the planned reduction of the number of post offices. In their opinion, this will impact mostly small communities, where there exist no network of bank branches or ATMs.

5.4. ARE THERE CONCRETE EXAMPLES OF NEW PAYMENT METHODS THAT HAVE BROUGHT

²⁶ source: http://www.pzerii.org/?page_id=613

BENEFITS TO THE FINANCIALLY EXCLUDED AND VULNERABLE GROUPS?

The usage of new means of payment is higher among younger users. Young people tend to buy goods and services through Internet, despite low quality of Internet connection in smaller communities. They are more open to pay by a bank transfer or bank card; 'perhaps young people pay using mobile phones' – as a respondent said. **Payments by Internet** bring about savings in terms of cost saving and time saving, as stated by a few respondents.

Easier work migration of the Polish people since 2002, after Poland joined the European Union, brought about the need to receive more transfers from abroad. It is only in 2011 Poland adopted the new Law on payment services, compliant to the European Union standards, which opened financial market to non-banking payment intermediaries. This was important for facilitating of such transfers and making them more popular, as (i) fees and charges taken by banks on international transfers have been extremely high until recently [now banks are implementing SEPA transfers on a wider scale] and (ii) the income transferred from abroad is not necessarily legal. The market for inbound and outbound **international remittances** will grow over the coming years.

Increased scale of international transfers and gradually lowered cost of upkeep of bank accounts also led to more current account being opened in banks.

Improved quality and cheaper access to the Internet will also improve the usage of **Internet banking**. Poland has contracted funds from the European Union for increasing of the scale of broadband connections by 2015. As the deadline is approaching soon, the citizens of Poland will be more than happy to see improvement in this domain, especially in 'technologically backward regions' – as one of the respondents said. Implementation of broadband Internet connections on a wider scale outside of major towns should lead to the lowering of Internet cost.

It is also important to note that **cards acceptance network** is not widely developed in Poland, due to retailers' resistance to extremely high interchange fees charged by financial institutions [fixed monthly charges + 1.7% of transaction value], among the highest in Europe. This factor, coupled by low availability of bank branches and ATMs network in rural areas, as well as bad quality access to Internet outside major cities, increase the tendency to use cash. Cheaper cost of maintaining POS by retailers will increase the scale of cards acceptance network.

On the other hand, **new initiatives are taken in the field of mobile banking**. For example, a large retailer Biedronka ['Ladybird' – network of 2,100 cheap groceries run by Jeronimo Martins, used by 3/4 of the Polish population, mainly by lower end consumers] is preparing for a launch of a simple model of mobile payments from bank accounts in their shops²⁷. So far, the chain has been accepting cash payments only. Two large petrol stations announced their plans to join this new payment network, once it is launched. At present, the system is undergoing test phase.

The examples shown above will improve access to new means of payment for all users in Poland, irrespective of their status of being financially included/excluded. The way they are implemented by financial institutions does not take account of the level of education, age or other characteristics of the social groups 'at risk of financial exclusion', but – undoubtedly – they will benefit as well from the new solutions.

5.5. ARE THERE CONCRETE EXAMPLES OF NEW PAYMENT METHODS THAT HAVE BEEN ACCOMPANIED BY NEW RESTRICTIONS ON FINANCIAL INCLUSION – FOR EXAMPLE FACTORS THAT ENCOURAGE FORCED MIGRATION TO NEW SERVICES?

The use of new means of payment increases for the '**employed**' representatives of the vulnerable groups vs. the 'unemployed'. Professionally active people are more used to non-cash means of payment and they must open a bank account – as it is required by the Law to obtain compensation through a bank account.

With a view to reduce the scale of cash operations in Poland, **State social support offices require their beneficiaries to open bank accounts** to receive regular / periodic benefits. This will gradually reduce the scale of cash interventions to 'ad hoc' benefits paid out in cash. It is important to note, however, that compensation paid into bank accounts is often paid out by beneficiaries in total and further used in cash.

Low level of **accessibility of non-cash infrastructure** impacts the overall usage of different means of payment in Poland by all citizens, irrespective of their status of being financially included/excluded. This is more visible in villages and small towns.

²⁷ source: <http://www.bankier.pl/wiadomosc/Mobilne-platnosci-w-Biedronce-jeszcze-w-tym-roku-2771861.html>

6. ANNEX : THE COMPLETED QUESTIONNAIRES

	File name	Content	
	PL_0_Report	National Report – Poland	
Annexes			
Lp.	File name	Stakeholder	Beneficiaries
1.	PL_1_Immigrants	Polish Humanitarian Action	immigrants
2.	PL_2_Old age & disabled	Polish Union of Retirees, Pensioners and Disabled	elderly, handicapped
3.	PL_3_Poor	District Social Support Office – financial advisor	unemployed
4.	PL_4_Unemployed	District Employment Office	unemployed
5.	PL_5_Over-indebted	Society for Promotion of Financial Education	over-indebted
6.	PL_6_Handicapped	Integration Association	handicapped
7.	PL_7_Graduates	"Graduates out of a suitcase" Association	unemployed graduates

Completed by:
Ewa Janikowska
Warsaw, 15 April 2013



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Study on “*Financial Transactions: access and use by people at risk of exclusion*” SWEDEN

Richard Ahlström, Ph.D. & Sonya Edström M.Sc

Introduction

The authors of the Swedish report (i.e. Richard Ahlström, Ph.D. & Sonya Edström M.Sc.) carried out the study on the basis of interviews accordingly to the project instructions. We contacted five stakeholders (three GO and two NGO).

Konsumentverket (The Swedish Consumer Agency - www.konsumentverket.se) representing all consumers in Sweden. In the report Konsumentverket is abbreviated as **KOV**.

Migrationsverket (The Swedish Immigrant Agency – www.migrationsverket.se) the governmental body for immigration and immigrants applying for temporary or permanent stay in Sweden. In the report Migrationsverket is abbreviated as **MIG**.

Handisam (The Swedish Agency for Disability Policy Co-ordination – www.handisam.se) Handisam speeds progress towards a society in which everyone can participate on equal terms, regardless of functional capacity. In the report Handisam is abbreviated as **HAN**.

PRO - Pensionärernas Riksorganisation (National Pensioners’ Organisation – www.pro.se). PRO that was founded in 1942 is a NGO, and Sweden’s largest pensioners’ organization, with almost 400.000 members. PRO is politically independent and open for all pensioners. In the report Konsumentverket is abbreviated as KOV. In the report PRO is abbreviated as **PRO**.

Insolvens – Riksförbundet för överskuldsatta (The Swedish National organization for over-indebted people – www.insolvens.se nb: Webpage in English is missing). Insolvens, that was launched about ten years ago, is a NGO built up by its members (ca 3.000) plus additional funding from the government. It is politically independent. In the report Insolvens is abbreviated as **INSO**.

Aim of the project

The aim of the project is to gather information via interviews concerning five main questions:

1. To what extent are new payment systems accessible and relevant to the financially excluded and vulnerable groups in terms of cost, proximity, convenience, adaptability to their needs?
2. To what extent are new systems not adapted to the needs of the financially excluded? What are the main factors that limit their usefulness? Is take-up a problem?
3. To what extent, if any, are the financially excluded and vulnerable groups faced with diminishing options in terms of their traditional use of payment methods (e.g. cash) and financial services?
4. Are there concrete examples of new payment methods that have brought benefits to the financially excluded and vulnerable groups?
5. Are there concrete examples of new payment methods that have been accompanied by new restrictions on financial inclusion – for example factors that encourage forced migration to new services?

