

Fourth Annual Report on Progress Towards the shared goal for Banking

October 2009

Background and summary findings

1. The Financial Inclusion Taskforce was established by HM Treasury in April 2005. In December 2007 its terms of reference were extended for a further three years to 2011.
2. The Taskforce's remit covers the Government's strategic priorities to improve access to banking, affordable credit, free face-to-face money advice, savings and insurance. The Taskforce also advises on stimulating demand for financial services amongst hard-to-reach groups.
3. With regard to banking, the Taskforce's formal terms of reference are as follows:
 - deliver a final evaluation to HM Treasury and the banking industry on whether the shared goal of halving the number of adults in households without a bank account has been achieved;
 - gather further evidence on usage of basic bank accounts and make recommendations to HM Treasury on next steps for banking in light of the emerging evidence; and
 - monitor developments in the way banking services are delivered and distributed, and report to HM Treasury on the opportunities and threats to financial inclusion.
4. The shared goal was agreed by the Government and the banking industry in December 2004. The baseline for the goal was the 2002-03 Family Resources Survey (FRS)¹ which reported 2.8 million adults living in 1.8 million households without access to a bank account (defined as a current account, basic bank account or saving account).

¹ The Family Resources Survey is a continuous survey, which collects information on the incomes and circumstances of private households in the United Kingdom (or Great Britain before 2002-03). It is a large-scale survey with an annual target sample size of 29,000 households. As its focus is on private households, some forms of temporary accommodation may not be captured. For information on the FRS see:

<http://www.statistics.gov.uk/StatBase/Source.asp?vlnk=227&More=Y>

5. The Government and the banks agreed to set the goal because of the increasing importance of banking to people's day-to-day lives. Banking services have come to take on the character of core infrastructure, playing an essential part in people's opportunities to find work, to budget securely and to pay for goods and services. The Taskforce believes that this reliance on banking services continues to grow and that it is therefore vital to ensure the supply of these services to poorer households.
6. In its first annual report on the shared goal², published in March 2006, the Financial Inclusion Taskforce was able to conclude that steady progress towards achieving the shared goal had been made. In its second annual report³, the Taskforce found that, in 2005-06, up to 2 million adults living in 1.3 million households did not have access to a bank account. The third report indicated that progress towards the shared goal had slowed or stalled.
7. The most recent analysis identified that a growing proportion of respondents who were classed as unbanked did not state whether or not they had an account. Further analysis examining the differences between the 'did not states' and those who positively affirm they have no account demonstrated that they are distinctly different groups⁴. The analysis in this report is based mainly on those who positively affirmed they had no account since it is clear that this is a more accurate measure of the number of unbanked than if the "did not states" were included.
8. This is the Taskforce's fourth annual report on the shared goal. The summary findings of the Taskforce are that:
 - Having removed those who 'did not state' whether or not they had an account, the FRS data for 2007/08 show that up to 0.89m people, in 0.69m households do not have access to a bank account of any kind. This indicates that the shared goal has been met. We recognise that continuing work by government, the banks and other stakeholders has driven this reduction.
 - The number of adults without access to a transactional (current or basic) bank account fell from 1.92 million in 2006/07 to 1.75 million in 2007/08.
 - 80 per cent of households with no account are in the bottom four income deciles.
 - The proportion of lone parent households with no account has decreased, whereas the proportion of single households with no account has increased.
 - The proportion of female-headed households without access to an account fell from 57 per cent in 2002/03 to 51 per cent in 2007/08.

² Available online at http://www.hm-treasury.gov.uk/fit_papers.htm

³ Ibid.

⁴ Available online at: http://www.hm-treasury.gov.uk/fit_research.htm

- The retired and those who are classified as ‘unoccupied, under NI age’ make up the greatest proportion (79 per cent) of unbanked households.
- While the shared goal has been met, we believe that further action should be taken to ensure access for those who can make the transition to banking, and to ensure that those with accounts are able to gain full advantage of the benefits of being banked. We have proposed a series of additional steps to support this.

Defining the shared goal

9. In this report, we revisit assumptions about the way the unbanked are calculated, and therefore the way in which the shared goal was defined.
10. When the baseline was first calculated, the figure for the unbanked included respondents who did not state whether they had an account, as well as those who positively affirmed that they did not have an account. Our third annual report on banking included demographic breakdowns to compare the two groups and found some distinct differences between them. We also found that the proportion of unbanked made up by the ‘don’t knows’ had increased significantly.
11. On behalf of the Taskforce, HMT commissioned a regression analysis of the FRS data for 2006/07 to examine the characteristics associated with being unbanked. This analysis also sought to understand the differences between adults who ‘did not state’ they had an account and those who positively affirmed that they had no account.
12. This analysis, conducted by the Personal Finance Research Centre, confirmed that the two groups are distinctly different and that, in many respects, the ‘did not state’ group are opposites of the unbanked. For instance, likelihood of:
 - being unbanked decreased with age, whereas the likelihood of being a ‘did not state’ increased with age;
 - being unbanked decreased with household income, whereas the likelihood of being a ‘did not state’ increased with household income.
13. The findings therefore strongly suggest that the ‘did not state’ group should not be treated as ‘unbanked’. The full report can be read on our website.
14. We therefore consider that the FRS results for 2007/08 should properly be compared with an adjusted 2002/03 baseline of 2.02 million adults living in 1.39 million households without access to a bank account (defined as a current account, basic bank account or saving account).

