Community Finance Solutions

Research into financial inclusion in Leeds – Final report

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University of Salford MANCHESTER

About CFS

Community Finance Solutions (CFS) is an award winning independent research unit specialising in financial and social inclusion, and community asset ownership. Located within the University of Salford, CFS offers independent research and advisory services to social landlords, local authorities, national government, charities and other organisations and agencies. Founded in 1999 by Professor Karl Dayson and Dr Bob Paterson, CFS was established to help empower communities to solve local problems relating to land and financial inclusion. Between them they developed solutions for securing community ownership of land and also models for the provision of loans to low income households who found themselves excluded from mainstream lending. These solutions have gradually extended over time and now CFS remains at the forefront of pioneering social research.

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Foreword

Our vision is for Leeds to be the best city in the UK: one that is compassionate and caring with a strong economy, which tackles poverty and reduces inequalities. We want Leeds to be a city that is fair and sustainable, ambitious, creative and fun for all.

In Leeds we have long understood that achieving sustainable economic success means ensuring that households in the poorest areas of our city are able to access the opportunities that exist. Access to affordable financial services and free and independent money advice is key to ensuring that all residents have the means to access the opportunities available.

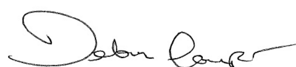
The Council's work to address financial exclusion started in 2004 with research which uncovered the extent of the issue in the city and provided the catalyst for a partnership approach to tackling the problems. Today we have one of the largest credit unions in the country, comprehensive and integrated advice provision and a national reputation on financial inclusion.

Back in 2004, key concerns highlighted by our research, were the significant number of residents without a bank account, with no savings and being unable to access affordable credit and instead using high cost doorstep lenders. This was at a time of national economic success and stability. Six years later following a global economic crisis a repeat of the 2004 research demonstrated that despite the great efforts to address financial exclusion in the city, the financial situation for residents in the most deprived neighbourhoods had worsened and financial exclusion had spread into more economically average areas.

Since 2010, economic recovery has been slow, there has been a rise in the number of people on low wages and insecure work. In 2018 poverty impacts more people in work than ever before. On top of this we have seen massive reductions in public spending, the introduction of welfare reforms and the rise of food banks in our communities. This latest research which repeats the studies undertaken in 2004 and 2010 enables us to understand how these changes have impacted residents and families in Leeds.

Worryingly, the 2018 research demonstrates that although financial situations have improved since 2010, financial exclusion is still at the same level that it was in 2004. Savings levels are low and credit is being used to cover day to day living expenses. This provides significant challenge for the Council and its partners as we see ever reducing resources coupled with increasing demand for services.

Despite this, we know that our work in this area is vitally important. Our ambition to be the best city in the UK can only be achieved if we tackle poverty and financial exclusion and reduce the inequality that blights our communities.



Councillor Debra Coupar
Leeds City Council
Deputy Leader and Executive Member for Communities

Glossary

DLA	Disability Living Allowance
PIP	Personal Independence Payment
SDP	Severe Disability Premium
ESA	Employment Support Allowance
UC	Universal Credit
MAS	Money Advice Service
DWP	Department for Work and Pensions
FCA	Financial Conduct Authority
PAT	Policy Action Teams
POCA	Post Office Card Account
BBA	Basic Bank Account
HCSTC	High Cost Short Term Credit
APR	Annual Percent Rate
RTO	Rent-To-Own
LCC	Leeds City Council
FISG	Financial Inclusion Steering Group
CAB	Citizens Advice Bureau

Executive summary

Overview of study

This report tracks the evolution of financial exclusion and poverty in Leeds since 2004 and analyses the effectiveness of local financial inclusion interventions in meeting the needs of financially excluded households. The report draws on three waves of surveys conducted of households in deprived and economically average areas of the City in 2004, 2010 and 2018.

	2004 survey	2010 survey	2018 survey
Deprived areas	410	602	602
Economically average [1]		300	320

[1]Only conducted in 2010 and 2017

This offers a unique opportunity to study the evolution of financial exclusion in a city and is a testament to dedication of Leeds City Council and partners to evidence-based approach to addressing financial exclusion. The report is also based on an analysis of management information from financial inclusion interventions. One must exercise some caution in comparing the results across the three years. We have not surveyed the same households over time so any differences may also be influenced by differing sample characteristics.

Economic and political context

The economic and political context within which the three surveys were conducted differed in important aspects:

- 2004 – The boom years: The first survey in 2004 was conducted during an extended period of economic growth. The New Labour government had also introduced a range of national policy initiatives to address social and financial exclusion, including the Policy Action Teams, Savings Gateway and the Basic Bank account.
- 2010 – Eye of the storm: The 2010 survey was executed in the aftermath of the 2007-08 financial crisis and recession ending in 2009 leading to contraction of lending, job losses and rising debt and repossessions.
- 2018 – Economic growth and austerity: In 2018, when we conducted the last survey, the context had shifted yet again. Since 2010 UK has been undergoing a prolonged period of low growth, falling real wages, changes in the labour market and an extensive series of reforms to the benefit and welfare system.

The evolving nature of financial exclusion

What does the 2018 survey tell us about the state of poverty and financial exclusion in Leeds? Bank account ownership has increased significantly across all groups. However, many households do not actively use key features of the bank account, especially direct debits and standing orders, out of fear of losing control. Over half of the deprived sample still use prepayment meters to pay fuel bills. The savings habit has recovered from a very low point in 2010, though people are still significantly less likely to save now than in 2004. Similarly, there has been some easing of debt issues since 2010, though households are still significantly more likely to be in debt now than in 2004. In line with the

national picture, high cost credit use has fallen but over a third of households borrow to cover day-to-day living costs.

The findings highlight the importance of context and the extraordinary circumstances in which the 2010 respondents found themselves. The UK economy was emerging from a recession and growth had only resumed at the end of 2009. Unemployment rose from around 5% in 2008 to around 8% in 2010. In the aftermath of the financial crisis, household finances had been under sustained pressure through falling house prices, rising interest rates and increasing number of mortgage repossessions. Yet, although there have been some improvement since 2010, the 2018 deprived area respondents are less resilient and worse prepared for a crisis than in 2004 with significantly lower propensity to save and higher likelihood of being in debt. This is worrying given the impending roll-out of Universal Credit, the potential fallout of Brexit and any future downturn.

The analysis of the survey data suggests the following about the evolution of financial exclusion in Leeds:

- Welfare reform: Around 10-12% in both samples reported being affected by the current changes to the welfare system. This is possibly an underestimate as the technical nature of changes makes it hard for households to know if and which changes they have been affected by. Leeds had also not rolled out Universal Credit at the time of the survey.
- Foodbank use: The use of foodbanks is a core indicator of deprivation. Around 6% of the 2018 deprived and average sample had resorted to foodbanks. In comparison, Trussell Trust estimated delivering food parcels to nearly 666,000 individuals in 2017-18, equivalent to around 2% of the number of UK households.
- Labour market changes: A considerable minority of 7% of the deprived sample and 11% of the average sample were in temporary, more precarious forms of employment, such as zero-hour contracts. Around 5-6% of both samples had been affected by redundancy, reduced pay or reduced hours in 2018 down from 14-16% in 2010.
- Digital inclusion: 82% of the deprived sample and 87% of the economically average the 2018 respondents had internet access, up from 51 and 74% respectively. This is probably linked to the increase in smartphone ownership. A majority of respondents perceived their skills at using the internet as good and most found using the internet for a range of tasks quite or very easy. However, a significant minority – 22% of the deprived sample and 14% of the economically average – found using the internet difficult.
- Banking: In the deprived areas, there was a significant increase in bank account ownership from 70% in 2004 and 81% in 2010 to 96% in 2018 as well as fall in people being refused an account. In the economically average areas, 99% had a bank account in 2018. There was greater use of the account with an increased use online and phone banking to check balance and of direct debit to pay fuel bills. Around a quarter of the deprived area respondents had incurred bank charges from going overdrawn in 2018 down from around 35% in 2010. In the economically average sample, there was no change.
- Savings: In 2018, 34% of the deprived area respondents reported never saving and 40% had no savings whatsoever. This is significantly lower than in 2010 when 64% did not save and 67% had no savings. However, the respondents were still significantly less likely to save and more likely to have no savings in 2018 than in 2004 (37% had no savings and 30% did not save in 2004).
- Credit: Around 15% of the deprived area respondents reported using high cost sources of credit. This is significantly lower than in 2010 (25%) and 2004 (28%) and is possibly due to the contraction of these forms of credit as well as a lower proportion of unemployed and households in the two lowest income brackets (below £6,000) annually in the 2018 survey. Regular credit use has

remained largely unchanged. Among those that borrow, a third do so to cover day-to-day expenses, which is similar to 2010 but significantly higher than in 2004. In the average sample, 38% used regular credit in 2018, compared with 29% in 2010, and 15% used high cost credit, compared with 13% in 2010.

- Debt: Levels of worry about debt and difficulties paying fuel bills have fallen significantly since 2010, back to 2004 levels. There has been a significant drop in the proportion behind on payments (including priority bills) since 2010 but the proportion behind on payments is still significantly higher in 2018 than in 2004.

Groups at risk of financial exclusion

There is extensive evidence to suggest that some types of households are more likely to be financially excluded than others. Our analysis suggests that there are a number of determinants of financial exclusion:

- Tenure: The most important determinant of financial exclusion is tenure. Social housing tenants and to a lesser extent private tenants are significantly more likely than homeowners to face digital exclusion, lack access to banking services, use high cost credit and be in financial difficulties
- Lone parent: Similarly lone parents face issues around use of banking services, low levels of savings and debt. This is not surprising given that research shows that they tend to be financially excluded to greater degree (e.g. Dayson and Vik, 2011).
- Income: People on low incomes and not in work are less likely to be banked and have savings.
- Age: Younger age groups are less likely than older respondents to save and more likely to have debt problems. Respondents aged between 30 and 44 are also more likely to use high cost credit. Older and retired households are more experienced at managing their money and have more predictable income flows and costs though they are more likely to face digital exclusion issues.

The effectiveness of financial inclusion interventions

In the analysis, we considered the effectiveness of the financial inclusion interventions in reaching out to those most in need. We analysed the level of awareness, use and client characteristics. We drew the following conclusions:

- Awareness: Two local financial inclusion interventions stood out in terms of awareness. First, there was a significant increase in awareness about Leeds Credit Union since 2010 and 2004. The vast majority of the respondents, around 70%, had heard of the credit union. Second, we found a very high level of awareness of Citizen Advice Leeds with nearly 80% in deprived sample and over 90% in economically average area having heard of the agency. This may be explained by the high profile of Citizen Advice and, to a lesser extent, credit unions nationally. There was also a high level of awareness of foodbanks with around 60% in deprived areas and over 80% in economically average communities saying they had heard of the service. Conversely, only around a quarter had heard of city council services, including welfare and council tax support schemes.
- Use: From management information we know that the credit union membership in Leeds has increased. This is also partially reflected in the survey data where we saw a significant increase in membership from 2004 to 2010 but largely unchanged since then. We observed a significant increase in seeking advice from 2004 and 2010 to 2018 from 11-14% to nearly 30%.
- Outreach: The analysis of two largest organisations, Leeds Credit Union and Citizen Advice Leeds, suggests they reach those most in need. Credit union membership was highest among lone parents and social tenants, which are also the two groups most likely to be affected by financial exclusion. Private tenants were significantly less likely to be members, though they are also often affected by

financial exclusion. Citizen Advice Leeds users were significantly more likely to be in social or private rented compared with homeowners and to be aged 30-44. This is probably explained by the greater number of payment commitments and less predictable income and outgoings for this age group and social housing tenants.

Recommendations

The results suggests that the 2018 deprived area respondents were less resilient and prepared for external shocks than in 2004 in terms of lower propensity to save and greater likelihood of being in debt. This is worrying given the impending roll-out of Universal Credit, the potential fallout of Brexit and any future downturn. Hence, we make the following recommendations to Leeds City Council and its partners to support building of the resilience of households:

- Enhance savings habit: There is clearly a need to support new and existing interventions to support households build a savings habit, even if they can only afford to save small amounts. This may include piloting informal savings groups and supporting financial capability and the credit union.
- Create surplus to save: There are many households that do not have capacity to save because of existing debts, insufficient income or too high outgoings. It is therefore vital to support interventions that help create capacity to save, including increase disposable incomes through income maximisation, reducing outgoings (wholesale buying etc.) and dealing with debts.

1. Overview of research

This report tracks the evolution of financial exclusion and poverty in Leeds since 2004 and analyses the effectiveness of local financial inclusion interventions in meeting the needs of financially excluded households. The report draws on three waves of surveys conducted of households in deprived and economically average areas of the City in 2004, 2010 and 2018 (see table below).

	2004 survey	2010 survey	2018 survey
Deprived areas	410	602	602
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This offers a unique opportunity to study the evolution of financial exclusion in a city and is a testament to dedication of Leeds City Council and partners to evidence-based approach to addressing financial exclusion. The report is also based on an analysis of management information from financial inclusion interventions.

The remainder of the report is organised into six sections:

- Section 2 – Context
- Section 3 – Evolution of financial exclusion in Leeds
- Section 4 – Effectiveness of financial inclusion interventions in Leeds
- Section 5 – Conclusions and recommendations
- Section 6 – References

Additional documentation can be found in Appendices A-C:

- Appendix A – Profile of sample
- Appendix B – Survey methodology
- Appendix C – Qualitative interview methodology

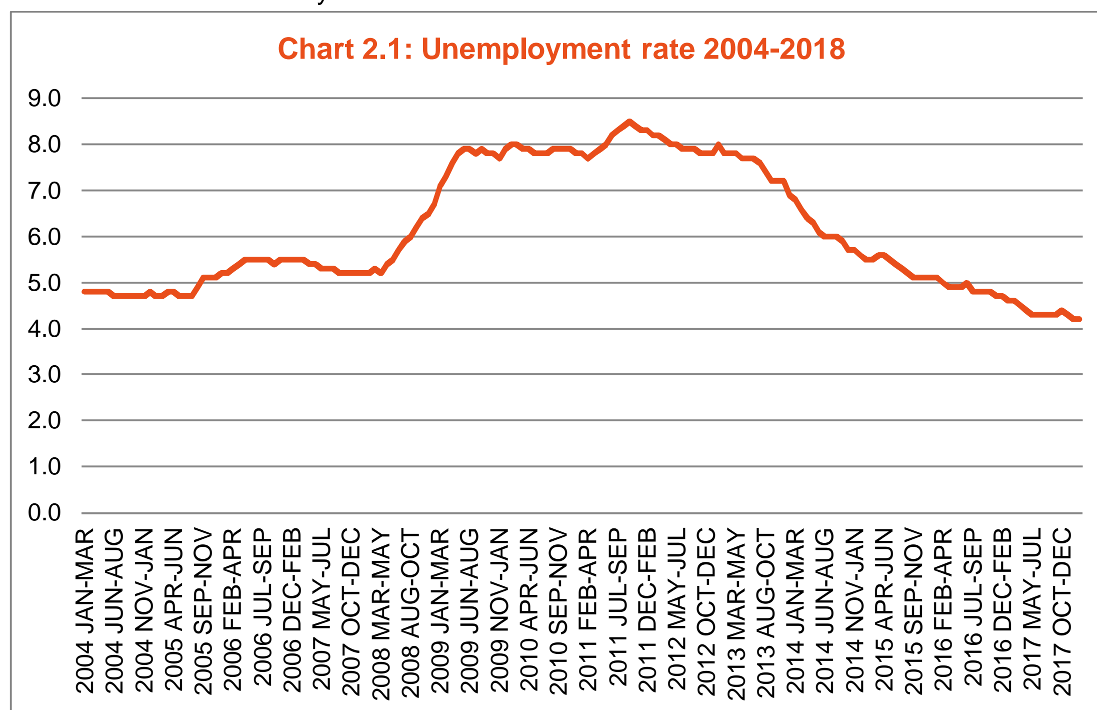
2. Context

The analysis of the results of the 2018 survey of households in Leeds and any changes since the 2004 and 2010 surveys has to take into account the changing context within which the surveys were conducted. Hence, this section will discuss developments since 2010 in terms of the economic and political context, financial inclusion policy, banking and transaction services, savings and assets, and debt levels and financial difficulties. Finally, the section will highlight some implications for the analysis of the survey data.

2.1. Economic and political context

The economic and political context within which the three surveys were conducted differed in important aspects. The first survey in 2004 was conducted during an extended period of economic growth. The New Labour government had also introduced a range of national policy initiatives to address social and financial exclusion, including the Policy Action Teams, Savings Gateway and the Basic Bank account. The 2010 survey was executed in the aftermath of the 2007-08 financial crisis and recession ending in 2009 leading to contraction of lending, job losses and rising debt and repossessions. In 2018, when we conducted the last survey, the context had shifted yet again. Since 2010 UK has been undergoing a prolonged period of low growth, falling real wages, changes in the labour market and an extensive series of reforms to the benefit and welfare system.

We start by addressing the changes in the labour market. Chart 2.1[1] shows tracks unemployment levels since the first survey in 2004.

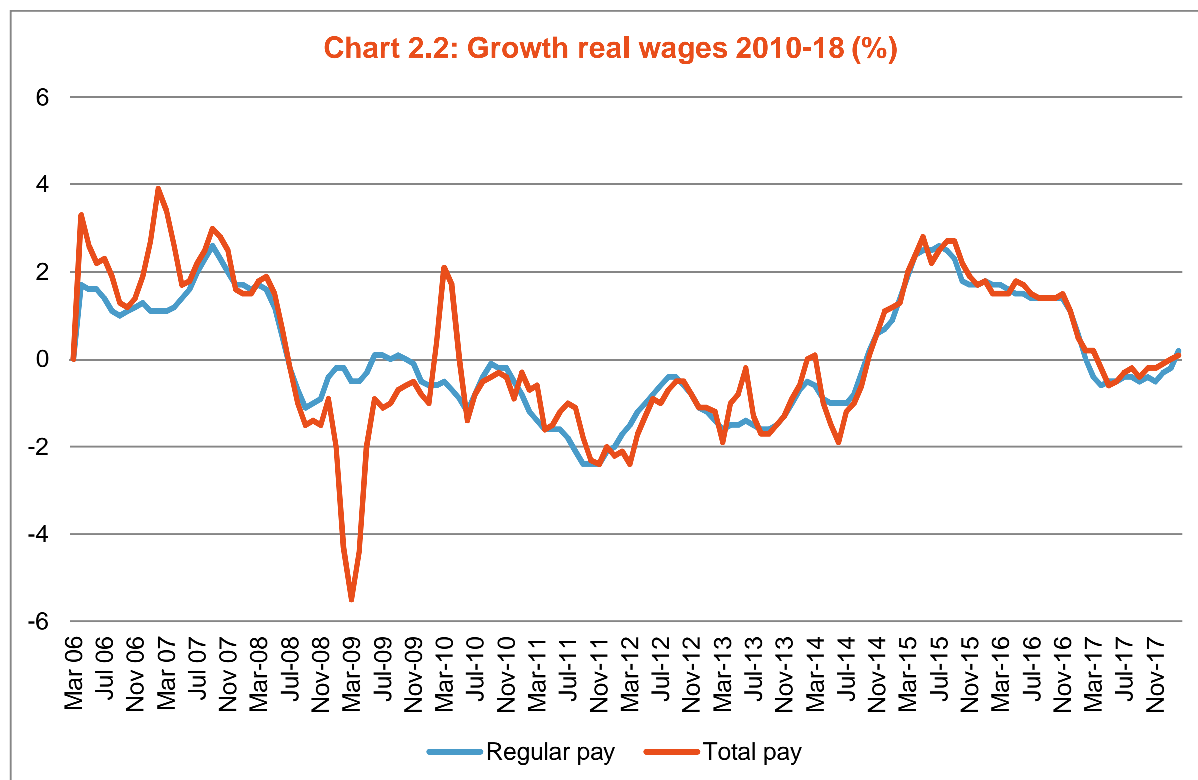


Unemployment rose from around 5% in 2007 to around 8% in 2009, peaking at 8.5% in 2011. The unemployment remained around 8% until 2013, at which point it started to fall. The high level of unemployment during this period is not surprising given the financial crisis in 2007-08. As a result, UK

[1] UK Office for National Statistics

GDP started falling in 2008 and growth only resumed at the end of 2009. Since 2013, the unemployment rate has fallen significantly.

Chart 2.2 shows the percentage change in real weekly regular (excluding bonuses) and total pay since 2006.[2]



In the lead-up to the 2010 survey, real wages fell significantly following the financial crisis and the ensuing recession. In single month in 2009 total real pay fell by 5.5%. Despite low levels of unemployment, wage growth has not kept up with inflation since the 2010 survey. Real wages fell for nearly four consecutive years (2010-14) before growing from the end of 2014 to 2016. In 2017 real wages fell again before starting to increase in early 2018. This fall in real wages can be explained by a number of factors including low and falling levels of unionisation, increase in self and part-time employment, a larger than usual proportion of low-skilled jobs among new jobs created and low and falling levels productivity.

The rise of flexible employment or insecure work in the wake of the financial crisis of 2008 is one contributing factor to falling wages. Citizens Advice estimates that 4.5 million UK workers are currently in insecure work, though GMB estimate it to be around one in three of the workforce, or closer to10 million people. This includes those on zero or short hours contracts, temporary workers, underemployed and those at risk of 'bogus' self-employment (GMB, 2017). According to the Business Survey of the Office for National Statistics there are 1.8m contracts not offering a guaranteed number of hours or around 6% of all contracts.