Method

The interviews

The rationale for the interviews were in close agreement with the questionnaire developed for this particular project (see project description in the consensus report). The questionnaire originally comprised of 12 sections (i.e. target areas) each one represented by one main question followed by a number of sub-questions. The design of the interviews can be classified as semi-structured, i.e. a number of predetermined questions with a possibility for follow-up questions. The authors complied with the interview rationale developed by the British research team (Collard et al), which is a slightly different version of the original rationale proposed by EFIN. On the basis of the interview result a synthetic country-based report was built. In some instances we have merged the obtained interview material from more than one section into larger units.

Results

Sections 1 and 2: What sorts of people use your services and what services does your organization provide?

With the exception of KOV, MIG, HAN, PRO and INSO are all dealing with special groups and special issues in Swedish society. In the introduction (above) there is a short account of this. KOV do not represent special groups or parties, since its focus is on *all* Swedish citizens concerning consumer rights and the regulatory (i.e. law) framework of consumer's rights. Therefore, the input from interviewing representatives from KOV will provide us with the "baseline" of information about financial transactions: access and use by people from the perspective of facing no, or limited risk of exclusion. KOV provide direct, free-of charge services to all citizens mainly by telephone and internet counseling. KOV also prepares and carry out law suites in courts for the benefit of consumers.

INSO is representing over-indebted people in Sweden, and is therefore clearly a proxy for people that are more or less completely excluded from access to financial services. This exclusion is a result of *legal actions and sanctions* (e.g. debt collection and law enforcement) taken against people with a history of serious payment defaults. INSO, that is a truly member driven organization provide on line help (telephone and internet) to assist people with debt problems. INSO is also repeatedly in contact with media to promote the situation of over-indebted people in Sweden.

PRO, representing pensioners, has most of its focus on old people. However, PRO also consider people with disability pension in different age groups. The activities of PRO that are funded by membership fees (about 30 Euro per year), are centered on the economical security and quality of life aspects of its members, and are promoting the possibility and facilitation of a full life, also at the end of the life cycle. This means that PRO is devoting itself to many actions concerning the improvement and maintenance of cognitive skills, for example when it comes to the dissemination of hands-on knowledge of computer and internet handling among the elderly. Also, PRO is an active body when a politically proposed measure concerning the rights and welfare of the senior citizens is referred for consideration by the Swedish parliament. PRO has over the years developed a number of services to their members in cooperation with other organisations and parties. For example insurances, leisure activities, travel tickets at a reduced rates and a wide range of discounts on consumer goods.

HAN is devoted to that are linked to the removal of obstacles for the disabled.

In 2011 the Swedish government presented a strategy on disability policy. The strategy follows the intentions of the United Nations Convention on the Rights of Persons with Disabilities.

Disability policy spans all policy fields, and ten of these have been given priority in the Strategy. A number of national authorities in each priority field have been made expressly responsible for the implementation of disability policy.

The following sectors are covered in the strategy:

- Labour market policy
- Education policy
- Social policy
- Health policy
- Increased physical accessibility
- Public transport policy
- IT policy
- Culture, media and sport
- The legal system
- Consumer policy

"The Government's aim for consumer policy is for consumers to have the power and opportunity of making active, considered choices. To this end there have to be statutory consumer safeguards and an effective, well-functioning surveillance of compliance with statutory provisions. All consumer information must be readily accessible and reliable. The individual consumer must also have the possibility of resolving a dispute by simple means. A high level of consumer protection is also of importance to the individual consumer beyond the borders of Sweden itself, not least, for example, in connection with travel or e-shopping.

In its strategy for implementing disability policy, the Government has defined one prime consumer policy target for 2011-2016.

Consumers shall have the power and possibility of making active choices.” (Source: Handisam’s homepage).

MIG - The Swedish Migration Board is the authority which receives applications from people wishing to visit or settle in Sweden. The group of applicants is very heterogenous, ranging from refugees from the developing countries, sometimes lacking basic education like reading ability, including so called alone-coming- children (i.e. without parents or caretakers), to highly educated citizens from within the European Union entering the job market in Sweden. MIG also provides information services to immigrants focused on aspects of financial literacy with a special emphasis on the Swedish system, for example the way Swedish banks operate their customer services.

Section 3: *Among the general public, what do you think are the most common ways of receiving income of any kind.*

Every citizen in Sweden with a valid and approved legal identity (i.e. a social security number) is entitled to a deposit account (under the Banking Act) so that income of any kind (e.g earnings from employment or self-employment, social security benefits or tax credits, remittances from overseas, and reimbursements or refunds e.g. from utility or insurance companies) can be inserted in such accounts (Source: KOV).

Section 4: *What about financially excluded people?*

People with payment default(s) can be denied banking services such as online banking, which can make payment of bills and invoices a lot more complicated, and also far more expensive than during normal conditions. The risk is that individuals in this group have to pay a fee to pay their bills (about 5-9 Euro per bill). Payment defaulters do not get access to such debit bankcards that regular consumers use, when paying in-store (e.g. grocery stores), or take out money with the ATM. One obvious risk is that defaulters have to rely on large cash withdrawals directly from the bank (since each withdrawal is expensive) and are therefore at risk for losing interest. Registration of payment default is valid for three years, even if the debt(s) are paid off. It can take many years of additional financial exclusion before you can get access to the full amount of bank services after an episode of payment defaults.

Another obvious risk, especially in big cities, is the risk of being exposed to robbery when carrying large amounts of cash. Also, many areas in Sweden can be considered as remote, rural areas, where the geographical distance from a bank office and its customers can be as far as 250 kilometers. In addition, during the last few years a growing number of bank offices have declared themselves ”cash-free”, meaning that in the daily business with clients, these bank offices do not provide services based on cash handling at all! Also, since 1st of February this year, the number of ATMs has been reduced with more than 30% because of savings in the bank sector. All these factors work against the convenience of bank clients and the public in general. Especially exposed, are the elderly, people living in rural areas, people with functional disability, and newly arrived immigrants (Source: KOV, INSO, PRO, HAN & MIG)

Section 5: *Among the general public, what do you think are the most common ways of paying?*

In general terms, payments are done via invoices or bills through payment to a bank -or giro account. This holds true for payments such as rent/mortgage payments, utility bills, healthcare spending, and leisure activities. When it comes to the payment of specific items such as food and groceries, and public transport, a wide variety of payment exist from cash payment, debit/credit card payment and in considering many so-called e-commerce sites, you can also pay with your credit card by entering the card number directly on the website. Cash on delivery also exist, but to a hitherto unknown extent. Before the delivery you will receive a notice in the mail or as a text message that you agree to the Post's delivery where you pay the item.