Progress towards the shared goal

15. Table 1 below provides in bold the figures for the unbanked for 2002/03 to present, based on those who positively affirmed they did not have a bank

account.⁵ These are the figures that are now being used appropriately by the Taskforce to measure progress towards the shared goal. It also shows the numbers of the unbanked based on the earlier definition, for comparative purposes.

16. The data show that, since 2002/03, the number of adults living in unbanked households has decreased from 2.02m (in 1.39m households) to 0.89m (in 0.69m households) in 2007/08. The number of adults living in unbanked households has therefore decreased by 56% and now represents 2% of the population, compared to 4% in 2002/03.

Table 1 – Unbanked (without access to any account)

Year	Unbanked households (including 'did not state') (000, % of total)	Unbanked households - Positively affirmed no account (000, % of total)	Unbanked adults (including 'did not state') (000, % of total)	Adults living in unbanked households - Positively affirmed no account (000, % of total)
2007/08	1,249 (5%)	690 (3%)	1,850 (4%)	890 (2%)
2006/07	1,370 (5%)	780 (3%)	2,090 (5%)	1,010 (2%)
2005/06	1,300 (5%)	760 (3%)	1,970 (4%)	1,000 (2%)
2002/03	1,840 (7%)	1,390 (6%)	2,830 (6%)	2,020 (4%)

17. In addition to this the data show:

- An overall increase of 600,000 banked adults alongside the decrease of 120,000 adults living in unbanked households.
- An overall increase of 400,000 banked households alongside the decrease of 90,000 unbanked households.

18. Our assessment of the unbanked (for the purposes of the shared goal) includes people who hold saving accounts as well as those with transactional bank accounts. If we look just at the number of adults without access to a transactional (current or basic, not savings) bank account, this has fallen from 3.57m in 2002/03 to 1.75m in 2007/08.

⁵ The Government was unable to measure progress against the shared goal using FRS data for the two following years (2003/04 and 2004/05) because the data collection did not distinguish between basic bank account and Post Office Card Accounts (which do not count as a bank account for purposes of the shared goal).

Table 2 – Unbanked (without access to transactional account)

Year	Households without transactional account (including 'did not state') (000, % of total)	Households without transactional account - Positively affirmed no account (000, % of total)	Adults without access to transactional account (including 'did not state') (000, % of total)	Adults without access to transactional account - Positively affirmed no account (000, % of total)
2007/08	1,820 (7%)	1,280 (5%)	2,710 (6%)	1,750 (4%)
2006/07	2,000 (8%)	1,410 (5%)	3,000 (6%)	1,920 (4%)
2005/06	1,910 (7%)	1,370 (6%)	2,850 (6%)	1,880 (4%)
2002/03	3,020 (12%)	2,570 (10%)	4,380 (10%)	3,570 (8%)

19. Table 1 shows clearly that the shared goal has been met. This decrease in the unbanked demonstrates that work by Government, by the banks and by key intermediary organisations has succeeded in making basic financial services more widely available and in ensuring that some of the poorest households now have access to transactional banking. The benefits of banking for poor households and individuals include greater security for managing their money and the opportunity to reduce transaction costs by making direct payments for goods and services.

20. This also means that the proportion of unbanked in the UK is now likely to be one of the lowest in Europe⁶. The stalling of progress between 2005/06 and 2006/07 is most likely the result of a sharp increase in migration into the country during that year.

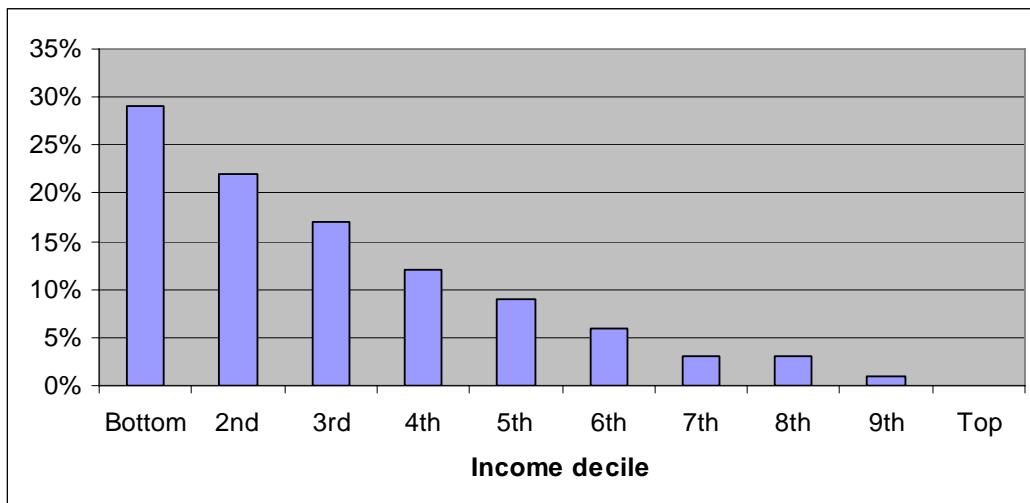
Demographics of the unbanked

21. It is useful to consider who are the remaining unbanked to inform our thinking on next steps. This section examines the demographic characteristics of those who are unbanked (where possible comparing them to previous years), and also the results of the regression analysis undertaken by PFRC to examine the characteristics associated with being unbanked. All figures below refer to households who have positively affirmed they do not have an account. Where there is a notable change from 2002/03, this is described, as are any notable differences from the general population.

