

# **Promoting Financial Inclusion in Rural Areas**

A report for the Commission for Rural  
Communities

November 2007

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# 1: Introduction

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- 1.1 This report presents a series of Good Practice case studies on Promoting Financial Inclusion in Rural Areas. SQW Consulting (SQW) was commissioned by the Commission for Rural Communities (CRC) to develop these case studies as part of the Commission's programme on securing social justice, and it builds on research that the CRC published in 2006 on rural disadvantage<sup>1</sup>.
- 1.2 The focus of the case studies is on financial inclusion among individuals rather than businesses<sup>2</sup>. The nine case studies are presented as a series of annexes to this report, and the body of this paper provides an overview analysis of rurally distinctive features of financial exclusion, and successful elements of schemes which deliberately target financial exclusion in rural areas.

## Method

- 1.3 We began with a phase of background research, which combined a literature review and web search with a series of consultations<sup>3</sup>. In this first phase of our work, we spoke to representatives of a wide range of organisations including: Association of British Credit Unions Limited (ABCUL); British Bankers Association; Campaign for Community Banking Services; Citizens Advice Bureau (CAB); Community Development Finance Association (CDFA); Farm Crisis Network; Methodist Church and United Reformed Church; National Farmers Union (NFU); National Consumer Council (NCC); Resolution Foundation; Rural Stress Information Network; and Save the Children. We also spoke to academics, local authorities and representatives from a few selected projects.
- 1.4 The main aim of this phase was to identify a 'long list' of potential schemes and initiatives for case studies, ideally representing a range of scenarios and types of intervention. An Advisory Group was brought together to guide and comment on the work at specific points during the research phase. A 'long list' of fifteen initiatives was presented to them which, in our opinion, best illustrated the range of potential formats and options available, as well as examples of what could be deemed to be 'good practice'. The final selection of nine case studies was agreed following discussion with the Advisory Group.
- 1.5 The main research phase to develop the nine case studies involved a combination of study visits, and interviews with a range of people involved with programme delivery, programme funders, and project beneficiaries.

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<sup>1</sup> Commission for Rural Communities, 2006, *Rural disadvantage, reviewing the evidence*

<sup>2</sup> We note, however, that in some cases – e.g. farmers, businesses run from home – that this distinction can be blurred

<sup>3</sup> Our topic guide for the consultations is attached as Annex C

## Structure of this report

- 1.6 The rest of this report outlines the context for the study, before introducing the case study sample and the rationale behind the selections, and then an analysis of key findings from the case studies. It finishes with a Lessons section, pulling out key points of good practice for developing financial inclusion projects in rural areas.

## 2: Context: Financial Exclusion in Rural Areas

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### Rural disadvantage

- 2.1 The study of rural disadvantage<sup>4</sup> (the Disadvantage Study), carried out for the Commission for Rural Communities in 2006, defines disadvantage as “an inability to participate fully in society”. This definition covers all aspects of social inclusion, such as employment, family, community life and leisure activities. The report explicitly recognises that the “cause and effect [of disadvantage] are not always well understood”. Whilst poverty is clearly an important factor in participation in society (including, for example, the ability to participate in the labour market, the education system and the housing market), the Disadvantage Study makes it clear that the ability to participate fully in society is determined by more than simply financial resources, but also by access to opportunities and services (such as transport, health, retail etc).
- 2.2 It is difficult to measure disadvantage in rural areas – particularly because standard metrics emphasise concentration which, in rural areas, will always be less visible than in urban locales. Whilst factors related to ‘disadvantage’ are clearly present and distinguishable at a rural level, a 2006 study by the Commission<sup>5</sup> found that the problem of rural disadvantage was conceptually and psychologically ‘hidden’ to a large extent; around half of respondents did not ‘recognise’ disadvantage in their locality.
- 2.3 However, it is clear from the Disadvantage Study that many groups in rural areas are disadvantaged in a variety of ways. Furthermore, specific groups of people are more likely to experience both low incomes and wider forms of financial exclusion. These include older people<sup>6</sup>, migrant workers, those with no/low qualifications, those used to operating in a cash-only economy and those that are self-employed. Some of these groups, such as older people and those with disabilities may find it harder to obtain access to help or advice, particularly if they do not have access to transport, and live in remote rural areas.

### ‘Financial disadvantage’ in rural areas

- 2.4 ‘Financial disadvantage’ was one of twelve disadvantage ‘headings’ which the CRC’s Disadvantage Study highlighted. The study examined the link between living in a rural area and financial hardship. Some of the most conclusive findings of the Commission’s 2006 survey point to clear evidence of financial hardship in rural communities. For example:

- 78% agreed that it is difficult to find decent affordable housing their local area

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<sup>4</sup> *Rural Disadvantage: reviewing the evidence*, Commission for Rural Communities, September 2006

<sup>5</sup> *Attitudes to Disadvantage: A segmentation analysis*, a report by BMRB to CRC, February 2006

<sup>6</sup> According to the Disadvantage Study, a fifth of pensioners in rural districts are living in poverty

- Over a third agreed with the statement ‘some people around here struggle to find enough money for the basics such as food, household bills and clothing’
- 2.5 Other issues related to the impacts of specific rural issues on accentuating financial hardship, such as:
- 64% agreed that it is difficult to find a well-paid job in their local area
  - 65% agreed with the statement ‘lack of public transport in this area forces some people to own a car even though they can’t really afford to’
- 2.6 However, whilst issues such as affordable housing and transport, as well as access to well-paid jobs, are well known and discussed in the rural context, there has been little work done on financial exclusion specific to rural areas.

### ‘Financial exclusion’ in rural areas

- 2.7 Financial exclusion has been high on the Government agenda since 2004, and has gained added impetus following high-profile cases such as the collapse of the Farepak Christmas savings club and recent turmoil in the financial markets.
- 2.8 There is much evidence (and many recent reports) to show relative income poverty (including, but not limited to, low wages<sup>7</sup>) in rural areas, particularly in sparse rural areas and coastal areas. At the same time, expenditure on everyday commodities and services (such as heating fuel and power, and transport) is demonstrably higher for rural residents and there is evidence to suggest that the accessibility of banks and building societies has reduced in rural areas<sup>8</sup> alongside a trend towards fee-charging cash machines in rural areas.
- 2.9 The term ‘financial exclusion’<sup>9</sup> is used to encapsulate the issues around financial disadvantage that reach beyond a simple focus on incomes, although those on low incomes tend to be at particular risk of other forms of financial disadvantage. For example those on low incomes are more likely to borrow from ‘alternative lenders’, incurring high rates of interest, whilst on the other hand any savings made by those on low incomes are likely to attract only the lowest tiers of interest rates and be subject to fixed transaction costs.
- 2.10 The Commission’s Disadvantage Study identified promoting ‘financial inclusion’ as a priority action to help individuals in rural areas in overcoming disadvantage. However the evidence available on rural-specific features and risks of financial exclusion is sparse and that evidence which exists could be seen at best as inconclusive, and at worst as contradictory.

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<sup>7</sup> Other features of income poverty in rural areas are related to higher incidences of part-time and seasonal jobs, limited training opportunities and job choice, and lack of awareness of benefits / lower benefits take-up (e.g. through transport difficulties)

<sup>8</sup> *The State of the Countryside 2007*, Commission for Rural Communities

<sup>9</sup> There is no standard definition of ‘financial exclusion’, and the term itself can mean different things to different people. In this study we are looking broadly at financial exclusion as a set of processes which lead to a lack of (or restricted) access to ‘affordable’ financial services (including savings, affordable credit, financial advice or day-to-day banking services and facilities) or an insufficient knowledge about them.

- 2.11 A characteristic feature of rural life is a reluctance to seek help among the rural population, which could mean that indebtedness amongst rural residents is more difficult to detect. However, what is clear is that face-to-face advice (which could be more effective than other forms of advice for the financially excluded) is likely to be harder to access for those in rural areas, and that the accessibility of banks and building societies has reduced still further in recent years. Nonetheless, the focus of many schemes and policy initiatives to tackle financial exclusion to date has been on specific (mostly urban) areas, at least in the initial stages.
- 2.12 The extent of difficulties in establishing financial inclusion programmes in rural areas is typified by the evidence listed in the Disadvantage Study with regard to establishing credit unions in rural areas<sup>10</sup>: the [increased] time and travel costs for volunteers, the more diverse nature of the rural population, and the scarcity of local banking facilities, which can make the collection and transfer of cash difficult.

## Typical elements of rural financial inclusion

- 2.13 Below we highlight just some of the more common financial services available in rural communities. Our case studies expand on these, and provide other examples of innovative initiatives.

### **Post Offices**

- 2.14 As the Disadvantage Study points out, ‘the post office is a key source of regular information and advice for many, as well as a place to access financial services and benefits, especially for those that still choose to access them in person’. The report highlights evidence that access to post offices has a particular importance for certain disadvantaged groups who would have difficulty travelling, including older people, those without their own transport, people on low incomes and people with a disability.
- 2.15 In the past few years, the post office has extended the range of financial services that branches can provide (Annex A lists the banking services currently available at the Post Office). Potentially, the post office network has become an increasingly important means of addressing financial exclusion in rural areas. However, the programme of closing post offices means that some rural communities will be threatened with the loss of a vital resource. In its response to the Post Office consultation, the Plunkett Foundation and ViRSA (the Village Retail Services Association) argued that rural post office closures would also jeopardise the future of many village shops and further disadvantage people living in rural areas. They also suggested that one way forward is to integrate post office services with other needed rural services, such as the village shop, the church, the school or other community resource. One strategy for this is the establishment of community owned shops, which also incorporate post offices. In this report, we include an example of one such shop in our good practice case studies.

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<sup>10</sup> *Credit Unions – Rural Initiatives: credit unions in rural areas – policy and practical implications*, Barker A., 1995

## **Credit unions**

- 2.16 Credit unions are financial institutions owned and controlled by their members<sup>11</sup>, and are recognised as an important means of promoting financial inclusion. In particular, they offer saving opportunities to a number of individuals who are excluded from mainstream financial services. Moreover, the organisation uses the pool of savings to provide low-cost credit. For individuals with poor credit rating or without access to mainstream bank credit, Credit unions offer an alternative to sub-prime lenders and loan sharks. By its common bond a credit union also ensures that the money saved is kept within the local community. According to the 1979 Credit Unions Act, a credit union also has an obligation to educate their members in effective and responsible management of money<sup>12</sup>, and credit unions offer debt and money advice to their members alongside financial goods and services and insurance products. Moreover, in spring 2007, ABCUL (the trade body for British credit unions) launched a current account scheme where nine British credit unions offer an alternative to High Street bank current accounts.
- 2.17 Credit unions in the UK are by their nature community led organisations which require buy in at local level to develop and grow. With close links to the communities they serve, credit unions are well placed to identify and target their resources to those most in need.
- 2.18 It is widely recognised that financial institutions operating at the “lower end” of the market require scale in order to become financially sustainable. However, there are substantial challenges linked to growth and becoming financially sustainable for credit unions operating in rural areas. Predominantly this is a problem associated with logistics; the amount of funds they have available is usually not sufficient to employ full-time staff, and it is difficult to reach that critical mass in a sparsely populated area. It is also difficult, for example, to get enough volunteers to oversee the ‘collection points’ and they are often not of a sufficient scale to offer other services, such as using PayPoint for paying-in.
- 2.19 In March 2007, the Government set out its strategy to tackle financial exclusion. The Government re-emphasised the important role played by credit unions, providing additional funding to credit unions through its Financial Inclusion Fund. In addition to increasing the scale of third sector lenders, government funding has been made available for enhancing organisational capacity by providing training and development of credit unions and third sector lenders.
- 2.20 Successful credit union service delivery in rural areas is inherently informed by:
- Time and cost of travelling;
  - Other costs linked to travelling;
  - Scale of the membership base.

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<sup>11</sup> The members share a common characteristic (a common bond) which may be materialised by a common employer or by living within the same geographical area

<sup>12</sup> <http://www.abc.ul.org>

- 2.21 Targeting is also a difficult issue; credit unions for example would have most impact if able to target financially excluded people directly. However, in order to make the service viable, and have a ready supply of money to lend, they really require support from earners (e.g. through payroll deductions), so that they can expand their reach more widely.
- 2.22 To promote financial inclusion in rural areas whilst servicing members excluded from mainstream providers, credit unions seek to build partnerships with other community organisations to minimise costs. Moreover, the organisations have benefited from recent technological developments and the introduction of electronic pay-cards, making it possible to increase their scale of operations whilst keeping their costs at a low level.

### **Financial Inclusion Fund**

- 2.23 The Government established a Financial Inclusion Fund (FIF) of £120million in 2004 as part of its commitment to tackle financial exclusion, including £45million allocated to increase the provision of free face-to-face debt advice in England and Wales. Citizens Advice leads two thirds of the FIF Face-to-Face Debt Advice Programme (10 of 16 projects), with over 350 advisers in post. One of these projects focuses specifically on providing financial and debt advice through rural bureaux. One of our case studies in this report is a project funded by this rural FIF programme.
- 2.24 A 'Growth Fund' of £36 million was also established to increase the availability of affordable personal loans via third sector (not-for-profit) lenders such as credit unions and community development finance institutions, administered by DWP. From October 2007 an additional £6 million was made available to: increase affordable loan coverage in parts of the country where there was none, and where coverage was insufficient; increase the public investment in the skills of the managers, board members, staff and volunteers of the third financial sector, through a capacity-building programme; and support the introduction of banking services to the third financial sector.
- 2.25 The Government set up a Financial Inclusion Taskforce in February 2005 to monitor and evaluate the impact of initiatives to increase the provision of affordable loans. HM Treasury announced in March 2007 its intention to establish a new Financial Inclusion Fund to 2011.

## 3: The case studies

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### The case studies

3.1 The focus of this work has been the identification of nine good practice case studies. The case studies demonstrate a range of innovative approaches to addressing financial inclusion issues in rural areas. However, we note that – with a relatively small number to be selected – we have not been able to achieve a fully representative sample of the financial inclusion work that is ongoing in rural areas.

#### **Selecting the case studies**

3.2 Identifying suitable case studies was not a straightforward process. The majority of financial inclusion projects are focused – either implicitly or explicitly – in urban areas, where a wide reach can be more readily achieved. Furthermore, some of our early consultations had suggested a real uncertainty about whether some types of financial inclusion projects were viable in rural areas, citing difficulties about reaching critical mass, for example.

3.3 Nonetheless, we found a range of very interesting projects and initiatives to put forward as potential case studies. In selecting the ‘long list’ of case studies we tried to achieve a range of types of programme, of sizes, of target groups and of delivery organisation. Many of the examples we found were quite clustered geographically, and most were from England, although the list also included examples from Wales, Scotland and Norway.

3.4 The full list of fifteen projects is provided in Annex B, which presents the name of the initiative and a brief description, the geographic focus, the type of programme/service, type of service deliverer, whether or not a specific target group exists, and the length of time it has been running. The list includes:

- Credit unions and Community Development Finance Institutions
- Financial advice and counselling initiatives, including
  - a remote (telephone-based) credit counselling service
  - an initiative targeted at farmers
- Mobile banks
- Other sub-regional and local initiatives
  - A housing society, and a community banking partnership offering financial advice
  - A financial literacy course for students

- A post office delivered from a church, and banking services from local shops

3.5 Following the interim meeting of the Advisory Group, and subsequent agreement with the Commission for Rural Communities, the final selection of case studies is as follows:

Name	Brief description
<b>Credit Unions and Community Development Finance Institutions (CDFIs)</b>	
Just Credit Union, Shropshire	Just Credit Union 'for rural Shropshire' has five branches across the county, but also offers training to community groups willing to set up their own 'community collections'. Most of these community service points are overseen / operated by partner organisations. Shropshire is one of the most rural counties in England. Just CU is considering a mobile collection point.
<b>Financial Advice and Counselling</b>	
Citizens Advice rural FIF project, with a focus on Ely CAB	The CAB – the largest independent free advice provider in the UK – runs 10 of 16 Financial Inclusion Fund face-to-face debt advice projects. One of these focuses on rural bureaux. The project employs 25 full time equivalent debt advisors as case-workers to provide money advice, each often covering a large geographical area, and several bureaux in order to achieve coverage. The fund allows case-workers to meet unmet need in rural areas, and the project also reduces waiting times for advice in these areas – often a critical factor in success.
D£von Pound	D£von Pound is the face of the Devon Community Banking Partnership and provides Outreach Workers to provide financial support for the population of Devon that do not have access to mainstream banking and need some budgeting advice or access to affordable credit. D£von Pound works with a number of partners in Devon, including the local credit unions, to deliver this support and to gain access to those in Devon who require help. The project will also be providing Financial Literacy training to both the adult and youth population in the county.
Farm Crisis Network	Lobbying group, which also acts as a signposting agency. Provides insolvency advice and has a number of insolvency advisers and retired bank managers as volunteers. Business advisers funded by Business Link (often from other counties).
<b>Mobile banks</b>	
Mobile bank in Cornwall	This van is operated by NatWest, and has been operating since Autumn 2005. It follows a high profile closing of HSBC's Cornwall mobile bank in 2004, due to high costs, and of a number of Lloyds TSB branches. The van follows a largely coastal route to remote locations in Cornwall, and the route has been adapted following feedback to expand the route; the mayor of one town (St. Just) requested that the route could include it.
<b>Other sub-regional and local initiatives</b>	
Cumbrian Debt Rescue & Financial Advice	Uptake of credit union loans has been low in Cumbria, due to the poor geographical coverage of the credit unions and the joining regulations that effectively prevent the granting of a loan when the need suddenly develops. Derwent & Solway Housing Association have hosted the development of a plan to run a loan underwriting service in the county, on behalf of a partnership of local organisations; the service is expected to start in late 2007.
Financial education project in Dumfries and Galloway	A financial education project to provide free, impartial advice to pre-empt the need for more advanced financial support has been rolled out in 6 CABs in Scotland. One of these is Dumfries and Galloway CAB who work closely with D&G College to identify students who would benefit from tailored financial education and advice through advice sessions, workshops and making advice available from student services throughout the college. The college's catchment area has a mostly rural population with high levels of rural deprivation.
<b>Shared facilities</b>	

Name	Brief description
Bank I Butikk NorgesGruppen (Bank and post in shop)	Norwegian retailer experimenting with additional services to diversify and generate new income streams for shops. The model started with delivery of postal services - this linked into the Post Office's IT applications and was able to provide a fuller service. The retailer is now developing this further, and has invested NOK 400m (approximately £34million) in developing the banking part of the project – co-operating with the largest Norwegian Bank. The bank products include 'basic' banking services which will be executed at the till (no additional space needed).
Shared ownership of post office, using Tackley village post office as an example	A community owned shop is one in which there is some community involvement in either the setting up, or the running of the shop. Around two-thirds of shops also have a post office on the premises. Many community owned shops are established following the closure of a shop in the village. ViRSA (the Village Retail Services Association is a national organisation promoting the growth of community owned shops. An objective is to improve access to services – both retail and financial for rural residents).

