



House of Commons
Treasury Committee

“Banking the unbanked”: banking services, the Post Office Card Account, and financial inclusion

Thirteenth Report of Session 2005–06

Report, together with formal minutes

*Ordered by The House of Commons
to be printed 7 November 2006*

HC 1717
Published on 19 November 2006
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Treasury Committee

The Treasury Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of HM Treasury and its associated public bodies.

Current membership

Rt Hon John McFall MP (*Labour, West Dunbartonshire*) (Chairman)
Mr Colin Breed MP (*Liberal Democrat, South East Cornwall*)
Jim Cousins MP (*Labour, Newcastle upon Tyne Central*)
Angela Eagle MP (*Labour, Wallasey*)
Mr Michael Fallon MP (*Conservative, Sevenoaks*), (Chairman, Sub-Committee)
Mr David Gauke MP (*Conservative, South West Hertfordshire*)
Ms Sally Keeble MP (*Labour, Northampton North*)
Mr Andrew Love MP (*Labour, Edmonton*)
Kerry McCarthy MP (*Labour, Bristol East*)
Mr George Mudie MP (*Labour, Leeds East*)
Mr Brooks Newmark MP (*Conservative, Braintree*)
John Thurso MP (*Liberal Democrat, Caithness, Sutherland and Easter Ross*)
Mr Mark Todd MP (*Labour, South Derbyshire*)
Peter Viggers MP (*Conservative, Gosport*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk. The Committee has power to appoint a Sub-Committee, which has similar powers to the main Committee, except that it reports to the main Committee, which then reports to the House. All members of the Committee are members of the Sub-Committee, and its Chairman is Mr Michael Fallon.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) from Session 1997–98 onwards are available on the Internet at www.parliament.uk/parliamentary_committees/treasury_committee. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Colin Lee (Clerk), Fiona McLean (Second Clerk and Clerk of the Sub-Committee), Dominic Lindley, Adam Wales and Aruni Muthumala (Committee Specialists), Lis McCracken (Committee Assistant), Michelle Edney (Secretary), Tes Stranger (Senior Office Clerk) and Laura Humble (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Treasury Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5769; the Committee's email address is treascom@parliament.uk. Media inquiries should be addressed to Laura Humble on 020 7219 2003.

Contents

Report	<i>Page</i>
Summary	3
1 Introduction	5
The importance of banking services	5
Our inquiry into financial inclusion	5
Structure of this Report	6
2 Background	7
The unbanked	7
The development of basic bank accounts	8
Establishing the “shared goal”	8
Beyond numerical targets	9
3 The overall approach	10
The approach of the Government so far	10
A legislative approach?	10
Exploring a universal service obligation	10
Lessons from the US Community Reinvestment Act	12
Our conclusions	13
4 Opening basic bank accounts	15
Marking progress towards the “shared goal”	15
The business case	17
Translating the corporate commitment	19
The role of the Banking Code and the BCSB	19
The current provisions of the Code	19
Compliance and mystery shopping	20
Revisions to the Code	22
Identification and address verification requirements	23
Unsuccessful applications	27
Delays in opening basic bank accounts	28
Access for people in debt or undischarged bankrupts	29
Promotion and marketing	30
Enforcement	31
5 Operating basic bank accounts	32
Introduction	32
Default charges and a buffer zone	33
Direct debits	36
Counter services	37
Cheque clearing	38
The right of set-off	38
Cash budgeting	39
Access to free cash withdrawals	39

Survey information	40
Broader targets	40
6 Wider banking issues	41
Bill payment	41
Credit unions	43
Local Housing Allowance	44
Understanding and promoting demand	45
Bank branches	46
Remittances	47
7 The Post Office Card Account	50
Background	50
Take-up	50
The POCA and financial inclusion	51
Withdrawal of the Post Office Card Account	52
The migration process	53
The overall approach of the DWP	56
The role of the Post Office in promoting financial inclusion	57
Access to cash over Post Office counters	58
ATMs in Post Office branches	60
Conclusions and recommendations	61
Formal minutes	70

Summary

General

Banking services are central to the challenge of financial inclusion. Financial exclusion can impose significant costs on individuals, families and society as a whole. Lack of access to a bank account can be a significant barrier to employment and enterprise. The unbanked can also face higher charges for cheque cashing and utility bills. Providing access to a bank account needs to be the foundation of the Government’s strategy for promoting financial inclusion. In this Report, we make a series of recommendations designed to ensure that opportunities for access to banking services are maximised.

