

Sustainable Development Select Committee Agenda

Thursday, 15 March 2012
7.00 pm, Committee Room 4
Civic Suite
Lewisham Town Hall
London SE6 4RU

For more information contact: Andrew Hagger (Tel: 0208 31 49446)

Part 1

Item		Pages
4.	Integrated Transport - Bakerloo Line Extension	48 - 49
5.	Financial Exclusion Review	50 - 81

Sustainable Development Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Thursday, 15 March 2012.

Barry Quirk, Chief Executive
Tuesday, 6 March 2012

Councillor Liam Curran (Chair)	
Councillor Suzannah Clarke (Vice-Chair)	
Councillor Obajimi Adefiranye	
Councillor Kevin Bonavia	
Councillor John Bowen	
Councillor Vincent Davis	
Councillor Julia Fletcher	
Councillor Chris Maines	
Councillor Sam Owolabi-Oluyole	
Councillor Eva Stamirowski	
Councillor Alan Hall (ex-Officio)	
Councillor Vicky Foxcroft (ex-Officio)	

Agenda Item 4

Committee	Sustainable Development Select Committee	Item No.	4
Report Title	Integrated Transport – Bakerloo Line Extension		
Ward	All Wards		
Contributors	Scrutiny Manager		
Class	Part 1	Date:	15 March 2012

1. Summary

- 1.1. The item will give a chance for the Committee to further consider the possible Bakerloo Line Extension that could extend to the London Borough of Lewisham.

2. Purpose of the Report

- 2.1. To update the Committee on the status of a possible extension to the Bakerloo Line into the London Borough of Lewisham. Information was provided at the September 2010 meeting outlining the process that will be followed if the extension takes place and information will be presented at the meeting by Jonathon Roberts of JRC Consulting.

3. Recommendations

- 3.1. The Select Committee is recommended to note the information presented here and at Committee and use it to inform discussion on how future action.

4. Background

- 4.1. Within the London Mayor's Transport Strategy (published May 2010) the Bakerloo Line is acknowledged as having an important role in London's transport geography, serving the strategic northwest-southeast corridor. It states that a Bakerloo southern extension "would allow the line to serve inner and outer southeast London. This would create a new southeast to northwest strategic route through the Capital, serving areas with poor transport accessibility and freeing up National Rail capacity at London Bridge for other service improvements".
- 4.2. Within the strategy, proposal 22 states that the Mayor and associated partners and stakeholders will seek longer-term enhancements and extensions to the Underground network, including a potential southern extension to the Bakerloo line. This would "utilise spare line capacity, improve connectivity and journey times, while providing relief to congested National Rail approaches to central London from the south/southeast, subject to resources and the results of further study". It is anticipated that the cost of the scheme would be high, with a completion date post 2020.
- 4.3. At the September 2010 meeting the Committee heard from Jonathan Roberts, who outlined the background to underground line extensions in general, and the Bakerloo in

particular as well as potential route options. Members were informed that a Bakerloo extension is in the London Mayor's transport strategy as a possibility, but that it is competing for funding and was unlikely to be affordable until the late 2010s or 2020s. There is also potential for a Crossrail 2 project at a similar time, and HS2, the high speed national rail project (now given the go ahead). It was pointed out that a project such as this would need more than one borough to support it. There would need to be a strong case put forward from a wide range of places across the region, with all-party political support as well as strong support from community groups.

- 4.4. Members discussed a series of issues surrounding a potential extension including whether it would be possible to extend the DLR southwards to provide a more extensive Canary Wharf link. This could be a complementary addition to a possible Bakerloo extension, as the DLR line to Lewisham was designed with potential for extension, and this is not a 'classic' central London access route. In addition the benefits of the East London Line were discussed, which included redevelopment, and whether there are enough opportunities for this in such a suburban setting. It was felt that Section 106 contributions or equivalent could help with paying for construction of the extension, but that every item of added revenue and benefit that could be made would help to make a business case. The future spatial and economic growth strategies would be important.
- 4.5. Jonathan Roberts also raised a number of points with the Committee concerning the implications that a Bakerloo extension could have including freeing up capacity at London Bridge, the replacement of a mainline route wholly with a tube route if the extension goes ahead and issues around capacity of smaller tube trains running frequently or larger rail trains running less frequently.
- 4.6. Jonathan Roberts indicated that a key idea was to think of what London will look like in 10 to 20 years time and design a service that will be fit for purpose then not now. It was pointed out that London Bridge station could still be overwhelmed due to increased population in the south east of London and the south east in general.
- 4.7. At the end of the meeting the Committee resolved that the information presented should be referred to Mayor and Cabinet in order for them to be made aware of it. Lewisham Council should consider whether a Bakerloo extension would benefit Lewisham, whether it would be practical to pursue it and whether it should start contacting other local authorities and/or relevant bodies across London and the south-east in order to start lobbying for it to be a top priority for approval and construction.

5. Financial Implications

- 5.1. There are no financial implications arising from this report.

6. Legal Implications

- 6.1. There are no legal implications arising from this report.

7. Equalities Implications

- 7.1. There are no legal implications arising from this report.

Agenda Item 5

Sustainable Development Select Committee		
Report Title	Financial Exclusion Review – Evidence Session	
Key Decision	No	Item No. 5
Ward	All	
Contributors	Scrutiny Manager	
Class	Part 1	Date: 7 February 2012

1. Summary

- 1.1. The Sustainable Development Committee, as part of its work programme, has agreed to undertake an in-depth review looking at the issue of financial exclusion.

2. Purpose of the Report

- 2.1. As part of the work programme for 2011/12, the Select Committee agreed at its meeting on 27 April 2011 to carry out a review looking at the issue of financial exclusion within Lewisham.
- 2.2. At the meeting, the Committee will have the chance to review the draft final report, discuss the key findings emerging from the evidence in the report and establish any recommendations that the Committee may wish to make based on the key findings.

3. Recommendations

- 3.1. The Committee is recommended to:
- Consider the report attached
 - Decide on key findings from the report
 - Establish recommendations

4. Terms of Reference

- 4.1. The Sustainable Development Select Committee will undertake a review of financial exclusion in Lewisham, seeking to address the following key themes and questions:
- What financial exclusion is and what it means
 - Who are the financially excluded
 - The accessibility of the financial infrastructure of the borough to those that are financially excluded
 - Issues to do with consumer protection facing those that are financially excluded
 - Financial and debt advice and the demand for this

- Financial literacy
- How financially excluded people can afford 'big ticket' items
- The Council's own approach to collection of debt
- Affordable credit and reputable lenders
- Credit unions
- Stigma of reporting debt problems and illegal money lending
- Changes to trading standards emerging from central government

4.2. It was also agreed that the aim of the review should be to a) identify specific actions that might be taken by Lewisham Council and associated partners to further improve the services they offer; (b) consider whether further work should be undertaken by officers to ensure that issues surrounding financial exclusion are addressed; and (c) consider whether further work is required to investigate other aspects of financial exclusion.