In August 2010, a new Payment Services Law was introduced in Sweden, which began to come into force concerning cell/mobile phones on February 1, 2013. This law dictates that the operators must be licensed by the Swedish Finance Inspection (www.finansinspektionen.se) in order to make financial transactions such as payment services via mobile phones. Some examples of this new technique are:

(1) WyWallet a service that is operated by the telephone company operators Telia, Telenor, Tele2, 3, Comviq and Halebop. With this service you can for example buy bus tickets from some, if not all Swedish bus companies.

According to Telia, more than half of all online purchases will go through the mobile within a few years. According to Telia you can, by using WyWallet, pay for goods and services you purchase through your mobile phone. You can choose from three different ways to pay for what you buy.

- WyWallet account: You can load WyWallet with any amount or choose to store your credit card details, so that you never risk being empty handed. In both cases, purchase goods and services as usual.
- Your mobile bill: All your SMS purchase, up to 200 SEK / purchase, paid via your mobile bill (for those who have a private mobile).
- WyWallet monthly invoice: All your purchases billed you once per month.

(2) A competitor of WyWallet is Swish. The four major Swedish banks, SEB, Swedbank, Nordea and Handelsbanken, plus Länsförsäkringar (i.e. an insurance company with a bank service) and Danske Bank collaborate on Swish, a service that allows individuals who have signed up for the app and mobile banking id, to transfer money to each other.

(Source: KOV)

Section 6-8: *What about the financially excluded people? Do you have concerns about the ways in which financially excluded people receive money and make payments? In your experience, do particular types of people experience problems around access costs etc?*

As was mentioned in section 4, people with a history of payment defaults, generally speaking, do not have access to personal online-banking of any kind. A small fraction of subjects might use someone else's (e.g. friend or relative) facilities though. In today's word, this fallacy brings about a growing amount of extra work and costs for this group of people, since all the payments you do are done with cash money. Some small-sized business (e.g. tobacco shops) have adapted to this situation, and offer for a certain fee, electronic payment services of, for instance rent and mortgage bills as well as other bills.

When it comes to the payment of hospital/healthcare and pharmacy bills different prefectures and municipalities have adopted different policies. Some offer credit and payment without restrictions to all citizens living in there, while others have adopted a more harsh policy towards people with payment defaults.

One very specific kind of problem for people with payment problems is, that they are in principle denied to buy monthly cards for public transport (e.g. buses, trains and metro etc). This means that this group of people is restricted to use single fare tickets which makes their commuting far more expensive and complicated. This also holds true for new immigrants to Sweden that have not yet a proper financial "status". All this puts on an extra hardship for people commuting from home to school/work on a daily basis.

When considering the situation for the elderly there are a number of instances that deserve attention. First of all, there is not one homogenous group of the elderly. PRO makes a distinction between three segments; The young elderly, the "mid"elderly, and the very old elderly. The very old elderly (80 years and older), in general do not feel comfortable with other payment practices other than cash, or by paying bills like rent and/or utility bills through the simplest kind of bank -or postgiro. PRO claim that this group need to "see and feel the money between their fingers to feel safe and secure" when paying and receiving money. The "young" group, below 70 years of age, resembles a lot middle-aged people when it comes to overall skills in handling the computer or the smart phone, according to PRO. The "mid" elderly group is positioned somewhere in between the other two groups when considering financial transactions skill-level.

Secondly, the reliance of newly and frequently adopted sms-based technologies for payment services, has brought with them a special challenge for old, disabled, newly arrived immigrants and financially excluded people. One example worth consideration is represented by the operation and access to public toilets. Today, the entering (i.e. door opening) of many of these facilities has to be payed for in advance, and hence opened by special sms-codes, that can only be transmitted by smartphones (i.e. not conventional mobile phones). There has been cases when old people and children in big need have been forced to relieve themselves outside the facility, and have therefore been fined by police. The evil of this example is even more pronounced when considering the fact that the access to sms-payments requires no payment defaults and a valid, registered home address.

Thirdly, many old and disabled people are attacked by burglars and pick-pockets when retrieving money from ATM automats. This is a growing problem in Sweden as it is elsewhere. PRO and HAND are also mentioning that many ATMs are difficult to reach and far away from home. In many cases a lot of ATMs are also located in places that are poorly lit and therefore susceptible for robbery. (Source: PRO, INSO, HAND and MIG)

Section 9-12: *Do you think financially excluded people would prefer to use other payment methods? What are the potential benefits of new payment systems such as e-wallets or prepaid cards for financially excluded people? What are the arguments for and against encouraging the take-up and use of new payment methods by financially excluded people? What safeguards exist to make sure that people who use new payment systems are protected?*

Based on the interview data, financially excluded people express a deep concern for not being even more excluded than they already are. The digital "landscape" designed for everyday life financial transactions built around human necessities like paying for food, housing, clothing, energy and water, unfortunately tend to complicate matters even further for financially excluded people, as opposed to the situation of people without these problems. Perhaps it is correct to describe the present situation for financially excluded people as being in a more or less pronounced state of *digital isolation*, rather than digital liberation.

Also, in the present development of digital techniques of financial matters, there is a fallacy in adopting a perspective that is based on a philosophy that "one-size-fits all". In order to make the digitalization of our everyday life worthy, one has to deeply consider three prerequisites concerning the individual as well as the society at large;

1. The access
2. The accessibility
3. The utility

In Sweden, you are fairly well protected being a bank client without payment defaults. In cases where for example your credit card, or credit card number has been stolen, your bank account emptied by hackers, your bank will compensate you for your losses. On the other hand, people with payment defaults are obliged to use cash money for handling their financial transactions, thereby losing many of the benefits of contemporary e-banking as well as exposing themselves to high risks (e.g. robbery).

Study on Financial transactions: access and use by vulnerable people'
UK Country Report

Sharon Collard
Personal Finance Research Centre
University of Bristol

15 April 2013

1. Introduction

The aim of this study is to examine the potential benefits and challenges of new payment systems (such as prepaid cards, e-purses and wallets) for vulnerable groups such as people with physical and learning disabilities, people with mental health problems, people on lower incomes, older people, and new migrants.

This report describes the situation in the UK. It examines the payment systems that vulnerable people currently use and the problems they experience; and the extent to which new systems might provide opportunities or else create further difficulties for them. We start by looking at the main ways people in the UK receive income and make payments.

1.1 Receiving income

The most common way that people in the UK receive wages, state benefits and pensions is by automated credit into an account. This is usually a current account or basic bank account. Relatively few people in the UK do not have a bank account: five per cent of households lack a transaction account (Kempson and Collard, 2012). In terms of accessing cash from a current or basic bank account, the UK has over 66,000 ATMs. The majority of ATMs (70 per cent) are free-to-use.¹

Automated credit transfer into a bank account became the default method of paying state benefits and pensions in the early 2000s, replacing girocheques that claimants cashed at the Post Office. State benefits and pensions can also be paid into and withdrawn from a Post Office Card Account (POCA). The POCA is essentially an electronic girocheque which has no other functionality, for example income from other sources cannot be paid into a POCA and payments cannot be made from a POCA.

For people who receive state benefits or pensions but do not have or do not want to use a bank account or a POCA, there is a Simple Payment Scheme. Users of the Simple Payment Scheme receive a plastic card and are sent a PIN every month that allows them to withdraw their benefit or pension from a PayPoint outlet. PayPoint operates a bill payment service through local retail outlets such as newsagents. People can pay bills in cash at PayPoint outlets, which makes it particularly attractive for people on low incomes. The costs of using the service are usually covered by the bill originator.