22. Looking at income deciles, it is clear that unbanked households are concentrated at the bottom levels, with half (51%) of them being found in the lower two deciles. 80 per cent are in the bottom four deciles.

⁶ The most recent international comparison was undertaken by the EU Commission and can be found here: <http://www.fininc.eu/gallery/documents/other-documents/update-of-eurobarometer-tables.pdf>. There are significant caveats around the reliability and comparability of this data (drawn from Eurobarometer surveys) and this exercise may therefore include considerable margin for error.

Figure 1: Proportion of unbanked households by income decile



23. Turning to household type, Figure 2 below shows that the majority of unbanked households (64 percent) are single. Although this was also the case looking back to 2002/03, there has been some change in the composition of unbanked households, as the Figure shows that the proportion of lone parents has decreased, whereas the proportion of single households among unbanked households has increased. Nevertheless, single households are over-represented (comprising 64 per cent of the unbanked compared with 36 per cent of the general population) as are lone parent households- (comprising 17 per cent of the unbanked compared with 7 per cent of the general population).

24. There has also been some change when looking at the gender of the household reference person. Figure 3 shows that, whereas a significantly greater proportion of unbanked households were female in 2002/03, the balance is now more even.

Figure 2: Proportion of unbanked households by household type

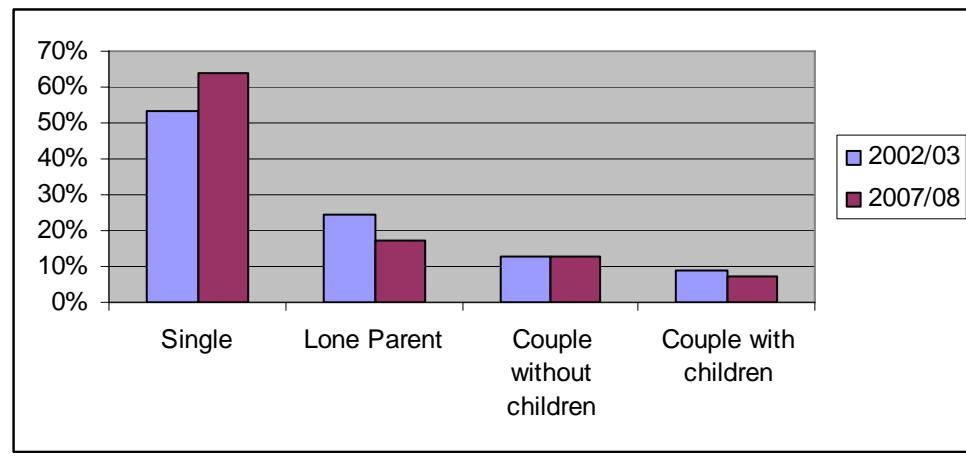
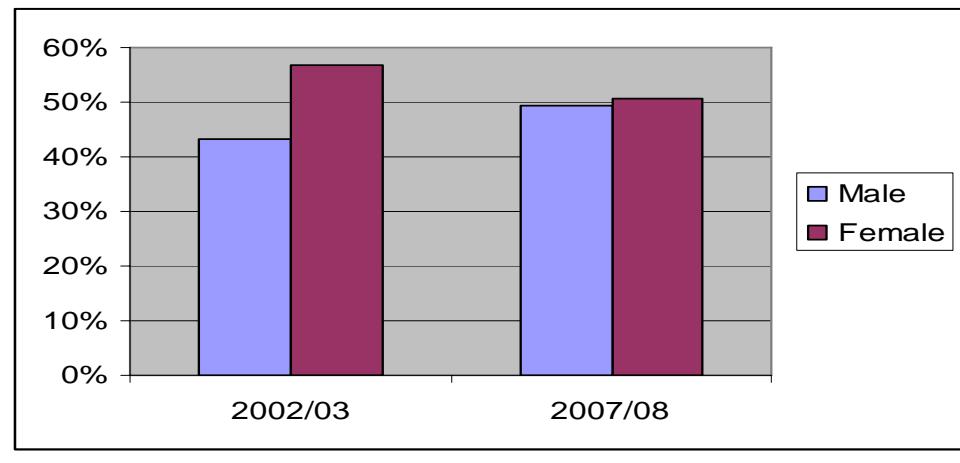
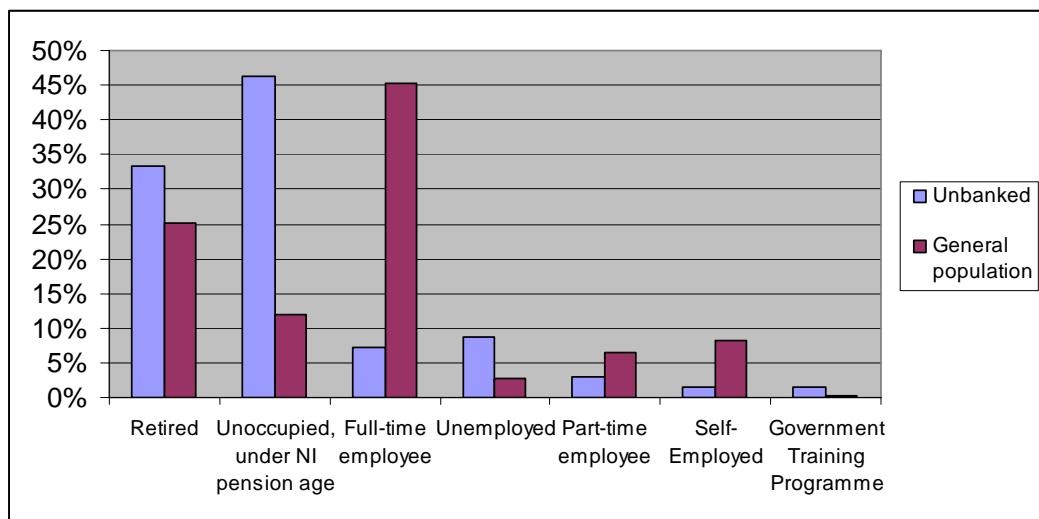