3.6 In carrying out the case study work, we interviewed a range of people including programme deliverers, programme funders and beneficiaries. The template that we used to ensure we gathered consistent information is included in Annex C, and similarly a separate template with sample questions for beneficiaries is in Annex D. The case studies are presented in further detail in Annex E.

## Findings from the case studies

### **Context and aims**

- 3.7 As discussed earlier in this report, financial exclusion itself is not easily categorised. Our case studies represent a range of types of financial inclusion initiatives. Some provide a more simple service, bringing a (basic) banking service to peripheral rural areas (Cornwall mobile bank, Tackley village shop and post office, Bank I Buttik), whilst others are more focused on savings and loans (Just Credit Union). The rest aimed to provide a wider advice service, addressing rural financial exclusion issues as they arise (Devon Pound, Ely CAB, and Farm Crisis Network). These latter were more broad-ranging in their scope, covering several aspects of financial inclusion.
- 3.8 The term financial inclusion itself is not necessarily helpful in this respect. Many stakeholders in the case studies we visited, particularly beneficiaries, were not aware of the term (or at least the scope of what it might cover). Furthermore, some of the projects are not purely focused on issues relating to financial inclusion, but seek to address other aspects of exclusion in rural communities. This latter group of projects (e.g. Farm Crisis Network) stems from a recognition that financial exclusion is just one element of a complex pattern of social deprivation issues in rural areas.
- 3.9 The case studies range from reactive work (e.g. Farm Crisis Network; the CAB's rural FIF project) to more preventative work (e.g. through education as in the Dumfries and Galloway College, an education strand of work run by the Devon Pound and encouraging savings clubs for young people by the Just Credit Union).
- 3.10 In terms of geography, whilst some of the case studies are located primarily in remote rural areas (e.g. Cumbria, Cornwall), others are less so (e.g. Tackley in Oxfordshire). Nonetheless, access and accessibility are central contextual issues affecting the design

of all of these rural financial inclusion projects. We discuss some elements of this, including staffing issues and location of delivery points in the section below.

- 3.11 Most of the projects we visited are relatively new. This reflects in part the growing recognition of financial exclusion as an issue which needs targeted funding and a targeted response. But it also reflects the availability of funding. The Ely case study for example, is run by the CAB using money allocated from the Financial Inclusion Fund, specifically earmarked for rural areas. This case study in particular highlights that previously face-to-face advice had not been offered in some rural areas for several reasons:
- a perceived lack of demand showing that in fact the extent of the issue was underestimated and largely ‘hidden’, and came to light only in response to actively going into new areas which previously had not had ready access to CAB services. (Growth and prosperity can also mask the demand for such services, as has also been the case in Lynton and Lynemouth in North Devon).
  - the extra expense incurred in service delivery in rural areas (e.g. travel expenses, and potentially, longer staffing hours)
  - the need to meet targets (which is much easier in urban areas with a higher density of population, and is linked to the point above).
- 3.12 The latter point is particularly pertinent where funding is closely linked to hitting ‘targets’. These can be as simple as a headcount of beneficiaries reached by a project, and rural areas are often subsequently sidelined as a location for addressing financial exclusion, as it is not straightforward to meet targets in a dispersed population base.

### **Scheme design**

- 3.13 Our case studies cover a range of innovative approaches by a variety of bodies. In several instances, we uncovered good practice in engaging with partner organisations and stakeholders as part of the design process. In the Devon Pound, consultation work with resident groups and tenant associations enabled a tailored programme to be designed to fit with local needs. Where the project was ‘rolled-out’ faster in the south of the county, and local partners were not so engaged with the process, the take-up has been slower – in part because referrals have not been forthcoming, and the project has had to ‘look for’ clients – which highlights the need to engage local partners.
- 3.14 Other good practice has involved adapting and building on other models adopted elsewhere, rather than ‘starting from scratch’. The Farm Crisis Network built on a farm family support model used in Southern Germany and the Gloucestershire Farming Friends initiative. The Cornwall mobile bank was introduced relatively easily, building on significant experience from RBS’s other mobile banks, and the team has since used learning on this programme to design and deliver another mobile bank in Devon.

*Wide (inclusive) user base versus. narrow (targeted)*

- 3.15 The advantages of allowing a wide (inclusive) user base are that the project remains fully inclusive, and in some cases this can allow 'hidden' financial inclusion issues which are not picked up by project staff to be addressed. (The Ely CAB's rural FIF project in particular unearthed a large amount of unmet demand once the programme came into operation). Further, in many cases, it allows the scheme to be more financially sustainable. Through operating in larger numbers with more 'mainstream' clients, for example, credit unions such as Just Shropshire (Just) can build a critical mass of savings to enable loans to more financially excluded groups.
- 3.16 Whilst most of the project studies we visited were open to anyone to use the service provided, two in particular were targeted at specific user groups in rural areas. The Farm Crisis Network was set up to provide a service specifically for farmers and farm workers. With all volunteers having farming knowledge and most with farming experience, the service offers specific understanding of the issues faced by the farming community. This empathetic approach is crucial in this instance: members of the target group are reluctant to talk to individuals who do not know farming (or 'city slickers').
- 3.17 The Dumfries and Galloway financial education project, operated by the local CAB and delivered through the college, is designed to address financial exclusion in a rural area from an early age through targeting students. It is one stream of work aimed at particular target groups, as a stipulation of the funding it has received. Students are engaged with the project depending on need, and the flexible nature of the programme means that delivery may differ from student group to student group and between individuals.
- 3.18 Working with young people has been incorporated as good practice by several of the case study programmes, in part in recognition that early intervention is important. The Just Credit Union began to work with young people through offering savings clubs for four local schools, and the Devon Pound shifted the education element of the programme from community workshops to delivery through secondary schools and colleges.

*Staffing*

- 3.19 Some of our case studies used paid staff only; whereas others used volunteers in addition to expand the reach of the service. Mixing professional with non-professional delivery can be successful if planned in the right way. The Farm Crisis Network, for example, uses a team of 250 volunteers enabling it to reach the level of beneficiaries across the country it requires, and to penetrate many more remote rural areas. Indeed, the use of volunteers with specific knowledge of farming issues has been very successful in building trust and confidence in the client group, particularly as a 'first' point of contact, as well as being less expensive. Specific financial issues are subsequently referred to a professional debt adviser if required, who is introduced to the client by the volunteer worker, to maintain consistency. The use of the local

volunteer facilitates the work of the professional adviser through building a long-term relationship and a level of trust with the client.

### **Scheme operation**

- 3.20 Some of the initiatives operate from a fixed location (Tackley post office, Bank I Buttik), whilst others are mobile – either visiting the client or client group (mobile bank), or else remotely addressing the needs of a spatially dispersed group, at least in the early stages of advice (e.g. Devon Pound, Farm Crisis Network). Both approaches appear to work well, depending on the circumstances of the individual project. Basic banking services appear to be more readily provided from a fixed location (or at least one which is in fixed locations at specific times, such as the mobile bank). Other financial inclusion services, such as the encouragement of regular saving provided by Just Credit Union in Shropshire, have benefited from a more flexible approach, developing fixed points within the county to service where the demand is. The ability of a community to set up its own collection point for the credit union has been key to the success of this rural initiative. Similarly, the Ely CAB has unearthed substantial unmet demand through its ability to provide a new ‘outreach’ service in North Cambridgeshire and the Fenlands, and the Devon Pound has managed to access a reasonably large number of clients through home visits, some of whom would not have been able to travel far.
- 3.21 However, other projects providing financial advice have benefited from a fully mobile approach, and this appears to be particularly key for projects serving large rural areas. The Farm Crisis Network for example is delivered in part through home visits; this has the advantage of allowing for more private discussions, particularly about sensitive subjects such as the accumulation of debt, but does not allow for as many advise ‘sessions’ to be carried out each day. The Devon Pound, similarly, acts predominantly through outreach directly in people’s homes (which it has found to be more successful than running sessions based at community ‘hubs’). In contrast, the Ely CAB advice ‘outreach’ is rarely delivered at homes, allowing more sessions to be delivered in a day.
- 3.22 Services which are not fixed to specific locations appear to work better for targeting particular groups of financially excluded people, in particular more remote communities. Cornwall’s mobile bank is able to provide a service to people in relatively remote communities who would otherwise have to travel for up to an hour or more (round-trip) to access banking facilities in the nearest town. Similarly, the Farm Crisis Network, using a network of local volunteers who are able to travel, is able to reach farmers who are most in need, even in remote locations.

### *Hub approach versus outreach working*

- 3.23 Continuing from the discussion above, a key element of financial inclusion projects in rural areas is the decision as to where to locate the service. In general, fixed service points (including regular points of contact for mobile projects) are situated in rural market centres with a critical mass of population to sustain the service. Typically,

within these rural centres, community hubs such as churches, village halls or community centres are used. Ely's CAB outreach project for example uses 'access points' in five towns across the rural north of Cambridgeshire; these include both CAB offices (in Ely and Wisbech) and 'community hubs' such as community centres in the other towns. The use of community hubs facilitates drop-in sessions and lends itself to less frequent, but regular, service provision.

- 3.24 Other community 'hubs' of social activity (meeting points) are created by the project itself. Cornwall's mobile bank uses central, visible, external points to deliver its service, most often in council car parks. This creates a temporary hub for social activity, with people meeting and swapping news once a week.
- 3.25 Alternative (indirect) use may be made of community hubs, through providing locations for advertising or raising awareness of services on offer via word-of-mouth. The Farm Crisis Network has strong links with the Church of England, and uses local churches to disseminate awareness of its service.

#### *Making use of technology*

- 3.26 In response to the issue of access in remote communities, the Just Credit Union has developed an electronic payment system, allowing members to use services in a large number of locations throughout the county, and beyond. Today, use of electronic pay cards represents around half of all cash deposits, and this figure is higher still in the county's most rural areas.
- 3.27 Norway's 'Bank in Shops' programme has made heavy use of technology, developed specifically for the purpose, building on the previous IT systems developed for 'Post in shop', to enable rural populations to have access to basic banking facilities at the till of their local shop. As discussed in the previous chapter, post offices in England are now able to use technology to provide a similar (basic) banking service to customers of major banks.

#### *Seasonal variations*

- 3.28 Some examples have emerged from the case studies of seasonal variations in the level of client need. In Cornwall, the mobile bank is busiest in the summer period, linked to the highly seasonal flow of tourists. This heightened demand is not only from the tourists themselves who use the service, but also from local businesses which need to pay in more money / access change, and on a personal banking level from local seasonal staff to pay in their wages.
- 3.29 In Ely, seasonal variations reflect pressures on spending. January and February are noted as particularly busy months, following Christmas spending demands, whilst September and October are also busy months after the summer holiday period. The Devon Pound has set up a specific Christmas savings programme as part of their offer, which they use to help clients spread the financial burden of this busy period.

### *Importance of early intervention*

- 3.30 Several of the case studies highlight the need for early intervention in order to tackle financial exclusion. The case study from Cumbria ensures that decisions on loans are turned around within a week, a feature developed through an early focus on supporting those with urgent priority loans. Volunteers for the Farm Crisis Network are trained to recognise ‘drawbridge syndrome’ whereby farmers will ignore and internalise a financial problem, hoping that it will eventually “go away” through concentrating on hard work. The Devon Pound states that its relatively short waiting lists mean that their clients are able to get on top of their problems quickly. Staff are trained to make best use of the information available to them to come up with action plans to make multiple debt situations manageable. Similarly, in Ely CAB, staff work through detailed financial incomings and outgoings with clients to highlight particular problem areas; the additional funding for staff resource has not only enabled more beneficiaries to be reached, but also enabled waiting lists to be reduced thereby allowing earlier action to be taken for problems.

### **Costs**

- 3.31 It has been difficult to secure data about relative costs of financial inclusion programmes in rural areas. While a few projects could provide information on typical set-up costs, there was less information on the costs of delivering programmes. Some of this information is commercially sensitive, and the mobile banking service, for example, was not able to provide any financial information on the costs.
- 3.32 Many projects rely heavily on grants for a major part of their set-up costs. The Tackley All-in-One Centre cost £400,000 to establish and around 80 per cent of this came from grants. Potential sources of grant funding for such initiatives include the Lottery, the European Foundation (Leaderplus) programme, and local authorities. However, the salary of post office managers is paid directly by the Post Office. Devon Pound raised £420,000 in its first year of operation from a range of sources, including Housing Associations (about 25 per cent of the total), credit unions, Defra, Friends Provident Foundation, Local Authorities, and the South West Regional Development Agency (through the Devon Rural Renaissance programme).
- 3.33 An issue for projects relying on grant funding is that of long-term sustainability. For example Devon Pound is keen to secure a three-year ‘in principle’ funding commitment to ensure some stability. This would enable it to plan ahead and roll-out new services. Short-term funding hampers the development of such plans. The credit unions are also trying to grow and be more sustainable, but have relied on ‘Growth Fund’ monies to reach the target population of the most financially excluded.
- 3.34 Some of the projects have received guaranteed funding for two years. Three rural districts in Cambridgeshire have received funding for 2006/08 from the Financial Inclusion Fund. The funding is for case workers based in Ely and Wisbech CABs to provide face-to-face debt advice. The financial education project in Dumfries is one

of six pilot projects funded by the Scottish Executive, which committed £500,000 over two years.

- 3.35 Case study interviews also indicated that the costs of delivery are expected to be higher in rural areas, with additional travel for staff on many of the advice-based projects. There was concern that if funding is linked to the number of cases seen, it would be difficult to reach a sufficient number of cases whilst still delivering a quality service. Devon Pound was able to provide us with the average costs of its casework. It estimates that outreach workers can see around 10-12 people per week, or 15-18, if they work from an outreach centre. Assuming that they see this number, the average cost was around £140 per case.
- 3.36 The Just Credit Union has three main sources of income: Shropshire County Council, the DWP Growth Fund and interest from its loans. In its original Growth Fund application, Just calculated that it would need 60 per cent revenue support to deliver Growth Fund loans through the county, due to the rural nature of the area, compared with the standard support of 25 per cent offered by DWP. Following negotiations, the revenue support was increased to 30 per cent.
- 3.37 Some projects have taken steps to reduce the delivery costs. The Just Credit Union, for example was the first rural credit union to take a strategic and business-planning based approach to credit union development. Credit unions are increasingly following the merger model, to operate county-wide instead of as a series of smaller credit unions; the Devon Pound is supporting this trend, which enables administrative and other fixed costs to be shared and a wider savings-base to allow more lending, thereby creating a more sustainable financial model.
- 3.38 Another strategy to reduce delivery costs appears to be reliance on volunteers. While the use of volunteers contributes positively to community engagement, many projects were keen to expand the number of paid staff, when funding allowed, to ensure consistent quality of delivery and availability of staff.

### **Promotion / marketing**

- 3.39 There are particular difficulties associated with promoting money advice in particular, in that it is difficult to enthuse people about ‘money’ or ‘financial’ issues, which have a reputation for not being “exciting” topics. This holds true, even where target groups of financially excluded people are involved. The Devon Pound had found marketing efforts such as signs, posters and leafleting were largely unproductive in terms of the response they generated, and the planned ‘community workshops’ have since been dropped in favour of more structured education in local colleges. Similarly, the Just Credit Union found early attendance at fairs to be too time-consuming, preferring instead to rely on referrals and free space in local publications.
- 3.40 Across the case studies, it was clear that ‘word-of-mouth’ is one of the most important means of promoting financial inclusion projects<sup>13</sup>. Typically, this has

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<sup>13</sup> This is perhaps particularly true of our case studies, which have been selected to showcase good practice and are therefore more likely to be ‘talked about’ locally.

developed over time and has not been deliberately promoted, although in the case of Devon Pound, housing association workers have helped to make tenants aware of the service that is offered and in Ely partner organisations 'signpost' clients to the CAB's financial inclusion team. There are also clear benefits to developing strong networks and partnerships in terms of 'spreading the word'. This appears to work best in money advice projects, with experience from the Devon Pound showing quite clearly the difference in response/demand where partners have been engaged from the beginning (in North Devon) to those areas where the project has simply started without engaging partners (South Devon).

- 3.41 To address particular difficulties in targeting farmers reluctant to seek assistance, the Farm Crisis Network uses partnerships with Defra, the Rural Payments Agency, and the National Farmers Union, as well as national and local farming and community charities to raise awareness of its services, in a way the mainstream banks cannot. In raising awareness of the prevalence of financial difficulty, members of the farming community are encouraged to overcome any psychological barriers related to stigma or shame, and use the service.
- 3.42 ViRSA (the organisation promoting village retail services) takes the partnership approach a step further, with its community retail advisers helping to strengthen links with Rural Community Councils and parish council networks, and aiming to spread the uptake of good practice in sustainable village shops. In promoting the use of the village shop and post office in Tackley, door-to-door marketing (including a questionnaire in the initial stages) was successfully employed, backed up by flyers, notices and posters around the village. This approach appears to work well for promoting a fixed service with a limited catchment area.
- 3.43 More high-profile and wide spread programmes can expect to generate their own publicity, at least to an extent. Norway's 'Post in Shop' programme was initially promoted nationally, but is now widely known as the profile has built over time and people have grown accustomed to the service.
- 3.44 The Ely case study shows some examples of innovative awareness-raising / education of financial inclusion issues through a variety of media. A CAB staff member runs an agony aunt column in a local newspaper with specific questions on debt issues; this is backed up by interviews on local radio and talks given at local mothers' union and over 60 groups. The Cumbrian case study is an example of how a community-facing website (i4Cumbria) is used to promote the service available.
- 3.45 Whilst explicit advertising is not of high importance across our case studies, branding can be more so, particularly in terms of generating awareness. This can be either overt or subtle. The Just Credit Union has deliberately built a strong brand and corporate image (partly in order to generate confidence in using the savings facility), whilst the NatWest mobile bank relies heavily on its logo on the side of the van to generate interest in the facility as well as awareness and profile whilst it drives along its route. The Devon Pound on the other hand makes subtle but intelligent use of its name, itself an indication of keeping money safe and local.