Basic bank accounts

Many financially excluded people are still facing problems in opening basic bank accounts—including problems of identification, administrative delays and lack of access to appropriate literature—and in operating them so as to maximise their value as a tool of personal benefit. Some banks are not meeting their obligations under the Banking Code. In this Report we have outlined an agenda for action for the Government, the BCSB and the banks collectively and individually if these problems are to be overcome and if the current voluntary partnership approach is to prove its enduring value. We expect to monitor closely both the swiftness and effectiveness of the response to our recommendations.

Other banking issues

We also highlight a range of other banking issues where further action is urgently required to reduce the hardships of financial exclusion. The banks and the utility companies need to give greater priority to low cost payment options beyond the current direct debit arrangements and the DWP should conduct a review of the third party deduction scheme. The Government needs to ensure that problems with accessing basic bank accounts are resolved before extending the system of direct payment of housing benefit. A lack of coordination in the regulatory regime for remittances is hindering the ability of small money transfer companies to obtain business banking services. The Treasury, in conjunction with the FSA, needs to address this issue.

The Post Office Card Account and the role of the Post Office

Arrangements for the future of the Post Office Card Account have not been well-handled. The Government must improve consultation with those affected and bear in mind that for any migration away from POCAs to basic bank accounts to be successful there needs to be significant progress in tackling the barriers to opening basic bank accounts identified in this Report. There will clearly need to be a successor to the Post Office Card Account. We recommend that the Government work with the Post Office to introduce a successor to the Post Office Card Account with greater functionality that can maximise opportunities for financial inclusion. There needs to be a cross-departmental approach within Government to enhancing the role of the Post Office in promoting financial inclusion, and, in view of its overall responsibilities for public spending and financial inclusion, the Treasury must take the lead in ensuring a coherent Government approach to Post Office issues.

1 Introduction

The importance of banking services

1. Banking services are central to the challenge of financial inclusion. In an earlier Report which also arose from our inquiry into financial inclusion, we examined the importance of issues relating to credit, savings, advice and insurance.¹ In a subsequent Report arising from the same inquiry we will examine the challenge of enhancing financial capability and the roles to be played by Government, the FSA and other partners in promoting financial inclusion. The current Report concentrates on banking services, examining their crucial role in financial inclusion and the steps taken by the banks, the Post Office, the Government and others to improve access to banking services, and setting out the further steps which should be taken to ensure that services which most take for granted are available to all.

2. People who do not have access to banking services are limited in undertaking a wide range of everyday financial transactions, and those limitations are arguably increasing as such transactions become more sophisticated. For example, without a bank account a person may not be able to obtain competitive loans or insurance policies or enter into a mobile telephone contract. Those without bank accounts often lack security in storing money, leaving them vulnerable to theft or loss. Employers very often require that wages are paid into a bank account, limiting employment opportunities for the unbanked. It can also be difficult to start a business or engage in entrepreneurial activity without a bank account. In recent years, the Government’s welfare strategy has placed greater emphasis on direct payment of benefits into bank or Post Office accounts, enhancing the importance of success in endeavours to “bank the unbanked” and in the development of the Post Office Card Account and any successor to it.

3. Appropriate access to banking services serves as a crucial stepping stone to full financial inclusion. Those with bank accounts find it easier to use other financial services and grow more used to handling their own personal finances. A reduction in the proportion of individuals and households without access to bank accounts is not only an important goal in itself; such a reduction also makes a crucial contribution to wider success in tackling financial exclusion.

Our inquiry into financial inclusion

4. This Report is the second of three Reports arising from our broad inquiry into financial inclusion. The earlier Report gave more detailed information about the conduct of our inquiry, including evidence received and visits undertaken, and all of the published evidence is also included with that Report.² In the context of the current Report, we were particularly assisted by our visit to Services Against Financial Exclusion (SAFE) at Toynbee Hall in Tower Hamlets, by discussions during our visit to New York and Washington DC

1 Treasury Committee, Twelfth Report of Session 2005–06, *Financial inclusion: credit, savings, advice and insurance*, HC 848-I and -II

2 HC (2005–06) 848-II: all references to written evidence (“Ev”) and to oral evidence (Q or Qq) in this Report are to evidence published in that Report unless otherwise stated.

about the operation of the US Community Reinvestment Act and by evidence from the Post Office, the Banking Code Standards Board (BCSB) and senior representatives of the major high street banks. We are grateful to all those who contributed to the development of this Report.