Government reforms have led to other changes in the way people receive financial support from the state. The government's personalisation agenda, for example, aims to improve the provision of social care services. This means that individuals who qualify for help with social care (such as disabled people) receive their own budget and can decide how they wish to spend that money. As we go on to discuss in section 2.3, in some areas local authorities provide this financial support by means of a prepaid card.

The Coalition Government is in the process of implementing radical welfare reforms, which will significantly change the way people apply for and receive state benefits and pensions system (as well as the amount of money they receive). From October 2013, Universal Credit will replace the six main social security benefits. Claimants are expected to claim their benefits online, and a single payment will be made to a household (rather than an individual). People who are eligible for financial help with their housing costs will receive money towards their rent as part of Universal Credit. Unlike now, people who rent their home from a local authority or housing association will be responsible for paying their rent to their landlord. At present, the landlord receives the money

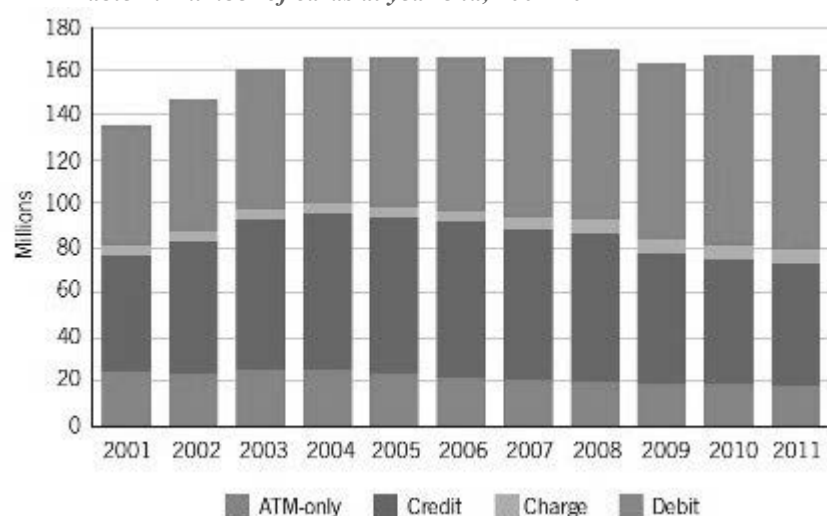
1 Payments Council, Quarterly Statistical Report, 18 March 2013 [accessed 31 March 2013]

direct from the government. There are serious concerns among housing providers that this will lead to increased rent arrears.

1.2 Making payments

Consumers' use of debit cards and credit cards for retail spending has steadily increased in the UK. In 2011, there were 165.1 million plastic cards in issue: 54.5 million credit cards, 6.4 million charge cards, 86.3 million debit cards and 17.9 million ATM-only cards. Statistics show that 18.9 million cardholders used their cards regularly at least once a month to make purchases in the UK. On average, regular users made 104 payments during the year, spending £117 per week on their cards.² The annual growth rate in spending on debit and credit cards in December 2012 was 5.2 per cent, with a faster growth rate for debit cards than credit cards (6.6 per cent and 2.1 per cent respectively).³

Table 1: Number of cards at year end, 2001-2011



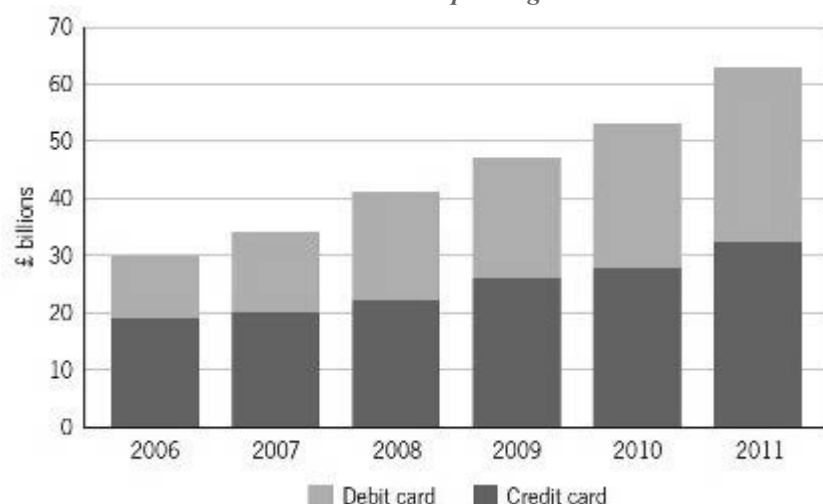
Source: The UK Cards Association¹

Using credit and debit cards to make purchases online has also increased significantly in the UK over the last 10 years (Table 2). In 2011, 37.6 million adults (equating to 75 per cent of the population) purchased goods and services online, with a total spend of £63 billion. These online payments accounted for 8.5 per cent of purchases made using cards.¹

² www.theukcardsassociation.org.uk/2011-facts-figures/index.asp [accessed 31 March 2013]

³ Card Expenditure Statistics December 2012, The UK Cards Association [accessed 31 March 2013]

Table 2: Consumer internet card spending



Source: The UK Cards Association¹

In addition, there has been a steady growth in electronic payments by Direct Debit.⁴ Direct Debits are generally used to pay regular bills such as housing costs, utility bills and insurance premiums. In January 1990, there were 65,602,000 Direct Debit payments with a value of £19,800 million. By December 2012, this had increased to 280,226,000 payments worth £87,364 million.⁵

At the same time, the use of cheques has declined, from over 1.25 billion personal cheque transactions in 2003 to around 0.5 billion by 2011. Between 2011 and 2012, the number of cheque transactions fell by 12.6 per cent.⁶

1.2.1 Payments Council

The Payments Council is responsible for setting UK payments strategy by means of the National Payments Plan. Recent actions taken by the Payments Council include:

- The publication of a Financial Inclusion Policy
- Information for consumers, including an online information hub (www.payyourway.org.uk) and information about banking safely online (www.banksafeonline.org.uk)
- Publicity campaigns, for example a campaign with older people on the benefits of online banking, and a campaign to raise awareness of Chip and Signature cards
- A review of access to cash
- Establishing a central database to link mobile phone numbers to bank account details, to facilitate payments by mobile phone without having to know bank account details. The new service is due to be launched in spring 2014.

The following sections draw together findings from the evidence review and telephone interviews with stakeholders to describe the issues for vulnerable people in making financial transactions, and the extent to which new payment systems meet their needs.

⁴ A Direct Debit is a pre-authorised debit on the payer's account initiated by the payee (known as an originator). For this reason, Direct Debits are called 'pull' payments, as opposed to 'push' payments such as Standing Orders, which are initiated by the payer.

⁵ Monthly clearing statistics 1990 to date, www.paymentscouncil.org.uk [accessed 31 March 2013]

⁶ Payments Council, Quarterly Statistical Report, 18 March 2013 [accessed 31 March 2013]

2. People with disabilities

The evidence review and stakeholder interviews focused mainly on blind and partially sighted people and disabled people with complex needs, such as people with complex autism, acquired brain injuries, or people with physical disabilities who also have mental health problems or learning disabilities. The evidence highlighted two main issues for these groups: problems using ATMs to access money and new payment methods.