## **Community engagement**

- 3.46 Involving communities in decision-making and – in some cases delivering the programme – is a key element of a number of our case studies, and critical for the long-term viability of any initiative. Many rural areas we visited have a strong ‘community’ feel and projects have successfully tapped into this in order to grow and succeed. In Tackley, there was a strong emphasis on engaging the whole community and keeping villagers informed about developments of the Post Office; public meetings were held as well as fundraising events, helping to build local commitment and involvement with the project from an early stage. From a business point of view, community engagement is clearly beneficial. The Just Credit Union’s business model is based upon having strong links with local community groups and organisations in order to reach out to members throughout Shropshire.
- 3.47 In the Devon Pound, consultation work with resident groups and tenant associations enabled a tailored programme to be designed to fit with local needs. The Cornwall mobile bank provides another good example of response to community demand. When the village of St. Just near Land’s End lost its bank two years ago, the Mayor spearheaded a high-profile campaign to attract other banking facilities to the town, including writing a letter to the manager of the NatWest mobile bank in Cornwall. The route was examined and subsequently changed, in response to the demand.
- 3.48 Other ‘communities’ are not necessarily geographic. The Farm Crisis Network is strongly rooted in the ‘farming community’, and most volunteers have farming experience.
- 3.49 There are, however, certain difficulties in engaging with some sections of the community. Older people for example, despite having specific financial exclusion issues (e.g. access to modern forms of everyday credit services including credit cards and overdrafts), can be less mobile and suffer from increasing disconnection from their local communities as their health deteriorates.
- 3.50 Furthermore, whilst some programmes work hard to stimulate community engagement, others feel that the subject matter does not encourage community engagement at a high level. The CAB’s programme, relying on trust and confidentiality, does not hold community engagement at the core of its service; instead, individual interaction with clients is of fundamental importance.
- 3.51 Perceived shame is an important aspect of rural financial exclusion referred to in the literature, which encourages the problem to remain hidden. This can be particularly true amongst specific groups (e.g. the farming community) or where rising income levels locally have masked the extent of the problem, and widened the poverty gap. Through engaging local communities in the issues around financial inclusion and ensuring they understand they are ‘not alone’, the Ely CAB has made use of a variety of media to disseminate information about financial exclusion, as well as persuading people to seek help. Similarly, Credit Union has had to work hard through a range of channels to overcome the stigma for individuals associated with being a credit union member.

## 4: Some lessons from the case studies

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- 4.1 It will be clear from the diversity of case studies that we have presented that what works in one context may not be applicable in another. However, there are factors which appear to contribute to the success of the good practice initiatives we have examined, and we outline some of these below.

### *Engage the local community*

- 4.2 The sustainability of an initiative depends in part on the extent to which the local community is involved. In some projects, such as the Tackley Village Shop and Post Office, local people were consulted from the beginning to identify their needs. This has helped in getting ‘buy-in’ from the community. Similarly, the Devon Pound consulted resident groups and tenant associations before speaking to potential delivery organisations, so that it had a clear idea of what residents wanted. In fact, on its marketing literature, it states “All our products are designed from the ideas of Devon residents.”

### *Building trust*

- 4.3 Several case study interviews stressed the importance of building trust amongst the beneficiaries of the service. For example, the Farm Crisis Network uses local volunteers who are respected and trusted by the farming community to build up long-term relationships with the farmers. In the Tackley case study, local people know the people in the post office and trust them to help them with basic banking services such as taking out cash. One of the beneficiaries, a woman who is registered blind, explained how the staff showed her how to use the key pad so that she could then enter her PIN without assistance. As the postmistress said: ‘Communication is very important. We know how to help people, and we are a trusted service.’

### *Raising awareness of services*

- 4.4 Ensuring take up of services emerges as a vital area. Different projects have used different mechanisms from door-to-door leafleting, public meetings, advertising through partners, and web sites. Where resources are not put into an awareness raising campaign – for example in the case of mobile banks there is a danger that knowledge of the financial services provided will remain restricted and target groups of financially excluded people not reached.

### *Combining technology with face-to-face service*

- 4.5 Some of the measures to access financial services are heavily dependent upon recent developments in technology. These include the expansion of the banking services at post office outlets. In Norway, Bank in Shop has a tailor made IT application, fully integrated with the banking system which makes it possible to offer mainstream

banking at the till points in shops. While several services can be provided in this way, if customers require more specialised services such as credit cards, mortgages, and insurance products, they can book an appointment with the nearest customer branch through a free phone number. In addition, trained staff will visit individual shops from time to time to offer more specialist advice.

- 4.6 What is important is that, although these innovations are technology driven, the delivery is still personal and face-to-face. People who would be wary of using internet banking, and who may not have access to a computer, can feel comfortable using banking services at a local shop or post office. Face-to-face advice also helps to deliver a personalised service and build trust between the service user and the project.

#### *Working in partnership*

- 4.7 The majority of our case studies highlight the importance of working in partnership with other delivery and community-focused organisations. Partnership working is a way of raising awareness, building trust and recruiting clients. This is particularly clear in the financial advice programmes, where partner agencies (such as housing associations) can signpost clients to the service and/or encourage community buy-in and develop trust. Partnership working can also be used to add to the service itself, through the provision of (non-funding) resource. With the Farm Crisis Network for example, one local coordinator is an agricultural chaplain, and is employed by the local Primary Care Trust. (This follows recognition from the PCT that the advice service is beneficial to tackling mental health issues, which cannot be accessed by mainstream healthcare). Just Credit Union developed effective partnership working with a range of county-wide stakeholders including employers as well as a number of voluntary and community based organisations. Similarly Devon Pound works with a wide range of partners, including credit unions and housing associations, and is keen to develop further partnerships, for example with Primary Care Trusts and energy and suppliers.

#### *Providing access to services for disadvantaged groups*

- 4.8 The case study projects all seek to be inclusive and reach different sectors of the community. To do this successfully requires tailoring the approach to meet the needs of particular groups. For example, it is important to recognise the mobility needs of older and disabled people when planning access to a centre at which advice and services are delivered, or when estimating the demand for outreach services for people who cannot leave their homes. As the Ely CAB case study highlighted, for people with mental health problems, home visits can prove extremely valuable and provision is made for the case worker to be accompanied by someone with experience of working with people with mental health difficulties. Telephone helplines providing advice, rather than face-to-face contact, may be preferred by some individuals. But for those who find it difficult to seek advice, or who have communication difficulties, interaction with an adviser face-to-face may be far more effective.

- 4.9 Decisions, therefore, about how a financial service is provided will therefore depend on the personal circumstances of the particular client group. The variety of our case studies and their different approaches testifies to the importance of this issue for the success of a project.

## Annex A: Banking services available at the Post Office

Table A-1 Banking services available at the Post Office

	PERSONAL CURRENT ACCOUNTS*			
	Cash withdrawal	Balance enquiry	Cash deposit	Cheque deposit
Alliance & Leicester	Yes – with card and PIN	Yes – with card and PIN	Yes – with card	Yes – with personalised paying in slip and deposit envelope from your bank
Bank of Ireland	Yes – with card and PIN	Yes – with card and PIN	es – with card or with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
Barclays – in England and Wales	Yes – with card and PIN	No	Yes – with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
cahoot	Yes – with chequebook and card	No	Yes – with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
Clydesdale Bank	Yes – with card and PIN	Yes – with card and PIN	es – with card or with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
The Co-operative Bank	Yes – with card and PIN	Yes – with card and PIN	Yes – with card	Yes – with personalised paying in slip and deposit envelope from your bank
Nationwide Building Society	Yes – with card and PIN	Yes – with card and PIN	No	No
Lloyds TSB – in England, Wales and Scotland	Yes – with card and PIN††	Yes – with card and PIN††	Yes – with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
smile	Yes – with card and PIN	Yes – with card and PIN	Yes – with card	Yes – with personalised paying in slip and deposit envelope from your bank
BASIC BANK ACCOUNTS				
Abbey – Basic Account	Yes – with card and PIN	Yes – with card and PIN	No	No
Alliance & Leicester – Basic Cash Account	Yes – with card and PIN	Yes – with card and PIN	Yes – with card	Yes – with personalised paying in slip and deposit envelope from your bank
Bank of Ireland – Basic Cash Account	Yes – with card and PIN	Yes – with card and PIN	es – with card or with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
Bank of Scotland – Easycash†	Yes – with card and PIN	Yes – with card and PIN	No	No
Barclays – Cash Card Account	Yes – with card and PIN	No	No	No
Clydesdale Bank – Cashmaster Account	Yes – with card and PIN	Yes – with card and PIN	es – with card or with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
The Co-operative Bank – Cashminder	Yes – with card and PIN	Yes – with card and PIN	Yes – with card	Yes – with personalised paying in slip and deposit envelope from your bank
First Trust Bank – Basic Bank Account	Yes – with card and PIN	Yes – with card and PIN	No	No
Halifax – Easycash	Yes – with card and PIN	Yes – with card and PIN	No	No
HSBC – Basic Bank Account	Yes – with card and PIN	No	No	No
Lloyds TSB – Basic Bank Account	Yes – with card and PIN	Yes – with card and PIN	es – with card or with personalised paying in slip from your bank	Yes – with personalised paying in slip and deposit envelope from your bank
Nationwide Building Society – FlexAccount (cash card only)	Yes – with card and PIN	Yes – with card and PIN	No	No
NatWest – Step Account	Yes – with card and PIN	Yes – with card and PIN	No	No
Northern Bank – CashMaster Basic	Yes – with card and PIN	Yes – with card and PIN	No	No
The Royal Bank of Scotland – Key Account	Yes – with card and PIN	Yes – with card and PIN	No	No
Ulster Bank – Basic Bank Account	Yes – with card and PIN	Yes – with card and PIN	No	No
Yorkshire Bank – ReadyCash Account	Yes – with card and PIN	Yes – with card and PIN	No	No
POST OFFICE® CARD ACCOUNT				
Post Office® card account	Yes – with card and PIN	Yes – with card and PIN	No – only for receipt of benefit, state pension and tax credit payments	No – only for receipt of benefit, state pension and tax credit payments

\* Some banks may allow you to withdraw cash from your personal current account using your chequebook and card. Check with your bank to see if they offer you this service at the Post Office®. Card and PIN is quicker, easier and more secure.

† Green coloured cards only. †† Lloyds TSB customers will require a debit card.

## Annex B: Long list of potential case studies

Table B-1 : Promoting financial inclusion in rural areas: Long list of potential case studies

Name	Brief description	Geographic focus	Type of programme / service	Type of service deliverer	Specific target group?	Notes about selection
<b>Credit Unions and Community Development Finance Institutions (CDFIs)</b>						
Capital Credit Union, Edinburgh, Lothian and the borders	A lot of credit unions use Pay Point (where people can pay in money to shops); now some are offering current accounts (allowing withdrawal from ATMs and offering more than a basic bank account and with fairer/more transparent charges). Capital – covering an expansive rural area – was one of the first nine credit unions in the country to launch the Credit Union Current Account. Members can also use their credit union membership card to pay in at any post office in the UK.	Sub-regional; both urban and rural areas	Management & savings	Voluntary and Community sector	Residents of Edinburgh, Lothian and the Borders	No
	Not pursued in final selection					
Just Credit Union, Shropshire	Just Credit Union 'for rural Shropshire' has five branches across the county, but also offers training to community groups willing to set up their own 'community collections'. Most of these community service points are overseen / operated by partner organisations. Shropshire is one of the most rural counties in England. Just CU is considering a mobile collection point.	Sub-regional; both urban and rural areas	Management & savings	Voluntary and Community sector	Residents of Shropshire	Selected, but subject to approval as haven't been contacted yet.
Robert Owen Montgomeryshire Credit Union Ltd (ROMCUL)	First rurally based credit union in the UK. Started Newtown, now covers the whole County. Outreach collection points. Initiative targets young savers through schools. Looking at possible partnership with CDFI. Project manager strong interest in rural financial exclusion.	Sub-regional; both urban and rural areas	Management & savings	Voluntary and Community sector	Residents of Powys	Since 1984 in Newtown; Montgomeryshire since 2000
	Not pursued in final selection					
South Tyneside CDFI and Credit Union	CDFIs are not-for-profit organisations providing lending and investment facilities at competitive rates to disadvantaged communities. The South Tyneside CDFI was set up as a "Credit Union friendly" CDFI, helping people build up a track record of borrowing in order to access the LA-wide Credit Union. The CU is now pay-point ready.	Sub-regional, urban and rural areas	Affordable credit	Voluntary and Community sector	Financially excluded in South Tyneside	2 years
	Not pursued in final selection					
<b>Financial Advice and Counselling</b>						
Citizens Advice	The CAB – the largest independent free advice provider in the UK – runs 10 of 16 Financial Inclusion Fund face-to-face debt advice projects. One of these focuses on	Rural areas throughout the	Debt advice	Voluntary and	Hard-to-reach rural residents,	Have selected Ely as a specific

Name	Brief description	Geographic focus	Type of programme / service	Type of service deliverer	Specific target group?	Notes about selection
rural FIF project	<p>rural bureaux. The project employs 25 FTE debt advisors as case-workers to provide money advice, each often covering a large geographical area, and several bureaux in order to achieve coverage. The fund allows case-workers to meet unmet need in rural areas (other schemes, such as those run by the Legal Services Commission, may not be able to justify a service in these areas due to lack of sufficient numbers), and the project also reduces waiting times for advice in these areas – often a critical factor in success.</p> <p>Postcode data are collected to map where clients come from. Data will soon be available on numbers hitting financial exclusion indicators, to allow an urban/rural comparison.</p> <p>Case study could focus on bureaux working in partnership, or working with credit unions, or focus on migrant workers, or specific geographic area.</p>	country		Community sector	with: no bank a/c; no savings; user of high-interest credit; priority debts owed; or income under £14,500	case study.
Consumer Credit Counselling service	<p>Provides debt and budget advice. 10 regional centres, but is particularly 'rural friendly' as it provides free telephone advice and online advice and can help people wherever they live. It is a "registered charity whose purpose is to assist people who are in financial difficulty by providing free, independent, impartial and realistic advice".</p> <p>Not pursued in final selection</p>	National; urban and rural areas	Advice	Voluntary and Community sector	No specific target group – open to all	Since pilot in 1993 with new centres opened in 1996
Farm Crisis Network	<p>Lobbying group, which also acts as a signposting agency. Provides insolvency advice and has a number of insolvency advisers and retired bank managers as volunteers. Business advisors funded by Business Link (often from other counties).</p>	National; all rural areas	Advice & signposting	Voluntary and Community sector	Farmers and farming community	Need to select an area.
<b>Mobile banks</b>						
Mobile bank in North Wales	<p>Funded by RBS - which runs 16 van based services. (RBS also runs a Flying Bank service in the Highlands and Islands). 2 cashiers plus waiting space; day-to-day banking services including paying in cash/cheques; cash withdrawals; making bill payments; ordering foreign currency. Compensates for steady stream of bank closures. The North Wales van serves 14 Welsh communities; North Wales has particular problems with public transport.</p> <p>Not pursued in final selection</p>	Sub-regional; less sparse areas (stops in towns / hubs)	Advice & management (day-to-day banking service)	Private sector	Rural communities of North Wales	Since March 2007
Mobile bank in Cornwall	<p>As above. This van is operated by NatWest. The case study would be interesting as there was a high profile closing of HSBC's Cornwall mobile bank in 2004, due to high costs. Another point of interest may come from feedback from local requests to</p>	Sub-regional; less sparse areas (stops in	Advice & management (day-to-day	Private sector	Rural communities of	

Name	Brief description	Geographic focus	Type of programme / service	Type of service deliverer	Specific target group?	Notes about selection
	expand the route; the NatWest route was established in August 2005 and the mayor of one town (St. Just) requested that the route could include it.	towns / hubs)	banking service)		Cornwall	
Other sub-regional and local initiatives						
Cambridge Housing Society	Funded by Lloyds TSB. Has 2,000 homes dispersed across a semi-rural area and it provides care and support to 520 people. It employs a community investment team researching and delivering a range of financial services alongside opportunities for personal development. Home visits offer free, confidential and impartial advice on: welfare benefits and tax credits, debt management, low-cost loans and financial management.  Not pursued in final selection	Local; less sparse rural areas	Advice	Voluntary and Community sector (Charitable housing association)	Low income households	Need to contact and get approval.
Devon Pound	D£von Pound is the face of the Devon Community Banking Partnership and provides Outreach Workers to provide financial support for the population of Devon that do not have access to mainstream banking and need some budgeting advice or access to affordable credit. D£von Pound works with a number of partners in Devon to deliver this support and to gain access to those in Devon who require help. D£von Pound will also be providing Financial Literacy training to both the Adult and youth population in the county. One group of partners to D£von Pound is the credit unions; the project provides back office support to a number of them in Devon.  Potential extension to neighbouring counties. Detailed monitoring data available; could do postcode analysis on delivery costs. Could provide beneficiaries.	Sub-regional; urban and rural areas	Advice and affordable credit; financial literacy training	Public, private and voluntary sector partnership	Low income households in Cambridgeshire	Since October 2006
Financial education project in Dumfries and Galloway College	The College's catchment area has a mostly rural population with high levels of rural deprivation. The college demonstrates a good approach to teaching financial awareness and capability. It takes a 3-pronged approach: giving advice sessions to potential students in advance of arrival, work with the Citizens Advice Bureau to deliver workshops and provide training and advice, makes advice available from student services throughout college.	Local; College's rural catchment area.	Advice	Public sector	Young people in College's catchment area	Need approval.
Wessex reinvestment trust	An organisation which has been set up to help rural communities become more sustainable. It believes that, to do this, people in those communities need to have access to land, buildings, and finance. They also need to be able to make decision themselves about how those resources are used, to benefit everyone.  Not pursued in final selection	Sub-regional; urban and rural areas	Advice; home improvement loans	Social enterprise	Rural communities in South West of England	