[2] Office for National Statistics Labour Force Survey

Zero hour contracts are arguably the most high-profile aspect of the UK's precarious labour market, and regulation of them is minimal. Those on such contracts are not guaranteed a set number of hours to work, and instead are offered hours as and when they arise. Chart 2.3 shows the percentage of people in work who say they are on zero-hour contracts since 2000.[3]

This form of employment has increased considerably, from 0.6% at the time of the 2010 survey to 2.8% in 2016. In absolute terms, this is an increase from 168,000 to over 900,000 over the same period. This form of disproportionally affects certain groups and sectors:[4]

- It is most common among younger workers as 8% of workers aged 16-24 are on zero-hour contracts compared with 1.6% for 35-49 year olds.
- Women are more likely to be on such contracts compared with men (3.1% compared with 2.6%)
- Such contracts are more commonly used in low skill jobs and in health, and accommodation and food.
- In Yorkshire and the Humber 3.4% report being on a zero hour contract, well above the national average of 2.9 and the second only to the East Midlands.

Critically for many zero-hours contracts are not temporary nor their preferred option. Over 60% have been on this form of contract for more than a year and over a quarter want to work more hours. Nearly 15% did not have any actual hours worked in reference week compared with 8.6% for those not on zero-hour contracts.

The perhaps most significant change from the last survey has been the sweeping welfare reforms introduced by the Coalition Government in 2010 to "make the benefit system fairer and more affordable; reduce poverty, worklessness and welfare dependency; and reduce levels of fraud and error."[5] There are four main changes brought about by the reforms:

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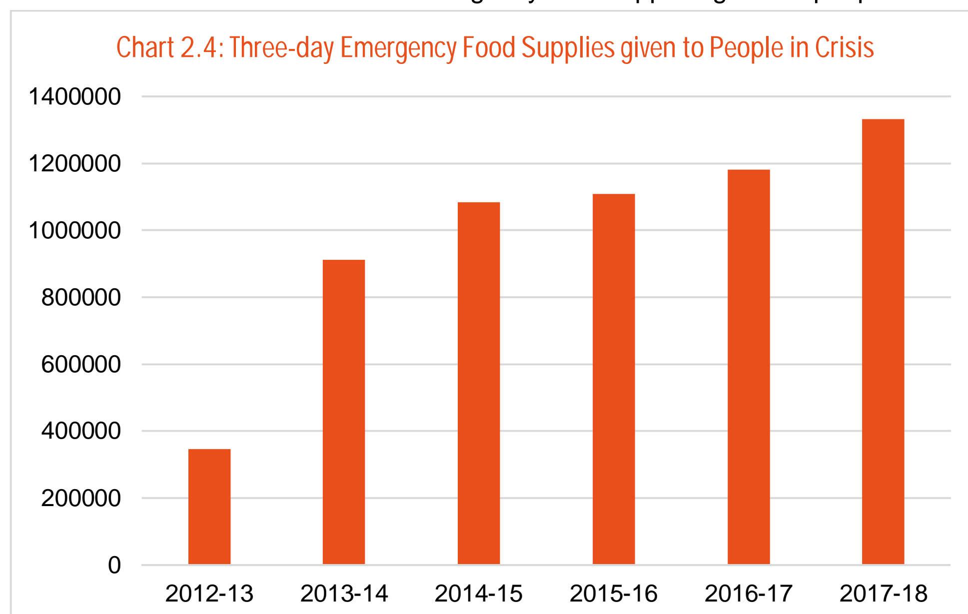
[3] Office for National Statistics Labour Force Survey
[4] Office for National Statistics Labour Force Survey
[5] Coalition Government Policy Paper on Welfare Reform

- Universal credit: Replaces the main means-tested and tax credits for working age people. It combines income support, job seekers' allowance, employment support allowance, working tax credit, child tax credit and housing benefit. The key features include a new structure, comprising of basic personal elements (such as single/couple rates) plus additional amounts for disability, caring responsibilities and housing costs. It is administered largely online and paid monthly in arrears. There is also a single taper at 63% (the rate at which benefit is withdrawn as income increases).
- Conditionality: Universal Credit comes with more conditions and tougher sanctions for their breach than its predecessor. For example, from April 2012, lone parents were required to look for work when their youngest child turned 5, reduced from 7. From April 2017, those on Universal Credit will be expected to prepare for work when their youngest child turns two, and to look for work when they turn three.
- Benefit sanctions: Failing to comply with the conditions results in tough sanctions that can result in payments being frozen or withdrawn. There are low, medium and high levels largely based on the length of period imposed by the sanctions, ranging from a week to 3 years depending on the severity of the breach.
- Disability checks: For those with disabilities or long-term health conditions, the replacement of the Disability Living Allowance with the Personal Independence Payment (PIP) was designed to reduce the number of working age claimants by 20%. Under PIP, there is no equivalent of the Severe Disability Premium (SDP), which means households containing a person in receipt of DLA or PIP, who is not deemed capable of work, will suffer significant losses to their income. There are no disability premiums included in a UC calculation however due to a high court ruling no one currently claiming SDP will have to claim UC until transitional protection is put in place.

Alongside these changes, the government since 2010 have also introduced numerous cuts to the welfare system. These include the abolition of the Child Trust Fund and the freezing of Child Benefit for three years in 2011, and the move from Income Support to Job Seeker's Allowance for single parents with youngest child over the age of five in 2012. In 2013, the government introduced a cap on the amount of benefits a household can receive, even if their entitlement is more. This cap, initially set at £26,000 in 2012, was reduced to £20,000 for couples and £13,400 for single people in 2016. It is expected that the transition to Universal Credit coupled with other cuts and reforms to welfare will cause a loss in income of £1,450 per year for couples with two or more children, whilst lone parents with two or more children can expect to lose £1,750 a year on average (Wickenden, 2016).

The much publicised use of foodbanks is linked to the wider economic and political context. Food banks have existed in the UK since 2004, but have established more of a presence since the financial crisis in 2008 and after austerity measures were introduced in 2010. Foodbank use has seen a more or less steady increase in use over the last six years.

Chart 2.4[6] shows the evolution of emergency food supplies given to people in crisis.



A number of different reasons have contributed to the increase in foodbank usage. High global food prices coupled with an increase in unemployment following the recession led to food being disproportionately less affordable for households on low incomes. Alongside this, changes to welfare support, such as the abolition of the Social Fund and, more recently, the introduction of Universal Credit, may also have had an effect on foodbank usage. The Trussell Trust has found that foodbanks in areas of full Universal Credit rollout for six months or more have seen a 30% average increase in use after roll out compared to a year before. As well as this, issues with benefit payments have remained the biggest cause of referrals to foodbanks across the UK, accounting for 43% of all referrals. Of these, 25% has been down to a delay in receiving benefits, and 18% has been due to a benefit change.

It has been suggested that usage is higher in areas where there are more or better-established food banks, suggesting an increase in use is more down to knowing that the food bank is there. Despite this, one study found that local authorities with greater rates of sanctions and austerity experienced greater rates of people seeking emergency food assistance regardless of the number of food banks there (Loopstra et al, 2015). Those who use food banks are more likely to live in rented accommodation, be single adults or lone parents and be unemployed (Trussell Trust, 2017).

[6] Trussell Trust (2017) End of Year Stats

2.2. Financial inclusion policy

The centrality of financial inclusion in government policy has, as noted, varied considerably over the three surveys. Financial inclusion was in the ascent in 2004 with a plethora of national initiatives. Since 2010, governments have not focused particularly on financial inclusion, though there has been a flurry of announcements and initiatives more recently. Table 2.1 lists the salient financial inclusion policy developments since the last survey in 2010.

Table 2.1: Financial inclusion policy timeline

Year	Developments
2010	• Child Trust Fund closed • Government sets up Consumer Financial Education Body based on recommendation in Thoresen review
2011	• Financial Inclusion Taskforce disbanded • CFEB rebranded as the Money Advice Service to coordinate debt advice and improve financial capability • Financial Inclusion Fund discontinued
2012	• MAS takes over debt advice coordinating role from BIS
2013	• Government awards £38m to Credit Union Expansion project
2015	• Financial Inclusion Commission set up by MPs and experts • MAS launches 10-year financial capability strategy
2017	• Government appoints Parliamentary Under Secretary for Pensions and Financial inclusion in DWP • House of Lords select committee on financial exclusion publishes report urging Government and FCA action on financial exclusion
2018	• Government announces £55m from dormant bank accounts to fund financial inclusion initiatives to be managed by Big Lottery Foundation • Government sets up Financial Inclusion Policy Forum

There has been very little focus on financial inclusion in Government since 2010. In the wake of the financial crisis and economic decline, there has been an overarching focus on cutting public spending. Since 2017, Britain's impending exit from the EU has dominated policy-making. In 2011, the Government ended the flagship financial inclusion policies of the Financial Inclusion Taskforce and the Financial Inclusion Fund. The Taskforce played an important role in overseeing financial inclusion policy and serving as a central location for intelligence on financial exclusion. The £130m Financial Inclusion Fund encouraged cross-departmental working and projects to promote financial inclusion.

Since 2015, the Government has been under pressure from initiatives outside of government, namely the Financial Inclusion Commission and the House of Lords select committee on financial exclusion. The Government has made a number of policy announcements in the last couple of years. In 2017, in response to a recommendation by the Financial Inclusion Commission, the Government appointed Gary Opperman as the Minister for Pensions and Financial Inclusion. In 2018, it set up the Financial Inclusion Policy Forum with members from industry, regulators and government, which met for the first time in March 2018. In the same year, the Government announced that it will be using £55m from the dormant bank accounts fund to provide funding for financial inclusion interventions.

2.3. Banking and transaction services

Access to a bank account is a core aspect of financial inclusion. It enables people to manage their day-to-day transactions and breaks an important barrier as it (Rowlingson and McKay, 2016):

- Provides somewhere for income to be paid and held securely;
- Provides a method of paying and spreading the cost of household bills and regular commitments;
- Provides a method of paying for goods and services, including making remote purchases by telephone and on the internet.

The data in table 2.2 shows that bank account ownership has continued to reduce over time.

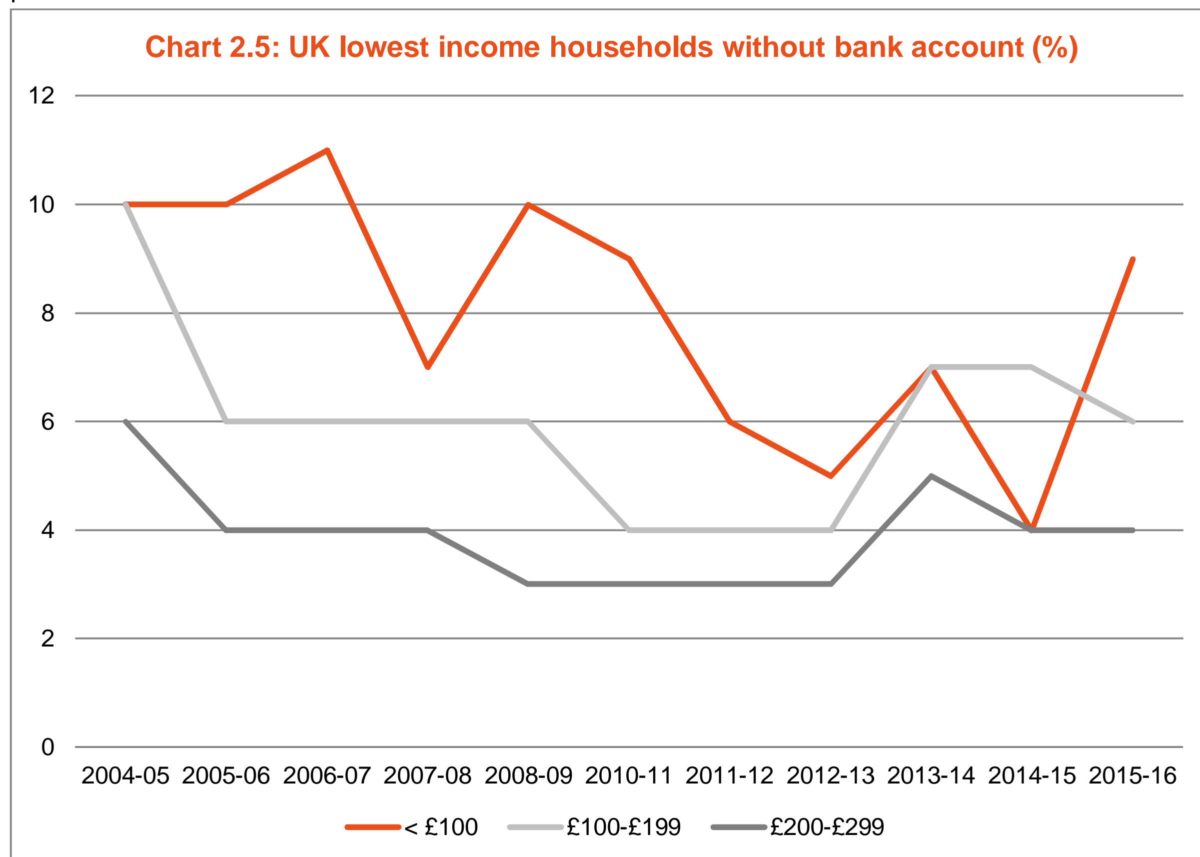
Table 2.2: Bank account ownership for households in Yorkshire and the Humber (%)

		2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2010-2011	2013-2014	2014-2015	2015-2016
Current account	YH	89	89	88	91	90	92	94	95	95
	Eng	(91)	(91)	(90)	(92)	(92)	(NA)	(93)	(93)	(93)
POCA	YH	--	9	9	7	7	7	3	4	5
	Eng	--	(7)	(6)	(7)	(6)	(NA)	(4)	(4)	(4)
Other accounts	YH	51	52	47	46	43	43	44	46	44
	Eng	(54)	(51)	(50)	(51)	(50)	(NA)	(44)	(44)	(43)
Basic Bank A/C	YH	8	6	9	8	7	7	7	7	8
	Eng	(6)	(5)	(7)	(7)	(6)	(NA)	(6)	(6)	(7)
No accounts	YH	5	4	4	3	4	3	3	1	2
	Eng	(4)	(3)	(3)	(3)	(3)	(NA)	(3)	(3)	(3)

Source: Family Resources Survey, DWP
Notes: Proportion of bank account ownership for households in England in brackets

The proportion of households with a current account, considered as the account with the highest level of functionality, has increased considerably in the region, from 89% in 2004-05 to 95% in 2015-16. It is interesting to note that whilst lagging the national average for current account ownership 2004-2009, from 2013 to 2016 the region's current account ownership exceeds that of England. In Yorkshire and the Humber, the proportion of households without any type of account fell from 5% in 2004 gradually down to 1% in 2014-15. There has been a slight increase in this percentage in the area for the year 2015-16, but the UK average has remained consistently at 3% since 2005.

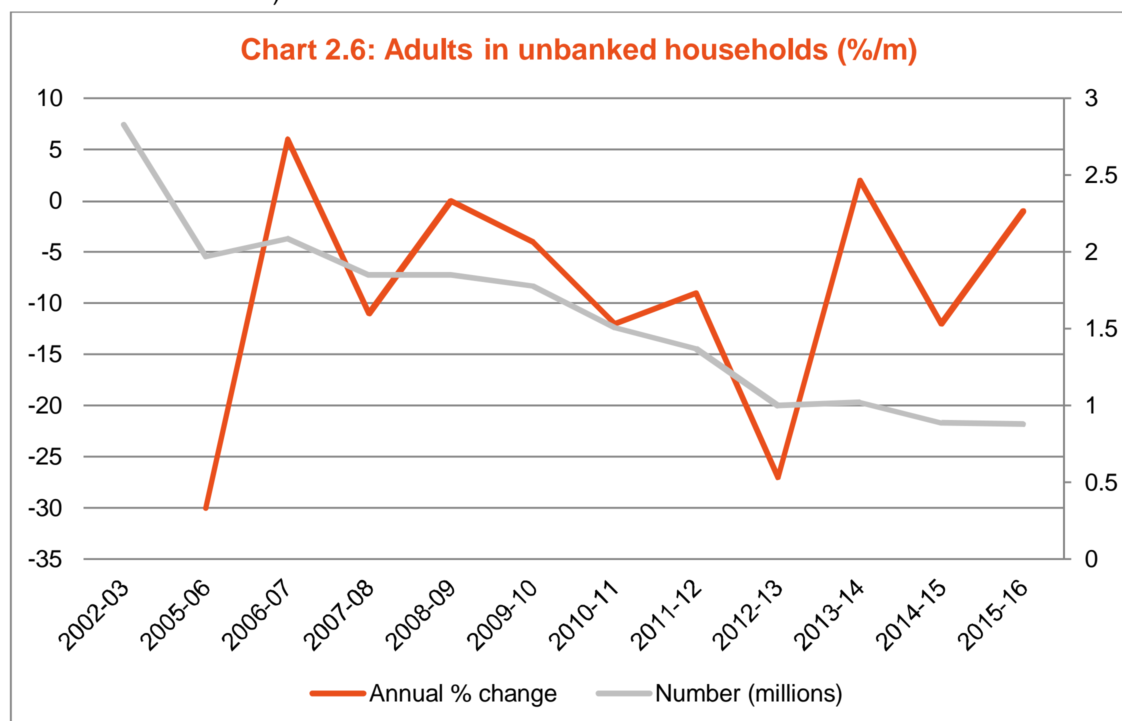
Chart 2.5 displays the proportion of households with weekly incomes among the lowest tenth percentile.[7]



This shows that ownership of bank accounts also increases with weekly income. In 2004-05, 10% of those in the lowest income group did not have access to a bank account, which has fluctuated over the last 12 years, reaching 4% in 2014-15, and increasing to almost 10% again the following year. For those on £100-199 and £200-299 a week, the percentage of households without a bank account has fallen from 10% to 6% and 6% to 4% respectively.

[7] Department of Work and Pensions, Family Resources Survey

Chart 2.6 shows the progress made towards the goal agreed between the Government and major retail banks in 2004 to halve the number of unbanked households.[8] The left axis shows the annual percentage change from the previous year, whilst the right axis shows the number of households (in millions of households).



This goal has been more than exceeded, and the number of adults in unbanked households has fallen by almost 69% since 2002-03. The biggest change occurred between 2011 and 2013, whereby the number of adults in unbanked households fell by almost a third. The reduction in those without access to bank accounts is due, in part, to a number of wider changes to public policy and welfare:

- Introduction of no-frills accounts*:* On the back of PAT 14's recommendation, the Basic Bank Account – a no-frills bank account not requiring credit scoring – was introduced in 2003. In the same year the Post Office Card Account (POCA) – an electronic version of the girocheque or payment book – was also launched. Although questions have been raised about their usefulness, they have contributed to reducing the number and proportion of unbanked households. Since being launched, 4 million POCAs (Collard, 2007) and nearly 8 million Basic Bank Accounts (BBA website) have been opened. Research commissioned by the British Bankers Association (BBA) suggests that 6 out of 10 had no other account when opening a basic bank account and 5 out of 10 came from households with no bank accounts (Millward Brown Research, 2006).
- Electronic payment of benefits*:* The Government decided to pay benefits and state pensions into accounts rather than through payment books and girocheques from 2003, as well as housing benefits by 2005. This has also undoubtedly been a contributing factor to reducing the number of unbanked households, especially given that households on means-tested benefits have a high likelihood of being financially excluded or unbanked. The gradual introduction and roll out of Universal Credit from 2013 will have also encouraged individuals to open a bank account.
- Introduction of shared aims*:* The development and monitoring of a shared goal for halving the number of unbanked households and adults has probably also given momentum to this trend.

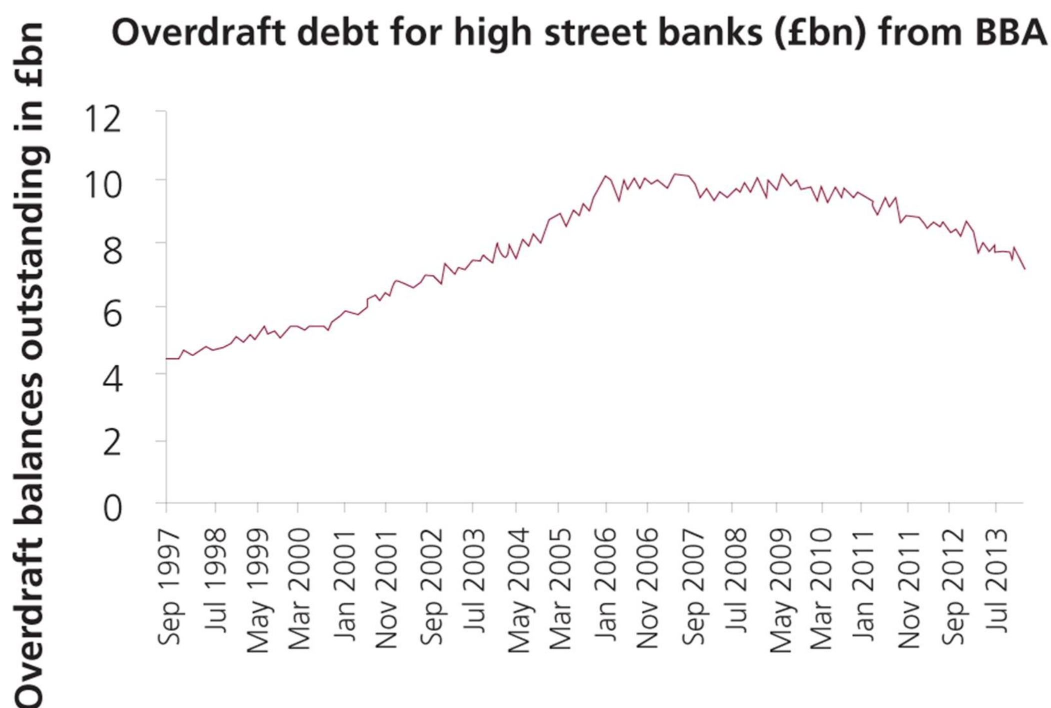
[8] HM Treasury Statistical Briefings on households without access to bank accounts; Financial Inclusion Annual Monitoring Report 2017

In its 2010 budget the Government also announced that banks would be legally obliged to provide a basic bank account to every citizen. It is expected that this measure may further underpin progress towards reducing the number of unbanked households. The European Parliament also proposed this in 2014, when they created, through their Payment Accounts Directive, the right to a basic bank account (Rowlingson & McKay, 2016).