Figure 3: Proportion of unbanked households by gender of household reference person



25. The retired and those who are classified as 'unoccupied, under NI age' comprise the greatest proportion of unbanked households, with these two groups together comprising 79 per cent of unbanked households (Figure 4, below). As the Figure shows, these groups are over-represented among unbanked households compared to the general population. The retired comprise 33 per cent of unbanked households, compared to 25 per cent of the general population, and the 'unoccupied' comprise 46 per cent of unbanked households, compared to 12 per cent of the general population. Full-time workers are under-represented among unbanked households, representing 7 per cent of unbanked households compared with 45 per cent of the population. The retired comprise an even greater proportion (41 per cent) of those without a transactional bank account, although the 'unoccupied' comprise a smaller proportion of this group (32 per cent).

Figure 4: Proportion of unbanked households by employment status of household reference person

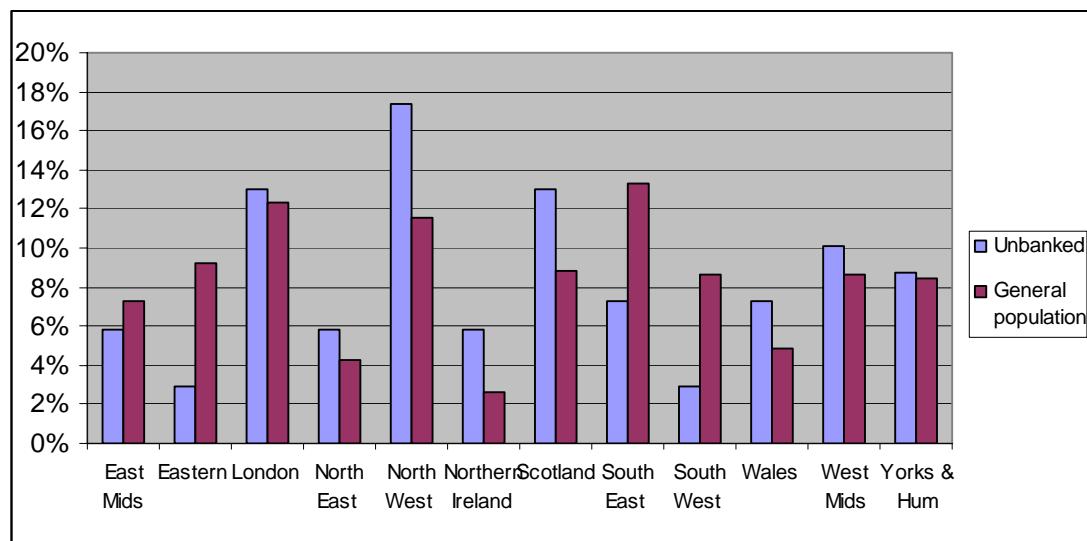


26. The majority of unbanked households are social renters (see Annex A, Figure 1), with 67 per cent of the unbanked in this category (compared to 18 per cent of the general population). The majority of unbanked households are in Band A council tax properties (see Annex A, Figure 3). (59 per cent reside in this type of property, compared to 23 per cent of the general population.)

27. It is perhaps surprising that there are no large differences in the extent to which the different age groups make up the unbanked population (Annex A, Figure 2). There is some indication, however, that the older age groups make up a greater proportion of the population without access to a transactional account. 39 per cent of those without access to a transactional account are 65 or over, whereas the over-65s comprise just 25 per cent of the general population (and 29 per cent of those without access to any account).