5. Legal Implications

5.1. There are no legal implications arising from this report.

6. Financial Implications

6.1. There are no financial implications arising from the report.

7. Environmental Implications

7.1. There are no environmental implications arising from this report

8. Equalities Implications

8.1. There are no equalities implications arising from this report

9. Crime and Disorder Implications

9.1. There are no crime and disorder implications arising from this report.

Financial Exclusion Review

Report by the Sustainable Development Select Committee (DRAFT)

Contents

Foreword By the Chair	Page 2
Key Findings	Page 3
Recommendations	Page 6
Introduction and terms of reference	Page 9
What is financial exclusion?	Page 10
Access to financial services	Page 12
Debt and financial advice	Page 19
Consumer protection	Page 25
Collection of debt by organisations	Page 28

Foreword By the Chair

[to be completed]

Key Findings

- KF1. Financial exclusion can be identified as not having access to financial products and services that are appropriate for a person's needs as well as not having the knowledge and capability to make good use of them. This will then put them at risk of being socially excluded.
- KF2. Those that are financially excluded can often be identified as belonging to at least one or more 'at risk' groups. People who are financially excluded are often socially excluded. The financial issues they are having are often one factor out of many that they need to deal with.
- KF3. Having access to a bank account is increasingly important to be able to function within society. The rise in direct payments of benefits into bank accounts makes them vital. However, many of those on the fringes only have basic bank accounts, which do not provide phone or internet banking for easier use or direct debit or debit card facilities enabling savings on bills.
- KF4. There have been increased pressures for those who are financially excluded or on the verge of being financially excluded, including:
- Increased unemployment and lack of job opportunities
 - Increased costs of living
 - Increased rents, especially within the private rented sector
 - Rising energy bills
 - Changes to benefits system
- KF5. The government intends to abolish the Social Fund and devolve the responsibility for administering it to local authorities, with funds not being ring-fenced. The fund makes grants or loans to families on benefits which can be used to purchase big ticket items and its withdrawal could force vulnerable people to go to high interest or unlicensed lenders.
- KF6. Credit unions such as Lewisham Plus play a vital role in communities, providing local and ethical financial services within the community. Lewisham's situation is unique as it has two credit unions, one a community based and another Council employee based one. Support for the Credit Union from Lewisham Council has generally been good.
- KF7. High interest lenders can often target those that are either financially excluded from mainstream lending or are close to being financially excluded. These lenders charge very high rates of interest on short-term loans.
- KF8. Financial and debt advice services are available in the borough, however demand constantly outstrips supply, with organisations such as CAB, Evelyn 190 Centre and 170 Centre New Cross unable to deal with all queries they receive.
- KF9. Good quality financial advice can greatly help people get their finances in order and get them access to benefits that they are entitled to. Increasing benefits claims for those entitled to them can also bring extra money into the borough. A preventative approach to debt can stop people getting into that

situation. Dealing with it at the last minute or when it gets bad can complicate issues

- KF10. Changes by Central Government to the way that benefits are structured and provided could have huge knock-on effects for those that are financially excluded and push those on the edge into poverty and financial exclusion.
- KF11. Employment Support Allowance is having a particularly devastating effect due to a rigid points based threshold of need approach, inappropriate assessment, high number of appeals to assessments which gives unpredictability for people with physical or mental disabilities. Many people who are genuinely too ill to work are losing their benefits with a particular effect on those with 'less visible' disabilities such as mental health issues. There is an identified need for more help with tribunal representation.
- KF12. Medical evidence is crucial in appeals related to ESA and GPs generally charge for these services. However advice agencies usually have no budget available to pay for reports so hindering the chances for people to appeal against decision and receive payments that they are entitled to.
- KF13. The provision of debt advice is threatened by cuts to the LSC Legal help Scheme and to the Financial Inclusion Fund. Existing advice agencies are overwhelmed with demand for face to face debt advice and the council should consider investing in extra capacity. The Committee heard evidence from Lewisham Homes and other Registered Housing providers who are doing a lot of work in these areas for their own tenants.
- KF14. Advice givers such as Evelyn 190 centre and 170 Centre New Cross can have difficulty accessing Council services directly, though there used to be a dedicated line to reduce waiting time.
- KF15. Consumer protection can play a large role in protecting those that are financially excluded. Licenses are required to operate a consumer credit business and credit related complaints are core to their work, such as with faulty 'big ticket' items that have been sold with dodgy credit agreements. However, much regulation of financial services is done at the national level.
- KF16. The Council's approach to debt collection is firm but tries to reach a balance between recognising that people may need support and assistance if they are unable to pay and pursuing those who are simply unwilling to pay.
- KF17. Staff are trained to identify vulnerable people and work closely with other arms of the Council such as social services to identify the issues people may have in being unable to pay. They also try to provide as much warning and advice to people as is practical, though there can be people who fall through the gaps.
- KF18. The Council uses bailiffs to collect payments where it is necessary, but they are given instructions not to collect from vulnerable people. However, the experience of being pursued for debt from organisations like the Council can be stressful and intimidating.

KF19. Housing associations are proactive in tackling financial exclusion and those with money issues, identifying vulnerable people before they go into arrears. This can prevent problems occurring by providing financial advice and assistance in order to develop sustainable tenancies. Tenants of social landlords appear to be better served in terms of advice and help to tackle financial exclusion than the private rental sectors or owner-occupiers.

KF20. Lack of access to digital technology or the ability to use it can further contribute to people being financially excluded.

KF21. Access to information and advice that can help financially excluded can often cost money, such as ringing a benefit helpline from a mobile phone.

Recommendations

After consideration of the evidence in the report and the agreed key findings, the Committee developed the following recommendations:

- R1. The council should continue to protect community sector budgets from cuts and consider where these budgets may be enhanced as necessary to support additional initiatives proposed in this review or by a FIP. An opportunity could be raised from the money that will be saved by the rebate of £300 000 from the London Councils Grants Scheme.
- R2. Officer reports to councillors currently repost on legal, equalities and crime and disorder implications of any proposals or recommendations. In future they should identify also the financial inclusion implications of any proposals.

A Financial Inclusion Partnership

- R3. The council should establish a permanent Financial Inclusion Partnership (FIP) bringing together council departments such as Trading Standards, Community Sector Unit, Revenues and Benefits, Social Care, with partner organisations including Lewisham Homes, and other Registered Housing Providers, PCTs, advice agencies, Credit Unions, and other charities working with the vulnerable and financially and socially excluded. Responsibilities for an FIP would include overseeing and carrying out some of the actions recommended in this review, but would also have a life of its own and ensure that Financial Inclusion remained an ongoing priority in Lewisham. The Committee recommends that a Lewisham FIP should pursue the following issues:
- Outreach work to promote awareness of financial services and products and increase financial literacy in the community.
 - Campaign to educate the public as to the dangers of high cost credit, whether by pay day loan companies, doorstep lenders, or others including comparisons with mainstream lenders and credit unions.
 - Build capacity within the advice sector to help with tribunal representation (for example with Employment Support Allowance applications and appeals)
 - Increase the capacity and accessibility of debt advice by sharing advice and information sessions across partner organisation (e.g. utilising spare capacity in training given by housing providers).
 - Encourage collaborative consumption through methods such as time banking and free cycle which will allow the mutual exchange of goods or services free of charge.
 - Encourage the growth of second hand furniture projects in the borough where persons on low incomes could access second hand furniture including reconditioned electrical items (this can involve the council's recycling and reuse centre as well as existing charities).
 - Sharing of information about debtors that are being pursued by organisations within the FIP to minimise visits by bailiffs.
 - Work closely with partner organisations (such as Social Care departments, DWP or Housing Providers) to refer individuals or families who are vulnerable and/or financially excluded to the FIP where they could

receive intensive advice and assistance in accessing financial services such as bank accounts, contents insurance, affordable credit or debt advice or welfare benefits advice.

Access to Financial Services

- R4. The council should encourage a merger between the council's staff credit union, Crownsavers, and the Lewisham Plus Credit Union, giving additional financial stability and sustainability to the Lewisham Plus Credit Union through increased employed savers. In addition, there should be increased support for a merged credit union in expanding its membership and branch network by encouraging it to become a staff credit union for other public and third sector organisations in Lewisham. Support in the form of premises at other locations in the borough would help to gain members and the council could consider allowing the credit union to take over the closed cash counter in Catford Town Hall.