Recently the role of the bank overdraft has come under scrutiny with the FCA announcing “there is a case to consider the fundamental reform of unarranged overdrafts and whether they should have a place in any modern banking market” (FCA, 2018). Arranged overdrafts are a larger source of revenues than unarranged, but the proportion of revenues from unarranged is significantly higher compared to the amounts lent out. The annual revenues from unarranged overdrafts, excluding unpaid item fees, were around 200% of the average amount outstanding in 2016, for arranged overdrafts it is around 25% (FCA, 2018).

Consumers generally pay fees and charges that seem to be correlated with the amounts borrowed and length of time borrowed for. Unarranged overdrafts have no clear relationship between what has been borrowed and what has been charged (FCA, 2018). Despite this, with arranged overdrafts, charges are often separated into interest, fixed fees etc. which makes it hard to attach to overdraft use. Others pay a fixed fee for a packaged current account, of which their overdraft is one of a range of features (Atticus Market Research Consultancy, 2018). There was seen to be greater awareness around the charges experienced for using an unarranged facility.

In the UK, 52 million people have a personal current account. Of this, 37% use an arranged overdraft and 25% use an unarranged overdraft (FCA, 2018). This equates to around 19 million people using an arranged overdraft each year, and 13 million using an unarranged one. About 7.3 million use both.

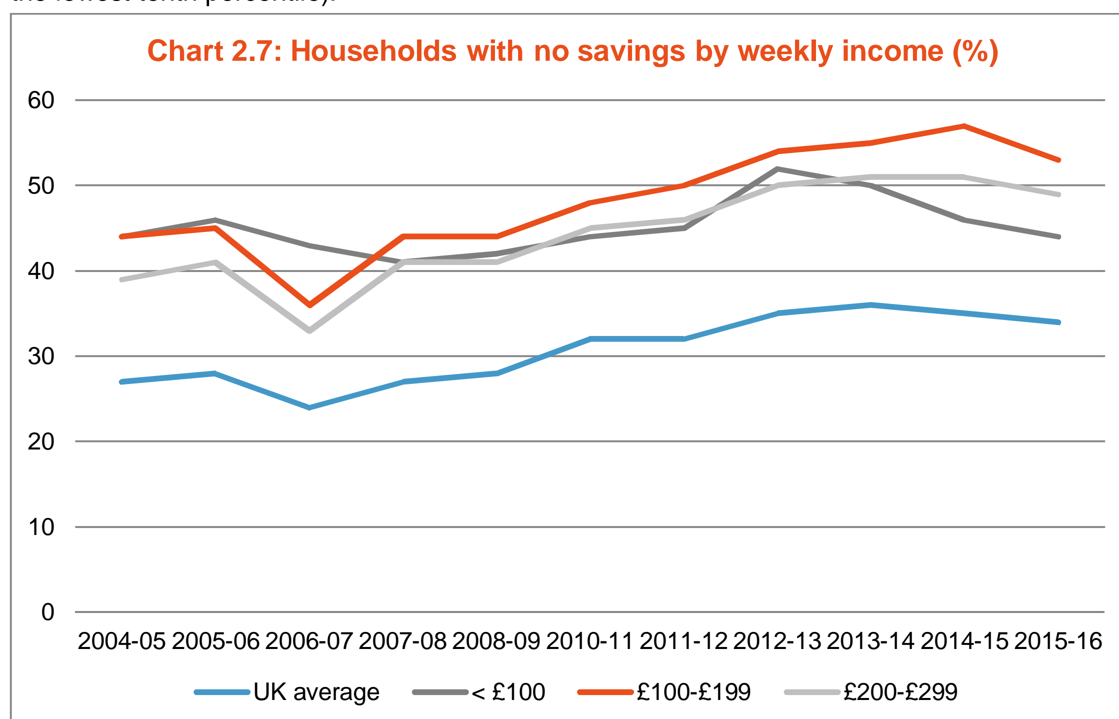


Overdraft debt doubled between 1997 and 2007, was stable until 2010, and since then has been falling. FCA argue this is consistent with more lenient credit conditions pre-crisis, followed by lenders 'tightening their belts' (FCA, 2018).

2.4. Savings and assets

Having access to banking and transaction services opens doors that help in overcoming other aspects of financial exclusion. Those with accounts are in a better position to save money. Saving money is an important alternative to borrowing credit, and provides a buffer to overcome unexpected or sudden changes in income and expenditure. Despite this, many on low incomes do not have money saved formally in some kind of account (Collard and Kempson, 2013).

Chart 2.7 shows the proportion of UK households with no savings by weekly household income (for the lowest tenth percentile).



The first observation we can make is that a considerable minority of UK households have no savings and that this has been increasing from a low of 24% in 2006-07 to 34% in 2015-16. It also shows that households with among the 10% lowest weekly incomes are considerably more likely to have no savings. Between 44 and 53% of these groups have no savings compared with 34% of the overall population.

The low propensity to save is supported by other data. The FCA's Financial Lives Survey found that one in eight UK adults have no cash savings whatsoever, and a quarter have savings less than £1,000 in total. The proportion of people that have little or no savings varies considerably by age, with younger adults having far less in savings than those who are older. 20% of 18-24 year olds have no savings at all, with 37% having less than £1000. This compares to 4% and 37% respectively of those aged 75 and over. This makes households vulnerable to unexpected expenses or drops in income. Apart from the squeeze on wages and cuts in benefits, the reasons for not saving include having a

lack of money to put aside (whether due having no spare money, or having different priorities for what spare money they do have) and being disorganised with money management (Collard and Kempson, 2013).

2.5. High cost credit use

For many people on low incomes, the only way they can meet big expenses, such as replacing white goods or paying for Christmas, is through borrowing. Unable to access loans from the mainstream banking sector, many of these households have to resort to high-cost credit provided by the so-called sub-prime sector or high-cost credit sector. The sub-prime sector is diverse, comprising home credit companies, licensed financial companies, sell-and-buy-back stores, pawnbrokers and instalment credit stores. The sub-prime sector principally caters for credit-impaired and higher risk borrowers who fail to qualify for loans or other products with mainstream financial institutions. The sector offsets this greater risk by charging higher interest rates and fees relative to the mainstream sector.

Since 2010, the development of the high cost credit sector has been dominated by the evolution of and public controversy surrounding the payday lending industry. From 2006 to its peak in 2012-13 the sector grew from £330m to nearly £4bn in lending (Collinson and Jones, 2016). This growth was driven by players like Wonga, launched in 2007, which revolutionised high cost credit through its online delivery model predicated on instant decision-making and a seamless customer journey. The sector was subject to considerable public debate and controversy from around 2010 onwards culminating with the Archbishop of Canterbury telling Wonga that the Church of England wanted to compete it out of existence. The main criticism was that the sector was not carrying out robust affordability checks on borrowers, trapped borrowers by charging customers a fee to extend the loan if unable to pay on time and applied predatory and unethical debt collection practices.

In 2014, when it took over Consumer Credit Licensing from the Office of Fair Trading, the FCA issued huge fines for number of companies for debt collection practices and misleading advertising and forced Wonga to write off £220m of loans to 375,000 customers (Collinson and Jones, 2016). In 2015, the FCA introduced a number of new regulations including an initial cost cap of 0.8% per day; default fees capped at £15 (protects borrowers struggling to repay); and a cap ensuring that no one repays more than 100% of what they initially borrowed, intended to protect customers from escalating debts. The tightening of regulation contributed to numerous firms exiting the market. The number of payday lenders dropped from 400 in 2014 to 144 by the end of 2016 (Smith, 2017) and the number of loans had fallen to 1.8m in first half of 2015 (Collinson and Jones, 2016).

Table 2.3 shows the number of consumers taking out different forms of high cost credit annually.[9]

Table 2.3: High Cost Credit Use Since 2012

	2012	2013	2014	2015	2016
Catalogue Credit					
Number customers	2.8m	2.7m	2.0m	1.8m	1.9m
Outstanding debt	£1.8bn	£2.5bn	£2.9bn	£3.4bn	£4.0bn
Retail Finance					
Number customers	1.8m	1.8m	1.9m	2.1m	2.3m
Outstanding debt	£4.9bn	£5.2bn	£5.6bn	£5.8bn	£6.0bn
Store Card					
Number customers	0.5m	0.5m	0.4m	0.4m	0.4m
Outstanding debt	£0.5bn	£0.5bn	£0.6bn	£0.6bn	£0.7bn
HCSTC					
Number customers		1.7m	1.2m	0.7m	0.8m
Outstanding debt		£2.5bn	£1.3bn	£0.8bn	£1.1bn
Home Credit					
Number customers	0.9m	0.8m	0.7m	0.6m	0.7m
Outstanding debt	£1.0bn	£1.0bn	£0.9bn	£0.9bn	£1.1bn
Rent-to-Own					
Number customers		0.2m	0.2m	0.2m	0.2m
Outstanding debt		£0.6bn	£0.6bn	£0.5bn	£0.5bn

Overall, the high cost credit sector declined in terms of number of consumers taking out a loan from 7.7m in 2013 to 5.8m 2015 before increasing again in 2016. The number of customers using catalogue credit and HCSTC has fallen significantly (30% and 53% since 2013). However, the amount of outstanding debt for catalogue credit has increased significantly. Retail finance has experienced the greatest growth (28%) since 2013. The others have remained relatively stable. There are six main forms of commercial high cost credit providers:

- Catalogue credit: Catalogue credit involves the delivery of goods and collection of payments in customers' homes by agents. Over the 20th century, there were five major agency catalogue firms, GUS, Littlewoods, Freemans, Grattan and Empire. In 2003, Littlewoods bought GUS, followed by Empire in 2007 and Freemans and Grattan merged. This has left two of the original 'Big Five' still in operation. In 2016, it was estimated that around two million customers used catalogue credit and retail finance. Despite its popularity, little is known about catalogue credit customers and business models, but as highlighted by the collapse of the catalogue credit provider Farepak in 2006, the down payments consumers make on catalogue credit are not protected. Catalogue credit is seen as a complicated system in terms of their changing structures and repayment options. Catalogue credit has been challenged by a drive towards online shopping, which has disrupted their traditional forms of conducting business. In 2016/17, Shop Direct (who own Littlewoods and Very) found that 69% of sales came from smartphones and tablets (Littlewoods, 2017). As a result, catalogue credit companies are moving more services online to appeal to a wider market.
- Retail finance: Retail finance agreements are when credit is provided to purchase a good or service at particular retailer and the agreement is due to be repaid over a number of instalments. This is an

[9] FCA (2017) High cost credit review technical annexe 1: credit reference agency (CRA) data analysis of UK personal debt.

enveloping term, covering all borrower-lender-supplier agreements other than rent-to-own, motor finance, store cards and catalogue credit.

- Store card: A store card is credit card you can only use with one high street chain or group. Like with a normal credit card, you can use a store card to buy things on credit and pay them off at the end of the month, with interest charged if not paid in full. An individual has to be over the age of 18 and are subject to a credit check. Stores can charge higher interest if not repaid in full and can charge higher interest than normal credit cards.
- HCSTC: High cost, short term credit (HCSTC) is a form of subprime lending, and is defined by the FCA as an unsecured, regulated credit agreement which has an annual percentage rate of charge (APR) of at least 100% and is due to be repaid (or substantially repaid) within one year. This definition is limited, and does not include loans by community finance organisations, home collected loans and arranged or unarranged overdrafts.
- Home credit: Home credit involves the issuing of small cash loans, with the collection of repayments made by a network of agents calling at customers' homes. Home credit remains popular, with 700,000 people having taken out a home collected credit loan in 2016. The biggest home credit provider in the UK is Provident Financial. Since its peak in 2008 at more than 1.8m customers, its home credit business has decreased as Provident has sought to move customers onto its online and credit card products. Since 2012, the home credit industry has remained stable at around 0.7-0.8m customers. In 2017, the company replaced its 4,500 freelance debt collectors with 2,500 full-time Customer Experience Managers. However, this resulted in a fall in debt collection rates from 90% in 2016 to 57% the following year leading to a loss of nearly £1.7bn in market value.
- Rent-to-own: The rent-to-own (RTO) sector is popular amongst low-income households as they can spread out the cost of their purchase over a period of time, meaning they do not have to save up beforehand. The customer has a credit agreement with the firm but does not own the goods outright until the last payment has been made. Over 2016, it was estimated that around 800,000 people used RTO services. Despite the relatively low interest rate charged by providers (around 24% APR), the total cost for the consumer is high because of the product cover and the mark-up on the goods themselves. In 2012, the main RTO companies were Brighthouse, PerfectHome and Buy as you View. Brighthouse is the largest provider with more than double the number of customers than the two other players combined.

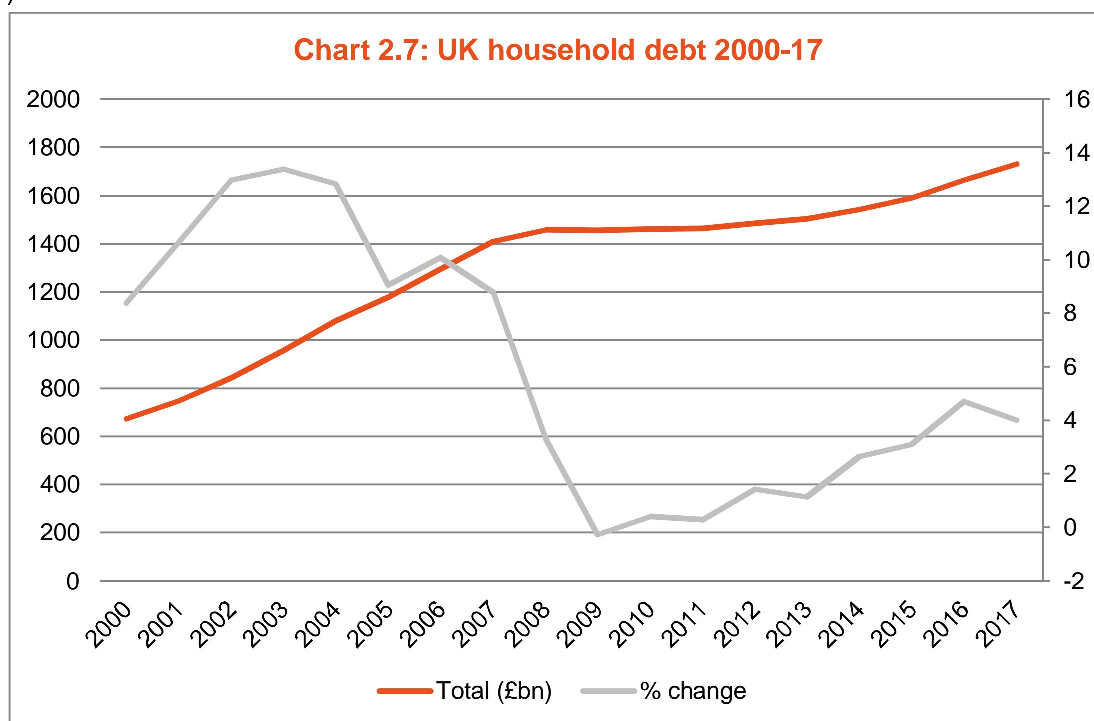
Another form of high cost credit is pawnbroking. Pawnbrokers provide cash loans secured against pledged items (typically jewellery) usually for a period of six months. The customer is typically charged interest per calendar month from the start of the loan, with rates ranging from 5-12%. It is hard to gauge the number of people who use pawnbroker services, though Harvey and Thompson (one of the UK's largest pawnbroker companies) reported their gross profits were stable from 2015 to 2016, and their profits from their pawnbroker service constituted 51.8% of their gross profit overall.[10]

[10] Harvey and Thompson (2016) Annual Report

2.6. Debt levels and financial difficulties

Over-indebtedness is a complex phenomenon closely linked to the financial inclusion agenda. It can be caused and sustained by a host of factors, including high finance costs, low income, life-cycle events, changing circumstances, income shocks and expenditure hikes. Numerous commentators have argued that the UK is facing a personal debt crisis with record levels of unsecured borrowing.

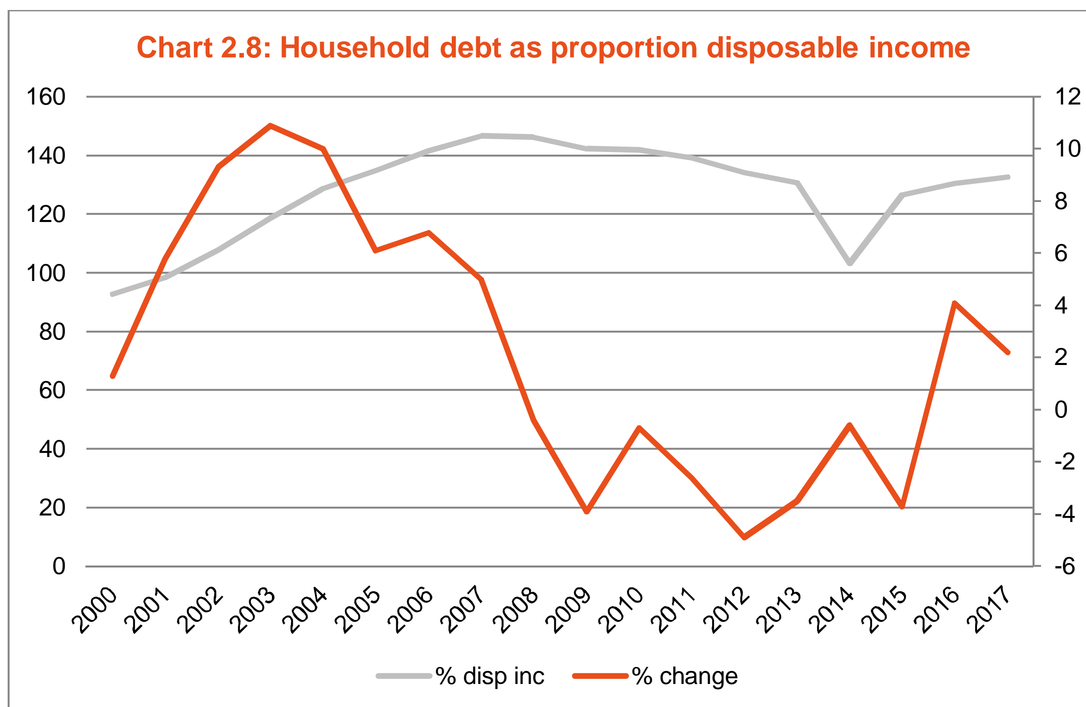
Chart 2.7[11] shows the total level of household debt (left axis) and the annual percentage change (right axis).



In absolute terms the total value of household debt has increased from nearly £750bn in 2000 to over £1,700bn in 2017. However, the growth has been uneven. Total household debt increased considerably in the lead-up to the financial crisis in 2007. In 2009-2013, total debt plateaued with growth rates below annual inflation. Then from 2014 onwards debt levels picked up again growing slightly above inflation.

[11] ONS, National Accounts

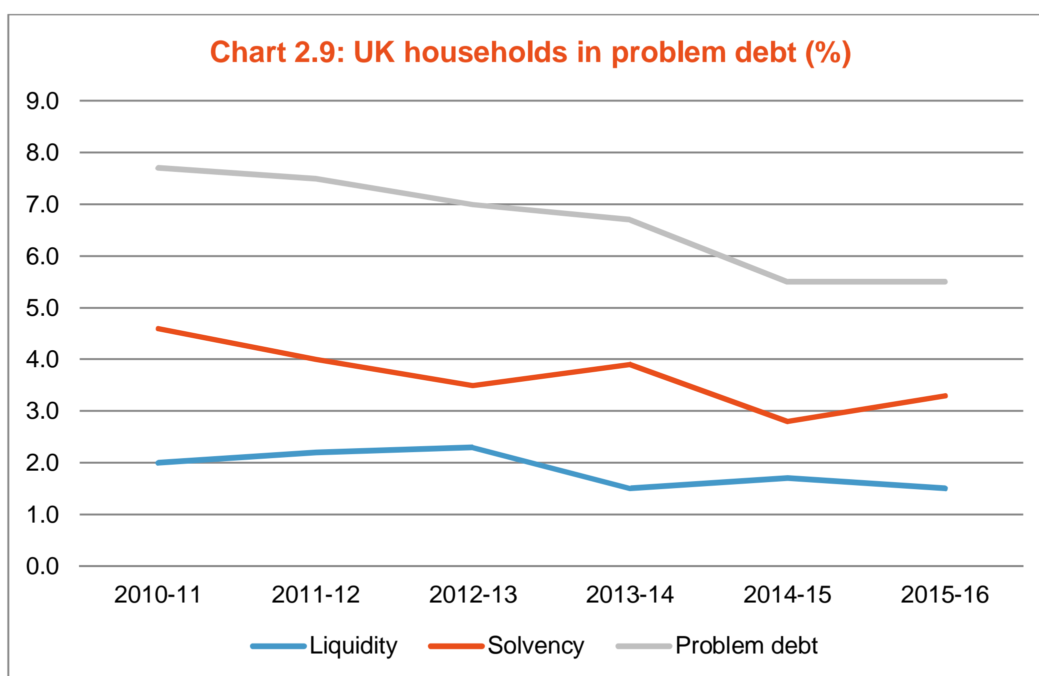
Chart 2.8 shows total household debt as a proportion of disposable income (left axis) and the annual percentage change (right axis).



We can see that household debt as a proportion of household income has increased from 93% to 133% over the period. It increased considerably in the years leading up the financial crisis, peaking at 146% in 2007. From 2008 to 2014, this ratio fell year-on-year until reaching 103% before it increased considerably again to over 130% in 2017. It is important to note that this ratio is affected by real income levels, which have been falling, as well as debt levels.