Structure of this Report

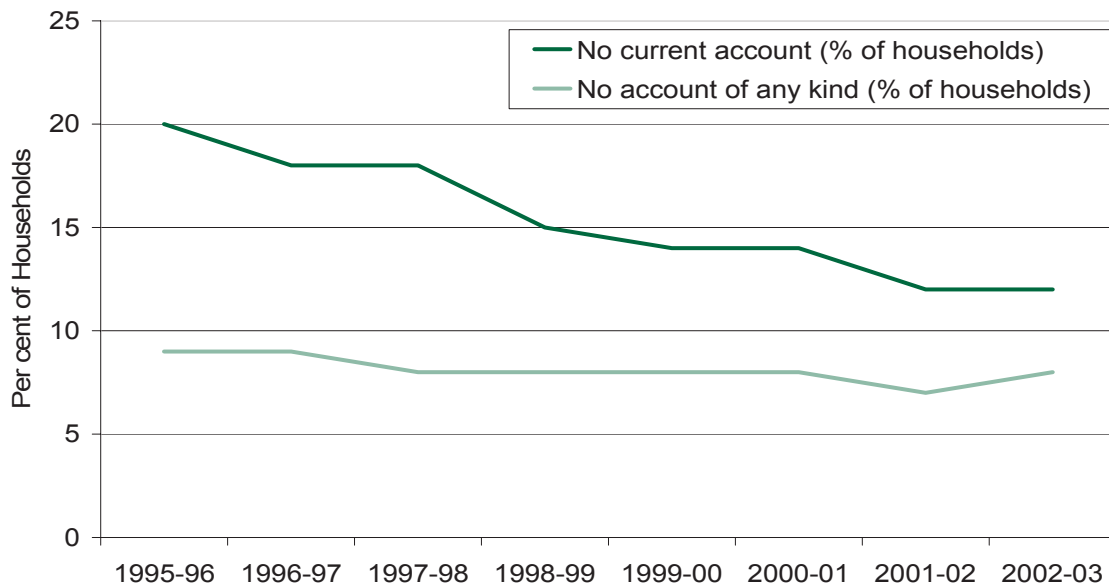
5. The next chapter of this Report examines the background to our work, including an analysis of the scale of the problem of the unbanked and developments in recent years designed to tackle the problem. We then outline different approaches that have been advocated for tackling the problem in future and set out the approach which underpins the analysis and recommendations in this Report. In subsequent chapters, we focus in more detail on issues relating to the opening and operation of basic bank accounts, before turning to other banking issues and then to the Post Office Card Account.

2 Background

The unbanked

6. The Family Resources Survey, a periodic survey undertaken by the Office for National Statistics (ONS), indicated that in 2002–03 around 1.9 million households in Great Britain (around 8 per cent of the total number of households) were without access to a bank account of any kind. These households contained around 2.8 million adults and at least 1 million children. A further 1.1 million households did not have access to a current account. As the chart below shows, while the proportion of households without a current account had fallen over time, the number of households without an account of any kind had remained broadly constant.

Chart 1 : Households without bank accounts



Source: Family Resources Survey, 2002–03

7. Certain groups are over-represented amongst those unbanked households. Unbanked households were reported in 2004 to be concentrated at the lower end of the income distribution, with over 65 per cent of households with no account in the bottom three income deciles, meaning an average household income of just under £14,500.³ One Parent Families told us that, while 95% of couple families have a current account, this figure is only 80% for all lone parent families and 67% for those lone parent families where the parent works less than 16 hours per week.⁴ The New Economics Foundation found that, “when reviewed against deprivation indices, the percentage of individuals without accounts increases dramatically: 35 per cent of individuals living in deprived areas lack basic accounts”.⁵ Help the Aged provided evidence indicating that lack of access to bank