Financial and Debt Advice

- R5. A Welfare Benefits Take Up campaign would encourage take up of benefits by those entitled who have not claimed benefits to which they are entitled, focussing on Disability Living Allowance, and Attendance Allowance, Pension Credit. Help with form filling would be an essential part of this as many struggle to complete lengthy and difficult applications for DLA and to express themselves sufficiently in writing.
- R6. PCTs should encourage GPs to provide medical evidence to advice agencies in respect of benefit appeals. Medical evidence is crucial in such appeals and GPs generally charge for these services but advice agencies usually have no budget available to pay for reports. Influence local GPs and health not to charge for these.

Consumer Protection

- R7. The Council should ensure that any devolved former Social Fund should be devoted towards assisting people on low incomes to purchase items they desperately need.

Debt Collection

- R8. Introduce a debt collection charter or protocol agreed between the council, and its partners and advice agencies identifying what steps debtors can expect the council and partners to take in collecting debts and in particular what steps the council and its partners will take to assist vulnerable debtors and others who are struggling to make ends meet.
- R9. The council should whenever possible use other methods of debt collections apart from bailiffs can be threatening and intimidating. Direct deductions from benefits or wages should be used where possible. Committal to prison or bankruptcy should be used only as a last resort.

- R10. Advice agencies should have direct access, via a dedicated telephone number, to managers in council departments and other partners collecting debts.

1. Introduction and Terms of reference

1.1. At the end of its 2010/11 work programme the Sustainable Development Select Committee decided that financial exclusion was an important issue that would gain in importance in the near future especially due to the economic situation nationally and within Lewisham.

1.2. At its meeting on 27 April 2011 the Sustainable Development Select Committee agreed that it would undertake a review looking at the issue of financial exclusion within seeking to address the following key themes and questions:

- What financial exclusion is and what it means
- Who are the financially excluded
- The accessibility of the financial infrastructure of the borough to those that are financially excluded
- Issues to do with consumer protection facing those that are financially excluded
- Financial and debt advice and the demand for this
- Financial literacy
- How financially excluded people can afford 'big ticket' items
- The Council's own approach to collection of debt
- Affordable credit and reputable lenders
- Credit unions
- Stigma of reporting debt problems and illegal money lending
- Changes to trading standards emerging from central government

1.3. It is further suggested that the aim of the review should be to (a) identify specific actions that might be taken by Lewisham Council and associated partners to further improve the services they offer; (b) consider whether further work should be undertaken by officers to ensure that issues surrounding financial exclusion are addressed; and (c) consider whether further work is required to investigate other aspects of financial exclusion.

2. What Is Financial Exclusion

- 2.1. Within the Joseph Rowntree Foundation - Financial Inclusion in the UK report, financial exclusion is defined as ‘the inability, difficulty or reluctance of particular groups to access mainstream financial services’. The European Commission defined it in 2008 as people who ‘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’. The second definition highlights the importance of the availability financial services that are appropriate and do not exclude people from taking part in society in general. Within this report the terms financial exclusion and financial inclusion will be frequently used. Financial exclusion will generally indicate those people who are themselves excluded, whereas financial inclusion will generally refer to the efforts by organisations to move people away from being financially excluded.
- 2.2. Financial inclusion can be seen as having two elements, as identified by the Joseph Rowntree Foundation. The first is good financial decision-making, including financial literacy, which means understanding of financial concepts, as well as financial capability, the skills and motivation to plan ahead, find information, know when to seek out advice and apply it to their own life. Poor financial decision-making can affect people who do not have low incomes, but those most affected are the people who suffer from a greater loss of welfare as a consequence of those decisions. Better-off people are more likely to have the advantage of a ‘cushion’ of financial assets and access to affordable credit, so do not need such good financial skills.
- 2.3. The second element is that people need to have access to products and services that are suitable for their needs. There are a number of products that can be difficult for people to access:
- Loans - exclusion from affordable loans leaves people who need a loan with no option but to use high-interest credit. This has knock-on effects on a person’s mental wellbeing, as the consequences of problem debt can be stress, depression and a sense of insecurity
 - Insurance - lack of insurance and savings makes families vulnerable to financial crisis following unexpected events such as burglary or flooding. Lack of savings can lead to poverty in old age
 - Direct debit - not having a bank account with a direct debit facility excludes people from this method of paying bills. Since many of the utility suppliers charge more for using other methods of payment such as pre-payment meters, pay-point cards in convenience stores, postal orders or cash, the poor may well pay more in an increasingly cashless economy.
- 2.4. Some groups are particularly vulnerable to financial exclusion for reasons that are separate from or interact with having a low income. The ‘Financial Inclusion in the UK’ report identified a series of groups that could be vulnerable to financial exclusion. While being in one of these groups will not mean that an individual is financially excluded, membership of a number of groups is likely to increase the chances of individuals being financially excluded or at risk of being financially excluded. Financial exclusion

constitutes a complex set of often overlapping barriers, particularly for some vulnerable groups, and consequently there are many aspects that successful financial inclusion initiatives have to address. Financial exclusion might be one of several issues that a person is facing

- 2.5. Financial exclusion also reinforces social exclusion. It is not just an individual problem and whole communities can suffer from under-investment in financial services. Therefore financial inclusion initiatives can form part of a community renewal policy.
- 2.6. Within Lewisham, financial exclusion can take on many aspects. During evidence sessions the Committee heard from Citizens Advice Bureau, who identified a set of challenges that the people of Lewisham are facing. These include:
 - The Government's radical changes across the whole field of social welfare, including the welfare benefits system, social housing, immigration and community care, is putting a huge amount of pressure on Lewisham's residents and on the local advice sector who are working at full stretch to support them.
 - Lewisham has the 7th highest number of Incapacity Benefit claimants in London. The change from Incapacity Benefit to Employment and Support Allowance has led to many people failing the medical capability for work assessment. Advice are swamped with appeals. However, many people do not get advice so are left dealing with illness and disability in poverty.
 - Increasingly complex cases, both because of the nature of circumstances and because the law is becoming more complicated.
 - Rising unemployment. Cuts to public sector jobs will hit Lewisham due its high number of public sector workers, however many are losing jobs in the private sector.
 - A shortage of specialist debt advice in the borough. The Legal Services Commission, who fund specialist debt advice through the Free Legal Advice And Help scheme (formerly Legal Aid), has awarded very few contracts in the borough. Lewisham will get less than half the money given to Kensington & Chelsea and only 19% of that awarded to Waltham Forest.

3. Access to financial services

- 3.1. Many factors can limit access to the financial infrastructure that many in society take for granted. These types of exclusion include:
- geographical exclusion, such as resulting from bank branch closures
 - condition exclusion, such as the failure to qualify because a minimum deposit is required, poor credit history or identity requirements
 - price exclusion, the relative cost of financial products and services such as unauthorised overdrafts
 - marketing exclusion, some less profitable groups of customers are not targeted by providers and so they are unaware of the financial services available
 - self-exclusion, cultural and psychological barriers, individuals may see financial services as ‘not for people like us’.
- 3.2. Access to financial services can also vary between the housing situations of individuals. While 97 per cent of home-owners have a bank account, only 75 per cent of housing association tenants do. As many as 84 per cent of the financially excluded may be social housing tenants.