The level of debt on its own is not a suitable measure of how debt affects household finances and well-being. The Wealth and Assets Survey asks respondents to measure how much of a burden they rate their debt to be. Chart 2.9[12] shows the percentage of UK households with three types of financial difficulties:

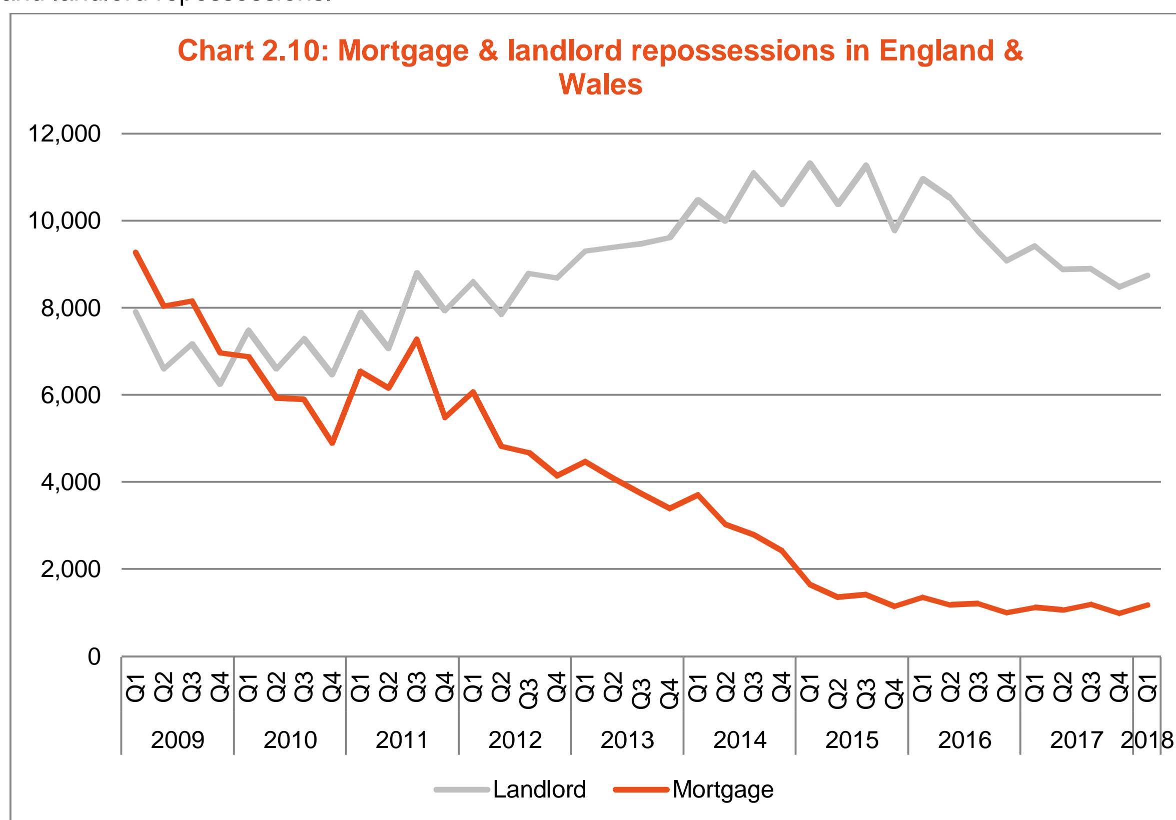
- Liquidity problems: Households falling behind on bills or credit commitments and in two or more consecutive months arrears or credit commitments of household debt repayment to net monthly income ratio >25%.
- Solvency problems: Households who feel debt is a heavy burden and debt to net annual income ratio >20%.
- Problem debts: Households with any combination of liquidity and solvency problems.



Overall, the proportion of households with financial difficulties has fallen. The percentage of households with problem debts has fallen from nearly 8% in 2010-11 to 5.5% in 2015-16. The extent of solvency problems among households has fallen as well, though less pronounced from 4.6% to 3.3%. The extent of liquidity problems has remained relatively stable at around 1.5%-2% over the period.

[1212] Office for National Statistics, Wealth and Asset Survey

Actions taken by creditors are another important indicator of the extent to which households are struggling to keep up with their commitments. Chart 2.10[13] displays the quarterly number of mortgage and landlord repossessions.



Mortgage and landlord repossessions have developed in different directions. Mortgage repossessions fell from over 9,000 in Q1 of 2009 to just 1,200 in the first quarter of 2018. The banking industry is reporting very low levels of mortgage arrears. However, the sector expects mortgage repossessions to increase with interest rates rises as well as changes in the government-scheme Support for Mortgage Interest (Thomas, 2018). Conversely, landlord repossessions have increased since 2009. Landlord repossessions fell slightly from 2009 to 2010 before increasing peaking at over 11,000 repossessions in 2015/16. In the last couple of years landlord repossessions have decreased again to around 8,500.

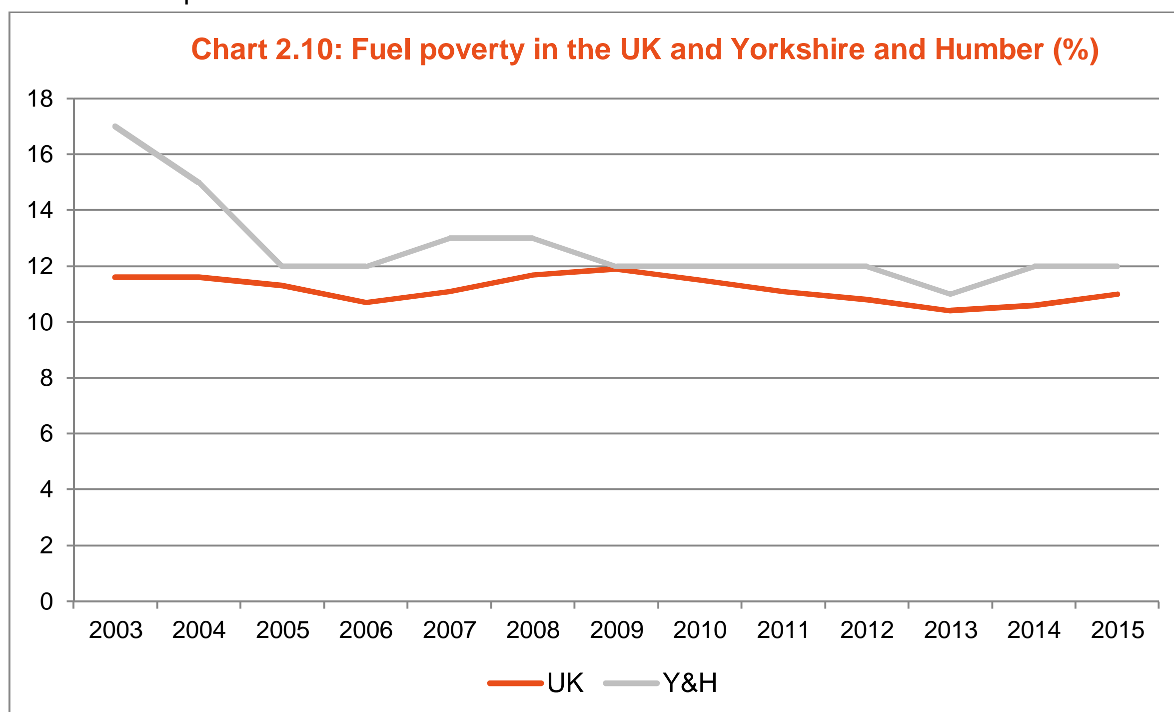
The higher levels of landlord repossessions may be explained by a number of factors. The rise of the private rented sector, alongside the decline in owner occupation and changes to the benefit system has created insecurity for tenants across both the private-rented sector and the social housing sector. Cuts, such as the benefit cap administered through the reductions in housing benefits, the Bedroom Tax and the lowering of the Local Housing Allowance have all had an impact on the financial securities of tenants. On the landlords' side, changes to the taxation of private landlords has caused concern that some may sell, and increases to stamp duty may also deter landlords from further investment in the sector (Clarke et al, 2017).

Fuel bills are potentially a major source of payment problems. Consequently, fuel poverty – the inability to afford sufficient warmth for health and comfort – is a serious and debilitating form of

[13] Mortgage and Landlord Possession Statistics

deprivation and has been a concern for government since 1999. Fuel costs may crowd out other essential spending, such as food and clothing.

The most widely accepted definition of fuel poverty is where a household needs to spend 10% or more of its income to meet fuel costs to ensure that the home is heated to an adequate standard. Chart 2.10[14] shows the proportion of households in the UK and Yorkshire and the Humber that are classed as fuel poor.

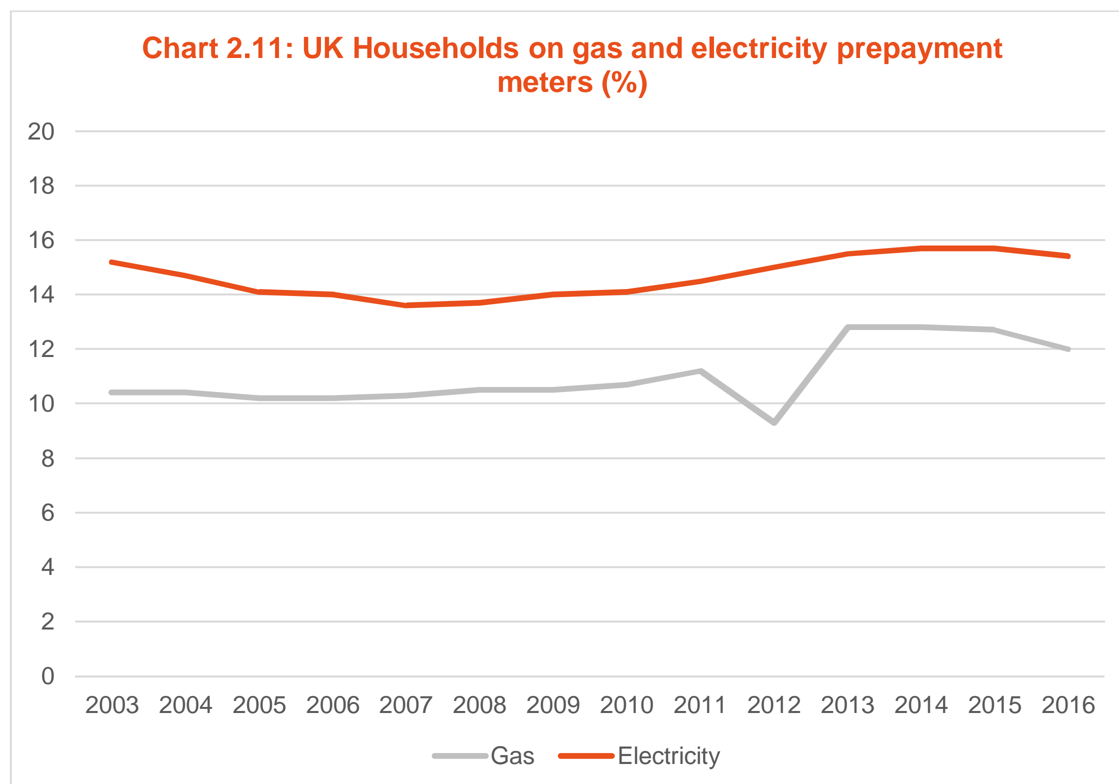


In the UK there are around 4 million households which can be classified as fuel poor, of which 3.2 million are classed as vulnerable. There has been a sharp increase in fuel poverty in England since 2005 in particular. This has since decreased, and in 2010, it was estimated to have decreased to 2.38m or 10.6% and further still to 2.35m in 2013 or 10.4%. Though numbers have decreased, fuel poverty remains a significant problem in the UK. A greater proportion of households are fuel poor in Yorkshire and the Humber than the UK, though the difference has decreased over time.

Fuel poverty is caused by a number of factors, such as low income, high-energy prices and poor energy efficiency, and under-occupancy. Higher energy prices are often made worse by higher tariffs for both low-volume users and those who either choose to or have to pay via pre-payment methods. According to the Government's Fuel Poverty Statistics report, those who pay via direct debit are less likely to be considered 'fuel poor' than those who pay via a pre-paid meter. Fuel poverty is most common amongst vulnerable households, including those on low incomes, people with children under the age of 16, people living with disabilities and older people (NEF, undated). More recently, evidence suggests that the unemployed are most likely to suffer, but in 2015, it was found that half of the UK households living fuel poverty had someone in work (Green Age, 2016).

[14] UK Government's Annual Fuel Poverty Statistics Report

Fuel poverty has been found to be closely associated with the reliance on prepayment meters. Of the consumers using prepayment meters 21% are considered to live in fuel poverty compared with 7% of those using direct debit. It is estimated that these consumers pay a premium of between £75 and £80 a year. Chart 2.11[15] shows the proportion of households on prepayment meters for gas and electricity.



Between 2007 and 2011, there were increases in both the number of gas and electricity prepayment meter customers. At the end of 2011, around 15 per cent of electricity customers and 13 per cent of gas customers paid through a pre-payment meter. Overall, the number of people using prepayment meters doubled between 1996 and 2015 from 7% to 16%, but this has since dropped to 13%. Those on lower incomes are more likely to be on prepayment meters. This is because they are more likely to live in houses where there are already existing meters, they are more likely to be put on one as a result of arrears on their bill or poor credit history and because they are more likely to attach value to pay as you go (Corfe and Keohane, 2018). Aside from managing a debt, many households prefer using pre-payment meters as they allow the householders to manage their budgets closely.

2.7. Implications for survey results

Some of these national and regional trends are likely to manifest themselves in the survey results and the comparisons of the 2004, 2010 and 2018 surveys:

- The 2010 survey was conducted in historically adverse conditions during one of the greatest global financial crisis. The respondents at the time would have been subject to falling real wages, rising unemployment and contraction of credit. Hence, we do not necessarily expect a further significant deterioration in financial circumstances for most respondents.

[15] Department for Business, Energy and Industrial Strategy (2018) Trends in Fuel Poverty for England 2003-2016

- However, we would expect the working households of the 2018 survey to be under considerable financial pressures due to falling real wages and increased insecurity manifested through zero-hour contracts.
- Welfare reform is likely to exert greater pressure on the finances of benefit recipients. Universal Credit has not been fully rolled out in Leeds yet but benefit, cuts sanctions and tougher conditionality are likely to have reduced disposable income levels and stability.
- We expect a further increase in bank account ownership, including current accounts, and a fall in the number of households without bank accounts, though this may be less pronounced for those on the lowest income.
- Given that the level of savings and propensity to save has fallen as a whole and across most, if not all, income groups, it is expected that we will see a further deterioration of the savings habit.

3. The evolution of financial exclusion in Leeds

In this chapter we draw on data from three waves of a household survey – 2004, 2010 and 2018 – to analyse the evolution of financial exclusion in Leeds (Table 3.1).

Table 3.1: Overview of sample

Sample/survey	2004 survey	2010 survey	2018 survey
Deprived sample	410	602	602
Average sample	-	300	320

We collected survey data from two samples of households (Table 3.1). Most survey respondents come from deprived communities (deprived sample) where financial exclusion is prevalent. In 2010 and 2018, we conducted a smaller number of surveys of households in more economically average communities (average sample). An overview of the samples is in Appendix A and details on the survey methodology in Appendix B. In addition, we conducted 10 qualitative, in-depth interviews with selected households (see Appendix C for further details). All differences termed as significant are statistically different and refer to the sampling tolerance table in Appendix B.

It should be noted that comparing the results of the two surveys is complex:

- Because we are not surveying the same households (i.e. a panel survey), we cannot say for certain if observed differences are changes among the households in these areas or if they are due to differences in the sample characteristics.
- Due to the wider economic changes outlined in the overview chapter, any changes which indicate greater degrees of financial exclusion does not necessarily mean any interventions have had no impact, rather the degree of exclusion could have been even greater were it not for the interventions.

In addition, it is important to highlight a health warning concerning the economically average sample. Because of the small sample size, the economically average sample falls outside of the benchmark for statistically robust data. Hence the data should be considered indicative rather than representative. Moreover, one must be cautious in comparing the 2010 and 2018 economically average sample because we have not replicated the sampling approach from 2010. Consequently we have not identified statistical significant differences between the 2010 and 2018 economically average sample surveys.

3.1. Impact of welfare reform and labour market changes

When elected in 2010, the Coalition Government introduced sweeping reforms to the welfare system, which involved, cuts to housing benefits and council tax support, cuts to in-work support, stricter conditionality and benefit sanctions. There have also been important changes in the labour market, most notably the increase in casual work and zero-hour contracts. Both of these developments are likely to have affected the households surveyed.

Table 3.2 displays the proportion of respondents that have experienced different changes to the benefit system brought about by welfare reform.

Table 3.2: Changes to benefits experienced in last 2 years (%)

	Deprived sample	Average sample
Spare room/bedroom tax	2%	2%
Benefit sanctions	2%	4%
Reduced benefit due to cap	2%	1%
Non-dependent deductions	1%	-
Reduced council tax benefit	4%	4%
Reduced DLA	2%	2%
Reduced PIP	2%	2%
Reduced tax credit	3%	1%
Incapacity to ESA	1%	2%
Reduced housing allowance	1%	1%
Now claiming UC	1%	0%
Affected by one or more changes	10%	12%
Not affected by any changes	53%	37%
Not applicable	23%	38%
Don't know	14%	13%
Number of respondents	**602**	**320**

Across the samples the most reported responses were not being affected (37% average sample - 53% deprived), not being in receipt of benefits (36%-55%) or not knowing (13%-14%). In total around 12-13% of both samples were affected by the changes in the welfare system. These were fairly evenly spread across the changes. A reduction in council tax benefit or support and sanctions were most commonly mentioned. Universal Credit had not been rolled out in Leeds at the time of fieldwork so unsurprisingly only 1% of all the respondents reported this. This is most likely an underestimation of the real effects of welfare reform. The changes are quite technical and it is difficult for households to know which changes they have been affected by.

In the qualitative interviews, three people with health conditions had encountered difficulties with benefit claims. For two of these with long-term health problems, they had difficulties with their Personal Independence Payment (PIP) and/or ESA claims. In one case, they had previously received more money when in receipt of Disability Living Allowance (DLA) before the changeover to PIP. It seems as if part of the evidence backing the person's claim was missed and this has left them receiving less money than needed for personal support to go out of the house:

> *"When I went for a medical, they didn't get a form from the hospital – form DS1500…they sign that to say you have limited life expectancy … They haven't done that. I am waiting for a letter to come [hopeful for a change in the decision]…They do give me some [money]…I have help in the house (to go to the toilet) but it doesn't give me help when I am going out (to go to the toilet)." (Digitally excluded, social housing tenant, workless household)*

Similarly, another person with multiple health conditions is waiting for an appeal about their unsuccessful PIP claim. They initially attended a hearing on their own, but feel they may have fared better if they had been accompanied by their support worker. Their ESA rates have also reduced recently. The individual identified that this may because they were a recent prison-leaver and therefore started on a lower amount of ESA. The consequence of these shortfalls is that they are not able to turn their house into a home, something they wanted to do since leaving prison:

"My ESA – the rate has dropped recently. I am not sure what that was about. I need to look into that actually." (Financially excluded, workless household)

"I had just got this house and I wanted to make it a home for myself and I can't until…" (Financially excluded, workless household)

Given the changes in the labour market over the last few years, table 3.4 compares the incidence of precarious forms of employment and changes in circumstances across the three samples. Given the changes in the labour market outlined in the context chapter, we would expect an increase in precarious work.

Table 3.4: Employment status and changes (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Flexible working[1]					
Zero hours contract	-	-	3%	-	6%
On-call working	-	-	4%	-	5%
None of these	-	-	93%	-	89%
Change in circumstance					
Been made redundant	-	6%	2%	7%	4%
Reduced hours	-	6%	3%	4%	2%
Wages reduced	-	2%	-	2%	3%
None of these	-	84%	95%*	86%	92%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant; [1]Only asked in the 2018 survey

Around 7-8% of all the respondents had flexible or precarious working arrangements. Six percent in the average sample and three percent in the deprived sample, reported being on zero-hour contracts, which is slightly above the average for the region and nationally. A further 4 to 5% were on on-call working. These questions were not included in the 2004 and 2010 so we cannot tell if this has increased. The proportion of experiencing redundancy, reduced hours and wage cuts fell significantly from around 14% in 2010 to 5% in 2018 among respondents from the deprived sample. This may reflect a tighter labour market with a falling unemployment rate. There was a similar trend in the economically average sample.

3.2. Digital skills and inclusion

Digital skills and capability are becoming increasingly important. Banks and other private service providers are to a greater degree expecting their customers to access and service products online. Given changing customer preferences and cost pressures, banks are continuing to close branches. The public sector is also trying to transition households to accessing services and communicate online. Although this is not likely to affect many in Leeds yet, UC claimants are expected to use an online journal to claim and report changes.

Chart 3.1 compares the percentage of households that have internet access across the three surveys. There has been an increase in internet access from 2010 to 2018 in both samples, though especially in the deprived area sample. In the deprived areas, the proportion of households with internet access increased from just over half to over 80%. Internet access among economically average respondents increased from 74% to 85%. The increase in internet access is likely to be partly attributable to the increased use of smartphones.