3 HM Treasury, *Promoting Financial inclusion*, December 2004, p 10

4 Ev 415

5 The New Economics Foundation, *Basic bank accounts: the case for a universal service obligation*, 2005, p 2

accounts “increases with age so whilst 7% of 50–59 year olds do not have access to an account, this increases to 12% of over 85s”.⁶ Around 60% of unbanked households rent accommodation from a local authority or housing association.⁷ **The evidence we have received indicates that those without access to a bank account are likely to be on a low-income, the long-term inactive or unemployed, the elderly, lone parents and council and housing association tenants.**

The development of basic bank accounts

8. The importance of access to basic banking services was highlighted in the report to the Treasury published by the Social Exclusion Unit in November 1999 on Access to Financial Services.⁸ That report recommended that banks continue the development of basic bank accounts for customers who did not wish to open, or had been refused, a full current account. Following that report, the banking industry worked with the Government to introduce a basic bank account founded on a common model which was “specifically designed to address the needs of the financially excluded”.⁹

9. All major high street banks offer a basic bank account, although such accounts are not a completely uniform product; they are offered by banks operating within a competitive market, and partly reflect the different operations of different banks. However, basic bank accounts as they have developed, particularly since 1999, share a number of common features. Basic bank accounts enable people to pay in cash and cheques, receive their wages or benefit payments, make cash withdrawals and pay their bills by direct debit. Basic bank accounts have no overdraft facility and there are no charges for day-to-day banking, although some banks levy significant charges if there is insufficient money in the account to pay a direct debit.

Establishing the “shared goal”

10. In December 2004, the banks and the Government agreed to work towards the goal of halving the number of adults in households with no account of any kind and to have made significant progress in that direction within two years.¹⁰ The baseline was set with reference to the data from the Family Resources Survey of 2002–03 to which we have already referred, which had indicated that 1.9 million households, containing around 2.8 million adults, lacked access to an account of any kind. In view of this baseline, for the goal to be met, the number of adults in households with no account of any kind would need to reach 1.4 million. No threshold has been set by the Government for what it considers to be the “significant progress” which the Government and the banks wished to be achieved by the end of 2006.

6 Ev 330

7 HM Treasury, *Promoting financial inclusion*, p 12

8 *Access to Financial Services*, Report of Policy Action Team 14, HM Treasury, November 1999, pp 1–3 <http://www.socialexclusionunit.gov.uk/downloadaddoc.asp?id=127>

9 HM Treasury, *Promoting financial inclusion*, p 5

10 HM Treasury, *2004 Pre-Budget Report*, para 5.47

Beyond numerical targets

11. It was suggested in evidence that progress towards financial inclusion through access to banking services should not simply be associated with progress towards the numerical targets implied in the shared goal. The National Consumer Council told us:

Numerical targets for achieving financial inclusion will not deliver useful and appropriate services to the unbanked. The focus must shift to the design of basic bank accounts. Ensuring that accounts are more attractive and useful to financially excluded people is a far more sensible way of improving and sustaining a higher level of take-up.¹¹

Professor Elaine Kempson summarised the views of many witnesses when she told us that there was concern that “attention has become focussed on the numbers of people without a bank account with much less consideration of whether these accounts are actually used or their usefulness to people on low incomes”.¹² Mr Ed Balls MP, the Economic Secretary to the Treasury, accepted that these were valid points, and told us that work was being carried out not only on the number of accounts being taken up, but also on the kind of attributes that people who do not have bank accounts would like to see.¹³ The analysis in this Report reflects the importance of two different dimensions to access to banking for the socially excluded—opening an account and being able to operate an account in an appropriate manner.

11 Ev 397

12 Ev 425

13 Q 980

3 The overall approach

The approach of the Government so far

12. Since the importance of access to banking services was highlighted in the 1999 Social Exclusion Unit report to the Treasury, the Government has sought to address the challenges in this area first and foremost through dialogue and cooperation with the banking industry.¹⁴ This voluntary partnership approach led directly to the development of basic bank accounts as a near universal banking product and the subsequent agreement on the shared goal for reducing the number of unbanked adults. Performance by individual banks has been monitored first and foremost through the voluntary system of regulation operated by the BCSB rather than within the framework of statutory regulation undertaken by the Financial Services Authority (FSA).

A legislative approach?