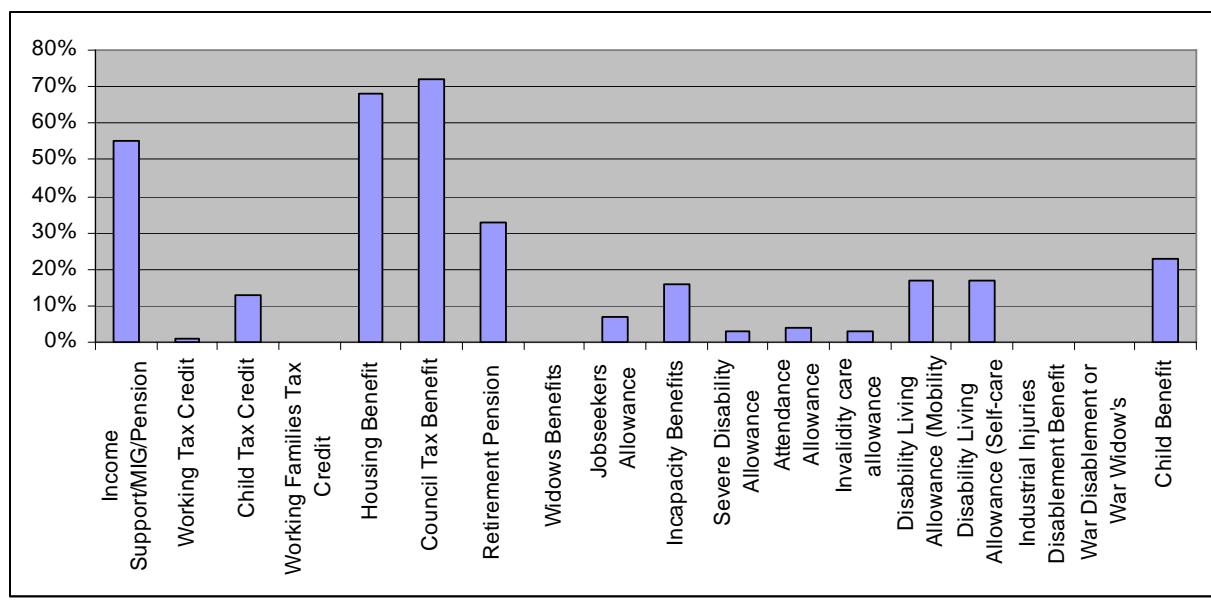
28. There are some variations in the government office regions in which unbanked households are found, particularly compared with the general population. While the percentage differences are small and therefore should be seen as indicative only, Figure 7 illustrates that the unbanked are particularly over-represented in the North West, Northern Ireland and Scotland.

Figure 5: Proportion of unbanked households by government office region



29. Many unbanked households receive some sort of welfare benefit. Figure 6 indicates that seven in ten of the unbanked receive Council Tax and Housing Benefit, and more than half receive income support/MIG/pension credit.

Figure 6: Proportion of unbanked households by benefit type



30. The regression analysis undertaken by PFRC showed that, among adults living in unbanked households below state pension age, the likelihood of being unbanked was almost 23 times higher among those with a Post Office Card Account (POCA) than for those in households without. The likelihood of being unbanked was 12 times higher in households with the lowest incomes (less than £100 per week) than for those with the highest incomes (£500 or more per week). The chances of being unbanked were much higher for adults living in homes rented from a housing association or a local authority. They were also 4.5 times higher for adults of Pakistani or Bangladeshi origin.

31. Adults above pension age showed similar characteristics, with POCA holding, housing tenure and household income being one of the key predictors of being unbanked.

32. FRS data show that 3.12 million adults overall have a POCA. There were 0.59 million adults with a POCA living in households that positively affirmed no account. The strength of POCA holding among the unbanked could suggest either that the POCA acts as a stepping-stone to banking inclusion, or that holding a POCA contributes to banking exclusion. In either case it seems that targeting POCA holders (i.e. potentially persuading those who are unbanked to migrate to full accounts or by improving the functionality of the POCA to allow full banking services) could be a worthwhile focus of future initiatives to increase access to banking.

33. Data on POCA customers provided by Post Office Ltd reveals that most POCA holders are over 65 (55%), female (61%), and likely to be found among poorer income groups (i.e. the majority being poorer council tenants (22%), poorer white and blue collar workers (19%), and poorer family and single parent households (15%). This corresponds quite clearly

to the groups identified by the regression analysis as most likely to be unbanked and therefore needing to be targeted in any future interventions.

Targeting further reductions

34. As already noted, the significant reduction seen in the numbers of adults living in unbanked households has now met the shared goal that was agreed between the Government and the Banks in 2004. The goal was set as a stretching but achievable target. Now that it has been achieved, it is important to consider to what extent the number of unbanked can be reduced further. It is notable that progress towards the goal seems to have been slower between 2005/06 and 2007/08 than it was between 2002/03 and 2005/06. This suggests that the progress prompted by actions to improve access by Government and the banks is slowing and that the remaining adults without access to an account may be more resistant to opening one or have greater difficulties in doing so.
35. There is also likely to be a substantial group of people for whom a bank account would not be suitable. This could include people who are terminally ill and those incapable of using an account because of severe learning difficulties, severe physical disability or drug addiction.
36. However, it is difficult to use FRS data to estimate the proportion of the unbanked that may not be able to manage a full bank account. The FRS data can be used to profile some vulnerable groups who are disproportionately likely to be unbanked but cannot show their ability or propensity to take up transactional banking. For example, the most elderly unbanked people might be expected to find it more difficult to adapt to a transactional bank account. However, the FRS data indicate that this group is not disproportionately represented among the unbanked. They may be slightly over represented among those without a transactional bank account.
37. Claimants for certain benefits are also over-represented among the unbanked compared to the general population, including incapacity benefits (16% compared with 5%), and the Disability Living Allowance (17% compared with 7%). However it is not appropriate to draw general assumptions about financial capability based solely on benefit status, particularly as in both cases the unbanked are still a small minority of all claimants.
38. In 2006, the Taskforce published research on the attitudes of financially excluded people towards mainstream banking and credit products and services. We now wish to build on the understanding we gained from these workshops and to establish what are the barriers to banking for those who remain unbanked, and whether these are people who could, or should, be encouraged to take up mainstream financial services. We also wish to understand the motivations of the recently banked for moving into banking, and their initial experiences of being banked.
39. We have therefore commissioned **further qualitative research** focussing on low-income households in order to examine levels of knowledge about