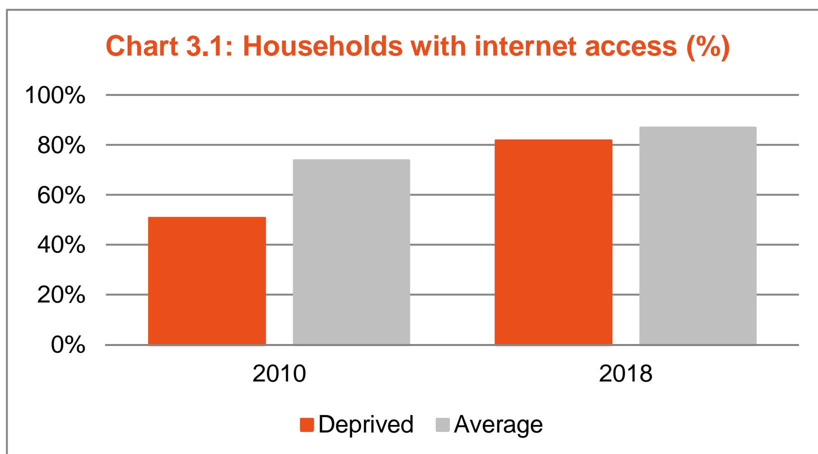
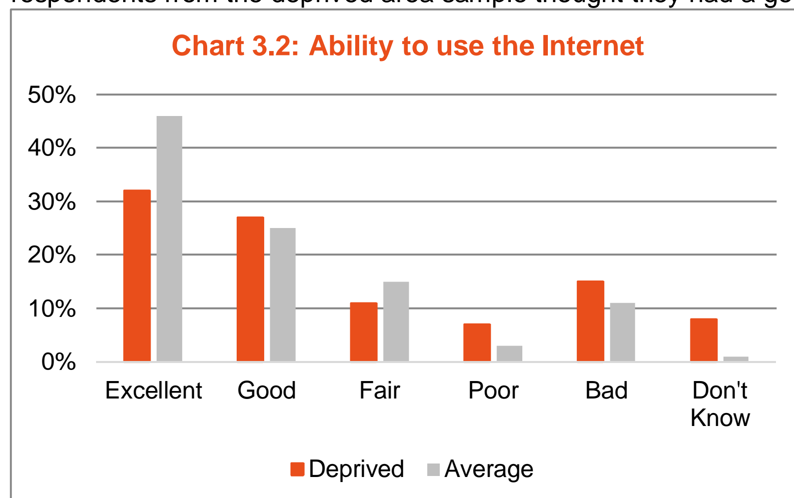
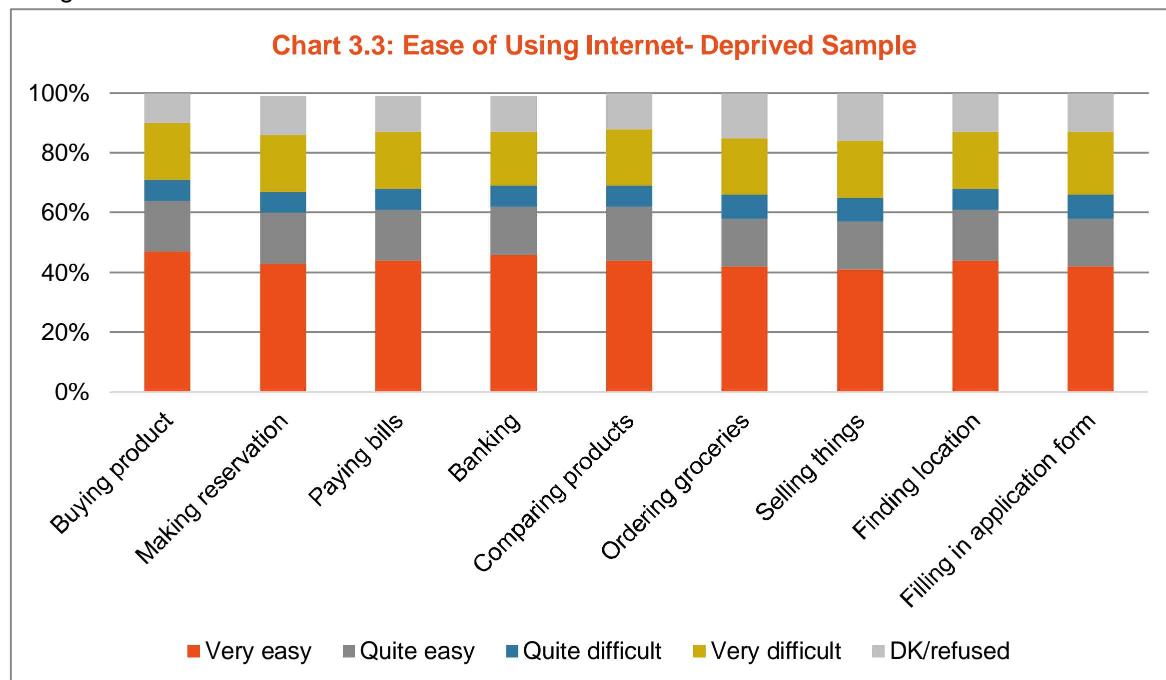
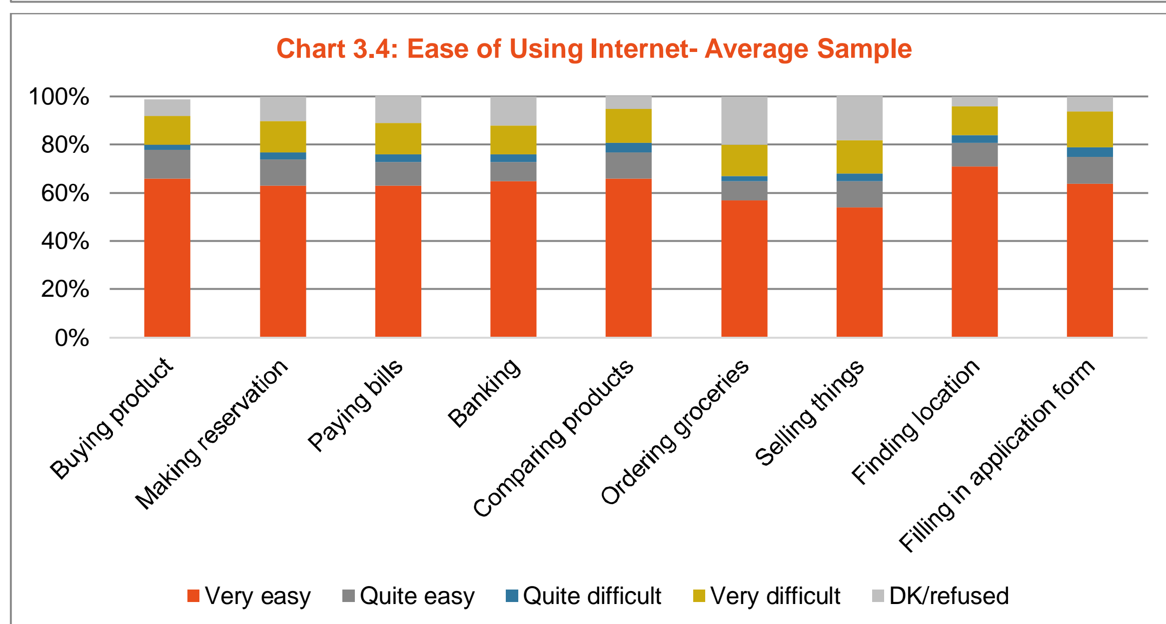


Chart 3.2 displays the perceived ability of the respondents to use the internet. The majority of the respondents from the deprived area sample thought they had a good or excellent ability to use the internet. Just over 30% rated their ability to use the internet as excellent and 27% thought their ability was good. Conversely, 18% rated their ability as poor or bad. The respondents in the economically average sample were more likely than those in deprived areas to rate their ability as excellent (46%) and less likely to perceive their ability as bad (11%).



Charts 3.3 and 3.4 show the ease with which the respondents perform different tasks and activities using the internet.





Perhaps somewhat surprisingly given the reported scale of digital exclusion in deprived communities, the vast majority of the deprived sample respondents (65-70%) found using the internet for various purposes quite or very easy. The majority of the economically average sample respondents also found the various online activities to be quite or very easy. However, there was greater variation in the perceived ease of using the internet from selling things and ordering groceries online (58-59%) to buying product online (73%).

Table 3.5 shows the rates of internet access by household type.

Table 3.5: Internet access by household type (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Homeowners		75%	83%*	74%	94%*
Social housing		43%	73%	62%	81%
Private rented		44%	73%	80%	82%
17-29		59%	91%*	82%	90%*
30-44		60%	86%*	87%	96%*
45-59		52%	77%*	74%	92%*
60+		16%	36%	44%	73%
Children in household		63%	91%*	87%	98%*
No children in household		41%	59%	62%	82%
Lone parent		39%	90%*	78%	100%*
Couple with children		74%	93%*	89%	98%*
Pensioner only		9%	39%	36%	72%
Disabled/ill		37%	64%	57%	81%
Mental illness		42%	-	62%	-
Working household		73%	91%*	86%	94%*
Workless household		33%	67%	54%	83%
Income less £200 pw		-	59%	-	80%
Number of respondents		**594**	**599**	**300**	**320**

*Statistical significance calculated for 2018 data only

We can see that the level of internet access has increased across all groups. The following characteristics significantly influenced the extent internet access among the households:

- Age: Not surprisingly respondents aged 60+ and retired households were the least likely group to have internet access.
- Tenure: Respondents in social rented sector are less likely to have internet access compared with homeowners.
- Children: Households with children were more likely to have internet access than those without, which is probably explained by the younger age of this group.
- Disability: Households reporting a disability or long-term illness were less likely to have internet access.
- Income: Those on the lowest incomes were less likely than average to report access.
- Employment status: The respondents in work were considerably more likely to be able to access the internet, possibly partly as they may be able to access internet at their workplace.

Table 3.6 displays the proportion of respondents by household type that rate their ability to use the internet as poor or bad and serves as a proxy measure for digital capability.

Table 3.6: Poor/bad ability to use internet by group (%)

	Deprived sample	Average sample
Homeowners	29%	12%
Social housing	23%	24%
Private rented	22%	21%
17-29	5%	-
30-44	13%*	4%
45-59	26%*	7%*
60+	55%*	41%*
Children in household	11%	1%
No children in household	33%*	24%*
Lone parent	8%	-
Couple with children	13%	-
Pensioner only	53%*	40%*
Disabled/ill	38%*	30%*
Mental illness	12%	-
Working household	29%	6%
Workless household	27%	26%*
Income less £200 pw	23%	32%
Number of respondents	**600**	**320**

*Statistically significant

Some household characteristics significantly influenced the extent internet access among the households:

- Age: Again people aged over 60 and retired households were most likely to rate their ability to use the internet as poor or bad.
- Children: Households with children were less likely to rate their ability to use the internet as poor or bad, probably reflecting that they are generally younger than the households without children.
- Disability: Households reporting a disability or long-term illness were more likely to perceive their internet skills as poor or bad.
- Employment status: The respondents in work were considerably less likely to rate their internet skills as poor or bad.

3.3. Banking and transactions services

The access and use of banking and transaction services are at the heart of the financial inclusion agenda. Based on the review of the national evidence and statistics, we would expect to see further increases in bank and current account ownership, though this may be less pronounced among lower-income households.

Table 3.7 compares the extent of bank account ownership and prevalence of being refused a bank account across the different samples.

Table 3.7: Access to banking and transaction services (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Bank account ownership					
Bank account	70%	81%*	96%*	95%	99%
Credit card	53%*	34%	29%	47%	40%
Refusal bank account	16%*	9%*	5%	8%	2%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant

Bank account ownership has increased significantly in the deprived sample. Ninety-six percent of respondents from deprived areas report having a current account in 2018 up from eighty-one percent in 2010 and seventy percent in 2004. This is in line with the trend in Yorkshire more broadly and probably also reflects the increased insistence by government that households open a bank account to receive benefits. In the economically average sample, bank account ownership was 99% in 2018, higher than in 2010 (95%). Similarly the proportion of respondents in both deprived and economically average areas being refused to open a bank account has fallen significantly. Conversely, significantly fewer report having a credit card in 2010 and 2018 compared with 2004. This is surprising given that, according to the 2017 financial lives survey, over 60% of UK adults have a credit card.

Table 3.8 shows the proportion of respondents with a bank account by group.

Table 3.8: Bank account ownership by group (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Homeowners	86%	96%	100%*		100%*
Social housing	66%	75%	96%		97%
Private rented	60%	80%	91%		97%
17-29	79%	79%	93%		98%
30-44	67%	86%	97%		99%
45-59	67%	81%	98%		99%
60+	61%	75%	95%		98%
Children in household	-	-	96%		100%*
No children in household	-	-	95%		98%
Lone parent	63%	84%	93%		100%
Couple with children	74%	96%	98%*		100%
Pensioner only	-	-	96%		98%
Disabled/ill	64%	76%	93%		99%
Mental illness	-	69%	-		-
Working household	85%	94%	99%*		99%
Workless household	55%	71%	93%		98%
Income less £200 pw	-	-	91%		98%
Number of respondents		**594**	**602**	**300**	**320**

*Statistical significance calculated for 2018 data only

Although bank account ownership rates were generally high and had increased across all groups, the extent of ownership differed significantly by household characteristics. Homeowners were more likely than respondents in the social rented sector to have bank accounts though ownership rates were high among both groups. In the deprived sample, households in work were more likely to have an account than those out of work and households on weekly incomes of less than £200 were less likely to have accounts. In this sample, lone parents were significantly less likely than couples with children to have an account.

We asked the respondents without bank accounts why they did not have one (Table 3.9).

Table 3.9: Reasons for not having a bank account (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
No/little money to put in	51%*	56%*	26%	19%	56%
No bank in area	2%	3%	1%	-	-
No point, use post office	-	33%*	20%	63%	43%
No point, get paid in cash	6%	2%	-	-	-
Afraid might get overdrawn	3%	2%	2%	6%	-
Afraid too many charges	2%	1%	-	-	-
Religious/ethical reasons	1%	-	-	-	-
Other reason	33%*	9%	40%*	13%	17%
Number of respondents	**124**	**117**	**26**	**16**	**5**

*Statistically significant

Among those without a bank account the most common reasons were use post office to collect benefits, have no or little money and other reason.

The fear of getting overdrawn is often reported as a reason for why low-income households prefer to operate in cash rather than through direct debits and standing orders. These charges can also be very high; hence the recent report by FCA (2018) into such charges. Table 3.10 compares the number of times the respondents have been overdrawn, advertently or inadvertently.

Table 3.10: Incurred bank charges (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
None	-	64%	76%*	69%	66%
Once or more	-	36%	22%	31%	34%
Once	-	7%	5%	6%	5%
2-3 times	-	10%*	6%	7%	10%
4-5 times	-	3%	3%	2%	4%
More than 5 times	-	16%*	8%	15%	15%
Don't know	-	0%	3%	-	-
Number of respondents	**-**	**485**	**576**	**284**	**295**

*Statistically significant

There has been a significant decrease in respondents reporting incurring bank charges because they have been overdrawn in the deprived sample. In particular, the proportion incurring bank charges more than five times halved from 2010 to 2018. In the 2018 economically average sample, one third

of the respondents had incurred bank charges one or more times. Nearly 30% reported incurring bank charges two or more times. The proportion of households in the 2018 deprived survey incurring bank charges (21%) is in line with national statistics. Nationally a quarter of people with a current account use an unarranged overdraft.

Owning a bank account is not sufficient on its own to reap the benefits of banking. Households cannot benefit from discounted rates unless they pay for services through direct debit and standing orders. More generally, consumers do not build a credit history by operating in cash. Yet, research has shown that bank account ownership does not necessarily translate into use, as low-income households often only use the account to receive benefits or wages. Table 3.11 details the extent to which the respondents use banking and transaction services.

Table 3.11: Use of banking and transaction services (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
ATM usage[1]					
Never use ATM	-	27%*	11%	16%	7%
Use free ATM	-	66%	79%	78%	81%
Use charging ATM	-	1%	0%	1%	1%
Use both	-	6%	8%	6%	11%
Check balance					
Via online banking	-	19%	54%*	28%	60%
Via banking app[2]	-	-	41%	-	37%
Via telephone banking	-	11%	17%*	14%	15%
At ATM	-	66%	63%	67%	47%
At branch	-	17%	29%*	13%	19%
Via postal statements	-	18%	34%*	17%	28%
Bank account usage					
Transfer money[2]	-	-	30%	-	33%
Pay bills[2]	-	-	51%	-	45%
Contactless payments[2]	-	-	35%	-	29%
Fuel bill payments					
Prepayment meter/card	47%	57%*	52%	26%	33%
Direct debit	18%	26%*	35%*	61%	59%
Cash/cheque	33%*	19%*	8%	15%	4%
Fuel direct[2]	-	-	1%	-	-
Other	6%*	3%	4%	1%	2%
Not sure	3%	2%	4%	2%	3%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant; [1]Introduced in 2010; [2]New in 2018;

There was a significant increase in the percentage of respondents in deprived communities using a free ATM from 66% in 2010 to 79% in 2018, largely caused by a significant fall of people never using an ATM from 27% to 11%. In the 2018 economically average sample, over 90% reported using ATMs. One in ten of the respondents reported using both charging and free ATMs.

There appears to be a significantly greater propensity for respondents in deprived areas to check their balance across all methods apart from at ATM, which remained largely unchanged. The greatest change was in checking balance online, which more than doubled from 27% in 2010 to 66% in 2018.

But interestingly there were significant increases in people going into branches and using postal statements. These latter changes partly reflect the greater proportion of retired people in the sample. The results are similar for the economically average sample though in this sample the proportion of people checking their balance at a cash machine fell from 67% in 2010 to 47% in 2018.

Around half of the deprived sample respondents report using their accounts to pay bills compared with 45% for the economically average sample. Similarly, 35% in the deprived sample make contactless payments compared with 29% for the economically average. This difference is likely at least partly explained by the fact that the respondents in the economically average areas are older than those in the deprived areas. In both samples, around 30% use their accounts to transfer money. This is broadly in line with the general increase in the use of contactless payments nationally. Two out of every three debit cards in the UK are contactless. In 2017, 27% of card purchases were made using contactless, which is up from 12% in 2015 (The UK CARDS Association, 2017).

Over the three surveys there has been a gradual increase in the proportion of deprived sample respondents using direct debit or standing order to pay their fuel bills from 18% in 2004 and 26% in 2010 to 35% in 2018. This is important as it indicates increase usage of bank accounts and because it enables households to access the cheapest deals. This is increase is almost exclusively been at the expense of cash and cheque, which fell from 33% in 2004 to 8% in 2018. Over half of the sample still use prepayment meters, generally a more expensive way of paying for fuel bills. In the economically average sample, the majority (59%) pay fuel bills using direct debit, while around a third use prepayment meters. Fewer than 5% pay in cash or cheque.

The majority of the interviewees from the qualitative research disliked standing orders and direct debits due to the resulting perceived lack of control. For some, this was a general preference; but for several people, it was borne out of personal experience when direct debits had resulted in unauthorised overdraft charges:

> *"I think I have stopped them all. I feel like I have control of my own money." (Low resilience, digitally excluded, social housing tenant, workless household)*

> *"I pay everything, I don't like direct debits – I have been charged in the past… it was my fault." (High cost credit)*

> *"Sometimes bank will say you have money when you haven't and it will let direct debits go out as well and it puts you into debt." (High cost credit, workless household)*

One individual disliked direct debits from high street banks, but was happy for such payments to come out of her Credit Union account (which couldn't become overdrawn):

> *I don't do it [direct debit]. In the past, when I was working, when I was younger, before I had my son, I was getting bills taken out you know for like contract phones and they took my full wages once. So after that, I cancelled it and cancelled all direct debits. I wouldn't do it again." (Financially excluded, lone parent, social housing tenant)*

> *"[Credit Union] are the only people who I let my TV license and water to go through [direct debit payments] 'cos I know they can't take more with Credit Union 'cos they're not allowed." (Financially excluded, lone parent, social housing tenant)*

A minority of interviewees were happy to use direct debit (or standing order) for at least some of their regular payments – including for water, electricity, gas, phone, satellite or house insurance. For some of these people, the direct debits had been set up as part of a payment plan after falling in arrears.

Most interviewees used a mixture of payment means such as pre-pay via cards and paying for things as needed, including:

- Rent, paid by card (at the post office), variable amount according to what can be afforded
- Council tax, paid by card at the post office
- Gas and electric, on a pre-paid meter or fortnightly plan (at the corner shop, nearby)
- Water, paid by card, weekly (at the post office)
- TV, paid by card, weekly (at the post office)
- Mobile phone, pay as you go, minimal usage
- Internet and landline, paid over phone or by scanning barcode on card (at post office), variable amount according to what can be afforded

Table 3.12 compares the proportion of respondents paying fuel bills by direct debit – a key measure of use of banking and transaction services – by type of household.

Table 3.12: Paying fuel bills by direct debit by group (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Homeowners		51%	59%*		91%*
Social housing		20%	26%*		32%
Private rented		12%	24%*		35%
17-29		23%	13%		33%
30-44		23%	24%*		57%*
45-59		30%	30%*		59%*
60+		38%	51%*		77%*
Children in household		-	24%		55%
No children in household		-	33%*		60%
Lone parent		10%	14%		44%
Couple with children		27%	33%*		60%
Pensioner only		37%	51%*		75%*
Disabled/ill		20%	28%		58%
Mental illness		22%	-		-
Working household		38%	34%*		58%
Workless household		17%	25%		58%
Income less £200 pw		-	24%		36%
Number of respondents		**594**	**601**		**320**

*Statistical significance calculated for 2018 data only

The use of direct debit or standing order to pay fuel bills has increased over most if not all groups. However, some households were significantly more likely to pay by this method than others:

- Tenure: Homeowners were overwhelmingly more likely use this method than social rented (nearly three times) and private rented (double).

- Age: Those aged 60+ were more likely to use this method and aged 17-29 less likely than all other age groups.
- Household type: Pensioner households more likely than lone parents or couples with children to pay by this method, possibly reflecting the greater financial stability they tend to experience.
- Employment status: In the deprived sample, working households were more likely to use this method than households not working and those on less than £200 in weekly income were less likely than average to pay by direct debit.

3.4. Savings and assets

Increasing the propensity to save and the asset endowment of households has been a key part of the financial inclusion agenda of the UK government. Households and individuals who save may be in better position to cope with income shocks, life-cycle events (e.g. old age and retirement) and expenditure hikes without relying on the public safety nets. All available statistics suggest that, despite numerous government interventions and tax incentives, there is a long-term decline in both level of savings and propensity to save.

Table 3.13 tracks the evolution of the savings habit among households.