2.1 Accessing money

In general, households that include a disabled person are less likely to use an ATM than households that do not (Payments Council, 2013).

Only 11 per cent of blind and partially sighted people report using an ATM unaided, compared with 80 per cent of the general public. People with sight loss are not able to read the ATM screen or navigate the options that are presented on-screen. The wide variation in ATM design and layout creates additional problems. Fears about personal safety are another barrier that prevents blind and partially sighted people from using ATMs, for example fear of being mugged (RNIB, 2011a). People with sight loss may ask friends or strangers to help them use an ATM, which again exposes them to personal risk and compromises their independence and privacy (RNIB, 2011b).

The RNIB (the leading UK charity for people with sight loss) has campaigned for banks to make ATMs accessible for blind and partially sighted people by adding audio facilities.

There is an expectation that this audio output could significantly improve the ability of people with sight loss to withdraw cash, check balances and access other financial services via ATMs. (Wyllie et al, 2010).

In the UK only one in 1,000 ATMs has this facility, compared with one in four ATMs in the US. A consistent screen and keypad layout with a tactile dot to facilitate navigation would also help (RNIB, 2011b), as would locating ATMs to avoid sunlight glare (RNIB, 2011a). The RNIB has produced good practice and standards to improve access to banking services for people with sight loss (RNIB, 2012a).

ATMs can also be inaccessible for wheelchair users. Even if the ATM is at an accessible height, wheelchair users may still be unable to access the keypad.

if you're in an electric wheelchair and you've got rigid footplates you can't physically get to the keyboard to try and put your PIN in even if you've got the dexterity to do it. (Stakeholder interview)

For non-wheelchair users, mobility problems or difficulties standing for any length of time can make it difficult to queue at an ATM or in a bank branch. People with limited manual dexterity also find it difficult to use ATM terminals (Toynbee Hall/Policis, 2012).

2.2 New payment methods

New payment systems can offer blind and partially sighted people potential benefits such as the quick transfer of money that may make financial management easier, and opportunities for greater independence and personal control, for example through telephone and internet banking (Wyllie et al, 2010; RNIB, 2011a).

However, self-service kiosks, online and mobile payment systems currently present many difficulties for people with sight loss as well as people with limited manual dexterity (including older people with conditions such as arthritis). For example, websites, touch screens and smart phones with NFC capability are often not accessible to people with sight loss or limited manual dexterity because of the design and layout of the hardware and software (Wyllie et al, 2010; Toynbee Hall and Policis, 2012; George et al, 2012). As well as these physical barriers to using new payment systems, people with disabilities can lack the confidence to use technology in these ways (Toynbee Hall and Policis, 2012).

Security and fraud prevention systems that involve numerous passwords can also create problems, for example if security codes are sent in formats that people cannot read or if people cannot navigate the security system (Wyllie et al, 2010).

There are potential opportunities to improve access to new payment methods for people with sight loss. Mobile payment systems could make fraud prevention systems simpler: for example, the user enters their mobile

number to a website, receives a text message from the vendor and then confirms it is a genuine transaction by texting a reply. These services are not yet widely available, however (Wyllie et al, 2010). In addition, SNAPi software allows disabled people to adapt technology such as ATMs and computers to their needs. SNAPi cards store their individual user preferences. When used with a machine that can interpret the SNAPi requirements, the changes are made so that the user does not have to configure a system every time they use it (Wyllie et al, 2010). A lack of awareness of these types of facilities, however, may limit their use among the vulnerable groups (such as disabled or older people) who might benefit from them (RNIB, 2012b).

According to the Stakeholder interviews, the ability to shop online can have a positive impact on the lives of disabled people with complex needs. Using new payment methods, people with limited manual dexterity can, for example, buy books online and use an e-reader (such as Kindle) to read them. New devices like tablets can help overcome some of the problems with keyboards experienced by people with limited dexterity.

At the same time, online shopping carries a risk of over-spending for some disabled people, for example those with short-term memory problems or who shop impulsively as a result of brain injuries. It is therefore important to find a balance between enabling disabled people to independently manage their money as far as possible while minimising the risks of getting into financial difficulty.

One option to help minimise the risk of financial difficulties is for disabled people to use prepaid cards which have a limit on the amount of money that can be loaded onto them. Services that support disabled people also play an important part in identifying potentially problematic patterns of spending. But it was felt that banks have a role to play as well, for example so that the bank contacted the individual or took some agreed action when that person's spending pattern changed.

Where someone does have an issue with their spending patterns, the ability for that person to go into the bank and saying, 'This is what I want you to do if you see this spending pattern coming through on my account'. In the same way the banks will do for older people. In Bromley it was piloted and has been rolled out with banks nationally with doorstep crime, where an old person goes into a bank to try to withdraw £9,000, the bank will trigger some questions and then phone Trading Standards or the Police. (Stakeholder interview)

Similar issues were raised in relation to people with mental health problems. As one stakeholder remarked, 'a lot of people [with mental health problems] have the ability to make unwise decisions with regards to finances'. For people with severe and enduring mental health problems, provided they have the mental capacity to make financial decisions, they mainly require support to understand their financial responsibilities and how to make payments, such as the difference between Direct Debits and Standing Orders. Helping people with severe and enduring mental health problems to manage change (such as changes to the benefits they receive) is another function of mental health support services (Stakeholder interviews).

Chip and signature cards (an alternative to Chip and PIN) are helpful for people with short-term memory problems who cannot remember PIN numbers. For people unable to use Chip and signature cards, for example because they have limited manual dexterity, contactless payments using a card or mobile device can be a useful alternative. Contactless card transactions are generally limited to small value purchases (usually £15), and have an overall daily spending limit (usually £200). To enable disabled people with limited manual dexterity to make larger payments, one option might be a Chip and photo card (as an alternative to Chip and PIN) or a contactless card with a photo.

The contactless photo card means someone can manage purchases themselves and it cuts out that risk of someone misappropriating a PIN number. (Stakeholder interview)

Regardless of the nature of their disability, there are concerns that online banking and shopping result in reduced social interaction and the risk of greater social isolation (Wyllie et al, 2010).

For a lot of people actually going into a shop and shopping face-to-face with people is something really important and it's something we encourage so people don't become socially isolated, which is the downside to the web, while it's great, you don't get to talk to many people when you're doing it. (Stakeholder interview)

In addition, there are concerns that new payment systems can expose people with sight loss or other disabilities to fraud and security risks. But people may already be exposed to these risks by the alternative methods they

have to use, such as giving their card and PIN number to someone else or having to ask strangers to help them use an ATM (Wyllie et al, 2010).

2.3 Using prepaid cards to make Direct Payments to people with social care needs

The UK government's personalisation agenda aims to improve the provision of social care services. This means that individuals who qualify for help with social care (such as disabled people or people with mental health problems) receive their own budget and can decide how they wish to spend that money.

Some local authorities make these payments to eligible individuals by means of prepaid cards. The advantages to local authorities include lower operational costs and better monitoring of what the money is spent on, to make sure it is used for the intended purpose. For service users the benefits are felt to include greater freedom to access and spend funds; quicker access to funds; and the promotion of life skills and social inclusion (Wood and Sater, 2013; National Prepaid Cards Steering Group, 2012).