Exploring a universal service obligation

13. Some evidence we received argued that the partnership approach alone was insufficient and should be replaced or supported by either legislative action requiring banks to enhance the availability of transactional banking services or by more explicit Government consideration of such action. The New Economics Foundation has advocated the introduction of a universal service obligation in banking:

The imperative for banks to develop innovative solutions to financial exclusion can only result from a universal service obligation. A universal service obligation would mandate the affordable provision of basic accounts to all individuals, making this inherent in the receipt and continued operation of a banking [licence]. Similar to utilities, telecommunications, and the postal service, access to a bank account is a basic right in order to function effectively in society. Unlike these basic services, banking remains exempt from the obligation to provide access to everyone.¹⁵

The case for some form of universal service obligation in banking, possibly including some form of neutral shared branching, was also supported by the Campaign for Community Banking Services, Help the Aged and the National Housing Federation.¹⁶ Which? pointed to legislation in France and Canada designed to ensure universal access to banking services.¹⁷

14. Which? considered that existing voluntary arrangements were “insufficient to deal with exclusion from basic banking services”.¹⁸ Which? argued that it was time for the

14 Q 981

15 The New Economics Foundation, *Basic bank accounts: the case for a universal service obligation*, 2005; see also Ev 408.

16 Ev 225, 332, 389

17 Ev 503

18 Ibid

Government formally to consult on legislative options, including a possible universal service obligation, although it accepted that “these are difficult issues which need to be evaluated carefully”.¹⁹ As Mr Mick McAteer, Principal Policy Advisor at Which?, put it to us:

We would argue that the Treasury now should be looking closely at some form of universal service provision, if only in preparation for the end of this voluntary partnership approach. There is no point in waiting until the experiment is over and then doing the research into whether or not there should be a universal service obligation. We think you should be starting to look at that now, just in the expectation that the banks are not playing ball.²⁰

Ms Claire Whyley, Director of Policy at the National Consumer Council, did not consider that a legislative obligation upon banks would be appropriate “at this stage”, although she thought that it was “something that may be appropriate further down the line”.²¹ She nevertheless cautioned that

if we were to rush into a universal service obligation, we may have the wrong type of obligation ... I would be certainly be very concerned about something which just made opening an account the end result, because clearly that is not financial inclusion. Financial inclusion is about being able to use that account and benefit from it.²²

15. Witnesses from the leading banks were sceptical as to whether the benefits of additional regulatory requirements would outweigh the costs, particularly in view of the fact that the United Kingdom already had higher participation rates in banking than some countries with relevant regulatory requirements such as France.²³ Mr Pomeroy, Chairman of the Financial Inclusion Taskforce which has been given responsibility for monitoring progress towards the shared goal, believed that, “since there is a voluntary solution in place ... our view is that we should see whether or not that works, but not take something more directive ... like a universal service obligation off the table”.²⁴ The Economic Secretary to the Treasury agreed with Mr Pomeroy that at this stage a voluntary approach was preferable, and suggested that the legislative approach in France had not led to universal banking accessibility.²⁵ The Economic Secretary to the Treasury indicated that there would be an assessment of the progress made at the beginning of 2007 and said:

The option of going beyond [a voluntary approach] has not been taken off the table ... The evidence does not say that simply having an obligation delivers results. Even if you had that, you would still need to do all the work we are doing here. It is not off

19 Ibid

20 Q 42

21 Q 18

22 Ibid

23 Qq 789–792

24 Q 488

25 Q 981

the table, but at the moment we are seeing whether we can make progress through the Taskforce.²⁶