Name	Brief description	Geographic focus	Type of programme / service	Type of service deliverer	Specific target group?	Notes about selection
Shared facilities						
Bank I Butikk NorgesGruppen (Bank and post in shop)	Norwegian retailer experimenting with additional services to diversify and generate new income streams for shops. Their starting point is to attract new/more customers to their shop and thereby increase. Started with delivery of postal services - this linked into the Post Office's IT applications and was able to provide a fuller service; according to the retailer customer satisfaction has increased. The retailer is now developing this further, and has invested NOK 400m (approximately £34m) in developing the banking part of the project – co-operating with the largest Norwegian Bank. The bank products include 'basic banking services (bill payments, account information, transfers, deposits/re-drawls etc) which will be executed at the till (no additional space needed). The IT application required is more sophisticated than the Postal ones and will enable them to provide frontline basic bank services to all bank customers. The bank benefit from an increase in the number of branches and a decrease in the number of cash points required.	National; urban and rural areas	Management (access to day-to-day banking services)	Private sector	No specific target group – open to all	
Using churches to house post offices	A number of churches in rural areas have started to host post offices over the last couple of years, and with changes in post services this is likely to become more common. Typically a local postmaster uses the church hall one morning or afternoon per week. Other examples exist, such as Forton in Lancashire, where the church runs a full post office (rather than just an outreach function), and a local in the village works part-time as post master. CofE, Methodist and URC churches are working with Arthur Rank Centre and Post Offices to draw up best practice guidelines.  Not pursued in final selection	Local; sparse rural area	Management (access to day-to-day banking services)	Partnership between Post Office and Churches	Villagers in Forton, Lancashire	Since April 2007
Example of post office in community owned facility.	A community owned shop is one in which there is some community involvement in either the setting up, or the running of the shop. Around two-thirds of shops also have a post office on the premises. Many community owned shops are established following the closure of a shop in the village. ViRSA (the Village Retail Services Association) is a national organisation promoting the growth of community owned shops. An objective is to improve access to services – both retail and financial for rural residents.	Local; all rural areas	Management (access to day-to-day banking services)	Provision of PO financial services in community owned shop	Tackley, Oxfordshire	Selection with assistance of ViRSA
Development of a Financial Inclusion Strategy in Cumbria	Will look at the approach taken to develop a financial inclusion strategy, Cumbria has been chosen.				Residents of Cumbria	

## Annex C: Case study template

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### Promoting Financial Inclusion in Rural Areas

September 2007

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#### **Our overall aims**

- develop an evaluation of factors contributing to the success (or failure) of initiatives to promote financial inclusion in rural areas
- identify rurally distinctive features
- identify any differences in cost base for initiatives in rural areas
- make recommendations for actions for CRC and others to promote financial inclusion in rural areas

#### ***Introduction***

- How was the scheme devised?
- What specific need did it aim to address?
  - are there specific rural issues related to financial inclusion?  
(particularly those other than access issues)
- Did it build on learning from other initiatives?
- Involvement of partnership organisations/agencies

#### ***Scheme design***

- How does it operate?
  - Does it use resources of other partners?
  - Does it use / rely on premises?
  - Does it require other types of infrastructure to be in place?
- Target groups
- Geographic reach
- Sources of funding
  - How much? How long for?
  - Is the programme / project reliant on grants, or is it self-sustaining?
- Timescale
  - when did it start?
  - how has it grown?
  - what are expectations for development in the future?
- What methods are you using to reach target groups?
- Staffing
- What are the USPs?

#### ***Key facts and figures***

- What targets (if any) have been set?
- Reach of programme – number of participants / beneficiaries  
[and where they're from / postcode data or rural description if available]  
[and client profile, if available]
- Are there any seasonal variations apparent in use / demand for the service?
- Cost of programme (including any break-out of rural-specific costs).  
[and relative costs in different locations, if available]

### **Promotion / marketing**

- How was/is the initiative/programme marketed?
- What are the difficulties of marketing in a rural area and how have these been addressed?
- Any useful / innovative ideas on reaching rural communities?

### **Community engagement**

- How does the programme / project ensure community buy-in?
- How involved are potential beneficiaries (local people / relevant target group) in designing programme delivery?
- How does the project include 'difficult to reach' / invisible beneficiaries?
- How is feedback from beneficiaries collected?
  - Can we see any of this?
- What would beneficiaries do if the initiative didn't exist? (what did they do before?)

### **Learning and lessons**

- How are outcomes being measured? (Any Monitoring and Evaluation?)
  - Can we see any that has been done?
- What are the criteria/measures for success?
- By these criteria, how successful has the initiative been to date?
- What success factors have been identified?
- Which of the original objectives have proved most difficult to implement and why?
- Has there been any shift in aims/mode of operation since it was set up and why?
- If starting again, would the approach change and if so how?
- Is this initiative transferable to other areas? Can it be mainstreamed?

## **Annex D: Case study template for beneficiaries**

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### **Promoting Financial Inclusion in Rural Areas**

September 2007

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#### ***Introduction – Financial Exclusion***

- What are the difficulties for people living in your area to access:
  - Basic bank accounts?
  - Affordable credit?
  - Information or advice about money and finance – e.g. savings advice?
- What are the most difficult aspects of living in a rural area [*countryside*], in terms of getting access to finance? (e.g. as above)

#### ***The programme / project***

- Where did you hear about the project / programme? (e.g. advertising; word of mouth ; partner agency ; internet ... )
- Did you (or anyone you know) get involved with designing the programme delivery?
- Do you know of any other programmes in this area which are helping people access affordable finance / money advice?
- How do you access this project? (e.g. face-to-face, telephone; do you come to them, or do they come to you?)
- Do other people in your local area know about this resource / project? (Are there particular groups who don't and, if so, why is this?)
  - How does the programme / project reach out to different groups in the community?
- Have you noticed any changes in the programme / project since you were first involved?

#### ***How the programme / project has helped you?***

- What kind of help have you had from the project?
- What's particularly good about this project?
- What could they do better?
- How successful do you think the project has been overall?
- What would you do if the initiative didn't exist? (what did you do before?)

## Annex E: Case studies

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### Just Shropshire Credit Union

#### Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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##### **Introduction**

Changes in interpretation of the credit union common bond and increased recognition of the role credit unions can play as effective vehicles for promoting financial inclusion, which led to an increase in the development of credit unions in the late 1990s and early 2000<sup>14</sup>. Shropshire County Council played a key role in developing Just Shropshire (Just) in 2001. Influenced by contemporary research<sup>15</sup>, Just was the first rural credit union to take a strategic and business planning based approach to credit union development. As a consequence, Just became the country's first countywide credit union, rejecting the convention of having a number of smaller credit unions defined by a common employer or a smaller geographic area such as a village or a market town.

Whilst Just's overall aim is to promote and contribute towards financial inclusion by providing products and services to the County's financially excluded, it does not want to be considered as a 'banker for the poor'. From the outset, the organisation aimed to be a professional company seeking to grow its business by '*providing a realistic and viable alternative both to doorstep lenders and to commercial banks*'. Additionally, it seeks to promote saving, creating saving opportunities for a number of individuals unable to access mainstream banking services.

Just has developed effective partnership working with a range of county-wide stakeholders. These include employers as well as a number of voluntary and community based organisations that operate collection points and promote the work of the credit union. Additionally, Just has developed an electronic payment system which allows members to use their services in a large number of locations throughout the rural county.

As such it has put emphasis on developing and delivering high quality products by investing in training of both board members and volunteers as well as seeking to attract high quality staff. Just was also actively involved in the *Creating Wealth in the West midlands through Sustainable Credit Unions* project running from 2002 to 2005 as a *Beacon credit union* benefiting from an action research programme funded by Advantage West Midlands, the West Midlands Social Enterprise Partnership in the West Midlands and the Countryside Agency.

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<sup>14</sup> Jones, P., Rural Credit Unions in the West Midlands,

<sup>15</sup> Jones, P., 1999, Towards Sustainable Credit Union Development

As part of this programme a number of factors were identified as important in order to develop sustainable rural credit unions, which have informed Just operations<sup>16</sup>. Whilst some of these will be common to all credit unions, others are particularly relevant in rural areas. Firstly, it was recognised that there was a need for systems and procedures that could cater and service a membership base spread over large geographical areas. Secondly, economic and organisational limitations mean that credit unions are unable to have branches or collection points in every town, village and hamlet throughout rural areas. As such, there is a strong need for effective partnership working and networking throughout rural areas<sup>17</sup>.

### ***Scheme design***

With a population of 289,300 spread throughout Shropshire's 3,487km<sup>2</sup>, Just faces important challenges linked to service delivery. Just's operations were designed to account for the following aspects of service delivery;

- Time cost of travelling;
- Other costs linked to travelling;
- Scale of the membership base.

The organisation is located in and provides all back-office services from Shropshire County Council's premises in Shrewsbury. Recognising that no one location would be able to service all members, Just has developed a series of community branches throughout the County. The branches are located in Community and Information Centres, Housing Associations and Churches and improve the accessibility for the 55-60% of the membership base residing outside Shropshire's main urban areas. Just currently has 13 Community Branches. Additionally, the credit union runs saving clubs for four local schools, and it also works closely with organisations such as the Citizens Advice Bureau, local sure start schemes and a number of housing associations and housing advice agencies.

Just has also developed a system with electronic pay cards, which allows members to save by using one of the nearly 30,000 Payzone terminals across the UK. Since the system was introduced in 2003, the use of electronic pay cards has gradually increased, and today it represents approximately 50% of all cash deposits, with the figure being higher in the County's most rural areas.

### ***Promotion / marketing***

The organisation has a small marketing budget that it uses predominantly on advertisements in local free papers and on targeted leafleting to residents in postcodes with high levels of deprivation. Just also issues press releases to raise awareness of its services.

Initially, the organisation also attended a number of fairs, however, this has proven to be a very time consuming way of reaching the target audience. Instead, Just works through its partners and will from time to time get free space in the sure-start paper or cooperates with referral agencies such as the Citizens Advice Bureau. As well as obtaining subsidised or free

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<sup>16</sup> Jones, P., Rural Credit Unions in the West Midlands

<sup>17</sup> Jones, P., Rural Credit Unions in the West Midlands

advertisement space, partner organisations also share volunteers and information about co-working or funding opportunities.

Whilst Just monitors the responses to their marketing activities and have adapted their approach according to their past experience, they recognise that most of their new customers hear about what they have to offer through word of mouth. Such as, its best marketing tool is to provide products and services their members need at a reasonable and competitive price.

In terms of promotion, Just has taken a commercial approach to derive trust and enable customers to compare their products with those of local doorstep lenders. It has also built a strong brand and corporate image, with all leaflets and promotional material sharing the same style and colours.

### ***Community engagement***

Just's business model is based upon having strong links with local community groups and organisations in order to reach out to members throughout the County. Some of the community branches are located in centres that specifically work with disadvantaged individuals such as the Kingswell Centre in Oswestry which provides support to individuals suffering from drug and alcohol misuse. Other examples include working with housing associations and housing advisory services to develop savings schemes to build up capital for deposits.

Whilst Just's mission is to serve the County's financially excluded, it is also aware that they need to work through a broad range of channels to avoid the development of a social stigma attached to being a credit union member. Just therefore also works with a number of faith groups and employers to broaden its membership base. As well as increasing the number of members and gaining economies of scale, these members tend to be less time consuming allowing the Just employees and volunteers to spend more time on the more disadvantaged members.

Approximately 50% of Just's members are recruited via employers. The 'employee members' can normally access mainstream financial services, and as such the credit union constitutes a substitute for high street banks. However, the other half of the membership base has little or no access to mainstream banking services. Poor credit rating and low levels of income mean that these members would use one of the five doorstep lenders operating within the County in order to access credit. Whilst, a number of members continue to use services from the sub-prime market, the credit union allows them to build up savings as well as accessing credit at a lower rate of interest than what they would have paid in the sub-prime market.

### ***Beneficiary vignettes***

Three interviews with beneficiaries were conducted.

Anne is in her fifties and has applied for a £200 Growth Fund loan and become a member. Anne is receiving benefits, and has previously used doorstep lenders to access credit. Following financial difficulties, Anne sought help from the local Citizen Advice Bureau who referred her to Just to access affordable credit. Anne has no bank account and has never

saved. The repayment schedule, terms and condition is explained, and Anne agrees to pay the loan back with weekly payments of £5, to an interest of 26.8% APR, which is well below the interest she previously paid (Typical doorstep lenders APR on £300 is 177%). Moreover, Anne is now encouraged to pay £1-2 extra in order to build up some savings for the first time in her life.

Lillian works for the local co-operative as a supervisor earning £5.86 an hour. She is in her fifties and has an old County Court Judgment linked to a Council Tax liability she built up during a short term tenancy several years ago. Lillian has since moved to a local authority property. As her local shop was bought up by the National Co-operative Group, she was paid for the shares she had earned over the years as an employee, and Lillian is now applying for a £500 loan to complement these funds and renovate her flat and buy new household goods. Lillian heard about Just through a relative, and this is the second loan she has taken out. Before the new loan is granted, Lillian has £7 outstanding on her first loan to pay off, and £100 in savings she has built up by paying back 20% more than her loan repayments over the last 10 months. For the everyday management of her money, Lillian uses an account in her daughter's name as she does not have a passport or a driving licence which are the required means of identification to open a bank account.

John and Mary are both disabled and housebound, and receive a home visit from the credit union in the council house located in a small village 7 miles outside Oswestry. They both receive Disability Living Allowance and as John's main carer Mary also receives carer's allowance. The benefits are paid into their post office account; however, the couple are unable to use the account for other purposes than receiving their benefits. John and Mary heard about Just through a neighbour and Mary has been a member for some time, having previously used doorstep lenders to access credit. She has paid off her first loan by getting some of her benefits into her credit union Account, and they are now applying for a second loan to re-decorate their house. However, by getting the benefits paid to her savings account, Mary is informed that she has actually built up savings of nearly £400. On first hearing this, she does not believe it is true, but once she has thought through her situation, she still insists on taking out the loan of £200, leaving the savings un-touched for Christmas when her son is due back from Manchester.

### ***Learning and lessons***

Since it was set up in 2001, Just has managed to nurture a mutually beneficial relationship with a range of local stakeholders. This has enabled it to identify and target the areas and communities within Shropshire where its services are most needed. With outreach staff and volunteers throughout the County it has gradually increased awareness of who they are and what they do whilst keeping their costs relatively low.

In its original business plan, Just had projected a very quick growth rate in order to achieve a level of financial sustainability, however, experience has shown that it takes time to build the membership base.

Very few of Just's most deprived members have access to bank accounts. Whilst the Growth Fund has allowed Just to provide a better service to this group, they are now looking for ways of developing a Credit Union Bank Account. This would enable a large number of their

members to access day to day banking services that they are excluded from at present. However, the scheme will require an initial investment of at least £100,000 which Just is currently trying to source in order to provide a better service for its members.

#### **Key facts and figures**

Starting in 2001, Just has grown to become the largest of the rural credit unions in the West Midlands. It currently has 1201 members, 895 of which have savings and 388 have loans. Just's target is to increase its membership by one member every working day. In 2006/07 it recruited 322 new members; however 192 individuals left the credit union. Most of the leavers had dormant accounts that were closed to minimise Just's operational costs whereas others moved outside the common bond (by changing employer or moving outside the County boundary).

Depending on the definitions used, between 55-60% of the members live outside Shropshire's main urban areas. 50% of members are employee members.

The organisation currently employs 3.5 full time equivalents.

Just has three main sources of income:

- Shropshire County Council
- DWP – Growth Fund
- Interest from outstanding loans

In 2007/08 it is anticipated that income from interest will cover 36% of organisational costs.

The organisation recognises the need to move towards a financial sustainability. Whilst the organisation could be financial sustainable by only catering for its employee members, there are large costs associated with providing small loans to financially excluded. Moreover, the organisation has additional costs associated with the low population density.

The Growth Fund is one of the Government's initiatives to promote financial inclusion. The aim is to provide affordable lending to financially excluded people. Initially, Just calculated that it would need revenue support of around 60% of loan capital awarded to deliver the affordable loan service. Growth Fund were unable to agree to this as a ratio of 25% revenue to capital was considered to provide a sustainable service into the future. However, when the rural nature of the geography served by Just was taken into account, an additional 5% revenue support was made available giving a ratio of 30% revenue to capital.

# Ely Citizens Advice Bureau

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

Ely Citizens Advice Bureau (CAB) is just one of many rural bureaux<sup>18</sup> across England which receives funding from the Financial Inclusion Fund (FIF). FIF was introduced in 2004, creating £120 million for the 2004-07 spending period. Overseen by the Financial Inclusion Task Force, FIF supports work in three target areas: access to banking, provision of affordable credit and free face-to-face money advice. A total of £45 million has been allocated to free face to face debt advice, and has been split into 16 projects, 10 of which are led by Citizens Advice. Since April 2006, the rural project has seen the recruitment and training of 38 new debt case workers which are based in rural CAB across England. Once trained, the caseworkers provide free face to face debt advice to rural residents.

Recipients of advice are expected to meet at least one of the following financial exclusion indicators: no bank account, user of high interest credit, income under £14,500, priority debts owed and no savings held. Prior to this service, many rural areas had no provision of face to face debt advice, due to a number of reasons. These included a perceived lack of demand for such a service, the need to meet strict targets which, due to fewer residents, were occasionally unrealistic in many rural areas. With possible funders often making little, or no allowance, to cover the specific expenses incurred when delivering services in rural areas, many face to face debt advice projects were previously unviable. The current rural project is on course to exceed its targets, with projections of 6000 rural residents having accessed free face to face debt advice by April 2008.

### **Scheme design**

Three rural districts in Cambridgeshire (East Cambridgeshire, Fenland and Huntingdonshire) together successfully put forward a bid to receive funding over two years for case workers to provide face to face debt advice to be based in Ely and Wisbech CABs. These workers spend time across five outreach points across rural Cambridgeshire: Ramsey, St Ives, March, Ely and Wisbech. Prior to this, each of the areas had either little or no provision of face to face debt advice from an impartial service provider. Growth and prosperity across the districts can mask demand for such a service. East Cambridgeshire in particular is one of the fastest growing districts in the County, and can hide financial exclusion amongst residents in Ely and the surrounding rural area. Working across the five areas within the three districts allows access to advice regardless of the prosperity of neighbouring areas and identifies unmet need. Each access point works slightly differently according to local needs; however each provides one to one appointments and drop in sessions to provide debt advice.