Table 3.13: Household savings habits (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Savings habit					
Never save	30%	64%*	38%*	39%	34%
At least once a month	26%*	14%	24%*	21%	31%
Regularly, not monthly	2%	2%	2%	9%	5%
As and when able	41%*	18%	32%*	30%	28%
Not in past 12 months	1%	2%	1%	2%	0%
Not since open account	1%	-	0%	-	-
Not sure	0%	0%	2%*	-	2%
How save					
Bank/building society	67%	62%	62%	81%	57%
Credit union	8%	10%	12%*	5%	5%
Christmas club/hamper	5%	6%	8%	2%	1%
Informal savings group	3%	4%	3%	3%	1%
Jar/envelope	39%	38%	58%*	32%	21%
Relative/friend	13%*	11%	7%	4%	4%
Approach to saving					
Don't save	28%	63%*	45%*	39%	34%
Pay bills	22%*	10%	17%*	10%	14%
Buy things want or	40%*	18%	27%*	30%	34%
need	19%*	11%	23%*	21%	38%
Put away for future	18%*	11%	16%*	21%	35%
For emergencies	2%	0%	1%	1%	2%
Not sure					
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant

Overall the data on the savings suggest that households in the deprived survey areas were more likely to save in 2018 than 2010 but significantly less likely compared to 2004. This is somewhat

surprising given that national statistics tend to indicate year-on-year falls in the savings habit up until 2015-16. There are a number of possible explanations for the significantly higher proportion saving in 2018 compared with 2010:

- The 2018 samples differ significantly from the 2004 and 2010 samples on indicators in ways that are relevant for savings (this is discussed in Appendix A). The proportion of younger people is significantly lower whilst the percentage of people aged 45-59 is significantly higher. This is important as we know the propensity to save increases with age. The income levels of the deprived area sample is significantly higher than in the 2004 and 2010 survey though the households in the 2018 survey are significantly larger and more likely to have children (possibly explaining some of this discrepancy). We know that households on lower incomes are much less likely to save.
- The respondents of the 2010 survey were still feeling the after effects of the financial crisis. One in four had someone who had been made redundant, had their hours reduced and had their pay cut during the previous 12 months (Dayson and Vik, 2011). The 2010 deprived area respondents were significantly more likely to have been made redundant and had to work reduced hours compared with the 2018 survey.

Just below 40% of the deprived sample respondents say they never save. This is significantly lower than in 2010 but significantly higher than in 2004. Around a quarter (24%) reported saving at least once a month, significantly higher than in 2010 and similar to 2004, and 32% reported saving as and when they were able, significantly higher than in 2010 but significantly lower than in 2004. In comparison, 34% of the 2018 respondents in the economically average survey areas reported never saving, while 31% saved at least once a month and 28% saved as and when they were able.

The most common methods for saving in the deprived sample were bank or building society savings account and putting money in a jar (both around 40-60%). Compared with 2010, the 2018 respondents were significantly more likely to use all the savings methods apart from saving informally with work colleagues and friends. In the 2018 economically average sample, bank or building society accounts were by far the most common method (57%) followed by saving in a jar (21%).

The most common reasons to saving in the deprived sample were saving to buy things they want and putting away money for the future. The 2018 deprived sample respondents were more likely to save for all the reasons listed compared with 2010 but there were no significant differences with the 2004 survey. This is not surprising given that the 2018 respondents save significantly more than in 2010 but significantly less so compared with 2004. Similar to in 2010, the three most common reasons to save in the 2018 average sample were saving to buy things they need, for the future and for emergencies. However, there was a significant increase in saving for future and emergencies from 21% in 2010 to 37% and 36%.

From the qualitative interviews, a few different means of saving were used by the interviewees, with most people adopting one or two of these:

- Receiving voucher with ‘points’ on Morrisons card once a year
- Putting change in a jar and / or tin
- Giving money to friend or family to look after
- Paying £5 weekly to ‘Studio’ as buffer for new items
- Pre-paying more money onto gas and electricity than needed
- Taking money out of bank and keeping it at home
- Leaving money in the bank, including general account or specific CU savings account

Some people saved for unexpected events or a ‘rainy day’. Some could barely manage to save but tried to put aside £5 for small treats like a bus-ride to the park, with ice creams. A few mentioned saving for special occasions, such as Christmas, a wedding or holiday. A couple of people never saved and felt they had no spare money to do so:

> *“Usually, by the time I have budgeted for everything, there is not much left in the pot.” (Low resilience, digitally excluded, social housing tenant, workless household)*

Table 3.14 compares the proportion of households that never save by household type.

Table 3.14: Households that never save by type (%)

	2018 Deprived sample	2018 Average sample
Homeowners	28%	14%
Social housing	42%*	48%*
Private rented	45%*	48%*
17-29	44%	46%*
30-44	50%*	40%*
45-59	40%	28%
60+	34%	26%
Children in household	45%	37%
No children in household	42%	33%
Lone parent	47%*	56%*
Couple with children	43%	30%
Pensioner only	34%	27%
Other	47%*	37%
Disabled/ill	46%	31%
Mental illness		-
Working household	38%	33%
Workless household	47%*	38%
White	40%	35%
Asian	47%	20%
Black	49%	5%
Income less £200 pw	51%	51%
Number of respondents	**602**	**320**

*Statistically significant

There were significant differences between households in terms of propensity to save:

- Tenure: Social and especially private tenants were far less likely to save than homeowners. This is not surprising given that homeowners are likely to have more disposable income as well as more stable finances.
- Age: People aged 17-29 and 30-44 were significantly less likely save compared with those aged 60+. This is supported and in line with national statistics and evidence.
- Household type: Pensioner households were significantly more likely to be saving compared with lone parents in both samples. In the deprived sample, couples with children were also less likely than pensioner households to save.
- Employment status: Workless households were more likely to never save compared with households in work in deprived but not in economically average areas.
- Income level: A higher percentage of households on less than £200 in weekly income than average never saved, which is in line with national statistics for the UK.

Notwithstanding the importance of saving regularly, the amount of savings that people have is at least equally important. The absolute amount of savings determines the resilience of the household in terms of unexpected income shortfalls. Hence, table 3.15 compares the amount of savings that respondents hold.

Table 3.15: Amount of household savings (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Amount savings					
No savings at all	37%	67%*	40%	40%	22%
Under £100	21%*	8%	16%*	6%	-
£101-£500	16%*	7%	12%*	8%	5%
£501-£1,000	8%	4%	6%	9%	15%
£1,001-£5,000	5%*	4%	6%*	13%	20%
More than £5,000	5%	1%	2%	9%	8%
Refused	6%	9%	13%*	13%	22%
Not sure	2%	1%	4%*	2%	8%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant

Forty percent of the deprived sample respondents had no savings whatsoever, which is down significantly from 67% in 2010 but similar to 2004 (37%). Given this significant drop since 2010, the 2018 respondents were significantly more likely to report savings across most of the categories of amounts. Interestingly they were also significantly more likely to refuse to state their level of savings, 13% compared with 9% (2010) and 6% (2004). In the 2018 economically average sample, 22% of households had no savings. Nearly a quarter (22%) of the economically average survey respondents refused to answer this question. A fifth of the sample had savings of between £1,001 and £5,000, whilst 15% had between £510 and £1,000 in savings. As noted above, the increase in savings held since 2010 may be explained by inherent differences in the samples and the relatively tougher economic climate, maybe especially the labour market, in 2010 compared with 2018.

Table 3.16 compares the percentage of respondents with no savings whatsoever by household type.

Table 3.16: Households with no or less than £100 savings by type (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Homeowners	32%	51%	33%	34%	10%
Social housing	66%	83%	67%*	86%	58%*
Private rented	67%	84%	68%*	64%	59%*
17-29	64%	81%	73%*	66%	50%*
30-44	61%	75%	68%*	55%	52%*
45-59	53%	81%	60%*	42%	36%
60+	46%	56%	47%	15%	20%
Children in household	-	-	67%*	-	47%*
No children in household	-	-	59%*	-	33%
Lone parent	82%	92%	79%*	74%	71%*
Couple with children	53%	69%	60%*	58%	37%*
Pensioner only	-	57%	47%	11%	22%
Disabled/ill	62%	78%	65%	35%	37%
Working household	41%	63%	55%	42%	38%
Workless household	74%	85%	68%*	54%	41%
Income less £200 pw	-	-	75%	-	64%
Number of respondents	**410**	**594**	**602**	**300**	**320**

*Statistical significance scores calculated for 2018 data only

The first observation we can make is that, across most groups, the proportion of households without savings have fallen back to the 2004 level. Further, the proportion of respondents with little or no savings differs significantly depending on their characteristics:

- Tenure: It was much more common to have no savings among social housing and private tenants than among homeowners. In the deprived sample, private tenants were also more likely to have no savings compared with social housing tenants.
- Age: In line with national picture, people aged 17-29 and 30-34 were more likely to have no savings compared with those aged over 60.
- Household type: Lone parents were significantly more likely than pensioner households and two-parent families to have no savings. This is not surprising given that research has consistently shown lone parent households to be among the most excluded and vulnerable (e.g. Dayson and Vik, 2011). In the deprived sample two-parent families were also more likely to have no savings compared with pensioner households.
- Income level: Not surprisingly, a higher percentage of those with incomes of less than £200 per week had no savings compared with the average, though this was less pronounced in the average sample.

3.5. High cost credit

The reliance of low-income households on high cost forms of credit represents a key challenge for the financial inclusion agenda. The comparatively high interest rates form a substantial part of the poverty premium paid by low-income households (Davies, Finney and Hartfree, 2016). Table 3.17 compares the extent of regular and high cost borrowing across the three surveys. Regular credit includes the typically lower cost forms of credit in question 32 of the questionnaire (excluding student loans and mortgages), such as bank and building society loans, credit union loans and overdrafts. High cost

credit refers to typically higher cost forms of borrowing in question 34 (excluding social fund loan), including payday loans, rent-to-own and pawnbrokers.

Table 3.17: Access to and use of credit (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Regular credit					
One or more	29%	24%	27%	29%	38%
Bank overdraft	10%	11%	13%	12%	26%
Hire purchase	8%*	2%	2%	3%	7%
Interest free store loan	1%	0%	1%	-	1%
Credit card not paid off	8%	9%	7%	11%	15%
Store card not paid off	2%	2%	0%	2%	4%
Bank loan	9%*	5%	5%	11%	10%
Building society loan	2%	0%	2%*	1%	3%
Secured finance firm loan	-	0%	2%*	1%	2%
Credit union loan	3%	3%	2%	1%	0%
None of these	70%	72%	72%	69%	60%
High cost credit					
One or more	28%*	25%*	14%	23%	15%
Finance company	15%*	11%*	1%	2%	1%
Unsecured finance firm loan	-	2%	1%	1%	1%
Unlicensed moneylender	-	0%	1%	0%	1%
Catalogue/club books	14%*	9%*	4%	5%	7%
Local shops	0%	0%	0%	0%	0%
Payday lenders	-	2%	1%	1%	1%
Guarantor loans	-	-	0%	-	0%
Brighthouse	-	2%	1%	1%	1%
Pawnbrokers	1%	2%	-	1%	2%
Loans from family	4%	3%	3%	4%	4%
Loans from friends	1%	3%	2%	3%	2%
None of these	70%	72%	84%*	81%	84%
Card ownership					
Credit card	53%*	34%	29%	40%	40%
Store card	19%*	8%	9%	9%	12%
Credit exclusion					
Refused credit	9%	13%*	9%	11%	12%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant

Twenty-seven percent of the 2018 deprived area respondents had some form of mainstream credit, which is similar to 2004 and slightly higher than in 2010 (but not significantly so). The most common forms were bank overdraft (13%) followed by credit card (7%) and a bank loan (5%). In the average sample, nearly 40% used regular and 15% used high cost credit in 2018. The deprived area respondents were significantly less likely to have borrowed from traditionally higher cost sources of credit in 2018 (14%) than in 2004 (28%) and 2010 (25%). The use of licensed finance companies (e.g. Provident) and catalogues was significantly lower. This may partially be explained by the fall in the number of catalogue credit and home credit customers by over 30% and 20%, respectively, since 2012. This difference may also be explained by differences in the samples. There are, for example,

significantly fewer homemakers and unemployed in the 2018 deprived sample relative to 2010 and 2004, both core demographics of catalogue and home credit customers.

The majority of people interviewed for the qualitative interviews said they borrowed from family or friends – for some *'occasionally'*, for some *'usually'*. Small amounts, such as £10 and £20 were mentioned. These small amounts were typically repaid quickly, for example at next payday, although one person reported always owing money and another person did not intend to pay back the amounts borrowed. Even though it could be acceptable to borrow from friends and family, for the majority, it was not as acceptable to borrow from other companies. Exorbitant interest rates were cited as a reason not to do this:

> *"Things like that, you are paying over the odds when you pay them back…I looked at one. I thought they were getting too much in their pockets." (Low resilience, digitally excluded, social housing tenant, workless household)*

For those that did borrow from companies and sources, there were a range of sources, including credit union loan / savings account, budgeting loan (from the government), Pioneer, Diamond, Morses Club (doorstep loan) and Brighthouse. The users of Pioneer, Diamond and Morses Club were regular, satisfied customers, going back years. They did not intend stopping using these providers. For one person, she only borrows what she can afford to repay; and prefers this to asking her family. For another, she knows the interest charges are high but sticks with this method, even though she also has a little-used Credit Union account:

> *"When I pay this off I'm going to get a loan to get a new cooker because I don't want to be asking my family for that money" (Low resilience, digitally excluded, workless household)*

> *"I pay [Morses] over the phone and Diamond is a direct debit – I can't remember what it was for, a little top up at Christmas? – it is a lot of interest…I don't like to look at that." (High cost credit)*

Less than 10% of the deprived sample had been refused a loan or a credit in the past two years, which is significantly lower than in 2010 (13%) but the same as in 2004. This most likely reflects the contraction of especially mainstream sources of credit in 2010. Around 12% of the 2018 economically average sample respondents report having been refused credit. This may suggest that the tightening of regulation of the high cost credit sector and the purposive shift in customer base of some major players like Provident have led higher cost credit providers to target a less deprived customer segment.

We know from previous research that some groups are more likely to use high cost forms of credit than others. Hence, table 3.19 shows the extent of high cost borrowing by household type.

Table 3.19: High cost credit use by household type (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Total		22%	16%	10%	15%
Homeowners		13%	8%	3%	6%
Social housing		26%	17%*	32%	23%*
Private rented		23%	12%	17%	22%*
17-29		27%	12%	12%	16%
30-44		20%	20%*	13%	26%*
45-59		29%	9%	10%	12%
60+		6%	7%	2%	8%
Children in household		-	15%	-	25%*
No children in household		-	12%	-	10%
Lone parent		38%	18%*	22%	40%
Couple with children		25%	14%	17%	22%*
Pensioner only		6%	6%	2%	8%
Disabled/ill		28%	12%	16%	19%
Mental illness		44%	-	-	-
Working household		16%	14%	5%	15%
Workless household		26%	12%	17%	18%
Income less £200 pw		30%	13%	24%	20%
Number of respondents		**594**	**601**	**300**	**320**

*Statistical significance calculated for the 2018 data only

From the table we can see that the use of high cost credit has fallen across the majority of groups. That said the use of high cost credit was more prevalent among some groups. First, people in social rented sector more likely to use high cost credit compared with homeowners. Second, people aged 30-44 were more likely than all other age groups to use high cost credit and pensioner households were least likely to borrow of household types. Households in the former age group are likely to have less predictable finances, due to a greater number of sources of unexpected costs, especially linked to children. Finally, lone parents and, in the economically average sample, households with children were more likely to use high cost credit.

Table 3.20 shows the proportion of the respondents using regular forms of credit by household type.

Table 3.20: Regular credit use by household type (%)

	Deprived sample		Average sample	
	2010	2018	2010	2018
Total	20%	25%	26%	38%
Homeowners	35%	42%*	29%	42%
Social housing	13%	22%	14%	37%
Private rented	17%	23%	24%	35%
17-29	15%	23%	26%	28%
30-44	26%	32%*	40%	56%*
45-59	21%	27%*	22%	41%*
60+	13%	16%	11%	25%
Children in household	-	28%	-	53%*
No children in household	-	23%	-	30%
Lone parent	12%	26%	19%	44%*
Couple with children	24%	28%*	43%	60%*
Pensioner only	9%	17%	4%	23%
Disabled/ill	13%	17%	16%	32%
Mental illness	9%	-	-	-
Working household	27%	33%*	37%	43%
Workless household	13%	20%	9%	32%
Income less £200 pw	12%	20%	8%	27%
Number of respondents	**594**	**601**	**300**	**320**

*Statistical significance calculated for the 2018 data only

The use of appears to have increased across all groups, though some of these sub-samples are small so one should exercise caution in interpreting the results. The proportion of respondents using regular credit differs significantly depending on their characteristics:

- Tenure: Homeowners were more likely to use regular credit than social housing tenants in the deprived sample.
- Age: People aged 30-44 and 45-59 were more likely to use regular sources of credit than both older and younger households.
- Household type: Households with children and two-parent households were more likely to use mainstream credit.
- Employment status: Working households were significantly more likely to resort to regular credit than those respondents not in work.

The purpose of borrowing is an important indication of the financial health and resilience of the household. In particular, borrowing to pay for living costs and paying off debts suggests that the respondent may be struggling financially. Table 3.21 compares the purpose of borrowing for the three surveys.

Table 3.21: Purpose of borrowing (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Large household item	34%*	32%*	18%	26%	19%
Computer	1%	1%	0%	1%	1%
Car/motorbike	10%	8%	6%	21%	18%
Clothes	17%*	23%*	9%	15%	10%
Training/education	4%	1%	1%	1%	1%
Holiday	9%	5%	6%	6%	1%
Home improvements	6%	5%	4%	11%	10%
Day-to-day living expenses	14%	34%*	35%*	33%	39%
Christmas/other presents	23%*	22%*	6%	18%	14%
Pay off debts	8%*	7%*	3%	7%	7%
Pay off gambling debt[1]	-	-	-	-	-
Other	7%	11%*	5%	9%	11%
Refused/don't know	2%	1%	7%*	-	7%
Number of respondents	**213**	**257**	**213**	**108**	**128**

*Statistically significant

The two most common uses of lending among the deprived sample respondents in 2018 were day-to-day living expenses (35%) and large household items (18%). The proportion borrowing to cover day-to-day living expenses was the same as in 2010 but significantly more compared with 2004. The proportion of respondents taking out loans for large household items, clothes, Christmas and paying off debts decreased significantly from 2004 and 2010 to 2018. The fact that over a third are borrowing for day-to-day living expenses is concerning because it possibly indicates insufficient household income to cover costs or an unplanned approach to money management.

Borrowing for day-to-day living costs (39%), large household items (19%) and car/motorbike (18%) were the most common uses of borrowing for the 2018 respondents from the economically average areas. The high proportion of borrowing to cover day-to-day living expenses in this particular sample may be explained by the fact that overdrafts, credit cards and store cards were the most common forms of borrowing. These sources of credit are typically used for day-to-day consumption.

Given that using credit to pay for day-to-day living expenses is a proxy for financial difficulty, in table 3.22 we compare the percentage of respondents borrowing for living expenses by type of household.

Table 3.22: Use of credit for day-to-day living expenses by household type (%)

	2018 deprived sample	2018 average sample
Total	39%	39%
Homeowners	44%	21%
Social housing	37%	51%*
Private rented	37%	50%*
17-29	34%	33%
30-44	38%	45%*
45-59	43%	25%
60+	42%	53%*
Children in household	29%	38%
No children in household	49%*	39%
Lone parent	31%	57%
Couple with children	25%	32%
Pensioner only	52%*	51%
Disabled/ill	48%	38%
Mental illness	-	-
Working household	35%	35%
Workless household	39%	43%
Income less £200 pw	42%	37%
Number of respondents	**205**	**120**

*Statistical significance calculated for the 2018 data only

The household characteristics influencing borrowing to cover living costs vary for the two samples in a number of ways. In the deprived sample, households without children and pensioner households were significantly more likely to borrow for living costs than other household types. (The proportion of pensioner households borrowing to cover living costs in economically average areas was identical to those in the deprived areas but not significantly different from other household types.) The deprived area survey data suggests that pensioner households largely borrow to cover living costs, whereas other household types borrow for a range of purposes (e.g. large household items). In the economically average sample, respondents aged 30-44 and 60+, lone parent households and social housing tenants were significantly more likely to borrow to cover day-to-day living expenses compared with two-parent households. It is not clear why there are these differences between the two samples. It must be noted that some of the subgroups are very small and hence prone to larger variations, especially given that we are only looking at those that borrow.

3.6. Debt levels and financial difficulties

There is ongoing concern about debt levels and households getting into financial difficulties as a result. In light of welfare reform, declining real wages and the casualization of labour, we would expect households to be in greater financial difficulties and debts.

Table 3.25 tracks a number of measures pertaining to general financial wellbeing.

Table 3.25: General financial wellbeing (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Managing money					
Managing well	37%*	16%	40%*	40%	50%
Just getting by	53%	55%*	48%	50%	39%
Getting into difficulties	9%	21%*	7%	7%	6%
Already in difficulties	-	8%*	3%*	3%	4%
Worry about debt					
Very worried	16%	24%*	15%	21%	13%
Fairly worried	24%	34%*	20%	24%	21%
Not very worried	28%	26%	26%	25%	19%
Not at all worried	30%*	15%	36%*	30%	46%
Managing fuel bills					
Very easily	34%*	9%	50%*	16%	55%
Quite easily	45%*	38%*	32%	55%	24%
Some difficulty	16%*	35%*	11%	20%	13%
Very difficult	1%	14%*	4%*	6%	5%
Not sure	4%	4%	3%	2%	4%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant

Forty percent of the deprived survey respondents report managing well, significantly higher than in 2010 (16%) and similar to 2004 (37%). Similarly, the 2010 respondents were significantly more likely to be getting into difficulties or to already be in difficulties compared with the 2018 respondents. Combined, 10% were getting into or already in difficulties compared with 29% in 2010 and 9% in 2004. Half of the respondents in the 2018 economically average sample reported managing well, while just below 40% were just getting by.