Bank Accounts

- 3.3. According to the Financial Inclusion in the UK report, the proportion of low-income households without a bank account has fallen over the last two decades, from 20–25 per cent in the mid-1990s to 6 per cent in 2005–06. In an increasingly cashless economy not having a bank account can lead to financial exclusion. However, many of those with bank accounts barely use their account with around half of basic bank account holders preferring to withdraw all their money each week and manage it as cash. Although basic bank accounts vary in what they offer, they have limited functionality, allowing the use of ATMs, direct payment of wages and social security benefits, and in some cases a debit card, direct debits and withdrawals at a post office. Because of this it is questionable whether holding a basic bank account constitutes true financial inclusion.
- 3.4. The importance of having a bank account is steadily increasing. The policy of paying social security benefits and state pensions directly into a bank account has provided a push to improve access to banking services. But policies that generally require people to have a bank account, such as direct payment for social services means that those with no bank account are increasingly on the margins of society. Branch closures by banks and post offices contribute to financial exclusion, especially as closures tend to be of less profitable branches in deprived or rural areas where people are more at risk of financial exclusion and can make people think that banking is not for them, as they do not see branches in their locality.
- 3.5. Access to services for people with disabilities is covered by the Disability Discrimination Act. Withholding goods or services from people as a result of their disability breaches the Disability Discrimination Act, as does offering a disabled customer a lower standard of service. Bank branches therefore need

to ensure that their staff are trained to recognise and be sensitive to the needs of customers who are disabled

Insurance

- 3.6. Households with no home contents insurance are more than three times as likely to be burgled as those with insurance, but half of the poorest households do not have home contents insurance, compared with one in five for households on average incomes. Ironically, insurance is least widespread among the population who are most vulnerable to risk. Not having adequate home insurance can leave a household in a crisis if they experience the damage or loss of property. Social housing providers and other social services might have to step in.
- 3.7. In addition, there is a potential clampdown on uninsured drivers, which could have an impact on financial exclusion as people are now more likely to need to pay for car insurance and may borrow money for this, potentially exposing them to further money issues.

Credit Unions

- 3.8. Credit unions offer an alternative to mainstream banking in some areas. Credit unions are best identified by their adherence to cooperative principles, especially related to membership and control and differ from banks and other financial institutions in that the members who have accounts in the credit union are the owners of the credit union. The Financial Services Authority define credit unions as any body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act, which is an authorised person. As such, the FSA regulate credit unions. The first working credit union models sprang up in Germany in the 1850s and 1860s, and by the end of the 19th Century had taken root in much of Europe. They drew inspiration from cooperative successes in other sectors, such as retail and agricultural marketing, the work of the early mutual societies and the work of the co-operative pioneer, Robert Owen.
- 3.9. Members generally elect their board of directors in a democratic one-person-one-vote system regardless of the amount of money invested in the credit union. A credit union's policies governing interest rates and other matters are generally set by a volunteer Board of Directors elected by and from the membership itself. Credit unions offer many of the same financial services as banks, often using a different terminology; common services include: share accounts (savings accounts), share draft accounts (checking accounts), credit cards, share term certificates (certificates of deposit), and online banking.
- 3.10. Normally, only a member of a credit union may deposit money with the credit union, or borrow money from it. As such, credit unions have historically marketed themselves as providing superior member service and being committed to helping members improve their financial health. In the microfinance context, credit unions provide a broader range of loan and savings products at a much cheaper cost to their members than most microfinance institutions".

- 3.11. In the credit union context, 'not-for-profit' should not be confused with 'non-profit' charities or similar organizations. Credit unions are 'not-for-profit' because they operate to serve their members rather than to maximize profits. But unlike non-profit organizations, credit unions do not rely on donations, and are financial institutions that must turn what is, in economic terms, a small profit or surplus to be able to continue to serve their members.
- 3.12. A credit union's revenues (from loans and investments) need to exceed its operating expenses and dividends (interest paid on deposits) in order to maintain capital and solvency and credit unions use excess earnings to offer members more affordable loans, a higher return on savings, lower fees or new products and services.
- 3.13. Credit unions in the UK now offer a wide range of services to their members; from direct debits to payroll deductions, from being able to send standing orders from their accounts to paying members bills to providing cheaper insurance facilities. Life insurance is usually included with membership, while death benefits vary between unions, but commonly include lump sum payments, writing off of outstanding loans and doubling of savings.
- 3.14. The Committee heard from Lewisham Plus Credit Union about the work of the credit union. The credit union was originally founded by churches in the Sydenham and Forest Hill area and now covers the London Boroughs of Lewisham and Bromley in full. It has over 8,000 members (including Juniors), with over £1m both of savings and loans and offers a full range of services, including the credit union current account. The credit union can act as an alternative, safe, reliable source of financial services, as such it:
- Offers a place to save
 - Enables people to gain access to a current account in a setting many find more friendly and supportive than a Bank
 - Can be a source of general help and guidance on money and budgeting matters
 - Offers affordable loans to members, including those on low incomes, often at much better rates than available elsewhere
- 3.15. Interest rates on loans offered can vary from 12% to 26.8%, so a £500 loan over 1 year would cost £60. Lewisham Plus also offers the option for a save as you borrow loan, which uses savings diversion to move towards the stage where people don't need to get a loan. The credit union added 7000 users in 7 and a half years and 1100 people use the current account.
- 3.16. Lewisham Plus has a good relationship with Lewisham Council as a local authority as it has always been a supportive local authority, such as assisting in setting up initial premises at Kirkdale as well as with the Current Account. Council assistance was also vital in facilitating the rescue of Deptford and New Cross Credit Union. Lewisham Plus has assisted the Council in administering a number of special schemes and has a strong relationship with social housing providers. Support is also offered from Bromley Council, who have helped with grants and are mirroring schemes in Lewisham.

- 3.17. Lewisham Plus is a saving organisation and most people can save £1 or £2 a week, even if on benefits. Saving is the biggest way of promoting change in people's finances and the sense of empowerment from saving just £100 can produce changes and a feeling of stewardship and pride. This saving can then stop credit reliance, which stops interest payment which saves money. Lewisham Plus also offers one of the last credit union current accounts, which is structured very differently from others in that it charge 95p a week for the service, emphasising that it is a service that is paid for. However, compared to mainstream current accounts the extra charges (such as for overdrafts or bounced cheques) are very low, and it is these charges which can be unexpected and knock people over the edge who are on a tight budget, sometimes prompting a downward spiral into debt.
- 3.18. Lewisham Plus highlighted a number of issues including that they are facing, including the perceived availability of easy credit from the credit union, leading to the difficult task of turning people down and saying no to requests. This is often because it's not appropriate for those asking for money as it would not help and could trigger a downward spiral. There is also an important role the credit union plays in signposting people towards the appropriate place for advice or help (often this is the CAB).
- 3.19. The credit assessment system the credit union uses is different to mainstream banks as it will take into account benefits and housing tenure. However, there will be always be people who can't afford a loan, though about 80% of applicants are accepted, the money loaned is often below the level they initially wanted.
- 3.20. Lewisham is unusual in having two credit unions in Lewisham, Lewisham Plus and Crownsavers, which is the employee credit union. This can make it difficult for Lewisham Plus as an employee credit union can provide some stability and a wider range of savers. There is potential in merging the two credit unions, which could build the organisations so that there would be no need of outside support. Lewisham Plus put in a formal merger request a number of months ago and the process is ongoing.
- 3.21. The credit union is covering 70% of costs from its own income and feels it is sustainable. It has contracts from the department of work and pensions that supply the rest with a legacy fund that will keep the credit union running for four years. This legacy came from the growth fund, which enabled the credit union to offer loans to people who hadn't saved, though they are unsure of the long-term viability of this funding.
- 3.22. Lessons learnt from the collapse of the Deptford and New Cross Credit Union. The credit union there was very strong on the community aspect of the credit union but not as strong with the financial aspect. Successful credit unions need financial discipline, there was bad debt, it was a small credit union, it had poor assessment criteria and didn't offer a wide range of products. Attracting customers and savers in particular, which is largely done through word of mouth. There is a need for savers as the credit union can only lend what we have in the accounts. The types of customers, which

comes from a broad range of society, but the majority are in social housing and on benefit, female, and a lot are single mothers.