Some of the issues with local authorities' use of prepaid card systems include providing appropriate support to service users (for example by telephone as well as online); the charges and fees that are made by the banks that issue prepaid cards; and promoting take-up of the new system among service users (Wood and Salter, 2013).

3. Older people

As older people are more likely to experience health problems and disability, there is a good deal of overlap between the problems that face older people and those experienced by disabled people in using new financial systems. Older people also face diminishing options in terms of the traditional ways they have managed their money.

The Stakeholder interviews indicated that older people living in care homes may experience particular difficulties managing their money. They are also especially vulnerable to financial abuse by others.

3.1 Accessing money

Like the UK population as a whole, the majority of older people have a bank account. Some older people may experience difficulties opening an account in later life, however, because they do not have the required identification such as a passport or utility bills (Stakeholder interviews).

Paying by cash is still an important payment method for older people, because they wish to retain tight financial control over their money, or they need cash to pay for small value items, such as lunch clubs or raffles. But they can face more barriers to accessing and paying by cash compared to other age groups (Age UK, 2011). First, older people express a stronger preference for withdrawing cash over the counter at a bank branch (Payments Councils, 2013). Bank branch closures mean this has become more difficult (Age UK, 2011; Stakeholder interviews).

Second, older people with sight loss, limited manual dexterity or mobility problems may not be able to get to or use an ATM terminal to access cash, for example because they cannot use the keypad or they have difficulties reading the screen display. Third, security concerns may prevent older people using an ATM: because they fear for their personal safety or because they are unsure how to tell if the ATM has been tampered with (Age UK, 2011; Toynbee Hall and Policis, 2012).

As a result of these barriers, older people may have little choice but to share their ATM card and PIN number with somebody else in order to access cash. One study found that almost one-fifth of people aged 65 or over had asked others to withdraw cash for them, and PIN disclosure was common (Age UK, 2011). This not only breaches the terms of card use, but also exposes them to the risk of financial abuse (Age UK, 2011; Toynbee Hall and Policis, 2012). An older person can appoint someone else to take financial decisions on their behalf (called power of attorney), but this can be an involved process.

Consequently, there seems to be a case for a system by which older people (but also other vulnerable groups) can delegate payment authority to someone else to withdraw cash or to buy goods or services either regularly or from time to time (Age UK, 2011; Toynbee Hall and Policis, 2012; George et al, 2013).

3.1 New payment methods

Despite the steady decline in their use generally, cheques continue to be an important payment method for older people, to make small value payments in the home (for example to a window cleaner), to reimburse friends or neighbours for shopping or for larger payments such as fuel supplies. Consequently, there are fears about the complete withdrawal of cheques in the UK unless a suitable paper-based payment option is in place (such as Belgium's state-subsidised voucher system) (Age UK, 2011).

As described above, older people can experience problems using chip and PIN to make payments, particularly if they have sight loss or limited manual dexterity which means they cannot easily use the PIN keypad or they have difficulties remembering the PIN number (Age UK, 2011; Toynbee Hall and Policis, 2012). Older people also express uncertainty about using self-service checkouts and kiosks which are increasingly common in retailers, train stations and other locations. A lack of available staff to help people use self-service prevents older people from trying them (Age UK, 2012).

Telephone banking can prove time-consuming and costly in terms of call charges, and older people with hearing or breathing problems may find it difficult to discuss their finances or make payments over the telephone. The lack of a paper audit trail (for example in the form of receipts for payments made by telephone or paper bank statements) is also a worry for older people (Age UK, 2011).

All of a sudden all the written forms of information are no longer available in standard form then you're losing one of your key tools in financial management. (Stakeholder interview)

In addition, older people face significant issues with the use of new internet or mobile-based payment systems. A recent study by the largest national charity for older people concluded:

We do not think that mobile phone or internet-based services are able to meet the needs of the majority of older, or indeed many other people at the present time. (Age UK, 2011: page 8)

The barriers to older people's use of new payment systems include, first, lack of access to technology. Official statistics show that 39 per cent of people aged 65-74 have never been online, rising to 66 per cent of the over-75s (ONS, November 2012). Only 56 per cent of the over-75s personally use a mobile phone, and the over 65s are significantly less likely than the adult population as a whole to use a smart phone (Age UK, 2011). While this may be due to choice or lack of interest, the cost of equipment and internet charges can be prohibitive for older people (RNIB, 2012; Age UK 2011).

A second barrier is lack of IT skills to get online via personal computers, tablets or mobile devices. The over 65s are more likely to be 'narrow' users of the internet and to be less confident of their skills (Age UK, 2011). The Stakeholder interviews indicated that older people may avoid using new technology for fear of appearing stupid. As a result, older people require basic computer skills training as well as training to learn how to use IT hardware (RNIB, 2012).

Third, the design of computers and mobile devices can prevent older people from using them, particularly if they have sight loss or limited manual dexterity. Small buttons on mobile phones, computer keyboards, inaccessible websites and software design all create problems for older users (Age UK, 2011; Age UK, 2012; Toynbee Hall and Policis, 2012; RNIB, 2012). And older people may not be aware of tools to help them access new technology such as in-built magnification and voice-activated software (RNIB, 2012; Toynbee Hall and Policis, 2012).

A fourth issue revolves around security and privacy. Older people report concerns about internet fraud and online scams, and the security of online payments (Age UK, 2011; Age UK, 2012; RNIB, 2012). Worries about what to do if the computer or mobile device goes wrong may also prevent them using new payment methods (Age UK, 2011).

Finally, the increased use of remote payment methods and online shopping bring concerns about the loss of social interaction that older people value, and the risk of even greater social isolation (Age UK, 2012).

4. People on low incomes

Banking inclusion in the UK has been driven by (1) the move (since the early 2000s) to pay state pensions and benefits into an account and (2) the work of the government-led Financial Inclusion Taskforce (2005-2011). Basic bank accounts are widely available but vary greatly in terms of account features; some, for example, offer an ATM card but not a debit card. Few high street banks demonstrate any strong commitment to serving people on low incomes and some restrict the services that basic bank account holders can use (such as counter services and ATMs).

New services include 'jam jar' accounts (which generally combine an account to pay bills and a prepaid card) and mobile wallets (which provide access to a range of services via a mobile device). These could potentially better meet the needs of people on low incomes than a traditional bank account. There are, however, concerns about charges and consumer protection, among other things (Kempson and Collard, 2012; George et al, 2012).

4.1 Accessing money

The majority of adults in the UK have a current or basic bank account. Even so, around one in 20 households still lacks a transaction account. The unbanked are concentrated among people on the lowest incomes and include above average proportions of young people aged 16-24; lone parents; unemployed people; people unable to work through disability; and Bangladeshi and Pakistani people (Kempson and Collard, 2012). Reported barriers to opening even a basic bank account include not having the required identification documents, having a bad credit history (even though basic accounts do not provide any credit facilities) and being an undischarged bankrupt (Stakeholder interviews).