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<sup>18</sup> A rural bureau has the majority of its population (i.e. over 50%) living in rural areas.

Clients at all stages of financial discomfort are advised, from those with concerns over payments to clear a one off loan, to those on the verge of eviction. All clients are encouraged to travel to an access point, home visits are rarely made unless access is very difficult, due to the labour intensity required. Clients are offered a range of different services to assist with debt management which are designed to provide a personalised coping strategy. Many are encouraged to discuss financial incomings and outgoings in order to create a budget which can be sent off to creditors to negotiate monthly repayments. It also allows clients to assess the importance of their outgoings and prioritise spending with the help of an outside perspective. Others may need more urgent advice, for example if an eviction or court appearance is imminent. Citizens Advice Bureau has a trusted reputation with credit providers, which allows for straight forward negotiation and for reassurance to be provided for both clients and debt collectors. Their recognised reputable quality and the emphasis surrounding face to face advice, rather than telephone or online support has been a key determinant of the strength of relationships built with clients.

### ***Promotion / marketing***

Use of the service is dependent on residents identifying their own need and helping themselves by seeking debt advice at an outreach point. Partnerships with a number of local support organisations (including: Age Concern, Care and Repair, CorLands Mental Health Trust, Social Services, local charities and Housing Associations) allows for referrals to be made to an appropriate CAB who in turn can make arrangements for the client to receive debt advice on a one to one basis. The vast majority of clients become aware of the service through word of mouth, including interaction with local support organisations and other local residents. In addition, press coverage is used to spread awareness in local papers advertising the CABs services. More specifically, an agony aunt column in the local paper covers particular questions surrounding debt problems. As well as more generic posters and leaflets, talks are also provided at mothers union and over 60 groups. Radio interviews covering debt advice also ensure widespread awareness across the three districts. Marketing is informative and also persuasive in nature, encouraging residents that debt problems are widespread across all types of residents, regardless of age and status.

### ***Community engagement***

Face to face advice is based on a generic model delivered throughout CABs in England. One of the most important aspects of this type of advice is trust and confidentiality to enable clients to solve their problems with as much discretion and confidentiality as possible. Hence, due to the nature of the advice provided, community engagement is not at the core of this service. Instead, individual interaction with clients is of fundamental importance. The perception of the 'rural idyll' is apparent in many areas, amongst rising house prices and an influx of residents who commute to the urban centres of Cambridge and Peterborough. Rising income levels, even in small rural areas, can mask many who are equity rich and income poor. This is particularly the case amongst the elderly, many of which have not had access to modern forms of everyday credit services including credit cards and overdrafts. Combined with a lack of mobility and integration within the local community, problems are exacerbated. This can result in dependence on credit for day to day expenses. The shame factor can further

worsen the situation for any age group, and encourage an unsustainable level of self sufficiency when assistance is needed. A close understanding of the types of rural area and make up of local residents provides workers with the necessary context for frank and practical advice and support. As mentioned previously, a number of different marketing mediums are used to reach all members of local communities who may face such barriers.

### **Beneficiary vignettes**

- Beneficiaries encompass a range of ages, locations, extent of financial difficulties and attitudes towards coping with debt problems. Interestingly, variations in client characteristics are dependent on the make up of the local area. Typically, the most deprived clients are resident in areas which are more rural and remote in nature. Other more accessible areas can offer clients who are in employment, and are used to a steady income stream, yet over the years have not been able to meet their spending requirements and have been using credit to compensate. Living beyond their means to maintain a certain lifestyle or supporting children through university are examples of some of the pressures which have built over time to create substantial debt problems for residents. It is often the case that spouses or other family members are unaware of the extent of the problem, pressurising both financial circumstances and marital relations.
- Health problems and disabilities can further difficulties, especially amongst the elderly. According to the UK inquiry into mental health and well-being in later life, more than 3.5 million older people have mental health problems, and one in five people over 80 suffer dementia. In one particular case, a blind elderly lady and an elderly man with dementia accumulated over 30 credit cards and £140,000 of unsecured debt. All bills were left in the hands of the elderly man; his wife was unaware of the financial problems they were in until he was taken into hospital. They were facing eviction when a disability support worker referred them to the CAB. Home visits were made, and a budget was made to ensure that debts were paid back to each creditor on a monthly basis; they were then able to keep their house. Although home visits are kept to a minimum, in particular cases they prove extremely valuable. For those with mental health problems, difficulties with filling in forms and developing trust with outsiders, requires a familiar face with which they can develop relations and receive tailored advice.
- Tailored advice is also required according to language differences and attitudes towards finance and benefits. For example, there is a strong presence of migrant workers in Fenland. Many of these workers are eligible to claim a number of different benefits. However, many would rather pass this by in order to avoid giving their name and address; they would prefer to keep their anonymity. A volunteer who works at the CAB with the relevant language skills has helped to tease out these 'hidden clients', by providing necessary translation services when needed. These clients have also created their own coping strategy by bringing a friend, partner or member of their community who can represent them and act as a translator. The case worker can then work with them to manage their finances. This can include the identification of claimable benefits, and encourage the necessary confidence to make use of such

funds as well as being able to refer them to organisations who can provide further information and assistance.

Financial problems exist across a range of different ages. One young male received no support from his separated parents. He moved into a flat with his girlfriend, who promptly left, leaving him with the full burden of the rent. With little money to spend on food, ill health and a limited working background restricted his chances of finding employment. In such a situation, it may well be easy to enter into crime. Although he is able to receive support from Connexions<sup>19</sup> to help him back into work, this will stop next year when he turns 19. Finding employment now is then a priority, but in the meantime financial support is also crucial to aid him out of debt. Overpayments of council tax benefits and housing benefit need to be repaid. Visits to a CAB worker allowed him to negotiate with creditors, and leave him in a better position to seek employment opportunities.

Less obvious problems face those with a background of a high standard of living and a steady income stream who create a false façade of wealth. This was the situation which faced a middle aged couple, who accumulated £67,000 of unsecured debt. In one month alone, £3,000 was spent using a credit card. The husband was unaware of the extent of the problem until his wife took him along to the CAB and asked for advice. With the help of the case worker, she was able to discuss her use of credit, as well as informing her husband. The stress of debt caused a strain on their health; they had to take time off work to cope with the pressures of constant phone calls, letters and the possibility of losing their house. With the help of a case worker, the seriousness of the problem was enforced alongside the encouragement to improve their financial situation.

### ***Learning and lessons***

Key to the success of this initiative is the face to face nature of advice provision. Prior to this service, over the phone advice was the most readily available service to aid with debt problems in rural Cambridgeshire. Although this is useful in rural areas, particularly due to access problems for those without their own methods of transport to rely on, faceless provision can be less effective at creating the necessary relationships with clients to develop trust and understanding. Although reliance on one particular advisor is discouraged, regular face to face contact with, if necessary, a number of workers is encouraged. Online and telephone advice can require some form of spoken or written language competence and confidence which could act as a deterrent to those who find it difficult to seek advice. Using range of different ways of advertising the service has meant that interaction with local residents is extensive across all geographical areas and personal circumstances. Close knit relationships between workers themselves has also allowed for personal development in the workplace, and a greater spread of knowledge about local problems and respective solutions. A support network for advisors is also an important factor to bear in mind when considering the skills needed to absorb such disruptive personal problems, and aid clients to overcome them with the necessary social distance without losing the key basis of trust and support needed in client-worker relationships.

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<sup>19</sup> Connexions is a free support service for those aged 13-19 (25 for those with disabilities or learning difficulties), living in England.

### **Key facts and figures**

- Out reach points have been set up in five rural areas: Ramsey, St Ives, Ely, Wisbech and March.
- Ely has been guaranteed funding for 2006/08 for a case worker to provide face to face debt advice in both Ely and March. Continuation of this post is dependent on the spending review.
- Targets have been consistently exceeded. Since the introduction of a trained case worker in April 2006, 294 clients have been assisted in Ely alone.
- Case workers are funded by the Financial Inclusion Fund.
- Seasonal variations reflect pressures on spending. For example, January and February are very busy months following post Christmas demands. September and October are also busy months.
- Clients have a range of different personal circumstances. However, the following have been identified as being particularly vulnerable: those with mental health problems, the elderly, those eligible for benefits, the disabled and self employed residents.
- Key quotes from beneficiaries: 'Great service, really helpful, friendly and non-judgemental', 'I was in a dark hole and you have helped me when it felt like I was totally on my own with no where to turn', 'Your help is very much appreciated, wouldn't have got through it without you'.

# D£von Pound

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

D£von Pound (Devon Pound) was established as a Community Banking Partnership in May 2005. The money advice sector was already present in Devon, but was working well only in ‘small silos’.

It is a not-for-profit, independent company providing “financially excluded people with a single access point to get whatever assistance they need to move towards financial security and mainstream status”. Devon Pound does not provide direct financial services (e.g. loans for clients); rather they aim to present to clients all options available to them, including borrowing, saving and financial education.

Devon Pound works with a range of partners, including almost all the credit unions in Devon and several housing associations in the county. Initially 4 Housing Associations were involved, and funded a feasibility study. The Housing Associations were already thinking about ways for their clients to invest their social housing allowance in savings, and teamed up with the New Economics Foundation to provide one of the first of six Community Banking Partnership pilots across the country. The Steering Group consisted of a range of partner agencies with different backgrounds (from community housing to private sector banking). Several of the Housing Associations pulled out after the initial feasibility work, but have since come back in to the project.

### **Scheme design**

Devon Pound is predominantly outreach work, with a central ‘hub’ location in Okehampton. The first point of contact for many is the freephone number, and in most cases this is followed up by an Outreach Worker visit to the client’s home. The programme now employs 8 outreach workers, operating in local ‘patches’ across Devon. Outreach work is done in homes, or at pre-arranged sessions (e.g. in Job Centre Plus, Community centres, church halls). However, several of these pre-arranged sessions – for example, those at the Braunton Village Hall and at the Job Centre Plus in Okehampton – have had to be dropped due to low attendance.

The organisation works to the ethos of SMART (Simple Money Assistance Real Trust), and has five aims:

- A – Access to mainstream banking
- B – Budgeting support
- C – Credit (loans) at an affordable rate
- D – Deposits with ethical companies

E – Education on financial literacy for all ages (“Money matters training”).

The organisation also carries out research into potential new products for its partners to offer, and helps partners to develop and deliver innovative funding proposals. Currently they are looking at issues around fuel poverty, and two outreach workers have already been trained by the Energy Saving Trust.

Funding has been secured from a range of sources, including the Housing Associations (about 25% of the total), credit unions (which benefit from the additional capacity provided by the project to attract more members), Defra, a Charitable Trust (Friends Provident Foundation), Local Authorities and the Regional Development Agency (through the Devon Rural Renaissance programme). Currently funding is only committed in the short-term and the project manager would like to secure a three-year ‘in principle’ funding commitment to ensure some stability.

The Financial Inclusion Advisory Panel (FIAP) is a means of sharing best practice. Devon Pound convenes these meetings between its operational staff and a network of other providers, and they look for opportunities for shared working.

### ***Promotion / marketing***

The name ‘Devon Pound’ itself is a promotional tool. It creates a sense of ownership, and has rural origins (a ‘Pound’ is where a farmer keeps his livestock safe, so the Devon Pound is about keeping people’s money in Devon). If the project is expanded to neighbouring counties, it will keep the name, and will extend to the ‘Cornwall Pound’ and ‘Somerset Pound’, etc.)

Project staff have found that placing big adverts does not work: people are not typically ‘excited’ by adverts promoting money issues. Previous marketing efforts include signs in windows of community centres, and distributing flyers on estates about ‘drop-in sessions’, neither of which produced much of a flow of people... “It’s all about word of mouth”.

One original objective of the project was to hold 50 community workshops; however, despite distributing a lot of flyers, the workshops did not work as they did not excite people enough to attend. The education strand of the programme has hence shifted focus, and the Devon Pound has developed an education programme for younger target groups (college and secondary school pupils).

The project manager estimates that around 50% of clients hear about the project by word-of-mouth from friends, around 45% are professional referrals (or through relationships with partner organisations, such as Housing Associations), and the remainder (just 5%) looked them up or saw specific advertising

Local partner organisations are useful in promoting the service. An indicator is that in Plymouth and Torbay there is an average 3-day waiting list, but in North Devon the waiting list is up to 2 weeks. Here, the Devon Pound has benefited through its networking partners with FIAP, and the Housing Associations (who have been partners for some time in North Devon) have really bought into the process (e.g. housing workers from North Devon Homes regularly refer clients to the Devon Pound).

## **Community engagement**

The Devon Pound makes a point of saying on its literature that “All our products are designed from the ideas of Devon residents”. The approach has been to consult with potential customers and partner organisations, before speaking to potential service delivery organisations, so that there was a clear idea of what was needed. There was a lot of residents’ consultation work with the Housing Association and Local Authority tenants during the early stages of the project. Project staff engaged with resident groups and tenant associations, and the FIAP itself also includes users of the programme.

The Outreach workers work closely with the education team, so that all the education materials that are produced reflect real-life situations.

The biggest challenge is reaching and engaging with the people most in need. Devon has a very dispersed population, and the project cannot reach all of the pockets of most significant deprivation. An indicator of this is that whilst 19% of adults do not have a bank account, most people that the Devon Pound sees do have a bank account. Furthermore, there is a feeling that the service is just ‘scratching the surface’: whilst the average debt of people accessing the Devon Pound is around £3,500, the average debt the CAB comes across is £12-15,000<sup>20</sup>.

Much of the farming community ‘live in a cocooned world’, and it is a particular challenge to present the range of financial choices to them. Despite being a largely rural County, Market towns are targeted for delivery of the project, in order to obtain maximum reach. It also means that costs can be spread across beneficiaries, so that it is financially viable for the project to do outreach in the more remote areas.

The organisation aims to engage more people through targeting new tenants (of two Housing Associations) as a project from April 2008, with an initial visit on moving in and a follow-up visit after six weeks. Through targeting tenants early, the aim is to prevent them from getting into debt at an early stage, and is therefore an important financial issue for the Housing Associations which are willing to fund the project.

## **Beneficiary vignettes**

Ms G lives on a council estate in the suburbs of Newton Abbott; she is unemployed and on disability allowance. An outreach worker from the Devon Pound has recently begun to cover the ‘patch’ and Ms G heard about the project from a friend from the same estate who had secured a loan with a local credit union following advice from the worker. She has no banking credit history, and cannot get a loan from her bank. She would like a loan of £500 to buy a computer for access to emails and for her daughter to do her homework on. The outreach worker visits Ms G at home during the day, and explains that a credit union would be a cheaper way to borrow the money (Ms G currently has two outstanding debts from doorstep lenders, as well as a substantial debt to the water company). Ms G tells the outreach worker that she generally copes alright with budgeting, although she states “I’m really bad at

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<sup>20</sup> Although the project manager admits that there must be a line drawn at some point between what the Devon Pound should deal with and what the CAB should deal with.

saving. If it goes in the bank, I just draw it out. I think in the credit union it won't be so easy to get it out!"

The outreach worker builds up rapport by talking about pets and family, before explaining how her other loans (from doorstep lenders) worked, and how to work out the best system of repayments to minimise the interest incurred. She also explains the Devon Pound's specific saving scheme for Christmas, and how important it is to save at the same time as paying off outstanding loans.

### **Learning and lessons**

The project has reached 'about the right size' for Devon (the aim was to reach around 3000 people per year, which could be achieved at the current rate). The management team believe that it is important to build on the success of the programme however, and there are plans to spread the model into neighbouring counties within the region. Going 'regional' would demonstrate the ambition and vision of the programme, as well as its success to date.

In terms of its own growth, the programme began in North Devon after having consulted widely for three years and fully engaging a wide range of partners leading to the development of a pilot. The expansion into South Devon has been rather quicker, but is taking longer to get up and running; a learning point has arisen that it is important to build engagement amongst potential partners and key stakeholders first and to tailor the model accordingly. If there was one thing it could do differently, it would be to keep more of the potential funders on-side from the beginning (i.e. not 'scaring' off the Housing Associations with too much of an aggressive approach).

Devon Pound is also trying to work with partners to establish a model for pooling resources and sharing cost-efficiencies in setting up a drop-in centre in Lynton and Lynmouth (North Devon). This would mean a more permanent (e.g. three days per week) facility which those in need of advice (including financial advice) could access.

The project manager thinks that further partnerships could be developed to spread the reach of the programme yet further, including with the PCTs, Home and Care, and energy organisations such as EDF etc. (to address high levels of arrears on bills, and fuel poverty issues).

A particular success of the programme so far relates to the structure of the credit unions in the county. Previously, five credit unions existed, typically with around 1,200 active members. Through working alongside credit unions to attract new members (with at least 50% of the customers saving), Devon Pound has been able to introduce at least an additional 30% to the customer base and recycle £100,000 into the local economy. Furthermore, the credit unions have agreed to a merger, to achieve the benefits associated with scale (e.g. co-ordinated administration can allow for two paid members of staff, and better reach to local communities).

### **Key facts and figures**

In the first year of operation, the project has secured around £420,000 of funding.

The target figure of 1,000 beneficiaries in the first year has been met after ten months of operation, and a predicted 1,400 people will have been seen after a year of operation. The project is on target for reaching around 3,000 per year afterwards. Half of those seen to date have been from North Devon and Torridge (reflecting the origins of the project and early focus of work in these areas), and around a third from South Devon (including Torbay). The rest are from West and East Devon.

Staff, however, do not have targets. That would go against what the project is trying to do, which is offering tailored advice. In practice, outreach workers can see around 10-12 people per week (or 15-18 if they work in outreach centres). Assuming the project reaches the optimum number of people (which is easier to achieve when working in urban areas and market towns), the average costs (of both preventative or reactive work) are around £140 per case.

The project has grown rapidly in scale, and is currently seeing around 50-60 people per week (compared to around 12 people per week a year ago). Around a third of these go on to access a loan through a credit union, the rest are offered banking support or other more general money advice.

Although the project has only been operating for less than a year, seasonal variations have been apparent. In Ilfracombe, for example, numbers dipped significantly in August.