High interest credit

- 3.23. For many people, credit is a useful tool. Providing cheaper credit to people on low incomes has been described as probably the biggest challenge in tackling financial exclusion. There are a range of ways for obtaining credit, including:
- ‘mainstream’ ones such as credit card, bank loan, overdraft, building society as well sub-prime lenders, specialising in lending to those with poor credit histories;
 - Licensed home credit, store card, catalogue credit, ‘cash before payday’ services, pawnbrokers.
 - Not for profit or third sector, such as credit unions and CDFIs
 - Social Fund.
 - Informal, e.g. ‘jam jar’, arrears on utility bills, borrowing from friends and family.
 - Illegal private sector, i.e. ‘loan shark’
- 3.24. People often use a combination of these services, such as a bank and home credit as well. However, there is a point at which borrowing can become unmanageable for individuals, especially if the terms of any loan are high-cost or if the interest rates charged start to rise.
- 3.25. According to information given by Stella Creasy MP, who has been campaigning about high interest lenders (sometimes called ‘legal loan sharks’), approximately 5-7 million people in Britain are denied credit either because they do not have a bank account, or because they have no credit history. In recent years, personal insolvency in the UK has reached record highs. The latest figures show that, on average, in each constituency there are over 160 personal insolvencies a year – a dramatic increase from the beginning of the decade. Since the start of the recession, mainstream lenders such as high-street banks have been much less willing to lend money. This leaves more and more people with only the option of high-cost credit such as payday, doorstep and hire purchase lenders. Home credit is now used by around three million people in Britain, and a further two million people take out payday loans. In 2009, the payday lending industry was worth over £1.2bn, more than three and a half times larger than in 2006 and figures for 2010 obtained show that this figure has now risen to £1.9bn
- 3.26. Types of high interest credit include:
- Payday lending, which is a form of credit whereby the borrower either gives the creditor a cheque or authorisation to make an automatic withdrawal from their bank account. This is used as security for a short-term loan to be repaid, typically, on their next payday. Payday lending is an established form of lending in the US, but is a relatively new entrant to the high-cost credit market.
 - Home credit is the provision of credit, typically small sum cash loans, the repayments for which are collected in instalments (often weekly or fortnightly) by collectors who call for that purpose at the customer’s home.

- Hire purchase is a method of buying goods through making instalment payments over time. Under a hire purchase contract, the buyer is leasing the goods and does not obtain ownership until the full amount of the contract is paid.
- 3.27. According to Stella Creasy MP, the high-cost credit market makes use of the fact that its customers lack access to other forms of mainstream credit. A quarter of the customers of high-cost credit companies cannot access any other form of credit. As consumers, therefore, they do not have the power to shop around for other forms of credit that are more acceptable to them and more manageable to pay back. The MP's suggestion to tackling this issue is that the Treasury could tackle "problem lending" by penalising companies that fail to meet certain standards of provision of consumer credit.
- 3.28. Lewisham Plus Credit Union did point out that organisations such as Provident Financial, who offer weekly home collections at a typical APR of around 270%, have 1.8m customers and a high customer satisfaction. It is a big business and is regulated by the Financial Services Authority. In addition, the acknowledged rate of illegal borrowing is less than half that of other countries. A reason for this is that the legal framework that allows high APRs also keeps illegal lenders out, so a cap on interest rate is not necessarily a solution. Lewisham's Trading Standards team noted that short term loans at a higher APR can be cheaper than a longer term loan from a mainstream lender, even though the APR could be worse.
- 3.29. The Committee heard from Trading Standards that an illegal money lending pilot project was set up in Autumn 2004 following a government commitment to tackle illegal money lending. Under the pilot, two dedicated teams based in the Trading Standards Departments in Glasgow and Birmingham were established, primarily to investigate offences of illegal money lending. The work of these teams contributed to raising awareness of the nature and impact of illegal lending, understanding how to best tackle the problem, knowing where there are likely to be concentrations of illegal lending; and understanding the need to provide victims of loan sharks with help to access affordable credit and other sources of credit. In December 2006 the Economic Secretary to the Treasury announced funding from the Financial Inclusion Fund to extend the illegal money lending pilot project until March 2008 and to expand it to 5 teams. The Government subsequently announced a national roll out of the project by the Department for BERR that occurred in November 2007.
- 3.30. The London team, until its dissolution, reported directly back to Central Government and was responsible for all 32 London Boroughs and the City of London. Key statistics up until its cessation are :-
- Over 850 calls to the Hotline
 - 7yrs 3 months in prison sentences
 - £5.1 million in illegal debt written off
 - over 1300 victims helped
 - 350 intelligence reports submitted
 - 132 investigations conducted
 - 36 loans sharks arrested

- 3.31. Following further review, the present government announced that the project was to be restructured from April 1, 2011 with one team each for England Scotland & Wales. The England team is hosted by Birmingham City Council who perform a dual function as they also act as the leadership and management hub for the entire national project.
- 3.32. Illegal money lending covers a range of activities, from persons that are actually licensed but are acting unlawfully, to the extreme of a person offering cash loans without being licensed at all (Loan Sharks). Loan Shark activity is characterised by deliberate criminal fraud and theft, with extortionate rates of interest on loans that mean borrowers face demands for payment of thousands of pounds more than they borrowed and can often never pay off the loans. Borrowers who fail to pay or refuse to pay have been known to be subjected to intimidation, theft, forced prostitution and other, extreme physical violence.
- 3.33. Whilst Lewisham Trading Standards does periodically receive complaints and enquiries related to debt collection, it is extremely rare to receive information alleging or indicating 'loan sharking' whether by consumer complaint or information referred by partner agencies [e.g. the police, Citizen's Advice]. Recent informal discussions with Lewisham Police indicate no intelligence reports within the past two years of such activity occurring locally. However it should not be assumed that this lack of information means that the practice is not occurring. It may not be reported for fear of repercussions or the means of recording such incidents may mean they are 'hidden'.
- 3.34. The most recent such matter drawn to the attention of Lewisham Trading Standards occurred in 2009 when a report was received from a Lewisham resident alleging intimidation by a debt collector. This was referred to the London Illegal Money Lending Team (LIML) as it transpired that the debt collector concerned was connected with a wider existing investigation. Clear examples prior to this and upon which Lewisham Trading Standards has been able to act are few and far between and occurred over 10 years ago. CAB have not come across illegal money-lending, but were aware that people wouldn't necessarily report it to them

4. **Financial and Debt advice**

- 4.1. Financial and debt advice can be provided from a number of different sources, the Financial Inclusion in the UK report identified a variety of these sources, including:
- Those taking place within the Citizens Advice Bureau (CAB) structure. These might take the form of an identified project or office, or might be a person who specialises in giving this sort of advice, or a time when specialist advice is available.
 - Those taking place within the structures of local government. The service is usually directed at take-up of benefits and payment of rent, as well as at giving money and debt advice.
 - Those taking place within a housing association. The service is usually directed mainly at reducing rent arrears.
 - Independent money advice projects.
 - Credit unions and CDFIs also offer advice.
 - Organisations for specific groups that also offer money and debt advice alongside other services.
 - Advice given by an independent financial adviser (IFA). The private sector cannot currently provide the solution to limited capacity in advice services because independent financial advisers are profit driven, so they do not offer advice to people seeking basic services.
 - Advice given by a private sector financial services provider in connection with its own services.
- 4.2. The need for money and debt advice and financial capability is high, especially given that need is currently 'hidden' by people not coming forward for help. Another important element of trust is to be non-judgemental about debt problems and to offer a confidential service.
- 4.3. During evidence sessions the Committee heard from a three different organisations that provide financial and debt advice.
- 4.4. Lewisham Citizens Advice Bureau exists to provide advice and information to all sections of the local community. Their aims are to provide the advice people need for the problems they face and to improve the policies and practices that affect people's lives.
- 4.5. The Co-Chief Executive of Lewisham CAB explained that their service is independent and free to everybody, regardless of race, gender, disability, sexual orientation, religion, age or nationality. Like all CABs, they are an independent, local charity. Funding comes from a number of sources, including Lewisham Council, Lewisham PCT, charitable trusts and through selling advice services and training to a number of other organisations. Lewisham CAB is a member of Citizens Advice, which provides the information we use to advise clients and also accredited training in advice work. All CAB advisors, paid and voluntary, undertake this training. Member bureaux must meet the quality assurance standards set out in the Membership Agreement and undergo regular audits by Citizens Advice to ensure that requirements in all areas of their work is met.