Similarly, the level of worry about being in debt fell significantly among the deprived sample respondents. In 2018, 35% were worried or very worried about getting into debt compared with 58% in 2010. This was also lower than in 2004 but not significantly so. Among the 2018 respondents from the economically average areas 31% were very or fairly worried about getting into debt.

Overall the 2018 respondents in the deprived sample areas found it easier to manage their fuel bills compared with 2010 but similar to 2004. The proportion of respondents with some difficulty or who are finding it very difficult to manage fuel bills fell significantly from 50% in 2010 to 15% in 2018, which is similar to the level in 2004 (17%). Similarly in the 2018 economically average sample, the vast majority (69%) reported managing their fuel bills quite or very easily.

Overall, then, the respondents in the deprived areas were significantly more likely to report managing better, having lower levels of worry and managing fuel bills easily in 2018 than in 2010 and similar to 2004. It is possible that there has been an improvement in perceived financial wellbeing in these areas due to an overall improvement in the economy. In the 2010 survey, 40% of the deprived sample respondents reported that their finances had been significantly affected by the recession (Dayson and Vik, 2011). Furthermore, around 10% had been made redundant or had their hours reduced in the preceding twelve months. It may also be explained by differences in the samples. For example, there were significantly more respondents in employment and in the highest income bracket in 2018 than in 2004 and 2010.

Table 3.26 displays the percentage of respondents getting into or already in financial difficulties.

Table 3.26: Households getting into or already in financial difficulties (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Total	9%	29%	13%		10%
Homeowners	7%	20%	6%		4%
Social housing	10%	30%	15%*		16%*
Private rented	7%	38%	15%*		16%*
17-29	8%	31%	8%		11%
30-44	11%	35%	19%*		21%*
45-59	11%	33%	18%*		8%
60+	4%	6%	4%		4%
Children in household	-	-	12%		15%*
No children in household	-	-	14%		7%
Lone parent	14%	39%	14%*		34%
Couple with children	10%	31%	11%		12%
Pensioner only	-	5%	5%		4%
Disabled/ill	13%	24%	13%		7%
Mental illness	-	51%	-		-
Working household	8%	23%	11%		11%
Workless household	10%	33%	14%		10%
Income less than £200 pw	-	-	19%		18%
Number of respondents	**410**	**594**	**598**		**320**

*Statistical significance calculated for 2018 data only

Overall the proportion of households getting into or in financial difficulties has fallen from 2010 but is similar to or higher than in 2004. The samples for people getting into or already in financial difficulties are small, hence limiting the analysis. Nevertheless, we can make some observations concerning significant determinants of being in or getting into financial difficulties. Households in social and private rented sector were significantly more likely to be in financial difficulties compared with homeowners. Younger people were more likely to be in difficulties especially compared with those aged 60 and over. This is not surprising given that older people will generally have more predictable finances and tend to be more experienced money managers.

Table 3.27 lists the percentage of the respondents experiencing difficulties paying their fuel bills by household type.

Table 3.27: Households experiencing difficulties paying fuel bills (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Total	17%	50%	18%		17%
Homeowners	16%	37%	2%		8%
Social housing	17%	51%	23%*		24%*
Private rented	19%	66%	20%*		25%*
17-29	20%	51%	15%		17%
30-44	19%	55%	21%*		28%*
45-59	17%	59%	24%*		16%
60+	7%	25%	8%		10%
Children in household	-	-	18%		22%*
No children in household	-	-	18%		15%
Lone parent	23%	65%	19%*		36%*
Couple with children	28%	54%	17%		17%
Pensioner only	-	26%	10%		8%
Disabled/ill	18%	48%	24%*		17%
Mental illness	-	68%	-		-
Working household	14%	44%	16%		18%
Workless household	19%	55%	17%		17%
Income less than £200 pw	-	-	19%		23%
Number of respondents	**410**	**594**	**601**		**320**

*Statistical significance calculated for 2018 data only

Again the subsamples are very small limiting the analysis. That said, in the deprived sample, across most household types, the proportion of households with difficulties paying fuel bills has fallen since 2010 to a comparable level with the 2004 survey. Further, we can observe that social housing and private tenants are significantly more likely to be experiencing difficulties paying their fuel bills compared with homeowners. Respondents aged 30-44 and 45-59 were significantly more likely to experience difficulties compared with those aged 60+. Lone parents were also significantly more likely than other households to be experiencing difficulties. Disabled households were more likely to be in difficulties in the deprived areas, whilst having children significantly increased the likelihood of experiencing difficulties in the economically average areas.

Whilst perceptions of financial wellbeing are useful, they are also limited in that they are subjective. Hence, table 3.27 compares the extent to which the respondents have fallen or are behind on credit commitments and bills.

Table 3.28: Problem debts (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Currently behind on bills					
One or more	15%	28%*	20%*	16%	16%
Gas	2%	11%*	2%	3%	2%
Electricity	4%	11%*	2%	3%	4%
Water rates	3%	6%	4%	4%	3%
Rent	3%	6%*	4%	1%	5%
Council tax	3%	4%	7%*	3%	4%
Overdraft	1%	2%	1%	3%	4%
Mortgage	-	1%	0%	3%	0%
Priority debts					
Currently	9%	20%*	13%*	9%	10%
Last 2 years	22%	30%*	22%	18%	17%
Behind on bills last 2 years					
One or more	34%*	38%*	28%	26%	27%
Gas	6%*	18%*	3%	7%	5%
Electricity	7%*	17%*	4%	8%	6%
Water rates	10%	13%*	7%	7%	9%
Rent	9%	11%	10%	4%	8%
Council tax	11%*	7%	12%*	7%	8%
Overdraft	1%	4%*	2%	9%	7%
Mortgage	0%	2%*	1%	4%	0%
Number of respondents	**410**	**602**	**602**	**300**	**320**

*Statistically significant

Sixteen percent of the 2018 respondents in the economically average sample were currently behind on one or more bills and 10% were behind on priority bills. In the deprived sample, the likelihood of a respondent currently being behind on one or more bills was significantly lower than in 2010 but significantly higher than in 2004. One of the few exceptions to this was that the 2018 respondents were significantly more likely to be behind on council tax compared with 2010 and 2004. The likelihood of currently being behind on priority debts was significantly lower in 2018 than 2010 but significantly higher than in 2004. It may be that problem debts have fallen in these areas. We know that, overall, the percentage of UK households with problem debts has fallen since 2010. The differences between the 2010 and 2018 deprived area samples may also be due to differences in the sample characteristics. Perhaps most notably, the 2018 respondents were significantly less likely to be unemployed and more likely to be in employment compared with both the 2004 and 2010 samples.

The reasons for falling behind on payments are listed in Table 3.28.

Table 3.29: Reasons for falling behind on payments (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Insufficient income	51%*	54%*	37%	31%	42%
Unemployment/redundancy	21%	26%	14%	40%	15%
Unpredictable/lack hours[1]		9%*	5%*	6%	9%
Short term working	-	-	-	-	-
Physical ill health	12%*	6%	5%	8%	5%
Family break up	4%	6%	5%	2%	8%
Errors in housing benefit[2]	10%*	4%	11%*	4%	16%
Pregnancy/had child	4%	2%	4%	4%	14%
Partner left	7%*	2%	3%	-	15%
Debts by other in HH	-	2%	5%	2%	10%
Mental ill health	-	2%	5%	-	15%
Tax credit overpayments	-	1%	4%	-	5%
Benefit sanctions*	-	-	7%	-	9%
Number of respondents	**136**	**182**	**130**	**48**	**51**

*Statistically significant; [1]New in 2018; [2]Changed in 2018 to errors and delays in benefit payments

The by far most common reason for problems making payments across the three surveys in deprived areas was, not surprisingly, insufficient income. In 2018 nearly 40% of respondents with payment problems stated this as one of the reasons, which is significantly lower than in 2010 (54%) and 2004 (51%). Unemployment, the second most commonly cited reason, was less often cited in 2018 compared with 2010. This is perhaps not so surprising given the fall in unemployment nationally. A number of the reasons cited in 2018 were related to benefits: errors and delays in benefit payments (11%, up significantly from 2010), tax credit overpayments (4%) and benefit sanctions (7%). The increase in errors and delays in benefit payments since 2010 may be a result of welfare reform.

Table 3.30 shows the reported impact of the payment problems.

Table 3.30: Impact of debts or arrears (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Any	-	83%	54%	69%	70%
Affected respondent health	-	26%	22%	25%	34%
More anxious/stressed	-	73%	43%	65%	57%
Depressed	-	50%	23%	35%	42%
Affected family relationships	-	14%	8%	19%	27%
Affected work performance	-	1%	1%	2%	9%
No effect	-	17%	40%	31%	30%
Number of respondents	**-**	**182**	**130**	**48**	**51**

*Statistically significant

In the 2018 deprived sample, 54% of the respondents in arrears reported some impact on themselves and their family, which is significantly lower than in 2010 when 83% reported some form of effect. There were significant decreases in respondents reporting anxiety and stress (73% to 43%), and depression (50% to 23%). These subsamples are on the small side so one must be cautious in

interpreting these results. In the average sample, nearly 70% of the 2018 respondents reported some impact of the debt, which is very similar to 2010.

Table 3.31 compares the likelihood of being behind on bills by household type.

Table 3.31: Households currently behind on bills by group (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Total	15%	-	21%		16%
Homeowners	1-%		5%		4%
Social housing	16%		26%*		26%*
Private rented	17%		29%*		25%*
18-29	19%		26%*		19%
30-44	21%		25%*		33%*
45-59	10%		18%*		9%
60+	1%		10%		6%
Children in household	-		23%		27%*
No children in household	-		18%		10%
Lone parent	29%		36%*		39%
Couple with children	19%		17%		26%*
Pensioner only	-		10%		5%
Disabled/ill	16%		26%		13%
Working household	15%		19%		17%
Workless household	15%		20%		18%
Income less than £200 pw	-		28%		21%
Number of respondents	**410**		**597**	**300**	**296**

There were some groups that were significantly more likely to be behind on bills. Social and private rented households were more likely to be behind on payment commitments. People aged over 60 were less likely to be behind on their bill compared with any other age group. Lone parents stood out as most likely to be behind on bills.

To understand how household deal with emergencies, we asked the respondents what they would do if they needed money in a hurry (Table 3.32).

Table 3.32: Respondent action in emergency if in need of money in a hurry (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Ask family/friends	60%	54%	65%*	47%	57%
Emergency help from LCC	5%*	9%*	0%	4%*	0%
Draw on savings	13%*	8%	14%*	35%	25%
Take out bank loan/overdraft	8%	6%	9%*	9%	11%
Door step lender	-	1%	0%	1%	1%
Loan other source	4%*	0%	1%	0%	1%
Credit union loan	2%	3%	3%	1%	2%
Use credit card	1%	3%	2%	3%	5%
Sell something	1%	4%*	2%	2%	1%
Other	2%	1%	1%	1%	2%
Don't know	13%	17%*	12%	9%	9%
Number of respondents	**409**	**602**	**602**	**300**	**320**

*Statistically significant;

The by far most common action among deprived respondents across all three surveys when faced with an emergency was to turn to friends and family. In 2018, 65% reported they would turn to friends or family in case of an emergency, significantly down from 2010 (54%) but roughly similar to 2004 (60%). The proportion able to draw on savings increased significantly since 2010 from 8% to 14%. The increase in the perceived ability to draw on savings and turn to family may be indicative of an improved economic environment. There was also a significant increase in respondents believing they could draw on a bank overdraft in 2018 (9%) compared with 2010 (6%). In the economically average sample, asking family or friends (53%) and drawing on savings (28%) were the most common answers in 2018, which did not differ significantly from 2010.

4. Effectiveness of financial inclusion interventions in Leeds

The research assessed the effectiveness of the various financial inclusion services and interventions run by Leeds City Council (LCC) and partners, including affordable credit, financial education, money and debt advice, and food banks, in targeting those most in need. There are three dimensions to the services and support provided by LCC and partners reaching those most in need:

- Households need to be aware of the financial inclusion service providers, services and support.
- Interventions and services need to be accessible and to be perceived as such by target users. This requires understanding reasons for not using services.
- Target users should make use of the services (including membership) and be likely to make use of services if they need them in the future.

We assessed this using survey questions on awareness and use of financial inclusion services as well as drawing on management information data provided by the interventions.

4.1. Strategic approach of Leeds CC to financial exclusion and poverty

Before turning to the analysis, we need to briefly consider the different interventions and strategies implemented to address financial exclusion and poverty. Leeds City Council have developed the Best Council Plan 2018/19 which sets out a long-term strategic focus on tackling poverty and inequalities across the city, with an emphasis on seven interconnected priority areas of work:

- Inclusive growth
- Health and wellbeing
- Child-friendly city
- Safe, strong communities
- Housing
- 21st-century infrastructure
- Culture

It is believed that, taken together, these seven areas will deliver better outcomes for the people of Leeds. Tackling financial exclusion within the city falls under two of the seven priority areas- inclusive growth and safe, strong communities. Leeds has a significant low pay problem. The Council estimated that almost 20% of all Leeds working residents earned less than the Real Living Wage in 2017, affecting 65,000 residents. Part of tackling these issues involves creating better links to social and economic opportunities, which is part of the Council's plan for safe, strong communities. As part of this, there are a number of financial inclusion interventions in Leeds aimed at helping people out of financial hardship and tackling the challenges of poverty, deprivation and inequality.

Alongside their approaches for tackling financial exclusion, Leeds City Council have also established other strategies into addressing wider issues around poverty. In 2016 17.3% or 25,710 of under-16s across Leeds were estimated to be living in poverty, Leeds has an ambition to be a child-friendly city, and in early 2017 were successful in obtaining a bid for innovation funding. Over the next three years, the city will be awarded £9.6 million to support their strategy for child welfare in Leeds. The money will be used across three key areas- establishing their new restorative adolescent service, or 'RESTs'; offering support and information about emotional wellbeing and mental health and sharing expertise with other local authorities as a 'Centre of Excellence'. They also have plans to deliver new affordable

housing, including 1000 council homes, and convert empty homes back into use in order to meet a target of 70,000 new homes in Leeds by 2028.

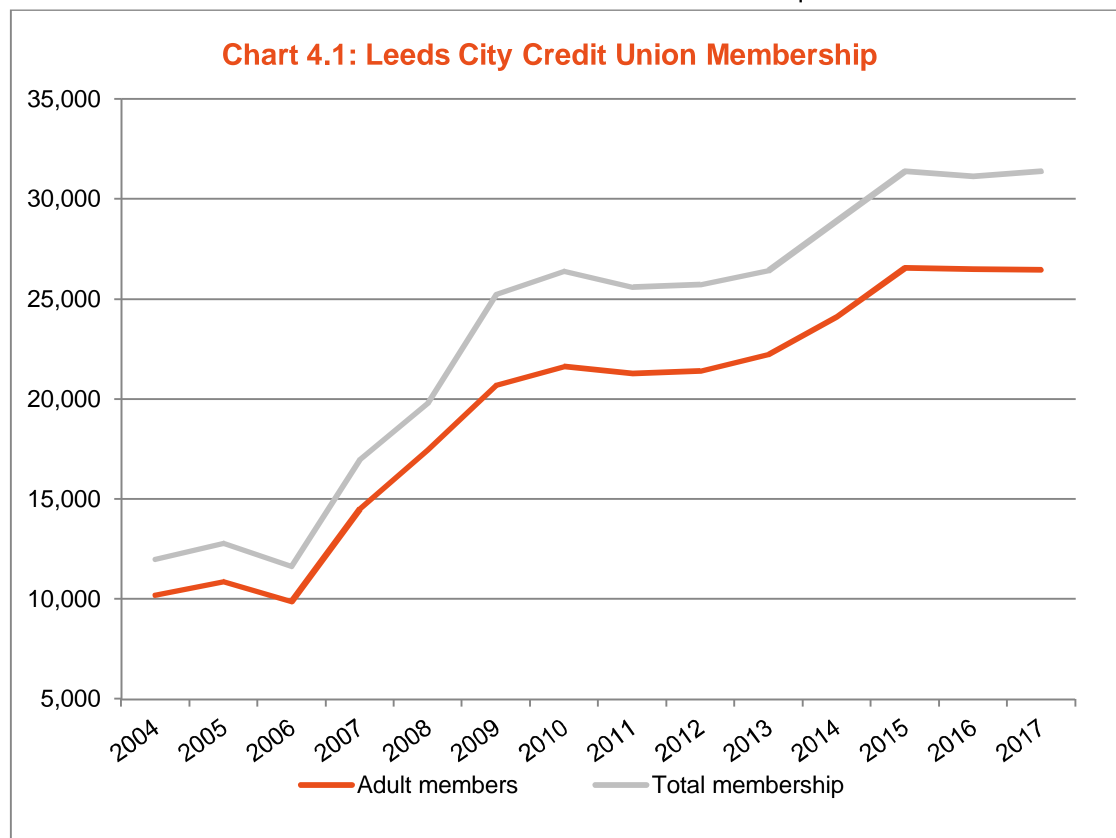
In Leeds the public, private and third sector have been working in partnership for over a decade to promote financial inclusion. The Financial Inclusion Steering Group (FISG), oversees the work, developing specific proposals aimed at bringing about financial inclusion and liaising with partners to secure agreement for their implementation. As a result Leeds has delivered a strategy to tackle financial inclusion that has been nationally acclaimed, and has involved putting in place improved advice services and mechanisms to assist people maximise their incomes, manage their debts and provide an alternative to high interest lenders and loan sharks. A great number of successful initiatives have been put in place by dedicated and consistent action both on the ground and at policy level. Some key examples of such initiatives and work are listed in the table overleaf.

Affordable Credit	Debt	Money Advice	Financial Capability/Education	Poverty
Leeds Credit Union: Membership grown from 11,000 in 2005 to 31,049 in 2017. Current projects include launching faster & more streamlined website in June 2016; launch web-based payday loan product charging CU rates; & launch of two new Loan Shops, (Roundhay Road & Merrion Centre).	**Leeds Debt Forum:** developed to provide local people with information regarding available support in their area. Includes support around access to affordable credit, support services and food banks, and assisting in getting people in employment. **Debt advice is funded through the Money Advice Service and delivered by 4 independent advice services in Leeds. These advice providers are at Citizens Advice Leeds, Ebor Gardens, Better Leeds Communities and St Vincent's Support Centre.**	**Money Information Centre:** Website created to collate info about all organisations within 'Help with Managing your Money' booklet, to allow customers easier access to services. **Welfare Rights Team:** Provides advice & support on range welfare benefits, including filling in claim forms & offering guidance & support with appeals. Dealt with 36,673 enquiries generating benefit gains of £22m **Local Welfare Support Scheme:** Delivers support through providing basic household goods & emergency food provision across Leeds. Has made over 20,000 awards to vulnerable residents since 2013. **Advice Provision through Citizens Advice Leeds, Chapeltown CAB and Better Leeds Communities**: 72% more people helped across Leeds, & 26% more telephone calls made over last year. 45,549 people assisted with free & independent advice through these services, leading to increase in clients' incomes by £6.3million. **Benefit Buddies:** Trialled over course of 2016, service has now received funding to continue helping clients with completing forms, addressing benefit problems, & also provides support with benefit interviews, assessments & tribunals.	**Money Buddies:** Provides additional one-to-one home-budgeting & money management assistance for those clients who have met with advisor and received money & debt advice. Money Buddies work on helping clients with budgeting, maximising their income & filling in forms etc.	**Poverty Factbook:** Developed to help the Council & others understand fully levels of poverty in Leeds. Contains national & locally sourced data & info to help define & analyse different themes of poverty. **FareShare:** Supports food aid providers across city, & is engaged in feeding vulnerable people & providing general support to help people out of crisis. Also supply cereal to school breakfast clubs & Children's Centres.

There is considerable coordination across this through the financial inclusion steering group.

4.2. Awareness and use of Leeds Credit Union

In this section, we consider and discuss the awareness and use of the different financial inclusion services. Leeds Credit Union is a central financial inclusion service provider offering savings, loans and other services to its members. Chart 4.1 tracks the membership of the credit union since 2004.



The adult and total membership (i.e. including junior accounts for those under 18) of Leeds Credit Union has grown considerably over the years. The adult membership more than doubled from around 10,000 to over 20,000 in just three years from 2006 to 2009. The membership then remained around 21,000 from 2010 to 2013 before reaching over 26,000 adult members in 2015 where it has remained. The adult membership has increased by over 20% since the 2010 survey.

Table 4.1 shows the level of awareness and use of Leeds Credit Union from across the three years. Based on the membership rates of the credit union, we would expect an increase compared with previous surveys.

Table 4.2: Awareness and use of credit union (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
Heard of credit union	30%	52%*	67%*	45%	70%
Membership					
Current	6%	10%*	11%*	5%	7%
Past[1]		1%	3%*	3%	5%
Use of credit union services[1]					
Membership account		57%	76%*	60%	42%
Savings account		27%	39%	33%	54%
Child savings account		2%	-		5%
Child Trust Fund a/c		2%	1%		
Christmas club a/c		6%	9%		
Budget account		1%	1%		9%
Handiloan		4%	6%	13%	
Other loan		14%	-	7%	
Other service		3%	-	7%	9%
LCU loan in emergency	2%	3%	3%	1%	2%
Number of respondents	**409**	**602**	**602**	**300**	**320**

*Statistically significant; [1]Included since 2010

The awareness of Leeds Credit Union among deprived sample respondents has increased significantly with every survey. From 2004 to 2010, the percentage of respondents that had heard of the credit union increased from 30% to 52%. From 2010 to 2018 the level of awareness increased again to 67%. This was mirrored in the economically average sample, in which 70% of the 2018 respondents had heard of the credit union.