# Farm Crisis Network

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

Farmers are more than twice as likely to commit suicide than other workers<sup>21</sup>. In 1995, the Farm Crisis Network was set up by the Arthur Rank Centre and the Agricultural Christian Fellowship in response to the high levels of suicide in the farming community. The organisation built upon a farm family support model used in Southern Germany and the Gloucestershire Farming Friends initiative<sup>22</sup>. FCN's vision is to see a *'successful and vibrant farming community with farming families who feel valued and encouraged and who are able to earn a living from their farming...by providing... a Christian response to the problems facing farming people, a service available to all in the farming community of any faith or none'* It currently offers support to farmers providing encouragement, advocacy and help with finding financial assistance.

The FCN has a team of 250 volunteers including 20 regional coordinators that provide support to the farming community throughout the UK. These are not professional counsellors or advisors, but seek to *'be a friend, to listen, to understand, to help people to talk about the problems they are facing, to encourage family members to communicate with each other, to help people to think about the options which may be available to them and empower them to make their own decisions'*. Or, as one of the regional coordinators put it *'to walk with them and go with them where they decide to go'*.

Drawing its volunteers from the intersection of the farming community and rural churches, FCN's work is based upon the provision of pastoral and practical support to farming people and families of all faiths through times of difficulty. In Cheshire, the local coordinator is an agricultural chaplain employed by the local Primary Care Trust (PCT). The PCT recognised that mainstream healthcare providers were unable to reach farmers suffering from mental health problems, and part of the Chaplain's contract is to work as a coordinator for the FCN.

The FCN volunteers are linked into a wide network of support organisations that they can draw upon and refer individual farmers to according to their needs. The organisation also operates a national confidential helpline from 7am to 11pm every day of the year. In addition to the wide network of volunteers, FCN employs five members of staff in its national office.

### **Scheme design**

FCN provides support across a wide range of topic areas including health, depression, family break-ups or disagreements, animal welfare issues, bereavement, retirement and tenancy related problems. However, financial issues are represented in a large and increasing number of FCN's cases. In 2006, financial problems featured in more than 40% of the organisation's

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<sup>21</sup> [http://statistics.defra.gov.uk/esg/indicators/d704\\_data.htm](http://statistics.defra.gov.uk/esg/indicators/d704_data.htm)

<sup>22</sup> <http://www.gloucestershirefarmingfriends.org/>

new cases, up from 33% in 2005. This means that financial problems were the second most important category for farms that contacted FCN, after problems related to DEFRA, the Rural Payments Agency and the British Cattle Movement Service.

In a farm situation, financial issues will almost always be complex. Personal and commercial financial situations are inextricably linked and the farm business often represents the family home. This situation is usually beyond the remit of mainstream support organisations providing personal debt advice such as the Citizens Advice Bureau. They can also require more specialist advice than that which normal business advisers provide.

Working closely with the farming community, the FCN witnessed how the financial situation of farmers was exacerbated, and recognised the need for specialist financial advice in the fields of insolvency and debt management. Working with a professional debt advisor who had previously worked as a banker, company doctor and in financial and credit management consultancy, the FCN subsequently developed a unique scheme of holistic support for farmers in distress with access to specialist financial advice.

The organisation initially provided training to its volunteers to increase their understanding and awareness of insolvency and debt issues in farming situations. The training enables volunteers to identify when professional advice is needed and covers areas such as Credit Card debt, bailiffs & debt collection, voluntary arrangements, the dangers of doorstep lenders, cash flow problems caused by the late Single Farm Payments (including the danger to tenants of missing rent payments) the role of credit unions, bankruptcy annulment, the financial impact of flooding and Foot and Mouth Disease, and 'Emergency situations' - when notices and threats are received from creditors or the courts, and how people should respond.

Following the first round of training, the professional financial advisor continued to work for the organisation. Initially this was delivered through a helpline for the regional coordinators; however, the advisor now works on a number of complex cases across the UK. The demand for financial advice is far greater than the cases that can be dealt with by one individual, and the organisation is currently looking at how it can increase the level of support it can offer.

FCN's work in the fields of financial inclusion is based upon an in-depth understanding of the farming community. Whilst most farmers have access to a business bank account, they rarely go to visit the bank in time of crisis in fear of their overdraft facility being cut back. One of the FCN's coordinators talks about the farming 'drawbridge syndrome'. Faced with a problem the farmers draw the bridge up and tell him or her self to work hard until the problem is solved. However, from time to time problems are too large to be overcome alone, or the effort required undermines other aspects of life leading to family break-down or severe depression before they finally seek advice, but by that time the problem is generally extremely complex.

From experience, the FCN know that farmers are reluctant to talk to individuals who do not know about farming issues or as one put it 'city slickers'. Faced with a problem, the local volunteer will build up trust by supporting the farmer over time, and the professional debt advisor is only called upon if the issues are too severe for volunteer to assist with and there is no access to professional help. The volunteer introduces the professional advisor and provides long term and ongoing support. In this way, the FCN seeks to make best use of the limited

professional support they have available, as the local volunteer has done a lot of the groundwork before the professional advisor is brought in to the situation.

Whilst farm business advice is available from a number of sources there is a real need for long term and affordable support. In particular, the FCN has identified a real need for ‘survival advice’ or instant support to farmers faced with an acute crisis, in situations when the bailiff knocks on the door or the last animal feed company refuse to supply because of outstanding credit. FCN volunteers are frequently called upon to support farmers in these situations. FCN liaises closely with the national professional advisor to assist the farmer through the emergency situation, and in the following work which may include negotiating with creditors and banks or to reach voluntary agreements in order to regain control of the situation.

### **Promotion / marketing**

The FCN is very aware of the challenges involved in reaching people struggling with financial hardship in the farming community. As a person working for a rural interest group put it “*the rural population is isolated but has no privacy*”, and the farming community are particularly reluctant to seek assistance.

The FCN works widely with the National Farmers Union, national and local farming charities, churches and community and voluntary organisations to raise awareness. Whilst the organisation has its own website and regular news letters, the stigma attached to financial deprivation makes it difficult to reach those in most acute need. However, by assisting the farming community, the organisation has experienced an increase in the number of word of mouth referrals over the last couple of years.

The FCN monitors the sources of calls to the National Helpline<sup>23</sup>. In 2006, 27% of the calls to the helpline came following referrals from DEFRA or the Rural Payment Agency, 21% cited farming help advertisement in publications such as the Farmers Guardian and Farmers Weekly, with another 7% citing articles in farming and other local publications, 10% came through the Royal Agricultural Benevolent Institution, 5% of the callers found the organisation through the internet and 3% through the National Farmers Union.

### **Community engagement**

Run predominantly by volunteers, the FCN is strongly rooted in the communities it serves. All volunteers have farming knowledge, most have farming experience. The organisation also has strong links to local churches which often function as social hubs in rural communities.

### **Beneficiary vignettes**

Anna is a tenant farmer in the Northwest of England running a small goat farm of about 400 goats on 100 acres. Anna first called FCN the day before her electricity was to be cut off, having picked up a leaflet from the parish council. At the time, she had annual rent arrears of £11,000 which represented more than a year’s rent. However, she had just been granted

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<sup>23</sup> Source is known for approximately 50% of all calls

housing benefit which proved that she had a steady income stream to cover future rent payments.

Whilst there was no bank borrowing, her husband was made bankrupt in 1998 as a result of a failed business venture and she received several County Court Judgments (CCJs) registered against her in the past. Anna's farm was undercapitalised, but she had received help from her mother, who over time had lent her approximately £12,000 to assist with payment of bills and purchase of machinery. Other outstanding debts included arrears of £2,000 for electricity, £1,000 for water, £2,000 for animal feed and a £4,200 loan against machinery.

FCN initially provided 'survival support' to secure the continuity of electricity supply by agreeing a payment schedule with the supplier. Whilst the professional advisor assisted Anna and her family through negotiations with creditors and issues around the Single Farm Payment, the local volunteer provided long term on-going personal support and helped access charitable funds to pay veterinary bills. The local co-ordinator was also called out to speak to the bailiffs on a number of occasions when creditors wanted their funds.

'I wouldn't have been here today if it hadn't been for them' Anna says. FCN's professional advisor agrees that she could well have been made bankrupt without their support. Since the involvement of FCN, the farm on the breach of collapse has been turned around. Most of the goats have been sold to pay creditors, and Anna is now looking at ways to develop a business making goats' milk ice-cream and fudge as well as a farm shop and visitor centre.

'We will have won the day the farm shop opens' FCN's advisor says, Anna disagrees saying: 'No – we won the day the letter came through the door saying we were allowed to stay'. The landlord served a notice to quit due to rent arrears, however, FCN argued her case and successfully appealed the decision. Today, the farm has started to build up visitor attractions and is looking at ways to develop the farm shop concept. Anna's husband has a Heavy Goods Vehicle (HGV) licence and has been encouraged to take up work which requires this licence. He has opened a new bank account and regained his self-esteem.

### ***Learning and lessons***

The FCN has gradually developed the financial advice service it provides to the farming community. Key to its success is the way it uses local volunteers respected and trusted by the farming community to build up a long term relationship with the farmers built on mutual trust and understanding. This facilitates the work of the professional advisor.

In 2006, the FCN dealt with over 1,000 cases supporting more than 3,000 individuals. Whilst the professional advisor and the volunteers work continuously, there is still unmet demand. The FCN therefore currently considers ways in which it can increase the number of professional advisors. However, the current advisor works on a voluntary basis, and there are severe funding constraints attached to the training and potential remuneration of new advisors.

**Key facts and figures**

FCN employs 5 members of staff in its national office and has a network of more than 250 volunteers throughout the UK.

The organisation is funded through charitable donations.

In 2006, the organisation dealt with 1,000 cases and more than 40% of these were linked to financial problems.

The professional advisor deals with 28 – 30 cases at any one time, however some of these are extremely time intensive.

With only one advisor covering the entire country, much time is spent travelling.

A typical regional coordinator travels more than 40,000 miles a year.

# NatWest's Mobile Bank in Cornwall

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

The Royal Bank of Scotland (RBS) has been operating a mobile banking service since 1946, when its first 'Travelling Bank' went into service on the Isle of Lewis in 1946. The bank has established a new round of mobile banking services to rural areas since 2004, including three in England and one in South Wales run by NatWest (part of the RBS Group since 2000) and three under the RBS banner (Aberdeen, North Wales and Yorkshire). Collectively, they now have twenty mobile banks in operation (twenty-one including a Flying Bank which services communities in the Orkney Islands). Together the banks serve over 350 communities across Scotland, England and Wales, and make over 25,000 stops a year<sup>24</sup>.

The bank itself is in the form of a custom built Ford Transit vehicle, fitted out with a 'reception area' and two desks. Customers are able to carry out a range of personal banking services onboard the van, including: cashing cheques, making account deposits, paying bills, checking balances and accessing forms to open accounts.

The mobile bank is also custom-designed to be fully inclusive for customers with disabilities, including a wheelchair lift (which in practice is often used by customers with pushchairs), and an audio induction loop.

There is no 'computer technology' on the van (e.g. for checking a customer's details) however, the staff have access via mobile phone technology to these details for customers. In addition, there is an onboard customer phone which links directly to the bank's central functions which allows customers to make enquiries about the bank's other products such as loans, credit cards and insurance. The mobile bank itself cannot offer much more than a basic service (e.g. customers are not able to open accounts, although staff can complete account application forms and take copies of ID and send away for an account to be opened).

### **Scheme design**

The Cornwall mobile bank has been operating since October 2005, and was brought into operation by NatWest on the back of several competitors closing branches locally, most notably widespread branch closures of Lloyds bank, and the HSBC's mobile bank in Cornwall. It extends to 14 local towns and villages, following a mostly coastal route.

The 'branch strategy' team works closely with regional managers to use on-the-ground knowledge to decide whether a mobile bank would be feasible. Much of Cornwall is very remote in terms of its geography, but also its infrastructure. The A30, the main road through the centre of Cornwall, is like the spine of a fish bone, and so the route was designed to reach

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<sup>24</sup> NatWest's investment in the UK's most extensive mobile banking network helps to make the bank as accessible as possible to its customers and potential customers, including those in the most remote and rural communities, reflecting the bank's longstanding commitment to the promotion of financial inclusion.

the more peripheral parts of the county. The bank looked at the ‘footprint’ of banks serving the towns, and then spoke to Local Authorities and Parish Councils in order to seek permission for the service to ‘visit’ a number of smaller, less well-served, centres. Although some hesitancy was experienced at first (“One of the world’s largest corporations wants to come into our community. What do they want?”), it was well received on the whole.

The service is not ‘set in stone’ and is responsive to local need (albeit limited by time and distance implications). St. Just, a small town near to Land’s End, lost its last bank, Lloyds, two years ago. The Mayor fought a campaign locally arguing that the village was reliant on the bank, and called NatWest to ask if the service could be extended there. After some discussion, the route was altered to incorporate the village into its weekly route.

In terms of implementation, there was not much difficulty experienced, as the bank was able to draw on significant previous in-house experience from RBS, and the model was adapted to the local situation.

### ***Promotion / marketing***

Much of the promotion has been passive and visual. Most of the van’s stops are in public car parks or street-side, so that local people and tourists alike can spot it. Some people simply spot the van whilst it is on its circuit, and phone the bank’s customer service team for the route / timetable.

At the beginning of the service, the bank advertised widely (e.g. local papers and libraries, mail drops, Internet, etc.). However, whilst that went some way to raising awareness of the service, it was not as much as was expected.

The Visitors Centres in two of the towns we visited also advertise the service in their own newspapers, although now “everyone knows about it” locally. Tourists often enquire in the Visitor Centre as to where the nearest bank is, and if the day is right they are advised of the bank’s visiting schedule.

### ***Community engagement***

The service provides an opportunity for NatWest to reach some of its more remote customers. “The more of a footprint we have, the easier it is for us to reach people”. Since 2000, the bank has had a commitment not to close any of its branches, including its rural branches, which is intended to build trust amongst the communities it serves.

Whilst the mobile bank provides a service for a mix of business and personal banking, mostly customers use the service for paying-in, paying bills and taking money out from their account.

Whilst it is not as flexible as having a bank readily available in every village, users told us that most people in rural Cornwall don’t tend to go ‘to town’ for the bank more than once a week anyway (“people don’t need a bank every day!”), and that with a fixed timetable, they can simply plan their week around it. Nonetheless, it currently does not (inevitably) provide as flexible a service as a ‘fixed’ bank does.

Older and elderly users report their preference of face-to-face banking; they don't trust banking by phone and often don't have access to (or know how to use) internet banking. There have also been reports that it adds to community spirit, bringing another focal point to villages for locals at a fixed time during the week. This can also be a benefit for the staff working in the bank: "It's not often you know your customers so well. With the van, people are really pleased we are there... out here, we are really welcomed!"

There is a mixed story in terms of how people access the van. At most stops the majority of people walk over, but where the stop is just outside town (e.g. Rock) or where the town is slightly bigger (e.g. Looe, which is also divided by the river), many people come by car.

### ***Beneficiary vignettes***

Mrs. A is 46 years old. She appreciates the service as it saves her an hour 'round-trip' to Wadebridge. She uses the service to do her personal banking and also to get change for her business. Beforehand the cash/change had to come in from Wadebridge with the deliveries! "It was a bit like Chinese Whispers, handing cash between people... I'm more comfortable with this, as I know it goes straight in the bank". Mrs. B cannot leave her family-run café for long, so she is able to simply 'rush out' to the van when it stops or, if she is too busy, send one of their waiting staff down. She thinks that more people would use the service if it was there daily; however, people do plan their week around the bank's visit. "I know the girls will be here every week. Now we have this and the new bread shop, we don't have to go out of the village – which saves me a weekly trip to Wadebridge!"

Mrs. B is 80 years old. The Lloyds Bank closed two years ago in Tintagel (having previously been open 3 days per week), and Mrs. E has been using her NatWest account more since, through the mobile banking service, although she could still withdraw money for free from the Post Office (which is pending a closure decision). She didn't come in one week; the staff members were concerned as she had been coming every week until that point, and they called her to see if she was alright, but received no answer. Mrs. Evans apologised the next week as she was away on holiday, and promised to keep the staff informed next time she would be away! If it wasn't for the mobile bank visiting, her daughter would have to drive her into Camelford (where the branch is only open limited hours anyway), or else she would give the money to someone else to take it for her.

Mr. C is 76 years old, and heard about the service on an advert. He uses the mobile bank around 6 to 7 times a year for paying in to his savings account, mostly when he can't get to town (Wadebridge or Camelford) that week. "It's not something I cannot live without, but it does give me added convenience, particularly when the traffic's bad going into town".

Ms. D is 18 years old and works in a local shop. She uses the mobile bank to pay in her wages every week (it stops opposite the pub where she works), which saves her a trip into Bude, for which she would have to make a special trip.

### ***Learning and lessons***

The mobile bank is designed to serve NatWest customers only, although there has been quite a high level of potential demand from customers from other banks. The bank has not explored

the potential for sharing the facility with other services, although it often ‘follows’ the mobile library van.

It is not clear how far this service addresses severe financial exclusion (they have not yet, for example, had any ‘unbanked’ people coming to the van looking to open an account). It also does not yet address all the needs which local people would like to have: “Free cash points is what people really want... people object to having to pay to take out their money”. The mobile bank does not currently offer a cash machine service (although NatWest customers can withdraw cash for free). The nearest free-to-use cash machines can be in other towns several miles away<sup>25</sup>.

Usage of the service is seasonal, and it is noticeably busier in the summer tourist season. Most local businesses are tourism-based: “when they’re busy, we’re busy”. Further, in the cold weather, some of the older people don’t come down to the van.

It has been difficult not to stretch the service too far: to keep to the timetable has been difficult, particularly in the summer months. This is particularly true of tourist spots such as Cornwall or Cumbria. Some spots are much busier than others, and the length of stay is longer to compensate. Some of the busier spots (e.g. Tintagel and Perranporth) often have a queue forming; and locals have learnt to avoid the first 15 minutes of the van’s visit.

Although there is not a strict business case to support the continuation of the service, the bank feels that it more than pays for itself in terms of raising its profile and generating good will locally. In April 2007, the bank opened a similar service in neighbouring Devon. Central Devon is similar to much of Cornwall in that the road network is not very good and it has a relatively high elderly (immobile) population.