- 4.6. Lewisham CAB provides advice and information through two bureaux in Sydenham and Catford. Clients can attend one of 5 Gateway sessions a week, where they are given a diagnostic assessment interview. From there, clients are offered either information, an appointment with an adviser or an appropriate referral. They also run a weekday reception service providing information and telephone sessions 5 times a week. Specialist services include a substantial money advice team, immigration advice, an Older People's Project and a system of honorary legal advice sessions, where local solicitors offer their services voluntarily. We also run outreach sessions at a variety of venues, including GP Surgeries, Housing Associations and Social Services' Leaving Care team.
- 4.7. Last year, Lewisham CAB offered advice to over 10,000 clients and assisted information to more than 6,000 people. Of advice clients, 77% were from an ethnic minority background, 26% were disabled and 21% were over 50. Clients come from all over Lewisham, although services are targeted mainly in the central and southern part of the borough, as there are other advice agencies in New Cross and Deptford. In terms of the problems clients come to see CAB about, debt and welfare benefits generate the most enquiries, accounting for around 55% of issues raised. Housing, employment and immigration are also substantial areas of work.
- 4.8. Last year, Lewisham CAB recorded financial outcomes of £8,523,620. These include £2,801,527 in welfare benefits gained and £5,447,248 in debts resolved through means such as writing off, setting up affordable payment plans or challenging debts. Non-financial outcomes include preventing evictions, dealing with bailiffs and regularising clients' immigration statuses.
- 4.9. Research shows that providing advice is generally effective. For example:
- People who deal with their creditors with the help of money advisers get better results than those who don't.
 - People who are given advice obtain better results than the unadvised in a range of tribunals.
 - Getting debt advice helps people to maintain employment.
 - Access to advice greatly reduces the risk of homelessness, not only preventing misery to the families involved, but also saving local authorities money in the associated costs of rehousing them.
 - Debt has been recognised as a factor in criminality and debt counselling for released prisoners has been shown to reduce reoffending.
 - Studies show benefits beyond sorting the immediate problems, including preventing family breakdown, reduced stress and improved health. As there is a recognised link between debt and stress, advice has a substantial role to play here.
- 4.10. In addition, Lewisham CAB are working with Lewisham Advice Providers Consortium on a co-ordinated approach that will improve the quality of advice, increase capacity of the sector and provide training. Lewisham CAB is also working on aspects of social policy including a homelessness report and investigating systemic problems with Employment Support Allowance, where assessments of disabled people on their ability to work are being approached in an inherently wrong way.

- 4.11. The Co-Chief Executive also highlighted some key current issues for Lewisham CAB:
- Taking a preventative approach to debt, trying to stop people getting into a bad situation in the first place. Often CAB deals with 'priority debt' such as council tax, where the penalty for non-payment can be imprisonment.
 - Operating a 2nd tier enabling service, which helps to get people into work.
 - Criminality and the link between crime and people being in debt.
 - The work CAB does can also help the Council itself, where social services costs that are associated with breakdown of family due to debt and re-housing can be headed off through good advice and help.
 - Poor administration by organisations that those seeking help have to deal with, such as the Department for Work and Pensions. Approaches by organisations
 - (such as the Council) can sometimes be unhelpful, sending in the bailiffs is not always a good idea as an approach such as recouping money through a 'skim' on benefits can be more effective.
 - Banks can be very rigid in their processes, which is unhelpful for disabled people, particularly those with difficulties communicating.
 - The lack of debt advice in the borough, exacerbated by the cut in funding for the Law Society in the borough, which means there will not be much legal or debt advice from March 2012.
 - Continual operation at capacity, so there is little information on actual demand for CAB services as always the sessions offered are always full.
 - The 'officialness' of Lewisham CAB which can often put people off coming to speak to them.
- 4.12. Lewisham CAB identified that working collaboratively to improve administration and collection methods could improve the lives of those who are financially excluded, while help to get 'big ticket' items and schemes to help people share resources would also help. Financial education projects, build capacity in smaller organisations who provide financial and debt advice and involving the voluntary sector more could also help improve the situation.
- 4.13. Lewisham CAB highlighted that there are some places to go for advice if people cannot access CAB services, with CCCS as being a good organisation that CAB refer people to, although there are also some bad examples of private debt management companies where APRs offered are very high and there are substantial administration fees attached to loans.
- 4.14. CAB deals with priority debts more often than those owing sub-prime organisations as they are more serious and are the ones who tend to struggle more. There is also a perception that people are not in debt if they pay back payday loans every month.
- 4.15. There has been an increase in demand for CAB debt-related services from older people, which can be largely explained due to older people previously not using credit, but the current generation that is becoming older are used to borrowing money.

- 4.16. Lewisham CAB also work with housing associations in addressing early rent arrears. CAB is working with Phoenix and talking to London and Quadrant about helping out there as well. This would be a holistic approach to finance rather than focussing simply on what the housing association is concerned with and could include financial advice for those leaving school.
- 4.17. Lewisham CAB is working to get the message across that help is available, work that can done through community groups in an informal, low key way. It is also important to recognise that simple awareness is not always effective, you need the people there to then deal with the upsurge in demand and that if you don't have extra people then its not much use. CAB refer people on and provide advice through self-help packs that are available and information on the internet.
- 4.18. Another provider of financial and debt advice, Elona Elliott of Evelyn 190 Centre, spoke to the Committee about the role of the 190 Centre, highlighting that advice is given for employment, benefit, housing and debt but that that they do not offer legal aid type services. They operate under an appointment system, though they do try and accommodate emergencies as possible. At the moment it is not possible to keep up with demand, the waiting period is currently 4 weeks and then clients have to be referred on. While there are different aspects to what the centre does, the types of advice are interlinked.
- 4.19. The Centre has 7 paid staff and try to use volunteers as much as possible. However this is a rolling circle as the volunteers are trained up, get some experience which makes them more employable and they leave and get jobs. While this is a positive development it creates problems for the centre itself. The funding for the Evelyn 190 Centre, who receive their core funding from Lewisham Council. Demand is very high for services at the moment but one advisor's funding went in September. There is a build-up of caseload at the moment and when a post goes then the caseload shifts to other workers there. There are also problems of getting funding from new sources as funders like backing new projects rather than maintaining projects that are already running. The work that the centre does increases income for clients, it brings in a 'disability premium' where the number of disabled people leads to increased funding to provide support and can increase housing allowance.
- 4.20. The Evelyn 190 Centre have seen repossession go up, as well as multiple debts. The changes to the way that Employment Support Allowance (ESA) is allocated has also increased the demand for services, with many people launching new claims and appeals against decisions, which require help from the centre.
- 4.21. Under the new rules for the ESA, there is an assessing threshold for qualifying for support, with 15 points needed. Appeals to decisions can take up to 9 months and the number of appeals means there is a lot of pressure on the appeals service, with Saturday hearings introduced to reduce the backlog. This leads to stressed clients coming to the centre and stress on advisors as well. Is a very difficult time for people and the process can leave them with minimal benefits to live on. ATOS performs the assessments using nurses rather than GPs, strict guidelines are in place that focus on basic abilities to

carry out tasks, the problems for people with mental health issues which makes it difficult for nurses without mental health qualifications to properly assess them. People don't know how to fill in the test and tend to make light of their situations as they don't want to be negative about it. People often fail the test because they didn't fill it in properly.

