

### Where can I find out more?

Financial Inclusion Team  
Social Inclusion Division, Scottish Executive  
Area 2-F (South), Victoria Quay, Edinburgh EH6 6QQ  
Tel: 0131 244 0064  
Email: [FinancialInclusion@scotland.gsi.gov.uk](mailto:FinancialInclusion@scotland.gsi.gov.uk)  
[www.scotland.gov.uk](http://www.scotland.gov.uk)

Financial Inclusion Taskforce (4/W2)  
HM Treasury  
1 Horse Guards Road, London SW1A 2HQ  
[financial.inclusion.taskforce@hm-treasury.gov.uk](mailto:financial.inclusion.taskforce@hm-treasury.gov.uk)

[www.moneyscotland.gov.uk/](http://www.moneyscotland.gov.uk/)  
(provides a range of general information on debt, and lists of local money advice agencies)

Financial Services Agency  
[www.fsa.gov.uk](http://www.fsa.gov.uk) (includes offers free tools for learning or teaching personal financial skills.)

National Debtline  
Freephone 0808 808 4000 (for Scotland)  
[www.nationaldebtline.co.uk](http://www.nationaldebtline.co.uk)

Association of British Credit Unions (ABCUL)  
Holyoake House  
Hanover Street, Manchester M60 0AS  
Tel: 0161 832 3694  
[www.abc.ul.org/page/index.cfm](http://www.abc.ul.org/page/index.cfm)

Scottish League of Credit Unions  
67 Longstone Road, Glasgow G33 3JU  
Tel: 0141 774 5020  
[www.scottishcu.org](http://www.scottishcu.org)

### Other sources of information

Financial Inclusion Action Plan  
Scottish Executive 2005  
[www.scotland.gov.uk](http://www.scotland.gov.uk)

Promoting Financial Inclusion  
HM Treasury December 2004  
[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

*For general regeneration issues:*  
Scottish Centre for Regeneration  
Festival Business Centre  
150 Brand Street, Glasgow G51 1DH  
Tel: 0141 419 1690  
Email: [scr@communitiescotland.gsi.gov.uk](mailto:scr@communitiescotland.gsi.gov.uk)  
[www.scr.communitiescotland.gov.uk](http://www.scr.communitiescotland.gov.uk)

### What are FAQ sheets?

**These are short guides to help you improve your understanding of important issues in community regeneration. They give you a quick and easy introduction to some of the main Scottish Executive policies and explain what they mean in practice.**

### What is financial inclusion?

Access to financial services that suit your needs, and having the necessary skills, knowledge and understanding to use them. At present many people suffer from financial exclusion and cannot get access to things like bank accounts and low-cost loans. Many financial difficulties are caused by poverty but can also trap people in poverty.

### How big a problem is it?

At least 40 per cent of all Scottish households have no savings or investments and this rises to 77 per cent in single parent households. Debt levels have been spiralling in the UK, and can affect people at all income levels.

Life becomes more expensive for people who are already likely to be poor. You can't pay by direct debit, so utility bills cost more. You have to buy things in small quantities without discounts. Cash is easier to steal, and theft or accidents are more damaging if you have no insurance. It is often difficult to get small loans from banks, and alternatives can be very expensive. Credit may only be available from home collection credit companies. A £200 loan from such companies might attract a charge of £94 over 30 weeks. Worse, people may be driven to use illegal loan sharks.

### What can be done about it?

In brief, make it easier for people to get access to:

- Safer and cheaper basic financial services, including credit unions.
- Money advice to help manage debt.
- Financial education.

### How can access to banking be improved?

All major high street banks now offer a basic bank account for people for whom a standard current account is unavailable or unsuitable. These cannot be overdrawn. They enable people to pay by direct debit or debit card and make withdrawals from cash points. The Financial Services Authority (FSA) has discovered that some people still find it difficult to open these accounts: it may be that they cannot provide standard proofs of identity or residence or that bank staff are under pressure to 'sell' other products.