#### **Key facts and figures**

Owing to the commercially sensitive nature of the private banking sector, we were unable to secure detailed financial information on the service. Whilst it serves the local communities (as a primary focus, with tourists being a secondary concern), there are no specific target groups. Significant user-groups include local businesses, the retired and stay at home parents.

We were not able to see any statistics on usage of the service, although it is noted that no stop has ever been removed from the timetable.

There is not a clear business case made to uphold the service of the mobile bank (“we know it works, and we just do it”), although NatWest made a commitment not to close any branches when it was taken over by RBS. From a commercial point of view, the bank “gets a lot of good will”, and has a mobile advertising hoarding travelling around the county – which is seen by both locals and tourists.

<sup>25</sup> NB: As part of its programme to install extra stand alone free-to-use cash machines in under-served areas, RBS is installing free-to-use cash machines in Cornwall and has already installed one in Delabole Post Office, about 3 miles away from Tintagel where the statement was made.

# Cumbrian Debt Rescue and Financial Advice

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

Derwent & Solway Housing Association (D&SHA) has co-ordinated the development of an innovative approach to improve access to affordable loans in Cumbria, on behalf of a partnership of local organisations. This partnership, the Debt Rescue and Money Advice (DRAMA) project, includes the majority of the Credit Unions with bond areas within Cumbria, all major RSLs in Cumbria with a credit union operating in areas where there are RSL tenants, some Local Authorities and the County Council. There is a parallel long-term aspiration to establish a sub-region wide Federation of Credit Unions to enable a wide range of banking services to be offered, and to offer greater access to credit union services for the county's residents.

Of a population of almost half a million, more than half (52%) is classified as rural. Uptake of credit union loans to date has been low in Cumbria, due to the poor geographical coverage of the credit unions (South Lakeland and Eden are completely unserved by credit unions due to problems associated with rurality) and the joining regulations that effectively prevented the granting of a loan as and when the need suddenly develops. Locally, credit unions did not have the capacity (in terms of both volunteer resources and finance) to provide immediate loans to borrowers, prior to a credit record being established. They are also not large enough to actively recruit members to grow their membership base.

The rationale for the service was based on an observation that people on low incomes do not have financial reserves to cover unexpected debts. From observation, over 60% of Housing Association tenants could not access a loan from a high street lender, whilst credit union procedures prevented the arrangement of immediate loans. This led to a situation where the only choice was to resort to a high-interest 'doorstep lender'.

The co-ordinated partnership approach started out as a bid to run a loan underwriting service for credit unions to offer immediate loans to those with urgent priority debts or in emergency situations (see below), although the partnership has subsequently secured Department for Work and Pensions (DWP) Growth Fund monies to allow the expansion of loans across the county. In subsequent years it is intended that the partnership will seek other funding for the service to enable it to deliver its wider aims:

- To permit individuals throughout the sub-region to access immediate affordable credit from a credit union
- Provide basic money advice during the course of the loan repayment
- Development of a general Money Advice service

- Outreach promotion of financial exclusion
- Expansion of the credit union movement throughout the County
- Move towards a Federation of Credit Unions County wide
- A financial inclusion service for every social landlord tenant & others
- Develop banking services via the credit unions
  - BACS accounts
  - Credit cards

### **Scheme design**

#### *The original approach – loan underwriting*

The design of the original scheme was developed from a successful existing project in the South Wales coalfield. The scheme aimed to:

- Permit individuals to access immediate affordable credit from a credit union
- Provide a loan underwriting service for credit unions granting immediate loans
- Provide basic money advice during the course of the loan repayment

A five-year business plan was outlined in order to demonstrate long-term commitment to potential funders.

The original scheme was based around offering a referral service to target customers (who can access a credit union) with **urgent priority debts** (classified as those that might result in imprisonment, court fines, bailiff seizure of personal goods or loss of home) or with **emergency situations** in the home (classified as one-off essential costs, such as purchase of school uniform or replacement washing machine). The credit union would then consider the application, and the loan would then be underwritten by the project. Follow-up money advice would be provided to ensure that the client would be in the best position to manage their financial situation.

A critical step in the procedure was that all loans would be filtered through project staff to ensure compliance with credit union criteria before the application is passed onto the relevant credit union. This step ensures that all such loans can be tracked through one system, provides help in decision-making to resource-limited credit unions, and ensures that the project can provide follow-up information and advice to borrowers.

A fund would be developed to provide the underwriting protection for loans of up to £1000 per individual to cover priority debts or emergency situations (as classified above). Basic financial advice will be provided throughout the course of the loan and, if necessary, borrowers will be signposted to seek more detailed financial advice.

### *The current approach*

As part of the early stage bid, a Steering Group was established and DRAMA partners contributed towards a development funding package to appoint a dedicated resource to develop the proposal further and deliver a five year business plan. The steering group consists of representatives from each of the following: D&SHA, the credit unions, the 'other' RSLs, the voluntary sector, local Government.

Funding was initially sought from a range of sources, including: Independent funding trusts, RSLs, Central and Local Government. The initial bid for funding was not approved, and the partnership took the opportunity to use their existing strong partnership to seek funding from the DWP's Growth Fund monies when a mini second round was announced in September 2007. The funding has enabled an increase in the number of projected loans to be readily made within the County through the existing credit union structure.

D&SHA is still the lead partner through DRAMA (Debt Rescue and Money Advice) and is the contractual partner / accountable body. The project, which started in October 2007, is delivered through the six sub-contractor partner credit unions. An interim project co-ordination is provided by D&SHA while a full-time project co-ordination is appointed. In setting the scheme up, a major bank committed to meet some of the revenue and capital costs not eligible for Growth Fund monies.

Given the needs of the target group (which includes those with urgent priority debts, or emergency situations), speed in decision-making was considered to be crucial and so a quick process was established. This included a target time of seven days between the time when a completed application is submitted to the credit union and either i) a loan refusal decision is made and a letter sent out explaining the decision, or ii) a loan agreement with a credit union is signed.

One main difference however, is that the scheme is not directly targeted at those with a need for urgent priority or emergency loans; instead loans are more widely available to anyone within the bond area to be allocated based upon the DWP's definition of 'low income'. A rate of 2% per month (APR 26.82%) is applied to all loans. To date, with no promotion, there have already been 30-40 loans through this process.

In terms of the process, potential applicants must first complete their basic personal details, along with an assessment of their income and expenditure, and then attend the credit union office in person to complete and sign the full Growth Fund application form (at which point they will also be required to complete a credit union membership form). The applicant must meet the Growth Fund 'low income' criteria, although the presence of specific debts along with an income shortfall may also be considered.

Whilst the original forms and documentation are held at the credit union, copies are sent to the DRAMA project co-ordinator who will assess it in relation to Growth Fund criteria, undertake a credit reference check and make a recommendation, before returning the decision to the credit union.

Accurate and transparent records are kept by credit unions and D&SHA throughout the process and maintained separately for the Growth Fund. The credit unions submit Monthly

and Quarterly returns to the DRAMA project co-ordinator, and the DRAMA committee meets monthly to monitor and evaluate performance in order to maintain consistency and quality.

### **Promotion / marketing**

The scheme aims to use a variety of methods of promotion and marketing:

- Using the multi-agency web portal 'i4Cumbria' which advertises community services and regeneration activities
- Individual credit unions carry out their own promotional activities in their bond areas
- Via customer newsletters and neighbourhood offices of partner RSLs, as well as word-of-mouth
- Direct mail contact with individuals making referrals, as well as with borrowers
- Outreach activities such as through trade-shows and exhibitions, and annual shows (noted as particularly relevant to rural areas), as well as in supermarkets, town centres, linking with the mobile Post Office and on housing estates
- Poster marketing campaign advertising the 'one-stop' shop contact number.

### **Community engagement**

Applicants are expected to come through a variety of channels: direct enquiries to a Partner credit union's office; an online enquiry via the i4Cumbria website; direct contact with D&SHA by phone or in person; or a direct enquiry or referral to partner organisations, Housing Associations, Local Authorities, CAB, etc.

To date, there has been a strong partnership working approach taken, with significant engagement from local organisations, including other Housing Associations operating locally, credit unions, the CAB and also Local Government.

D&SHA has also engaged with the Local Primary Care Trusts via the West Cumbria Local Strategic Partnership. Partner credit unions have established junior collection points with a number of schools in the area, and Whitehaven and Workington Credit Unions have collection points with the local Sure Start schemes.

The project is also trying to set up a 'Preferred Banking Partner' arrangement for customers, in order to allow them to quickly set up basic bank accounts with a national banking organisation.

Although the wider community were not directly consulted on the actual design and delivery of the service, this was influenced greatly by the credit unions based upon their involvement with the wider community. As the credit unions operate predominately with community volunteers, the service is effectively delivered by the community.

## Learning and lessons

Most funding applications have involved a lengthy process, and the expected timeline for delivery had to be pushed back. With regard to the first scheme, few institutions indicated that they are willing to use their funds to help develop a financial bond.

Potential additional benefits from the scheme have been highlighted, including:

- New membership for credit unions to support their growth and sustainability
- RSLs will be able to promote other housing-related issues
- Local Authorities will be able to promote specific community issues
- Service providers will be able to promote their organisations and services they provide
- A strong collaborative sub-region partnership has been established to address the wider financial inclusion agenda

### Key facts and figures

Cumbria has pockets of severe financial deprivation, particularly along the west coast following sustained closure of heavy industry. The project estimates that 50% of RSL tenants in Cumbria do not have or do not use a personal BACS compliant account. Over £3.5m currently out on loan within Cumbria at interest rates above 50%.

Target figures – *original scheme (over five years)*:

- 850 loans will be granted
- 2,500 financial advice sessions will be provided
- 100 outreach activities
- 3 FTE staff at the end of the fifth year
- Value of loans underwritten: £800,000
- Maximum underwriting: £140,000
- Operational costs: £400,000

*Current scheme (over first year)*:

- 491 loans granted to the value of £295,000
- 600 money advice sessions
- 10 outreach activities (supported by a major national bank), each assumed to take one staff day, costing around £100
- 1 FTE worker
- 2% per month (APR 26.82%) is applied to all loans

# Financial Education Project in Dumfries

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

Funded by the Scottish Executive, six pilot areas throughout Scotland (Airdrie, Angus, Dumfries and Galloway, East Lothian, East Renfrewshire and East Dunbartonshire) have received £500,000 over a two year spending period which commenced in January 2005. Clients are provided with free, impartial education about financial matters in order to pre-empt the need for more advanced advice for those in financial distress. Each area has its own methods of delivery according to local needs, targeting clients from a range of different ages and backgrounds. The project aims to build on the Citizen Advice Bureau's trusted reputation by creating partnerships with relevant support organisations to identify potential beneficiaries.

### **Scheme design**

Dumfries is the largest Scottish Citizens Advice Bureau (CAB) of the six included in the pilot, it also covers the largest rural area. One full time worker has been assigned with the support of one administrative worker. Each of six pilot areas has its own identified target groups. It was agreed that the following would be specifically targeted in Dumfries and Galloway: Low income/lone parent families; young people; students; homeless people; elderly people and people with mental health problems. To date, the focus has concentrated on young people, this year the remit is expanding to include the elderly (which includes those aged 50 and over; to ensure savings are in place for a steady pension).

As part of their arrangement to work with young people, the CAB has been working closely with Dumfries and Galloway College. The college has a number of student advisors who are able to refer students to the best source of information about financial matters; they also work with tutors to identify students who may benefit from financial education. This information is then passed on to the CAB contact who either arranges to come and discuss financial matters and present information to a group of students, or works on a one to one basis to discuss individual problems and solutions. Financial education covers a wide remit; topics are flexible depending on need. Workshops at the college typically cover how to budget, methods of saving, available grants and loans and the types of credit which should be avoided at all costs. Budgeting scenarios are discussed to encourage participation and to put financial information into context.

### **Promotion / marketing**

The vast majority of clients are sourced through referrals from local support agencies, these include: Dumfries and Galloway College, Housing Associations, Community Groups, Drug Addition Teams and Job Centre Plus. These organisations have the advantage of access to vital information about clients which can highlight financial vulnerability and then pass on information about the CABs services. Additionally, leaflets and posters are used to spread

awareness. Initially, the service was promoted by making telephone calls and writing to prospective clients, this is now followed up with newsletters to remind clients of their services.

### ***Community engagement***

Relations with Dumfries and Galloway College highlight the financial education needs of students through contact with tutors, and by advertising at college fairs. Tutors either refer one particular student to the CAB service, or they could request that the lessons are given to a group of pupils. Students are given a list of topics to choose from, however, they can always request for additional topics to be covered. This is the case for all clients across the area, flexibility is key to covering any particular financial concerns, whereas the structure offered from a list of given topics gives an idea of the areas which students and other clients alike should be aware of..

Levels of current awareness amongst students are assessed using a quiz on a number of different financial circumstances; this allows the CAB to tailor advice according to different levels of financial awareness. After the provision of lessons or individual advice, feedback forms often prove unpopular. Instead, by speaking with tutors before and after advice sessions, the CAB is able to gauge the success of their involvement. If advice and lessons are given on a one to one basis, they are often followed up with further visits to assess the client's financial awareness and provide any further information if necessary.

### ***Beneficiary vignettes***

A total of 982 people have been assisted by Dumfries CAB, the vast majority of which (405) are aged 18-24. Almost all are unemployed or students, although there have also been visits to prisoners, those in employment, the retired and house wives/husbands as well as those who categorised themselves as 'other'. The CABs relationship with Dumfries and Galloway College is a key partnership which refers individuals and groups of students who would benefit from financial education. One particular example of this work is a visit to a student who was on the verge financial distress. Living on her own, she felt the full burden of the rent, and her debts was beginning to accumulate. In this circumstance, advice was given to show her how to budget and manage her finances accordingly. This approach not only allows for preventative action to be taken, but also facilitates a greater level of independence with beneficiaries, enabling them to take control of their financial situation before it becomes out of hand.

### ***Learning and lessons***

One of the main difficulties of delivering a project such as this is being able to target clients before they become financially distressed. Although marketing is a useful tool to encourage participation, many clients will not act to educate themselves unless they are already facing financial problems, whereas the aim of this scheme is to provide education to pre-empt the need for assistance for those with financial emergencies. This is particularly difficult when reaching out to customers in particularly rural areas, especially when the main target groups are young people and the elderly. These age groups are often isolated and unaware of such

services, this is where networks with other support agencies is extremely useful. Although many will be dealing with clients who already face financial, housing, social or employment difficulties, they may be facing non-financial problems, which could affect their financial situation in the future. In this way, referring clients to the CAB can act as a preventative method against potential future financial difficulties.

Another unique aspect of service delivery is the emphasis on home visits. Due to obvious transport restrictions in rural areas, the ease of avoiding education sessions and the shame involved in needing to seek advice can result in fewer clients visiting the CAB for help. Due to time and labour intensity many services in rural areas are unavailable to offer home visits unless absolutely necessary. Visits to homes, Dumfries and Galloway College and other partner organisations are freely available, which immediately reduces transport barriers and isolation.

#### **Key facts and figures**

- The Scottish Executive has committed £500,000 over a two year spending period starting in January 2005. This is received by 6 pilot areas, including Dumfries and Galloway which works with its respective higher education college to provide financial education to students.
- A recent evaluation<sup>26</sup> highlights this as a successful initiative which should be extended to cover the whole of Scotland. This would then allow for a wider geographical spread and central marketing.
- Finding potential beneficiaries of financial education heavily relies on networking with other support organisations including Job Centre Plus, Dumfries and Galloway College and local charities.
- One full time worker and one administrative assistant work on the Financial Education Project at Dumfries Bureau.
- There are no noticeable seasonal variations in demand for financial education.
- No targets have been set, and clients rarely complete feedback forms. To compensate for this, the CAB work closely on the ground and maintain local knowledge about financial education needs in the area.
- Despite the time and cost involved, home visits and visits to the local colleges are offered without restriction.
- Decisions about future funding have not yet been decided. However, the CAB will be seeking alternative funding if funds cease to be granted by the Scottish Executive.

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<sup>26</sup> Evaluation of six financial education projects: Citizens Advice Scotland, Niall Alexander, July 2006

# Bank in Shop

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

Norway's leading financial services group DNB NOR, is currently developing a pilot for delivering basic banking services through the outlets of Norges Gruppen – one of Norway's largest trading enterprise in the field of grocery retail and wholesale. Building on six years experience of offering basic banking services through food outlet as part of the 'Post in Shop' project, the two commercial players now look to develop the concept further, and potentially offer basic banking in 1,919 grocery shops and 790 kiosks throughout the country. The service would allow the financial services group's 2.2 million retail customers (out of a total population of approximately 4.5million) to pay bills, insert and withdraw funds, access and obtain balance statements for all accounts (also saving accounts) and transfer money between accounts.

### **Scheme design**

#### *Basic banking through Post in Shop – where it started*

Post operators have long offered financial services such as facilitating payments and providing saving opportunities throughout Europe. In Norway, the Post Office has a legal obligation to provide access to basic banking services<sup>27</sup> across its sales network as well as an obligation to service at least one outlet in each of the country's 431 local authorities – with the smallest local authority counting 214 inhabitants as of 1 January 2007<sup>28</sup>.

To honour this obligation, the predecessor to the current Post Bank was established in 1950. The bank has since gone through major changes, establishing itself as an independent financial institution with a large and increasing number of services. In 2003, it merged with DnB and Union Bank of Norway establishing the financial services group DNB NOR. However, the bank operates as a separate brand within the group and continues to offer financial services through the national network of post offices.

As with the British Post Office, the Norwegian Post Office has gone through major transformation over the last decade – moving from a monopoly situation to a more market orientated approach. There is now free competition for postal delivery of letters over 50g and parcels. This, as well as a changing customer base with more transactions completed electronically, has accelerated the need for cost reductions and has led to the closure of a number of post offices – in urban as well as in rural areas.

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<sup>27</sup> This obligation is governed by the Norwegian Act of 2002 relating to basic banking services to be offered through Norway Post's sales network, defining basic banking services as opening of accounts, deposits, withdrawals and payment services

(<http://www.posten.no/Portal/English/Press+releases+archive/2004/November/Norway+Post+invites+candidates+for+banking+cooperation.htm>)

<sup>28</sup> <http://www.ssb.no/folkemengde/tab-2007-03-08-13.html>

The Post Office has long co-operated with local retailers on an ad-hoc basis. In 2001, a formal agreement between the Post Office and three major retailers were made, including Norges Gruppen. Between 2001 and 2003, 1,175 post offices in shops were established and a streamlining of IT applications meant that customers could access all postal and financial services they needed on a daily basis at their local shop.