- 4.22. Under the appeal process, clients can decide whether to appeal, then it is decided whether they qualify for a valid appeal. If this happens then benefits are reinstated until the appeal is heard. The DWP don't ask for benefit back if they are unsuccessful in their appeal, but appeals are not always accepted as valid and the claimant goes onto JobSeekers Allowance (JSA). There can be further complications in the benefit system as those receiving incapacity benefit don't always receive housing benefit (as that benefit counts as an income) so leading to further problems and the potential for arrears build up. The new process causes problems for those with mental health issues as people often can't cope and have difficulties in managing their finances so get into debt, meaning that debt advice as well as benefit advice is needed.
- 4.23. The Centre has seen an increase in unemployment and people losing jobs, which leads to them falling behind on mortgages and payments, especially as banks are not as lenient as they were. Also local authority tenants are in danger of repossession due to arrears mounting up. However, some banks are still ready to loan to people on benefit and there are also some loan sharks out there, there are occasional reports on these and Evelyn 190 centre have liaised with Trading Standards before about these issues, receiving support and had training from them.
- 4.24. Christine Speed from the 170 Centre on New Cross Road spoke to the Committee about the work the 170 Centre does they do in the borough, with advice provision as the core service. People can arrange appointments to seek advice but they also have drop in sessions. The 170 Centre often has people queuing up and they do have to turn people away. They offer a training project for IT skills, a domestic violence project providing support and advocacy and a healthy eating project. Legal aid services are not provided at the centre and are now going to large firms, with examples such as Duncan and Lewis of a firm that has entered the borough to provide services. The 170 Centre will refer people to the appropriate bodies. The centre receives funding from Lewisham Council, which then attracts funding from other areas.
- 4.25. Issues that face people in the borough who are financially excluded can cover not having things like insurance and there being less projects offering quality second hand furniture. In addition, deposits for rent in private sector housing can be difficult to raise and stop gap measures such as crisis loans will be more restricted and harder to get. Other issues include people only having Post Office accounts or basic bank accounts rather than current accounts which means they can't use phone or internet banking.
- 4.26. There is the problem of people getting to the point where they can't cope with their debt problems and simply avoid it. A 'last minute' approach is not the best way to do this, better to go through voluntary agencies at earlier dates,

especially as once people start speaking you see that there are multiple problems.

- 4.27. The 170 Centre can also have problems accessing Council services directly. There used to be a dedicated line with password access so that the waiting time was reduced, so volunteers and staff at the centre could get information quickly while waiting with clients. This has now stopped and the 170 centre and the Evelyn 190 Centre would welcome the resumption of this arrangement and the recognition that they are an official advice agency that requires quicker access.

5. **Consumer protection**

- 5.1. Officers from the Council's Trading Standards team gave evidence to the Committee, explaining from a trading standards viewpoint financial exclusion may expose certain consumers to particular risk to such consumers due to:
- Greater potential for being supplied products/services inappropriate to their needs – e.g. sale of payment protection insurance to persons with pre-existing medical conditions or to those self employed
 - Being especially vulnerable to attempted trading malpractice or at least being perceived as such – for example loan sharking
 - Having very restricted choice in the goods and services available to them – for example low cost imported electrical items may not meet basic safety standards
- 5.2. Lewisham Council, through its trading standards team, has enforcement responsibilities under the Consumer Credit Act 1974. These are shared with The Office of Fair Trading (OFT), who administer the consumer credit business licensing system, and the England illegal money lending team (EIML) based in Birmingham. This team investigates cross authority loan sharking cases and has recently replaced the previous regional team structure following government spending review.
- 5.3. A review of the national consumer protection 'landscape' is in progress and contains proposals which have implications for local trading standards services and for future controls on the consumer credit industry.
- 5.4. It should be noted that trading standards does not offer debt advice or counselling which is provided by organisations such as the National Debt-line and Citizens Advice. The Consumer Credit Act 1974 is one of a myriad of acts and regulations for which local authority trading standards teams have enforcement responsibility.
- 5.5. The Consumer Credit Act is based on a licensing system and all consumer credit and consumer hire businesses operating in the UK (with certain exemptions) must possess an appropriate licence issued by OFT who must be satisfied that an applicant for a Consumer Credit Licence is a fit and proper person before issuing that person with a licence to trade. Consumer credit law also requires affected businesses to set out credit and hire agreements in a particular way and ensure that they contain certain information. Unfair credit agreements can be challenged in the courts and there are also requirements on how agreements are entered into, the information that must be provided to consumers and how credit is advertised.
- 5.6. Typically Lewisham trading standards records 3,400 – 3,800 complaints and enquiries annually either received directly or via the Consumer Direct national advice network. Around 10% of these have a finance issue at the heart of the matter and these some 25 – 30% require active trading standards involvement. It is not always possible to identify if financial exclusion plays a part in each matter.

- 5.7. Examples of matters with which Lewisham trading Standards has dealt where financial exclusion may have played some part are set out below. These matters can often be very complex and time consuming to deal with. Where more appropriate, referral/signposting to other specialist agencies is undertaken
- 5.8. Research suggests that almost half of those in serious debt (43%) were almost too scared to take action because of the social stigma attached to it. The perceived reaction of their loved ones is one of the greatest fears revealed by those in debt, causing them to take longer to deal with it and often adding to their debt burden. One in seven people in serious debt (15%) do not talk to anyone about it and nearly a quarter of people in debt take over a year to seek help. People often come to Trading Standards with multiple problems, who are then signposted and referred on to other local agencies. A problem is that people do not always read or understand the agreements they sign up to and can then be hit by further charges.
- 5.9. To operate a consumer credit business without being licensed is a criminal offence and carries a maximum penalty of £5,000 and/or up to two years imprisonment. Licences can be revoked where it can be established that the licensee has acted inappropriately. Warnings and conditions can be added to the licence where necessary.
- 5.10. Officers explained that credit related complaints are core to their work and that complaints about faulty big ticket items often lead to investigations into the credit agreements for those items. Illegal lending such as loan sharks are rare in the borough, though these could be hidden as no-one is willing to report them. At the moment there are few prosecutions for credit related complaints and people often return using different fronts to carry on.
- 5.11. In the future, the Government are proposing and consulting upon, significant changes of relevance to consumer protection and trading standards and these may be considered to have the potential to especially impact upon those experiencing financial exclusion, there are 3 main elements to this:
- Institutional changes for providing consumer information, advice, education, advocacy & enforcement
 - Reform of the national financial regulatory structure
 - Reform of consumer credit regulation
- 5.12. As part of a wider reform of the national financial regulatory structure the government has announced the creation of a Consumer Protection & Markets Authority [CPMA]. This organisation will have two main roles: protecting consumers and promoting confidence in the integrity and efficiency of the UK markets. Its markets division will regulate conduct within the wholesale markets and also represent the country at the new European Securities and Markets Authority.
- 5.13. In terms of financial consumer protection, it would regulate and supervise companies providing financial services and act as a 'consumer champion', with a dedicated focus on proper conduct. In addition it would oversee the

Financial Ombudsman Service, the Financial Services Compensation Scheme and the Consumer Financial Education Body.