the uses and benefits of transactional banking; experiences of using banking and credit; and attitudes towards the Post Office Card Account among the unbanked. It will also examine why the recently banked decided to become so, their experiences and any difficulties they have encountered. We expect this research to report by the end of this year.

Good practice in bank branches

40. Toynbee Hall's Banking Project Partnership Group has launched 'Developing Inclusive Banking'⁷, a project aimed at making it easier for individuals who are new to banking to access banks' basic products. It covers good practice in five areas:

- Front line knowledge of exclusion issues
- Communicating effectively with the customer
- Identity and address verification procedures
- Helping customers with low financial capability
- Working with local partners

41. The Banking Project and the Financial Inclusion Champions⁸ are now working with individual banks to help them implement these suggestions.

Regulation for basic bank accounts

42. A recent survey of Transact member organisations by Toynbee Hall showed that over 70% of members still considered that their clients faced barriers to accessing bank accounts. This suggests that there continue to be unfavourable perceptions of customer service by customers and intermediaries as well as potential procedural barriers to account opening⁹. The banks have consistently emphasised their commitment to addressing any bad practice where it is identified. However we believe that it is important to continue monitoring efforts to ensure that front line branch staff are ready to serve excluded customers.

43. The Banking Code currently obliges subscribers who offer a basic bank account to assess whether a customer's needs are suited to a such an account and, if so, to offer one. It also includes provisions on the availability of literature about a basic bank account, procedures for verifying ID and timescales for opening accounts.

⁷ See here:

<http://www.transact.org.uk/page.asp?section=296§ionTitle=Developing+Inclusive+Banking>

⁸ The Financial Inclusion Champions work to support the Government's financial inclusion objectives by developing and promoting effective partnerships between organisations, including those that work with financially excluded people.

⁹ See *Access to banking – a national survey of intermediaries* (Toynbee Hall, July 2008)
<http://www.transact.org.uk/page.asp?section=000100010004001900060002>

44. From 1 November 2009, the Financial Services Authority's Banking Conduct of Business rules will require banks to communicate appropriate information to their customers, including information, where relevant, on basic bank accounts. To support this requirement, the British Bankers Association (BBA), the Building Societies Association and the Payments Council have produced Industry Guidance that FSA has been asked to confirm. This guidance includes the current Banking Code requirements relating to basic bank accounts wherever possible (although some references cannot be included where they would be super-equivalent to requirements of the new Payments Services Regulations).

45. It is very important to the Taskforce that the regulation of basic bank accounts under BCOBS should preserve the same rights and obligations on access to banking as in the previous regime. In particular:

- Organisations that support vulnerable people in opening basic bank accounts should have a clear code of conduct to which to refer when working with bank branch staff.
- New entrants to retail banking should be expected to assume the same responsibilities on access to basic bank accounts as existing providers.

46. The Taskforce also believes that there should be continuing scrutiny of the banks' adherence to agreed service standards for basic bank accounts, reflecting the role played by the Banking Code Standards Board (BCSB) in its mystery shopping exercises. FSA have said that they will check compliance through risk-based monitoring of proposed BCOBS rules on basic bank account information and post-sale service. **It is essential that FSA should ensure that the attitudes and practices of front line staff at bank branches are regularly and effectively tested as a part of their monitoring program.**

Bank account usage among low-income groups

47. Opening a bank account does not in itself amount to financial inclusion. Having access to an account can help money management and reduce the danger of getting into debt; aid employability; and provide the opportunity to access discounts available with direct debits¹⁰. Save the

¹⁰ The following research sources show the benefits of transactional banking:

Toynbee Hall (2008) *Employability and financial inclusion: examining the links* (available online at <http://www.transact.org.uk/page.asp?section=000100010004001900060002>)

Kempson, Whyley, Caskey and Collard (2001) *In or Out*, Financial Services Authority Consumer Research 3 (available online at <http://www.fsa.gov.uk/pubs/consumer-research/CRPR03.pdf>)

Devlin, J., and Gregor, M. (2008) *From access to inclusion: An evaluation of the role of Basic Bank Accounts in promoting financial inclusion* (available online at <http://www.transact.org.uk/page.asp?section=000100010004001900060002>)

Farrell and O'Connor (2003) *Low income families and household spending*, DWP Research Report No. 192 (available online at http://research.dwp.gov.uk/asd/asd5/report_abstracts/rr_abstracts/rra_192.asp)

Children research, released in 2007, on the 'poverty premium'¹¹, suggests that poorer households continue to pay extra for a range of services including essential utility bills, because they are not able to access transactional banking facilities or are choosing not to make use of them.