Whilst rationalisation led to the closure of a number of post offices, this was more than compensated for by an increase in the number of Post in Shop outlets. With 1,523 postal outlets, the Post Bank had more branches in 2005 than in the late 1990s and more than five times as many outlets as the second largest financial group.

### *Target group*

DNB NOR, the financial services group that provides financial services through shops, has two distinct brands with different customer profiles. The vision for the Post Bank is to become a “bank for all with focus on the individual”. In practical terms, by focusing on inclusiveness, the bank produces services that are easy to relate to, use and understand. Traditionally, linked to the large distribution network offered through the post offices, the Post Bank’s customers are spread relatively evenly throughout the country. The bank’s customer base is also characterised by a relative large number of low income earners, women and elderly customers. The Post Bank’s customers have accessed banking through the 1,200 Post in Shop outlets over the last five years, and will see their service offer develop further as a result of the emerging Bank in Shop programme.

The other main brand in the financial services group specialises on developing tailor made solutions to each customer – operating at the higher end of the retail market. By developing the Bank in Shop concept, the group will also improve access to basic banking to these customers.

In the long term, the group may explore ways of providing the service to other banks, making basic banking available to all bank customers.

### *Product development*

The Post Bank invested a substantial amount of time and resources into the design and development of the financial goods and services offered through the Bank in Shop and Post in Shop initiatives.

There is often a higher turn-over of staff in shops than what is normally considered to be the case for bank and post offices, training offered has therefore been adjusted accordingly. To ensure the provision of high quality service delivery whilst minimising the amount of training required at the level of the individual shop, mortgages, saving products, credit cards, real estate related financial services or insurance products, are not offered through Post in Shop. If customers ask for these more specialised financial products, they can book an appointment with their nearest Post Bank branch using a free phone number. Additionally, Post Bank staff will visit individual shops from time to time to talk with shop customers directly and provide more specialist advice.

At present, the following services are made available through the 1,200 shops participating in the Post in Shop scheme:

- Deposits
- Withdrawal
- Payments
- Disbursements
- Account Opening

#### *Moving towards Bank in Shops*

The Post in Shop service uses the standard post office IT applications, and is delivered at a separate counter in each of the participating shops. However, since the launch of the Post in Shop in 2001, there have been important technological developments linked to shops' till systems. Some banking services such as withdrawal of money through 'cash back' have become available at the till.

Seeking to improve the products and services offered to its customers, the bank looked at ways to develop the concept further. The Bank in Shop concept was built upon the experience gained through Post in Shop. Whilst continuing to deliver the same products, Bank in Shop has a tailor made IT application, fully integrated with the banking system which makes it possible to offer the financial services at the till.

Security and data protection were central in framing the scale and type of products that could be offered through the shop outlets. With completely integrated IT systems, an error made at the till would have direct effects on movement of money between accounts. A substantial effort has therefore been made to ensure an extremely user-friendly 'fool proofed' till interface, making the transactions secure without taking up too much time at the check out point.

The cashier is required to check ID whilst the customer types in account information on the pin code keypad. The system approves or rejects the transaction requested automatically, and the cashier has no access to personal account information which is printed out on a receipt.

A number of British supermarkets offer some financial products such as credit cards; however the structured approach to accessing mainstream banking through food shops is believed to be groundbreaking. The concept is perceived as a win-win situation for the bank, the retailer as well as for customers. The bank can provide basic banking services at a greater number of outlets and at lower cost than through traditional branches. By allowing standard cash related transactions to be delivered in shops, the bank lowers the need for cash points and bank branches. It also makes better use of employees' time as it enables the bank's financial advisors and mortgage advisors to focus on their specialist area of expertise.

Post in Shop and Bank in Shop also increase the number of services local retailers can offer. Whilst the margin on delivering financial services is deemed to be low, the retailer believes the product will attract more customers and hence increase the shop's overall transaction

volume. A survey in 2003, following the roll out of Post in Shops, showed that shops with postal services increased their turnover by 540.000 NOK more than similar shops without the service. The largest increase in turnover had shops in rural areas experiencing an average increase in turnover of 620,000 NOK. The most successful shops increased turnover by NOK 1 million more than comparable shops without postal services<sup>29</sup>.

The customer will be able to access basic banking services at their local food outlet when doing their weekly shopping. In addition to a greater number of outlets, accessibility is improved as shops have longer opening hours than traditional banks or post offices. In many rural areas the shop functions as the social hub. For individuals who do not easily embrace new technological solutions, the concept provides access to basic banking delivered on a face-to-face basis. This is especially useful for elderly residents.

### ***Promotion / marketing***

When launched in 2001, the Post in Shop concept received a substantial amount of media coverage, and was marketed both through the Post Office and by participating retailers. Whilst Post in Shop continues to be referred to as a 'value added service'<sup>30</sup>, the delivery of postal services in shops has now become a standard component of the broad range of services offered by local retailers. It strengthens the shop's position in the community it serves. All shops participating in the scheme have the Post Office sign outside the shop door, and the service is also listed on both the Post Office's and the retailer's website.

The Bank in Shop will offer the same financial services as the Post in Shop. However, as the scheme is run independently of the Post network, it will be open to a larger number of shops. Moreover, the service will be made available to all of the DNB NOR group's customers, and over time it may also be made available to customers of other banks.

The Bank in Shop concept has been piloted with a small number of shops in urban areas since early spring 2007. The initial phase of the pilot was used to ensure that the IT applications worked appropriately, the pilots were not directly marketed to customers. A larger pilot covering 21 shops in one County in the South East of Norway was launched on 24th September 2007. All bank customers in the County received a letter introducing the new service and information about the location of the pilot shops.

### ***Community engagement***

The Post in Shop concept was initially driven by the Post Office's need to become financially sustainable rather than by community demand. However, as the system has developed, customer satisfaction levels have increased. There has also been a demand from local retailers that want to join the scheme, as it is considered an additional service that can attract customers to the local shop.

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<sup>29</sup> [http://www.posten.no/Portal/NyheterPresse/Nyhetsarkiv/2003/August/Posten\\_bidrar\\_til\\_okt\\_omsetning.htm](http://www.posten.no/Portal/NyheterPresse/Nyhetsarkiv/2003/August/Posten_bidrar_til_okt_omsetning.htm)

<sup>30</sup> Verdøkende tjeneste <http://www.kjopmannshuset.no/kjopmannshuset/kjopmannshuset/butikk/>

### **Beneficiary vignettes**

Norde Land is a local authority located approximately 150km North of Oslo, with 6,900 inhabitants sparsely populated across its 964 km<sup>2</sup>. Ulsaker og Nilsen Dagligvare AS is a small food shop situated in a valley approximately 30km North of Dokka, the local centre. Over the years there has been a decline in the local population, and the valley lost its local Post Office in the late 1990s. There is another Post Office 10 km further down the valley, however, most people would travel to Dokka to access post and bank services as it can be reached with a daily bus connection.

Ulsaker og Nilsen Dagligvare actively sought to obtain Post in Shop to add to the services they could offer the local community. The post service is now used both by tourists and local inhabitants, and is particularly valued by the valley's elderly population. Comments about the service include the following: "It has made a huge difference." "There were not enough customers to sustain the post office, and the post office staff ended up waiting for customers, but everybody needs to go shopping and it's nice not to have to travel to Dokka".

### **Learning and lessons**

There were some teething problems linked to the development of the Post in Shop concept. The Post Office was driven by performance targets and was the scheme was rolled out in a large number of shops over a relatively short period of time. The project also brought together three major actors (the Post Office, the Post Bank and the retailer Norges Gruppen) with different cultures and corporate structures, however, over time these have been developed to work together.

#### **Key facts and figures**

The Post Bank delivers financial services through 1,196 shops, kiosks and petrol stations in addition to its 327 Post Office Outlets. The scheme was launched in 2001. In September 2007, a pilot of 21 shops offering Bank in Shop was launched building on the experience from Post in Shop.

The Bank in Shop concept has been developed on a commercial basis. Initial investments were made in the development of the IT application. Low fixed costs means that the system is financially sustainable even for shops with low numbers of transactions. The retailer has invested approximately 400 million NOK in new tills and additional security systems.

Financial services offered through the Post in Shop outlets include deposits, withdrawal, payments, disbursement, and account opening.

27.5% of the Post Bank's transactions are currently made in Post in Shop outlets.<sup>31</sup>

Traditionally, the Post Bank customer base has been characterised by a higher proportion of low income households, as well as a high proportion of women and elderly compared to other banks.<sup>32</sup>

Customer satisfaction of Post Bank's customers is on average 2% higher than the average for all banks.<sup>33</sup>

<sup>31</sup> Postbanken Norway

<sup>32</sup> <http://www.sparebankforeningen.no/index.gan?id=1380&subid=0>

In a customer survey undertaken in January 2002, 85% of the customers surveyed rated the overall quality of the Post in Shop service as good, compared with 70% rating the service as good in 2001.

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<sup>33</sup> Konkurrentundersøkelsen 2005, provided by Postbanken

# Tackley Village Shop and Post Office

## Case study: Promoting Financial Inclusion in Rural Areas

October 2007

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### **Introduction**

The Tackley Village Shop, in Oxfordshire, is one of around 170 community owned village shops, the majority of which are in England, with some in Scotland and Wales. The Village Retail Services Association (ViRSA) is a national organisation promoting the growth of community owned shops. The first community owned shop was set up in Dorset in 1982, and ViRSA was established as a charity the same year. In 2004, ViRSA merged with the Plunkett Foundation, a charity established to improve the situation of disadvantaged rural residents through cooperative and social enterprise initiatives.

ViRSA defines a community owned shop as one 'in which there is some community involvement in either the setting up of or the running of the shop'. All have to be run as businesses and must have a recognised legal structure in order to trade. The most common legal structure is a limited association registered under the Industrial and Provident Societies Act. Others are companies limited by guarantee, while some new shops are community interest companies.

About two-thirds of shops also have a post office on the premises. A post office operating within a community owned shop is not owned by the community. The PO pays the salary of the post office manager, keeps the post office serviced with supplies, and maintains the machines – including terminals for withdrawing cash. A village post office can provide the full range of services, with a few exceptions such as car tax discs or limited foreign currency.

There are strict rules about the circumstances in which a new post office can be established. If there was an existing post office which has closed, and negotiations are conducted within 18 months of closure, the PO is obliged to agree to one being set up. But if the village has never had a post office, because of the national closure programme, now it is very rare for agreement for one to be established.

### **Scheme design**

Tackley has over 1,000 residents. There is only limited public transport for visiting nearby villages, or going into Oxford. A train goes to Oxford four or five times a day. There is a limited bus to Oxford and one bus to Woodstock that leaves at 8.45 am and comes back at 11.45am. But for older residents or people with restricted mobility and no access to private transport, these options are viewed as restricted and unsuitable.

Tackley previously had a village shop which closed in 1999, and a post office which closed in 2000. After the closure of the post office, some basic postal services were moved to an individual's front room. The pub also closed, the milk run was under threat and there was a growing feeling of isolation within the community. Six village residents, including the current

postmistress, got together and distributed a questionnaire to the village asking what they would want from a community shop. Fifty per cent of the villagers responded, and of the 'Tackley Top 10' requirements of a shop, the post office came third.

Public meetings were held in the village and the All in One project was set up. Supported by ViRSA and Oxfordshire Rural Community Council, a small team organised fund raising and put together a business plan to apply for grants. The name All in One referred to the idea of situating the shop and post office near to other amenities. It was eventually decided to refurbish and extend the old village hall, which is close to the primary school, sports area, and playground for young children, and has plenty of parking space. The redesign of the hall incorporated a coffee shop within the premises as well as the shop and post office and new changing facilities.

The inclusion of a post office within the shop was seen as a vital amenity, but was quite complex to organise. The core team got in touch with the development manager at the PO (regional office) and received a lot of support. But before agreement was reached, the villagers had to appoint someone to manage the post office, and a local resident took on that role. .

Tackley opened its new shop and post office in 2004. The post office is open every day (except Sunday) and provides the full range of financial services available from post offices. These include the Post Office card account (for paying in pensions and benefits); personal banking services such as paying in cheques and cash, and taking out cash; savings and investment such National Savings accounts, Premium Bonds, and Equity Bonds. Customers can also take out insurance and there is a Bureau de Changes. Currently the most popular services are accessing and depositing cash in bank accounts, as well travel insurance and foreign currency. But gradually people are becoming aware of the wider range of services provided.

Whereas the shop is able to use a large number of volunteers, only trained staff can work in a post office. In addition to the manager, there are four people who have undergone the post office training. The post office staff can provide information and leaflets on financial services to customers, but under the Financial Services Association regulations are not permitted to offer any advice.

### ***Promotion / marketing [national]***

ViRSA revamped its website in 2005 to include a database of community owned shops, information materials and access to support services. In addition, there are 10 community retail advisers who help communities to set up a shop; support existing shops through providing advice; and do promotional work, including newsletters and leaflets, and strengthening links with the rural community councils and the parish council networks.

In 2006, ViRSA, in partnership with the Esmee Fairburn Foundation and Co-operative and Community Finance, launched a three year initiative, the Village CORE Programme, which will provide £2 million of start-up funding to new community owned shops. Information on applying for grants is publicised on its website.

### **Promotion / marketing [local]**

Promotion of the shop and post office in Tackley has taken the form of informing and involving the community through a range of activities (see community engagement below). The questionnaire distributed door to door was an initial way of raising local awareness. The organisers also publicised all their activities with flyers, notices on local notice boards, and A3 posters on the village green.

### **Community engagement**

Within Tackley, there was a strong emphasis on engaging with the whole community and keeping people informed about developments. As well as the leafleting and publicity, public meetings and fundraising events were held. To obtain grants, it was necessary for the village to provide some match funding. Fund-raising in the village helped to get people involved. Tackley residents organised charity auctions, fund-raising teas, and a black-tie ball. Everyone did what they could, and that helped build local commitment and involvement with the project.

### **Beneficiary vignettes**

Two interviews with beneficiaries were conducted.

N is in her early thirties and is partially sighted (officially she is registered as blind). Her husband is also partially sighted, so neither of them is able to drive. Access to a post office is very important to her because it is difficult for her to go outside the village by public transport. There is a bus to Oxford and to Banbury, but if she goes on the bus, she cannot easily get back because she cannot see the bus to hail and stop it. Her husband works in Oxford and could use a bank there, but he finds the Oxford bank very busy and prefers to use Tackley post office. They both take money out at least once a week. She uses a Lloyds TSB card to get cash at the post office and because she cannot see, the staff have helped her find the enter key on the pad to put her PIN number. Because the staff know her they are willing to take the time and trouble. N can walk to the post office in less than five minutes. Apart from getting cash, she also uses the PO to post parcels once a week (she does a lot of home shopping because of her disability). N has a small child and being independent is very important to her. If the post office closed, she says it would 'take away her independence' and she would be dependent on her parents who live in the village or the bus or the train. She thinks the village has a lovely spirit and the shop and post office work well together.

M is in her eighties and makes use of the post office for all her financial services. She has her pension paid into a post office account. Then she transfers a percentage into Alliance and Leicester (A & L). She has a debit card for A & L, which she uses to take out cash out. Although she is still driving, she cannot walk very far as she has arthritis, so it is ideal that Tackley post office has a large car park immediately outside. The nearest villages – Kidlington and Woodstock – both involve parking too far away for her to be able to walk from the car to the post office. The buses are infrequent and involve waiting a long time for a bus back. When Tackley post office closed in 2000, she was more mobile and was able to go to Woodstock. Now all her banking needs are met by Tackley post office. But it means more to her than just financial services. She reminisces that 20 years ago the village had an active

youth club and the Women's Institute, but gradually these foundered and the place was becoming a dormitory town, even before the shop and post office closed. She thinks the current set up 'has revitalised communications within the village'. It has become a focal point. Being a volunteer is very important to her, and she helps in the shop two afternoons a week. This has provided her with a renewed social life. She mentioned that she also has a disabled friend who cannot leave the house. She not only shops for her but also acts as her banker, getting cash for her (she uses her card and her friend reimburses her with a cheque). She sees the shop and post office as interdependent and the post office pulls in a lot of extra voluntary help for the shop. She mentioned that in the village there are a number of small businesses in converted barns, and they also use the post office for their banking needs.

### **Learning and lessons**

The Postmistress said how important it was to involve the local community in the activity of setting up the shop from the outset, as they did in Tackley. 'Communication is very important', according to the postmistress, 'we know how to help people, and 'we are a trusted service'. She thinks there also needs to be local 'champions' who will take on the work of leading the project to set up a community owned shop, and raising money. She is often asked to go to other villages to speak about Tackley's experiences.

The beneficiary who is now in her eighties stressed the importance of recognising the mobility needs of older and disabled people, and making sure that there was easy access to parking. The beneficiary who is partially sighted highlighted the way in which being known in the village post office helped her to make use of the services – particularly cash withdrawals using her PIN as she trusted the staff.

The community owned shop and post office on the same premises are now the hub of the village and seem to have drawn the residents together. The case study highlights the fact that in a small rural community lack of access to appropriate transport means that some residents cannot simply go to the nearest village for their financial services, even if that village is only three miles away. People who are older or disabled, or who care for young children, attach great importance to easily accessible financial services within their village. But they are not the only people to benefit, and, as the ViRSA manager pointed out, the opportunities to reengage with the community, through for example volunteering in the shop, are vital in giving people who have been out of work, the opportunity to gain work experience and in the process raise their self-esteem.

Quote from the postmistress:

'The community owned shop and post office has done a lot for the health of the community. It has had a major impact on social inclusion. It has given older people a purpose, and introduced people to new networks. Shopping is only a small proportion of what goes on.'

**Key facts and figures**

The main set up cost is premises. Typically costs range from nothing to £400,000.

Other set-up costs include £50-60k for equipment, stock, EPOS, disability access.

Usually 25-50% of the start-up funds are raised by the village itself.

Potential sources of funding include: Lottery, County District and Parish Councils, European Foundation (Leaderplus programme), Landfill costs, DEFRA.

Tackley All in One Centre cost £400,000 to establish. 80% was raised from grants and the remaining 20 %from village fund raising events.