Lower-income people with a bank account report better access to cash now than in the past, because there are more ATMs locally (Payments Council, 2013). This is largely the result of a government campaign to increase the number of free-to-use cash machines in lower income areas (Green and Waugh, 2012). There remain barriers to accessing cash from ATMs for lower-income people, however. These include ATMs that are out of order or out of cash; the limited availability of £5 notes from ATMs; security fears in high-crime areas or areas where there is anti-social behaviour; and long queues in under-served areas (Toynbee Hall and Policis, 2013). Despite the government campaign for free-to-use ATMs, some locations such as rural areas and inner city satellite housing estates still do not have ATMs in easy reach; people living in these locations may also have difficulties getting to a bank branch (Stakeholder interviews).

Some banks have introduced restrictions to the ATM network for their basic bank account customers (but not their current account customers). Basic bank accounts customers with RBS Group (which includes Royal Bank of Scotland and NatWest), Lloyds TSB or Bank of Scotland who wish to access their money from an ATM can only use those ATMs which belong to the banking group with which they hold an account, or the Post Office. In the past, these customers had been able to access their money from any ATM that was part of the LINK network ⁷ (Green and Waugh, 2012). There are concerns that other banks will introduce similar restrictions on their basic bank account customers.

... once that happens the whole thing just falls to bits and there's a wider risk to access to cash for everybody. (Stakeholder interview)

4.2 New payment methods

Cash budgeting remains popular among low-income households because it offers greater financial control and certainty compared with, say, using a credit or debit card to pay for shopping. Market stalls can offer cheaper goods than retail stores, but may only accept cash. Paying bills in cash means that people on low incomes have some flexibility to juggle payments if money is tight (Stakeholder interviews).

While banking inclusion has increased in the UK, there is evidence that people on low incomes struggle with Direct Debits because they incur penalty charges if they do not have sufficient funds in their account to cover the payment. These charges can be significant and may result in financial difficulties that lead people to close their account. The payment amounts can also vary (Kempson and Collard, 2012; Stakeholder interviews). Consequently, low-income people may receive their income into a bank account but continue to manage their money in cash. They commonly use bill-payment facilities provided through local Post Offices and PayPoint

⁷ The LINK network allows bank account holders to withdraw cash from ATMs in its network, regardless of the bank or building society with whom the customer holds an account.

outlets to pay their household bills. These services allow tight control over finances and avoid the risk of penalty charges. For people who are unbanked (i.e. without access to transactional banking facilities), these are the principal ways of paying bills (Kempson and Collard, 2012; Stakeholder interviews). For energy bills, this means that people on lower incomes lose out on the discount available to energy customers who pay by Direct Debit. Instead, they often pay for energy by the most expensive methods – quarterly credit payments or prepayment meters (Stakeholder interviews). Paying any bill in cash can also involve additional time, effort and travel costs.

As part of its National Payments Plan, the Payments Council is exploring a new scheme to enable payers to authorise ‘pull’ payments (such as Direct Debits) on an individual basis.⁸ This potentially gives payers more control over payments and reduces the risk of penalty charges for unpaid items, which may make Direct Debits more attractive to people on lower incomes.

There are concerns that the spread of new payment methods could reduce access to existing services that people on lower incomes value, such as bank branches, cheques, and free-to-use ATMs (George et al, 2012). At the same time, new payment services such as ‘jam jar’ accounts (which generally combine an account to pay bills and a prepaid card), e-wallets (which provide access to a range of services via a mobile device) and contactless payments via cards or mobile devices could potentially meet the day-to-day needs of people on low incomes and provide a secure alternative to cash. The major advantage of these services over conventional bank accounts is the greater degree of financial control that they generally give the customer, helping people to ensure that bills are paid on time, preventing them from spending more money than they have and so avoiding penalty charges for unpaid Direct Debits⁹ or overdraft fees. Qualitative consumer research found that ‘mixing and matching’ services from different providers might be an attractive alternative to using a bank account for people on lower incomes (Kempson and Collard, 2012).

The two main drawbacks of these new payment services are their transaction costs and concerns about consumer protection (George et al, 2012; Kempson and Collard, 2012; Stakeholder interviews). To benefit low-income people, new payment systems should be free or very low cost to the end user (Kempson and Collard, 2012). At present, the cost of using a prepaid card over a typical year can be £200, including charges to use an ATM or load money on to the card (Stakeholder interviews). The charges for using an e-wallet can include fees for loading money into a stored value account, charges for a physical debit card, and charges for transferring money peer-to-peer. In addition, the transaction costs are not always clear or transparent to the consumer (Kempson and Collard, 2012; Stakeholder interviews).

The second major concern is that any users of new payment services should have adequate consumer protection. This is especially important for people on low incomes. At present significant regulatory and consumer protection gaps exist:

- E-money services are not covered by the Financial Services Compensation Scheme, the UK’s statutory compensation scheme for customers of authorised financial services firms.
- New providers may fall outside the scope of the Financial Ombudsman Service, which helps settle disputes between consumers and UK-based financial services providers.
- There is no limit to consumers’ liability for unauthorised transactions carried out through a mobile phone account before a loss or theft is reported, whereas liability is limited to £50 when a credit or debit card is used.
- Consumer rights for post-purchase problems, fraud or disputes may vary depending on payment method. (George et al, 2012).

For people on low incomes, it is particularly important that new payment systems offer them a way of keeping track of transactions, to help them retain financial control over their money but also in case of disputes (George et al, 2012).

8 Payments Council, 2011 National Payments Plan.

9 Some prepaid cards have an account number and sort code, which means that Direct Debits or standing orders could be linked to the prepaid card (Wood and Salter, 2012).

... if you had it [money] on a card or phone how easy is it to keep track of what you're spending and what's left. For clients on low incomes, their ability to know what they've got in allowance for the week or month is a concern. (Stakeholder interviews)

Another barrier to the use of new payment services by people on low incomes is the cost of computers and mobile devices such as smartphones, in terms of the hardware but also the running costs. At a time of cuts in welfare benefits, some local authorities are said to be advising benefit recipients to cut back their spending on mobile phones and broadband, which seems counter-intuitive given the government's expectation that claims for welfare benefits will be made online (Stakeholder interviews).

In addition, there are security issues around the use of mobile devices and prepaid cards, so it is important that users understand how their prepaid card or mobile device could be abused if it was lost or stolen.

... if you lose your phone you lose not only just a very expensive device, you've lost your ability to make payments etc. If you lose your debit card it's really cheap for the banks to give you another one. If you lose your phone it's a bit more convoluted so the consequences of those crimes are maybe greater. (Stakeholder interviews)

Finally, new payment systems bring with them new information needs. In a complex and fast-changing market, it can be difficult for any consumer to choose the best deal for them. So it is important that all consumers have access to information and support to choose and use new payments services (George et al, 2012; Kempson and Collard, 2012).

4.2.1 The impact of welfare reform on financial transactions

The planned introduction of Universal Credit from autumn 2013 means that the availability of appropriate money transmission services is high on the Coalition Government's agenda. The Government has reported that it wants to open up a new market for financial services, to help Universal Credit claimants to budget and manage their money. This new market could include high street banks, mobile phone operators and prepaid card providers.¹⁰

People who are eligible for financial help with their housing costs will receive money towards their rent as part of Universal Credit. Unlike now, people who rent their home from a local authority or housing association will be responsible for paying their rent to their landlord. At present, the landlord receives the money direct from the government.

