

Financial exclusion for poorest set to worsen

Three separate reports on financial exclusion published at a conference today paint a gloomy picture of people being unable to access basic financial services and advice, a situation that is likely to worsen in light of the credit crunch.

The reports by New Philanthropy Capital (NPC), the Joseph Rowntree Foundation and Runnymede Trust all focus on different aspects of financial exclusion in the UK, but each highlights significant gaps in dealing effectively with the issue.

According to NPC's report, *Short changed*, the number of people unable to access mainstream credit and forced to turn to high-cost door-step lenders, who typically charge £65 for every £100 borrowed, is likely to increase greatly from current estimates of three million.

The report stresses the importance of putting more resources into preventing financial exclusion through education to build people's financial capability as well as by improving access to financial services. NPC highlights a number of charities in the report that help people get out of debt and manage their money.

Simon Blake, Senior Analyst at NPC and author of *Short changed*, said:

"Being unable to borrow at reasonable rates can make it very difficult to escape from poverty. Expensive credit swallows up cash, so instead of spending money on basic things they need, like food and clothes, people end up putting it all into loan repayments. As the credit crunch begins to bite, we should be focusing on those that are hit the hardest."

IPSOS-Mori analysis conducted for Runnymede's report, *Financial Inclusion and Ethnicity*, points to significant differences between white and black and minority ethnic communities in areas such as savings, pensions, financial awareness, insurance and risk. The report identifies 24 specific points for further research and policy action to tackle this inequality and argues that we should think of financial inclusion as being a necessary component of social justice.

Omar Khan, the report's author, noted:

"Disadvantaged groups may genuinely be more 'risky' for financial institutions, and so likely to incur higher costs in terms of access to goods and services. This means we should think harder about how we as a society make decisions about the distribution of costs and risks. Given that all of us are likely to end up on the wrong end of a risk calculation at some point in our lives, we cannot afford to ignore these questions any longer."



Financial inclusion in the UK: Review of policy and practice, the report published by the Joseph Rowntree Foundation, assesses the current state of play, concluding that many groups of people in the UK are likely to remain vulnerable to financial exclusion, despite the many initiatives that have been set up. Among those at risk are care leavers, lone parents, disabled people including those with mental health problems, people living in isolated or disadvantaged areas, prisoners and ex-offenders.

Report author, Dr. Lavinia Mitton from the University of Kent, said:

"Central, devolved and local governments need to provide more assured long-term funding for financial inclusion initiatives, continue to invest in money advice training for generic advice workers and monitor the impact of technological, macro-economic and demographic changes on those who have been identified as vulnerable to financial exclusion. The financial services industry needs to consult with such groups when planning its services. It also needs to develop and support local partnerships to tackle financial exclusion with the voluntary sector."

-Ends-

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Notes to Editors

1. New Philanthropy Capital advises all types of donors on how to give more effectively. It identifies examples of charities with highly effective approaches to tackling problems in the sector. By recommending these charities to potential donors, NPC aims to increase the quantity and quality of resources available to the charitable sector. NPC uses its research and experience to help donors



ensure they have high impact and a rewarding experience. This can involve developing a tailored giving strategy to meet specific goals, selecting which charities to support and reporting on impact. Donors can also access NPC's research and some of its recommendations at no cost on NPC's website. NPC's report, *Short changed* is available as a free download at www.philanthropycapital.org.

2. The JRF report, *Financial inclusion in the UK: Review of policy and practice* by Lavinia Mitton is available as a free download at www.jrf.org.uk. The JRF is one of the largest social policy research and development charities in the UK. It supports a research and development programme that seeks to understand the causes of social difficulties and explore ways of overcoming them
3. The Runnymede Trust is an independent policy research organisation focusing on equality and justice through the promotion of a successful multi-ethnic society. Founded as a Charitable Education Trust, Runnymede has a long track record in policy research, working in collaboration with eminent thinkers and policymakers in the public, private and voluntary sectors. Since 1968, the date of Runnymede's foundation, we have worked to establish and maintain a positive image of what it means to live affirmatively within a society that is both multi-ethnic and culturally diverse. Runnymede continues to speak with a thoughtful and independent public voice on these issues today. For further information visit www.runnymedetrust.org