The propensity of 2018 respondents in the deprived sample to be members of the credit union was significantly higher than in 2004 but no significant change from 2010. This is slightly surprising given that awareness has increased significantly and as we know that the credit union membership has increased. The main reasons for not joining the credit union in the deprived sample was that they had not needed to get help from them (26%), they did not know enough about what the credit union does (26%) and that they already had a bank account (9%). In the economically average sample, the main reasons for not joining were not having needed to get help from them (26%) and not knowing enough about what credit union does (19%).

Among the credit union members in the deprived sample, the most commonly used credit union services were membership account (76%), savings account (39%) and current account (16%). Only a small proportion took out loans. Three percent of the deprived sample thought they could take out a credit union loan when faced with an emergency.

For the purpose of combatting financial exclusion, it is important that typically the types of households that are most vulnerable to financial exclusion are aware of the credit union. Table 4.3 shows the level of awareness by household type.

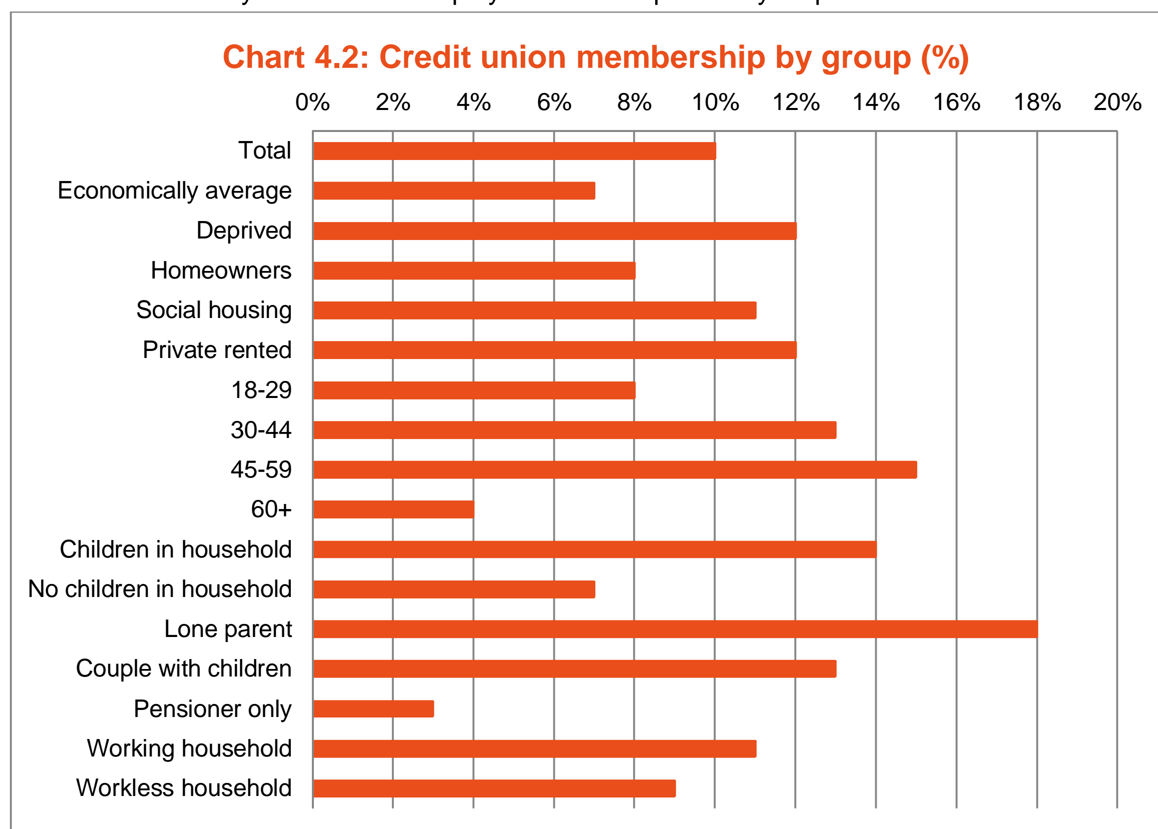
Table 4.3: Awareness Leeds Credit Union by group (%)

	2018 deprived sample	2018 average sample
Total	67%	70
Homeowners	68%	65
Social housing	70%*	76*
Private rented	54%	6250
18-29	62%	76*
30-44	66%	78*
45-59	69%	70*
60+	73%	77*
Children in household	63%	66
No children in household	71%*	84*
Lone parent	71%*	73
Couple with children	58%	68
Pensioner only	73%*	78*
Disabled/ill	70%	68
Working household	64	76
Workless household	64	
Number of respondents	**601**	**320**

*Statistically significant

Generally the level of awareness is high, exceeding 60% with the exception of respondents in the private rented sector. Social rented tenants are significantly more likely to be aware of Leeds credit union compared with people renting from private landlords and homeowners. This is likely to be explained by greater efforts by social housing landlords to promote the credit union amongst its members. Lone parent and pensioner households are significantly more likely to be aware of credit union relative to couples with children. Households with children were significantly more likely to have heard of the credit union. This is possibly explained by the credit union projects in schools and that households with children tend to be more likely to borrow.

It is not only important that households vulnerable to financial exclusion are aware of the credit union but also that they are members. Around 10% or 92 respondents of both samples were currently members of the credit union at the time of the interview. Although this is still a small sample it does allow for some analysis. Chart 4.2 displays membership rates by respondent characteristics.



Credit union membership varies considerably from 3% to 18%. The respondents in deprived areas were more likely to be members compared with those in economically average areas. In terms of age profile, those aged 60 and above were least likely to be members of the credit union, whilst those aged 45-59 were most likely. The respondents with children were more likely than those without. Lone parent households were significantly more likely to be members compared with any other type. This is positive as lone parent households are often disproportionally affected by financial exclusion and poverty.

4.3. Awareness and use of advice and support

Leeds City Council and partners offer a range of advice and support services for people in financial difficulties. Table 4.4 compares the level of awareness and use of these services by the 2018 respondents.

Table 4.4: Awareness and use local support services (%)

	Deprived sample		Average sample	
	Aware	Use	Aware	Use
Local Welfare Support Scheme	18%	3%	18%	4%
LCC Tax Support Scheme	23%	5%	28%	6%
Discretionary Housing Payment	15%	3%	19%	3%
Citizen Advice Leeds	79%	18%	93%	16%
Citizens Advice Chapeltown	17%	1%	39%	4%
Moneybuddies	7%	0%	9%	1%
Foodbanks	64%	6%	81%	6%
Money Information Centre	7%	0%	8%	1%
LCC Welfare Rights Unit	21%	4%	22%	5%
Better Leeds Communities	8%	1%	8%	0%
Ebor Gardens	21%	3%	10%	1%
St Vincents Support Centre	31%	3%	20%	3%
Any others	2%	1%	5%	3%
No/No response to all	13%		2%	
Number of respondents	**602**	**602**	**320**	**320**

The results suggest a high level of awareness of the different local support services in both deprived and economically average areas. In the deprived sample, 85% had heard of at least one of the support schemes on the list. The vast majority had heard of Citizen Advice Leeds (77%) and foodbanks (63%). This is not surprising given the high local and national profile of the Citizen Advice network as well as the high level of media coverage of the existence and growth of foodbanks.

Some of the other schemes are more local and targeted, which may explain the lower level of awareness of their existence. Less than a quarter of respondents had heard of the various council support services, namely the local welfare support scheme, council tax support, discretionary housing payments and the welfare rights unit. In the economically average sample, respondents were most aware of Citizen Advice Leeds (94%), foodbanks (82%) and Citizen Advice Chapel Town (38%).

Nearly 20% of the 2018 deprived area respondents had used Citizen Advice Leeds (18%) followed by foodbanks (6%) and the council tax support scheme (5%). The most commonly used services in the economically average areas were Citizen Advice Leeds (16%), food banks and council tax support (6%), and Welfare Rights (5%).

In the survey, we also asked if the respondents had been anywhere for money advice in the last couple of years. Table 4.5 compares the results by year and sample.

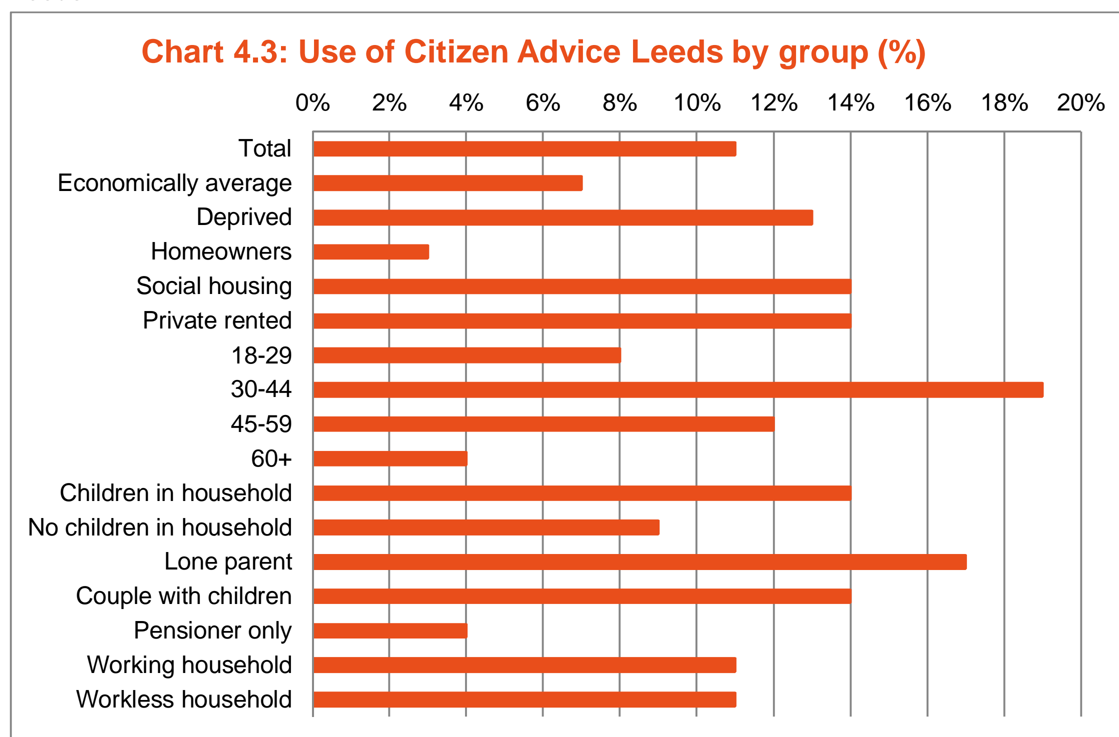
Table 4.3: Sought advice on money matters (%)

	Deprived sample			Average sample	
	2004	2010	2018	2010	2018
No, nowhere	86%*	89%	70%	91%	65%
Yes, sought advice	14%	11%	28%*	9%	34%
Citizens advice in Leeds	3%	4%	12%*	2%	9%
Leeds Welfare Rights Unit	-	0%	4%*	-	5%
Better Leeds Communities Support Centre	-	0%	3%*	-	0%
Money Information Centre	-	-	-	-	2%
Citizens Advice Chapel Town	-	-	1%	-	1%
Illegal money lending team	--	-	0%	-	-
Job Centre Plus	5%*	2%	1%	1%	2%
Bank	1%	1%	2%	2%	7%
Building Society	1%	1%	-	1%	-
Financial Advisor	1%	1%	0%	1%	3%
Social Worker	0%	-	1%	-	1%
Solicitor	0%	-	-	-	-
Credit Union	-	1%	1%	0%	0%
Place of worship	1%	0%	-	-	0%
Family member or friends	-	1%	6%*	1%	7%
National Debt Line	-	0%	0%	-	0%
StepChange	4%	-	2%	-	5%
Other (specify below)	-	2%	2%	1%	4%
Don't know/not sure	0%	-	2%	-	1%
Number of respondents	**409**	**602**	**602**	**300**	**320**

The first thing to note is that there was a significant increase in the proportion of respondents seeking advice. In 2018 28% of the deprived sample respondents had sought advice, which is up from 11% in 2010 and 14% in 2004. There was a significant increase in deprived sample respondents seeking advice from Citizen Advice Leeds, welfare rights, Better Leeds Communities and family or friends. In the economically average sample, 35% of the 2018 respondents sought advice compared with 9% in 2010.

It is important that those households vulnerable to financial exclusion make use of the local advice and support services. It was originally envisaged that we would analyse management information from the providers to determine if this happened. However, only one organisation was able to provide data on the characteristics of its users and also requested to remain anonymous. We therefore decided to use the survey data to analyse the type of users of the different services. The only organisation that was used by a sufficient number of respondents to allow for analysis was Citizen Advice Leeds. Across the deprived and economically average samples, 11% reported using Citizen Advice Leeds, resulting in a sample of 102.

Chart 4.3 displays the characteristic of the respondents that had sought help from the Citizen Advice Leeds.



The propensity to seek advice from the organisation varied considerably. Social housing and private tenants were significantly more likely to have sought advice from Citizen Advice than homeowners. People aged 30-44 were significantly more likely to have resorted to advice from Citizen Advice compared with all other age groups. This is not surprising as they more likely to have dependent children, more payment commitments and a less settled household economy. Evidence also suggests that people's money management skills improve with age. Households in deprived area were significantly more likely to seek advice than in economically average areas. Again this is not surprising as they are more likely to be in financial difficulties and people in less deprived areas may be more likely to deal with creditors themselves or use alternative. People with children were also significantly more likely to seek advice.

5. Concluding remarks

This report has analysed the evolution of financial exclusion in Leeds and the effectiveness of local financial inclusion interventions in targeting those most in need. This has largely drawn on three waves of a household survey (2004, 2010 and 2018), primarily in deprived communities, qualitative interviews and management information.

5.1. The evolving nature of financial exclusion

The analysis of the survey data suggests the following about the extent, nature and evolution of financial exclusion in Leeds:

- Welfare reform: Around 10-12% in both samples reported being affected by the current changes to the welfare system. This is possibly an underestimates as the technical nature of changes makes it hard for households to know if and which changes they have been affected by. Leeds had also not rolled out Universal Credit at the time of the survey.
- Foodbank use: The use of foodbanks is a core indicator of deprivation. Six percent of the 2018 deprived and average samples had resorted to foodbanks. In comparison, Trussell Trust estimated delivering food parcels to nearly 666,000 individuals in 2017-18, equivalent to around 2% of the number of UK households.
- Labour market changes: Seven percent of the deprived sample and eleven percent of the average sample were in temporary, more precarious forms of employment, such as zero-hour contracts. Around 5-6% in both samples had been affected by redundancy, reduced pay or reduced hours in 2018 down from 14-16% in 2010.
- Digital inclusion: Seventy-four percent of the deprived sample and eighty-seven percent of the economically average the 2018 respondents had internet access up from fifty-one and eighty-two percent respectively in 2010.. This is probably linked to the increase in smartphone ownership. A majority of respondents perceived their skills at using the internet as good and most found using the internet for a range of tasks quite or very easy. However, a significant minority – 22% of the deprived sample and 14% of the economically average – found using the internet difficult.
- Banking: In the deprived areas, there was a significant increase in bank account ownership from 70% in 2004 and 81% in 2010 to 96% in 2018 as well as fall in people being refused an account. In the economically average areas, 99% had a bank account in 2018. There was greater use of the account with an increased use online and phone banking to check balance and of direct debit to pay fuel bills. Around a quarter of the respondents had incurred bank charges from going overdrawn in 2018 down from around 35% in 2010.
- Savings: In 2018, 45% of the deprived area respondents reported never saving and 40% had no savings whatsoever. This is significantly lower than in 2010 when 64% did not save and 67% had no savings. However, the respondents were still significantly less likely to save and more likely to have no savings in 2018 than in 2004 (37% had no savings and 30% did not save in 2004).
- Credit: Around 15% of the deprived area respondents reported using high cost sources of credit. This is significantly lower than in 2010 (25%) and 2004 (28%) and is possibly due to the contraction of these forms of credit as well as a lower proportion of unemployed and households in the two lowest income brackets (below £6,000) annually taking part in the 2018 survey. Regular credit use has remained largely unchanged. Among those that borrow, a third do so to cover day-to-day expenses, which is similar to 2010 but significantly higher than in 2004. In the average sample, 38% used regular credit in 2018, compared with 29% in 2010, and 15% used high cost credit, compared with 13% in 2010.

- Debt: Overall subjective financial wellbeing has improved significantly since 2010, back to 2004 levels with falls in worrying about debt and greater ease of paying fuel bills. There has been a significant drop in the proportion behind on payments (including priority bills) since 2010 but the proportion behind on payments is still significantly higher in 2018 than in 2004. Moreover, many that a third of those that borrow – have to use loans to cover basic living costs.

5.2. Groups at risk of financial exclusion

There is extensive evidence to suggest that some types of households are more likely to be financially excluded than others. Table 5.1 displays the type of groups most affected by various facets of financial exclusion.

Table 5.1: Groups most affected by financial exclusion

	Digital		Banking		Savings		Credit exclusion			Debt		
	Low access	Low capability	Lack bank a/c	Low use DD	Don't save	No savings	High cost credit	No regular credit	Cover living costs	Fin. difficulties	Problems fuel bills	Behind on bills
Social housing	√		√	√	√	√	√	√		√	√	√
Private rented			√	√	√	√		√			√	√
17-29yrs				√	√	√				√		√
30-44yrs					√	√	√			√	√	√
45-59yrs										√		√
60+yrs	√	√										
Children							√		√	√		
No children	√	√										
Lone parent				√	√	√					√	√
Couple with children				√	√	√			√			
Pensioner	√	√						√				
Not working	√	√	√		√	√		√				
Disabled	√	√						√				
Low income[1]	√		√	√	√	√		√				

The table suggests that there are a number of determinants of financial exclusion:

- Tenure: The most important determinant of financial exclusion is tenure. Social housing tenants and to a lesser extent private tenants are significantly more likely than homeowners to face digital exclusion, lack access to banking services, use high cost credit and be in financial difficulties

- Lone parent: Similarly lone parents face issues around use of banking services, low levels of savings and debt. This is not surprising given that a lot of research shows that they tend to be financially excluded to greater degree.
- Income: People on low incomes and not in work are less likely to be banked and have savings.
- Age: Younger age groups are less likely than older respondents to save and more likely to have debt problems. Respondents aged between 30 and 44 are also more likely to use high cost credit. Older and retired households are more experienced at managing their money and have more predictable income flows and costs though they are more likely to face digital exclusion issues.

5.3. The effectiveness of financial inclusion interventions

In the analysis, we considered the effectiveness of the financial inclusion interventions in reaching out to those most in need. We analysed the level of awareness, use and client characteristics. We drew the following conclusions:

- Awareness: Two local financial inclusion interventions stood out in terms of awareness. First, in the deprived sample, there was a significant increase in awareness about Leeds Credit Union since 2010 and 2004. The vast majority of the respondents in the 2018 deprived and average samples, around 70%, had heard of the credit union. Second, we found a very high level of awareness of Citizen Advice Leeds with nearly 80% in deprived sample and over 90% in economically average area having heard of the agency. This may be explained by the high profile of Citizen Advice and, to a lesser extent, credit unions nationally. There was also a high level of awareness of foodbanks with around 60% in deprived areas and over 80% in economically average communities saying they had heard of the service. Conversely, only around a quarter had heard of city council services, including welfare and council tax support schemes.
- Use: From management information we know that the credit union membership in Leeds has increased. This is also partially reflected in the deprived area survey data where we saw a significant increase in membership from 2004 to 2010 but has slowed since then. We observed a significant increase in seeking advice among deprived area respondents from 2004 and 2010 to 2018 from 11-14% to 28% in 2018.
- Outreach: The analysis of two largest organisations, Leeds Credit Union and Citizen Advice Leeds, suggests they reach those most in need. Credit union membership was highest among lone parents and social tenants, which are also the two groups most likely to be affected by financial exclusion. Private tenants were significantly less likely to be members, though they are also often affected by financial exclusion. Citizen Advice Leeds users were significantly more likely to be in social or private rented compared with homeowners and to be aged 30-44, which is likely explained by the greater number of payment commitments and less predictable income and outgoings for this age group and social housing tenants.

5.4. Concluding remarks and recommendations

Overall, then, the 2018 survey suggests that, in terms of access to financial services and financial wellbeing, there has been an improvement since 2010 in some cases back to the 2004 level. The situation on debt and savings has improved since 2010 but is the same or worse than in 2004. The expansion in bank account ownership and use is one important area in which there has been progress beyond 2004 and 2010. There are also some important exceptions to this, including an increased likelihood of incurring bank charges and the persistence in borrowing to cover living costs. The available evidence also suggests that the financial inclusion partnership in Leeds has been effective, as these interventions are often well known among and used by financially excluded households.

The findings highlight the extraordinary circumstances in which the 2010 respondents found themselves. The UK economy was emerging from a recession and growth had only resumed at the end of 2009. Unemployment rose from around 5% in 2008 to around 8% in 2010. In the aftermath of the financial crisis, household finances had been under sustained pressure through falling house prices, rising interest rates and increasing number of mortgage repossessions.

In other words, since the financial crisis in 2007/08, it is only now we are starting to get back to where we were in 2004. This means that the reasons for which Leeds City Council and partners invested in financial inclusion interventions on the back of the 2004 report on financial exclusion are still there. Indeed, although there have been some improvement since 2010, the 2018 deprived area respondents are less resilient and worse prepared for an external shock or crisis than in 2004 with significantly lower propensity to save and higher likelihood of being in debt. This is worrying given the impending roll-out of Universal Credit, the potential fallout of Brexit and any future downturn. Hence, we make the following recommendations to Leeds City Council and its partners to support the building of resilience of households:

- Enhance savings habit: There is clearly a need to support new and existing interventions to support households build a savings habit, even if they can only afford to save small amounts. This may include piloting informal savings groups and supporting financial capability and the credit union.
- Create surplus to save: There are many households that do not have capacity to save because of existing debts, insufficient income or too high outgoings. It is therefore vital to support interventions that help create capacity to save, including increase disposable incomes through income maximisation (benefits advice and support etc.), reducing outgoings (wholesale buying etc.) and dealing with debts (debt advice etc.).

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