As a result of this major change, housing providers are seriously concerned about an increase in rent arrears. Many housing providers are encouraging tenants to set up a Direct Debit to pay their rent, as this is the cheapest method for landlords to collect rent. As discussed above, however, low-income tenants may be reluctant to pay by Direct Debit due to concerns about penalty charges if they do not have sufficient money in their account to cover the payment. Linked to this, tenants may not trust the government to transfer the money into their account when it is supposed to, particularly when this involves a completely new IT system.

Some landlords have explored other options, such as weekly Direct Debits (rather than monthly); phoning or texting tenants to remind them that their rent is due; and working with credit unions to develop and promote 'jam jar' accounts for tenants to help them manage their money. Like other new payment services, these accounts usually involve some form of transaction charges. At the same time, there is a concern to avoid stigmatising tenants by promoting 'special' services that others do not use (Stakeholder interviews).

... it's about trying to find a product that is attractive to people, affordable and doesn't cost you a lot of money in terms of collection charges... it's not something special that I have to have because I'm poor and I'm not good at managing my money'. (Stakeholder interviews)

There are also fears for tenants' personal safety if they draw out all their Universal Credit at once in order to manage their money in cash.

¹⁰ DWP Press Release, 17 September 2012, 'Freud: New financial products to help Universal Credit claimants manage money'

The likelihood is that it will be quite a predictable transaction, which puts them at risk of being mugged.
(Stakeholder interviews)

More generally, people on low incomes may be reluctant to receive welfare benefit payments onto a prepaid card if this allows the government to monitor what they spend the money on, a proposal that has been discussed in government in relation to 'troubled families' (who are typically families on low incomes).

5. Migrants and unsuccessful asylum seekers

Migrants share some of the problems of indigenous people on low incomes in terms of accessing financial services. For unsuccessful asylum-seekers, the main issue is the receipt of financial support onto a plastic payment card, rather than in cash. As such, receiving income and making payments are part of the same problem for these groups, so we have dealt with them together.

5.1 Migrants

For migrants, the main barrier to accessing money and making payments relates to problems opening a bank account in the UK. This is due to language issues and a lack of interpretation or translation services in banks; documentation requirements that migrants find difficult or impossible to meet; poor access to banks; and different policies on account opening at different banks. This in turn means they do not have access to payment methods such as debit cards or Direct Debit and do not have a secure place to retain money. Instead, they may have to carry cash with them or store it in their accommodation (Gibbs, 2010; Atkinson, 2006).

There is also evidence (from a study carried out in the Netherlands) that first-generation migrants from non-western countries are more likely to use cash, if this was their main form of payment in their country of origin. For second-generation migrants, there was no evidence of different payment habits compared to people with a Dutch background (Kosse and Jansen, 2013).

5.2 Unsuccessful asylum seekers

The Stakeholder interviews highlighted particular issues for unsuccessful asylum seekers who cannot immediately return to their country of origin. By law, this group of asylum seekers cannot receive state financial support in the form of cash. Instead, they are issued plastic payment cards (called Azure Cards) by the UK Border Agency. The Azure Card is automatically credited with the weekly support amount every Sunday to buy food and other essential items. In November 2010, there were 4,137 Azure cards in use in the UK (Gower, 2010).

From the government's perspective, the Azure card is a more secure and effective payment mechanism which offers better value for money. The previous voucher system left people out of pocket if they did not spend the face value of the voucher, whereas the exact amount spent is deducted from the Azure card (Gower, 2010). Organisations working with this group of asylum seekers report numerous problems with the Azure card, however.

It is deliberately difficult and hostile and painful for people to use and make the most of the support they receive at that point. (Stakeholder interviews)

One of the main problems is that the card can only be used in selected retailers, which are mainly large supermarkets but do not include budget supermarkets. People may have to travel some distance to get to a participating retailer as well, which they are expected to do on foot. Local retailers (such as Halal shops) can join the scheme but there has been little take-up. The card cannot be used in markets either. Together, this means that refused asylum seekers have very little choice where to use the card and may not be able to get the best value-for-money as a result.

You can't get value for money through the card because you're not able to use it in the places that would give you best value. (Stakeholder interviews)

A second problem is poor communication and a lack of retail staff training about how and where the card can be used. As a result, the card can be refused by shop staff; they may demand identification that is not needed to use the card; or they may refuse eligible items believing them to be ineligible. These experiences are stressful, confusing, and stigmatising for Azure card users.

Some clients can't go back to certain shops because they've been so humiliated by the experience.
(Stakeholder interviews)

Third, Azure card users cannot carry over more than five pounds' worth of unspent balance to the following week, so they risk losing the money if it is unspent for any reason and cannot save up for larger items (because the support is supposed to be short-term only). Card holders can experience administrative problems, such as the card being swiped twice for the same items, and face difficulties keeping track of the amount spent. The telephone helpline for the Azure card, to report problems or check the balance on the card, is free of charge from landline telephones but not mobile phones.

6. Conclusions

New payment systems span a wide range of services, from chip and PIN and self-service kiosks, to online banking, prepaid cards and e-wallets.

The evidence from the UK indicates that new payment systems can offer opportunities for financial inclusion for vulnerable groups, but there are significant barriers that must first be overcome. In particular, there are risks that vulnerable people could pay a disproportionately high price to access and use new payment methods, or have inferior consumer protection because of the services they use.

In addition, it is important to recognise that vulnerable people may not want or be able to use new payment systems. For them, the continued availability of other options is crucial. There must be safeguards to ensure that vulnerable groups are not marginalised further in their use of financial services, for example because of restrictions introduced by financial services providers or government policy.

Overall, some of the key themes that have emerged from the UK include:

- The design of terminals, mobile devices and keypads create significant problems for older people and people with disabilities. There are opportunities to improve people's experiences by promoting inclusive design, such as ATMs with audio facilities and standardised layouts for screens and keyboards.
- The cost of *accessing* new payment systems can be prohibitive for people on lower incomes, both in terms of the hardware (computers, smartphones) and their running costs.
- The costs of *using* new payment systems such as prepaid cards and e-wallets can also be high. It is important that these costs are transparent to potential users and presented in a way that makes it straightforward for people to compare the costs of different services.
- Vulnerable people are often socially isolated. New payment methods such as online shopping and banking risk increasing this social isolation further, as the opportunities for social interaction decrease.
- For people on lower incomes, keeping tight financial control over their finances is important, and new payment systems must provide the tools for them to achieve this. For example, it has to be easy for people to keep track of their spending and to access records of spending and payments.
- People require awareness, knowledge and skills to use new payment methods, and help and support to use them, for example from bank or retail staff. At the same time, they must be aware of the risks of using new systems and how to guard against these risks.
- There has to be a clear and comprehensive regulatory framework for new payment methods, so that vulnerable people who use new services are adequately protected. Until such a regulatory framework is in place, it is important to make people aware of the level of consumer protection that different services offer.

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Annex 1: Organisations interviewed

Age UK
Christians Against Poverty
Citizens Advice
Chartered Institute of Housing
The Disability Trust
Refugee Action
Rethink
SNAPI

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