48. In December 2008 the Taskforce published a report on direct debit energy payments. We found significant risks to promoting monthly direct debit payments to low-income households, which often manage their money on a weekly basis. Our report also noted that direct payments do not provide households with the same control over their energy consumption and payments as pre-payment meters. Since then, a report by the Creative Environments Network¹² found that "[fuel]rationing behaviour and being in debt with fuel suppliers were closely related to a household's financial behaviour".. This work suggests that it may be unrealistic to expect low-income households to take advantage of discounts available for monthly direct payments. Government and service providers may therefore need to consider new ways to reduce transaction charges for more frequent bill payments by poorer households.
49. The BBA have supported the Taskforce by providing usage information, gathered by their members, on basic bank account usage. However, bank data by itself will not show the true extent of bank account usage by low-income households. An individual may hold a dormant account at one bank alongside an active account at another. Setting and measuring targets for bank account or direct debit usage would therefore be extremely difficult. In addition to the challenge of measuring progress, the appropriate level of usage for a household will change depending on a number of other factors, making it hard if not impossible to set a desired level.
50. The Taskforce has therefore commissioned **further quantitative research**, in collaboration with the Friends Provident Foundation, to examine the extent to which people on low incomes and the newly banked use accounts in a way that delivers financial inclusion; the benefits that bank accounts are delivering to people on low incomes; the extent of account dormancy and failure; how much more can be achieved in terms of transitioning financially excluded people into banking; and what, if anything, can be done to reduce the barriers to banking inclusion for those who remain unbanked.
51. We expect this research to provide more detailed insights on bank account usage and low-income households. This should provide some helpful information to support the delivery of financial capability initiatives targeted

Millward Brown (2006) *Understanding Consumer Experience When Opening and Using Basic Bank Accounts* (available online at <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=557&a=6928>)

¹¹ Available online at: http://www.savethechildren.org.uk/en/docs/poverty_briefing.pdf

¹² Available online at http://www.friendsprovidentfoundation.org/core/core_picker/download.asp?id=97&filetitle=Fuel+Debt+and+Fuel+Poverty%3A+Creative+Environmental+Networks

towards such households. The research will also cover some unbanked households and may also help in estimating how many more of the unbanked could realistically take up a full bank account and how many may not be able to make a transition.

Current developments in retail banking

52. The recent financial crisis has seen a deterioration in the public reputation of the banks and other financial services providers. This is likely to have made people who were previously hesitant to engage with retail banking more cautious and less enthusiastic.

53. In the meantime, the Office of Fair Trading is pursuing its test case on charges for unauthorised overdrafts and items returned unpaid. A Supreme Court decision is imminent. More than a million complaints are currently on hold pending a decision.

54. The Taskforce is alert to the possibility that the outcome of the case may result in the banks reconsidering their charging model for current accounts which could potentially affect the availability of some 'free to customer' banking services.

55. It is unclear what the impact of transactions charges or a regular charge for banking services would be for low-income consumers and for basic bank accounts. A natural expectation would be that poorer households would be less willing to hold an account if they had to pay specific charges. However, research among low income consumers carried out in 2008 into the possible features for the credit union current account found that:

- 71% of respondents agreed that a small regular fee was preferable to paying higher charges in cases of misuse; and
- 83% of credit union current account holders who also had a basic bank account were satisfied with the regular fee, as were 72% of those who had previously been unbanked¹³

56. This suggests that some poor households may prefer the certainty of paying a small regular fee that was transparent to the uncertain possibility of incurring substantial unplanned fees that are difficult to establish in advance.

New technology and financial inclusion

57. Emerging technology may offer the financial services industry new opportunities to reduce the distribution costs for mainstream banking services and thereby serve customers, including low-income households, at lower cost.

¹³ The Credit Union Current Account: A research study into low-income consumer expectations of the operation and charging structure of the credit union current account by Paul Jones, April 2008

58. For example, the Taskforce has noted the increasing use in other countries of prepaid card technology to make payments and to provide financial services without using bank branches. Canada and Australia now use prepaid cards to distribute welfare benefits. Developing countries such as the Philippines, Mexico, Brazil, Costa Rica and the Dominican Republic use a prepaid card to provide state support payments including food aid, fuel subsidies and rewards for attending school.
59. Prepaid card technology therefore appears to have significant scope to provide financial services through an alternative channel to the traditional bank branch network. It is possible to make and receive direct payments using a prepaid card. This could be particularly appealing to consumers who continue to face exclusion from mainstream banking.
60. The Taskforce believes it is important to ensure that poorer customers receive adequate protection as this technology becomes more widely used. If prepaid cards gain wider use among financially excluded households then it will be important for government, regulators and providers of prepaid cards to minimise the danger of consumers losing funds stored on cards due to fraud, physical loss or the insolvency of the card provider. It will also be important for providers and regulators to ensure transparent charging for prepaid card services.

Migrants and remittances

61. We have noted an increased risk of financial exclusion among migrant groups and also noted the popularity of remittance services among these groups. The Financial Inclusion Taskforce and the Remittances Taskforce (sponsored by the Department for International Development) have a continuing joint mission to explore the opportunities to increase migrants' financial inclusion through remittance products. We have spoken with the banks about the opportunities in this area and we will continue discussions with service providers in the months to come.