- 5.14. The Financial Services Authority (FSA), the independent body that regulates the financial services industry in the UK, will be abolished and the CPMA would be one of the new bodies created to take responsibility for its current duties. The Government believes that consumers buying retail products have not been receiving the protection they need or expect under the current system. It says it is impractical for the FSA to deal with issues as wide-ranging as the soundness of global investment banks and the treatment of customers at a high street level. It intends that the CPMA will be able to focus more effectively on its two roles – customer protection and market regulation – which will hopefully mean greater stability in the financial markets.
- 5.15. There is a further proposal to transfer the regulation of consumer credit from OFT to the CPMA on the basis that there would then be one regime for all retail financial products. It is understood that the preferred option is a regime based on the model in the Financial Services & markets Act 2000 [a ‘rule book’ approach] but concerns exist that such a change would be extremely costly, disrupt and deregulate an existing system to the detriment of consumers.

6. Collection of debt by organisations

- 6.1. The Head of Public Services at Lewisham Council spoke to the Committee about the collection approach taken by Lewisham, which tries to promote direct debit, which helps collection rates and is cheaper to operate for the organisation. It also steers people towards the rebates and reductions that are available, making sure people get what they're entitled to in terms of benefit and housing. Use payment plans to ensure customers are informed so they know where they are with payments. The current rate of collection, which is at 94%, is a low rate. However, process times are among the best in the UK for Council Tax benefit. The budget is set with a 96.5% in it, which will be achieved, but not in the calendar year. Possible reasons for this is that there are a lot of people in low income employment, above the benefit threshold but struggling. Also there is a group who don't pay and won't pay until someone is knocking on the door
- 6.2. The approach taken is a firm one, but fair. There is a balance between the need to collect Council tax and looking to help where possible. It is a difficult balance for staff, who need to make decisions on whether there is a genuine inability to pay and to pursue collection where it is felt people can pay. Council tax staff work closely with adult social care teams to find out more about people and see if they have some sort of need and get information on means savings, benefit levels in order to understand why they haven't or can't pay.
- 6.3. The use of bankruptcy to collect Council tax is rarely done. Officers indicated that no people were served orders this year, though it has been done in the past. It is unlikely that the Council will pursue bankruptcy as it quite an extreme approach, the ombudsman has described it as a sledgehammer to crack a nut. However, issuing a threat usually elicits the payment and if further measures are taken those people have typically avoided contact and avoided paying. There has been a case of someone being imprisoned for non-payment, again this person had ignored court orders and all the help on offer.
- 6.4. If using bailiffs then there is generally little scope for negotiation, bailiffs are told to collect as much as they can as quickly as they can as they are expensive to use and the Council does not want to have to send them back. Bailiffs are used in hundreds of cases and they can charge substantial add-ons to cover their costs, though these are regulated and limited by statute. Bailiffs are under clear instructions not to collect from vulnerable people and though a visit from a bailiff is often stressful and possibly distressing it needs to be stressed that people getting bailiffs visit have had a lot of notice to pay. All casework is seen and recent casework indicates a small percentage of errors in terms of pursuing those who are vulnerable and those who simply don't want to pay. While places such as the 170 Centre and the Evelyn 190 Centre hadn't had many complaints from people they identified that bailiffs can be aggressive and that an approach emphasising negotiation before bailiffs are involved would be good. Other approaches such as offering regular payments, direct deductions, extending timeframes for repayment or some help with understanding financial management would also, in the eyes

of advice givers such as the 170 Centre and the Evelyn 190 Centre, help those that are financially excluded. In addition, computer generated letters can confuse things for people, while a 'pre-threatening letter' can scare people. This is a dilemma recognised by officers at Lewisham, the problem of how to approach the first contact. Currently the first reminder is very clear on what they need to do and some may feel threatened if they weren't expecting it. It is about striking the balance of 'just missed a payment' and the consistent offenders. Generally a letter is not sent until after 10-12 days, giving them a chance to pay if they have merely 'forgotten'. In addition, repeat offenders can be identified and targeted.

- 6.5. Scott McKinven of Affinity Sutton provided evidence to the Committee about the work they do do. Affinity Sutton are a housing association with 60 000 properties and around 1000 properties in Lewisham. Within Affinity Sutton there is a Community Investment team that has three main areas of focus, including looking at jobs, education and community, taking up financial services, debt advice, help for young people and offering advice at the right time
- 6.6. Around 2000 residents a year are helped to do this, an example is that 600 residents Affinity Sutton residents are members of Lewisham Plus Credit Union. There is a welfare benefits team who can help get people the benefits they're entitled to. In addition, Affinity Sutton are trying to get more of their tenants online (currently 50% of Affinity Sutton residents have access, against the 71% national average) as this is a good way of getting more savings on things they need as well as better access to services.
- 6.7. The main current and upcoming challenges that Affinity Sutton have identified for their tenants include increased general cost of living, rising gas and electricity bills and changes in the benefit system.
- 6.8. Peter Richardson of Hyde also provided evidence to the Committee. Hyde has 40 000 houses, with many of these in South East London. They have one of the largest in-house debt advice services in the country and offer debt advice, money guidance and fuel poverty and energy help. They sit within the regeneration arm of the business and aim to embed social investments into the physical investments. The general approach is a holistic one with early intervention as the key. The team has helped 1100 people in 8 months and a monetary measure of their impact shows close to £820 000 gain for the residents, which translates to £293 000 for the business itself. Hyde has helped with the national financial exclusion tool, uses a credit index and works closely with partners such as credit unions. Hyde have offered match funding to promote saving amongst their tenants.
- 6.9. Lewisham Homes gave evidence from their Director Of Housing, Kevin Jones. Lewisham Homes promote financial inclusion as a way to sustain homes and develop thriving neighbourhoods. It can help improve the ability of individuals to access employment. Lewisham Homes work with Lewisham Plus Credit Union to provide tenancy sustainment loans and have helped 774 bank accounts be opened with the credit union. Ban accounts are increasingly important as few people had bank accounts previously and these

will be important when the changes to benefits come in. In addition, Lewisham Homes have tried to promote employment among their tenants, such as training which has resulted in 18 residents gaining employment and 43 trained. In addition 11 apprenticeships came through Lewisham Homes contractors, tying in to the Mayors Apprentice Scheme.

- 6.10. The housing associations are generally proactive in tackling financial exclusion and people with money issues, the approach is to identify people before they go into arrears. Affinity Sutton have an incomes team and try to be proactive, including educating people. Early intervention pays off, if £100 is invested in debt advice then you can get £122 back. Money advice helps also, more of this leads to less arrears and can help support and sustain tenancies. There tends to be a holistic review of the tenant involved, looking at the situation and if necessary speak to other bodies involved. Establishing vulnerability can be difficult but pre-tenancy support can identify factors early on and target it, which will produce sustainable tenancies, the goal of any housing provider. This is not just about rent arrears.
- 6.11. The impact of the new universal benefit set to be introduced, which will come in the form of a lump sum, will have an impact on those that aren't very financially capable.
- 6.12. Encouraging access to the internet, which are approached in different ways. Affinity Sutton are part of a digital inclusion housing partnership and offer eco-computers, recycled computers, to residents. There seems to be a genuine need for this and an approach is training residents to be digital champions. In addition, access to broadband can be expensive and a social housing provider can access deals for tenants. Access to computers and the internet is important as most things are now digital by default. Lewisham Homes has a high rate of access, with 70% of residents connected. They encourage residents to take up the BBC 1st click sessions, which seem to work well.
- 6.13. The extent to which engagement with tenants is difficult, as they are the landlord. Housing associations have done research looking at it, and found that many don't mind receiving advice as it is help. The advice is confidential and impartial and people see the benefit of it, though there are a small number who will see the social housing provider as the 'big bad landlord'.
- 6.14. How people who are outside social housing, especially those in the expanding private housing sector, get help. Committee members suggested there could be an opportunity for social housing provider training and advice to be used to fulfil this, if there is spare capacity, with those needing assistance referred by the Council