Financial services provision and prevention of financial exclusion: UK synthesis for Scientific Committee meeting, 28 November 2007

The problem of financial exclusion and how to promote greater inclusion has been a policy issue in the UK since the Labour Government came to power in 1997. It is a good example of evidence-based policy-making: research in the 1990s highlighted the withdrawal of banking services from poor neighbourhoods and explored the extent and nature of financial exclusion. Although financial exclusion affects a minority of people, in an increasingly cashless society it is regarded as an important aspect of social exclusion.

Since 2004, policy to promote inclusion in England and Wales has largely been driven by central Government, which identified priorities and targets, earmarked funding and established a Task Force to monitor progress. There have been similar developments in Scotland.

Policy debate
The policy debate is largely shaped by central Government and its priorities. A wide range of organisations are involved in the debate, including commercial companies (banks, building societies, insurance companies), public bodies (national, regional and local authorities; public housing bodies), consumer groups, grassroots organisations, charitable trusts (who fund research) and academics (who undertake research).

The current debate covers banking, consumer credit, insurance, savings, debt advice and financial capability. **Banking** has been central to the debate from the outset. Government and the banks have a shared goal to halve the number of unbanked people. It is also considered important that people new to banking make effective use of their accounts. The main interest regarding **credit** is how not-for-profit organisations (such as credit unions) can provide access to more affordable credit. The concern around **savings** is how government initiatives such as the Saving Gateway and the Child Trust Fund can encourage saving and asset-building among low-income households. In the area of **insurance**, the main priority is ensuring access to affordable home contents insurance, while the debate on **debt advice** centres on increasing the availability and accessibility of free-to-user advice to financially excluded people. Finally, the role of **financial capability** in promoting financial inclusion is becoming an increasingly prominent aspect of the debate, led by the financial services regulator, the Financial Services Authority.

Arguably the greatest progress has been made in relation to banking. The greatest challenges probably relate to credit provision, including how to widen access to affordable credit on a large-scale and how best to meet the needs of high-risk, low-income borrowers.

Key features of financial inclusion policy
- Well-established aspect of policy
- Broad-based approach (i.e. not just about banking)
- Central Government co-ordination, cross-Government working
- Significant funding commitment
- Partnership approach to solutions (commercial and not-for-profit sectors)
- Monitoring and scrutiny (Financial Inclusion Task Force, Treasury Select Committee)
- Policy and practice supported and informed by research and evaluation