### Why are the banks co-operating?

As a matter of corporate responsibility, and because basic bank accounts expand the banks' range of customers and bring new funds into the system, including millions paid in benefits and tax credits. In the longer term many users may move on to other products such as savings accounts.



## Shouldn't education prepare us to deal with money better?

Yes. A new Scottish Centre for Financial Education provides information and resources to teachers and schools. The Scottish Executive is funding pilot financial education projects working with vulnerable groups, such as single parents. The FSA has a Financial Capability Strategy to improve knowledge and understanding of personal finance.

People need literacy and numeracy skills to manage money, so national and local efforts to improve adult literacy play a vital role.

## What are credit unions?

A credit union is owned and controlled by its members, who must have a common 'bond' – in other words, live in the same area or have the same employer. Members are encouraged to save regularly. A dividend may be paid annually out of the profits and savers can ask for loans. The maximum interest rate is limited by law, currently 2 per cent per month.

Credit unions raise their basic funds from their own members, but public bodies can offer grants to help them to get set up.

## What can they contribute?

They can make a big difference to people's ability to save and to get safe, cheap loans, as well as helping with financial education. Legal restrictions have been relaxed to allow them to offer new services such as direct debits, insurance and more flexible savings accounts and loans.

## Shouldn't we just clamp down on moneylenders?

The Government is determined to deal with illegal money lenders, and the Scottish Loan Sharks Task Force is having an impact. But many problems arise when people use perfectly legal credit services for which there are better alternatives. Restricting these might encourage illegal lending, unless both community-based and commercial alternatives are positively promoted. However the Consumer Credit Act 2006 regulates the industry in three ways:

- by licensing;
- by controlling unfair relationships between the lender and the customer; and
- by helping consumers to get redress.

## Why should people get credit if they can't afford it?

Because life on a low income is almost impossible without sometimes using credit to cover major payments; and because the experience of credit unions shows that given the right terms and conditions people can afford and cope with this. Credit is part of our way of life now and many people use it without getting into debt problems. Sometimes it can become unmanageable when people fall ill or lose their job, or when relationships break up.

## Where can people go if they are having problems with debt?

Local money advice projects, Citizens Advice Bureaux, law centres, and some council services work in depth with people on debt problems. They can negotiate with creditors on debt repayment, help people to use available legal methods to sort out debts, and (along with welfare rights officers) help people to

identify and claim the benefits they are entitled to. In some cases, people also need housing or legal advice. The Scottish Executive is putting £5 million per year into expanding money advice.

National Debtline is a free, confidential telephone helpline for people with debt problems UK-wide.

## What else can be done?

Many other policies or projects can help. They include:

- Affordable home insurance schemes through social landlords.
- The Child Trust Fund, aiming to provide assets and promote positive attitudes to saving.
- Lower repayment rates on loans from the government's Social Fund.

## Who is involved?

The Scottish Executive has a Financial Inclusion Action Plan covering what it can do, working with others, to achieve these things. It is an integral part of Scottish anti-poverty strategy. But this issue really does cross sectors and boundaries. Banks and financial institutions need to provide new services and new ways of marketing them and educating people. The voluntary sector and local authorities are vital providers of advice and enable people to help each other in communities. Local authorities, social landlords and other services can help or hinder by the way they handle money and debt.

At UK level the Treasury is working with the banking industry to encourage more people to use banks. The Department for Trade and Industry is responsible

for consumer protection. The Department of Work and Pensions also has a key role. The FSA is an independent body with powers to regulate the financial services industry (including credit unions).

## How do we know whether this is working?

The Scottish Executive has set national targets to reduce poverty and disadvantage (often referred to as 'Closing the Opportunity Gap' targets). One of the objectives is "to reduce the vulnerability of low income families to financial exclusion and multiple debts".

The number of Scottish households without a bank or building society account has more than halved in the last five years. But the number without savings remains constant. Credit unions are growing fast – membership has quadrupled in three years to over 4 per cent of the adult population.