Next steps

62. The Taskforce is very pleased to see the progress made towards ensuring that everyone is able to manage their money through a bank account. We believe that there will be a continuing need to maintain standards of service in bank branches and that there is still scope for further progress in reducing the numbers of unbanked and to ensure optimum levels of account usage by low income households. We therefore propose the following next steps to support the Government in continuing to improve access to banking.
63. The Taskforce's **research on banking and low-income households** is due to report in early December. This research should provide up-to-date information on the behaviour and attitudes of excluded households and on the way that low-income households benefit from holding an account.
64. This information will underpin our **recommendations to the Government** as ministers consider options for financial inclusion policy after 2011.

65. In particular, the Taskforce will consider whether setting a further, different **goal** would be helpful either in reaching the remaining unbanked or in improving levels of account usage by low-income households.
66. In the meantime we strongly recommend that the **FSA** ensures that there is an **effective monitoring system** in place to test compliance at bank branch level with the relevant provisions of the new Banking Conduct of Business Sourcebook and accompanying Industry Guidance.
67. We believe that the evidence set out in this report shows that efforts at a local level to bring more people into banking can focus most effectively on **social renters** and **POCA customers**.

Annex A: Additional data tables - proportions of the unbanked 2007/08

Figure 1: Proportion of unbanked households by tenure type

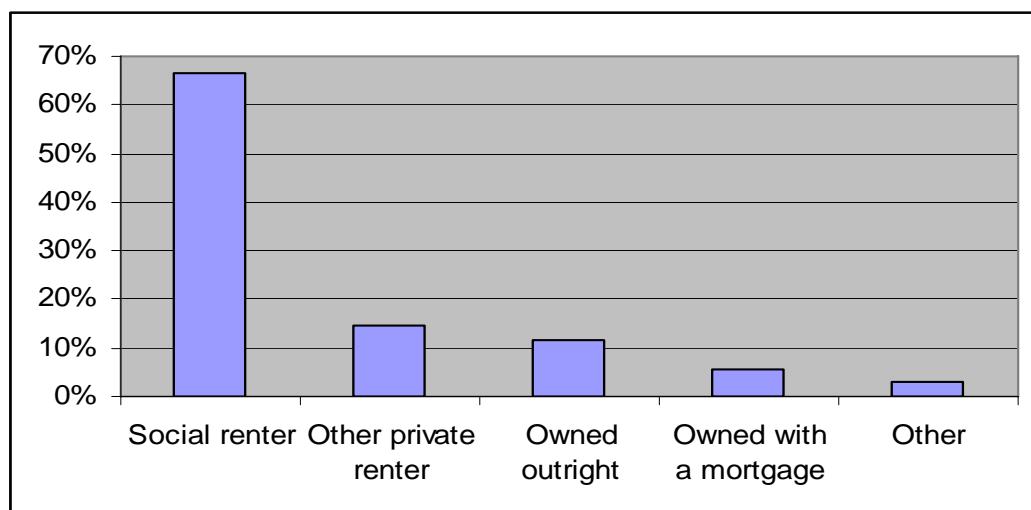


Figure 2: Proportion of unbanked households by age of household reference person

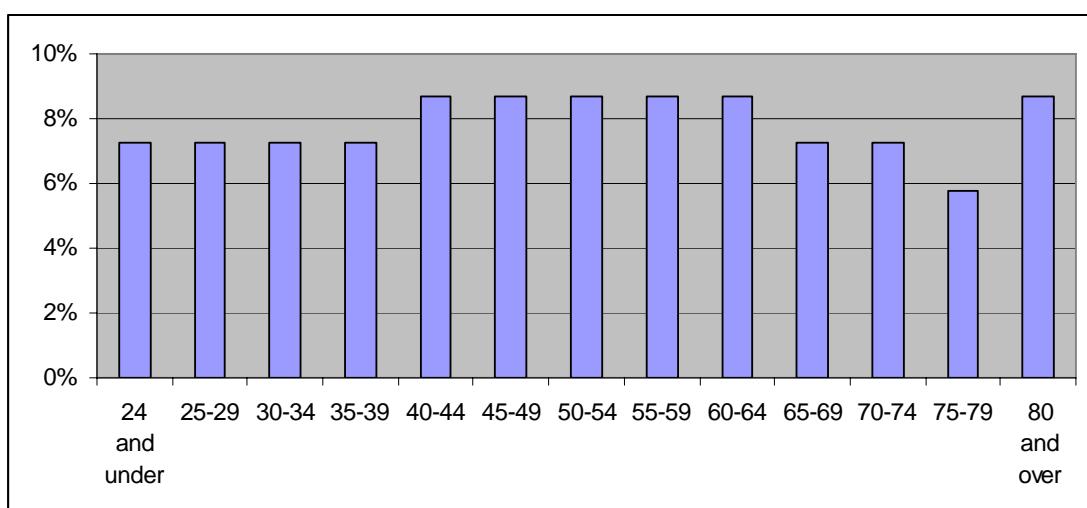


Fig 3: Proportion of unbanked households by council tax band