Lessons from the US Community Reinvestment Act

16. Another possible legislative approach that was frequently referred to in evidence was one based on the United States Community Reinvestment Act (CRA). We learnt more about the operation of this legislation during our visit to the USA in February 2006. The CRA was enacted in 1977 to prevent so-called “red-lining”—the practice of banks explicitly choosing not to offer lending services to people identified as living in certain districts—and to encourage banks and thrifts to help meet the credit needs of all segments of their communities, including low- and moderate-income neighbourhoods. The CRA and its implementing regulations require federal financial institution regulators to assess the record of each bank and thrift in helping to fulfil their obligations to the community and to consider that record in evaluating applications for charters or for approval of bank mergers, acquisitions and branch openings. We were told that the CRA is part of a ‘three-legged stool’ that encourages banks to serve the needs of low-income communities, the other two legs being made up of fair lending and other anti-discrimination laws, and reporting laws such as the mortgage disclosure acts. Banks are evaluated in several areas and receive a rating based on their activities in low-income communities. Ratings are based on loan provision, branch and cash services and community development activity. The CRA is principally concerned with lending rather than the provision of current accounts. Banks can comply with the CRA and improve their rating through direct provision of financial products and services or by investing in organisations embedded in local communities such as Community Development Finance Institutions or local community banks. We learnt that banks increasingly view CRA activity as activity that could yield profitable business opportunities or attract tax relief. Sir Fred Goodwin, Chief Executive of RBS—which owns Citizens Financial Group in the US—told us that

CRA has not been problematic to our [US] business ... It brought some structure and consistency across the industry ... A number of the leading players have actually gone some way beyond it but it did act as a catalyst...[but] you could probably do better than a CRA if you were trying to invent something.²⁷

A key lesson from our visit to the USA was that, over time, the CRA has become less important in forcing banks into investment and other decisions that it might not wish to make than in enhancing transparency about bank activities in deprived communities.

17. One of the key recommendations of the Social Investment Taskforce, which was established by the Chancellor of the Exchequer to consider ways in which increased investment could be made in the poorest communities, was that United Kingdom banks disclose their lending data in respect of low-income areas.²⁸ A recent report assessing progress in relation to the Taskforce’s recommendations concluded that, “while a number of banks have disclosed some information about their activities, not all have done so. The

²⁶ Ibid

²⁷ Q 789

²⁸ Social Investment Taskforce, *‘Wealth beyond welfare’*, October 2000, recommendation 3

current regime of voluntary disclosure leaves an environment where banks are providing information that makes helpful comparison problematic.”²⁹ Ms Sarah McGeehan, Deputy Chief Executive of the Community Development Finance Association (CDFA), recognised that “a structure which was around disclosure of engagement in these markets, whether it be through CDFIs, credit unions or direct provision ... could enable us to understand relatively how different commercial banks were doing, but also be able to show us where there were opportunities in the market place; [the CRA] has opened up niche markets for the commercial banks”.³⁰

18. Which? argued that the Government should consider introducing “CRA-style disclosure requirements so that policy makers can gauge the extent of financial exclusion and the behaviour of individual firms”.³¹ We put the suggestion to the banks that it would be useful to have some measure of banks’ performance, in terms of their engagement with low-income areas. Mr Gary Hoffman, Chairman of UK Banking and Barclaycard, Barclays, told us that Barclays disclosed information concerning the proportion of Barclays current accounts, consumer lending and ATMs in deprived areas.³² Mr Dyfrig John, Chief Executive Officer, HSBC, indicated that HSBC did not currently publish such information but would be happy to do so, providing that such information was reported by all the banks on a consistent basis.³³

Our conclusions

19. Some evidence we received argued that the time is ripe to move beyond the current voluntary approach to enhancing access to banking services for the financially excluded by introducing a statutory requirement to provide banking services for all. The precise form such a requirement might take remains unclear, as some of its advocates acknowledge. The concept of a “universal service obligation” is generally associated with services that have been provided in the public sector or in sectors where licensing or high barriers to entry confers a particular market advantage. Banking could be seen as a more open and competitive market than some markets to which universal service obligations apply, making comparisons with postal or telecommunications services of limited value, although it is possible to envisage a situation in which statutory regulation undertaken by the FSA included more stringent conditions on the activities of banks in relation to the financially excluded. **The case for the imposition of statutory requirements relating to access to, or the provision of, banking services for the financially excluded is closely linked to analysis of the current performance of the banking industry and of individual banks. This Report makes a contribution to such an analysis. As matters stand, we do not consider that the case for such legislative action has been made. We agree with the Economic Secretary to the Treasury that more can be achieved at present by a voluntary partnership approach, and also with his important point that the willing participation of the banks will be essential in tackling financial inclusion regardless of legislative**

29 Enterprising Communities, *Wealth beyond welfare*, a 2005 update on the social investment taskforce, p 2

30 Q 310

31 Ev 501

32 Q 785

33 Q 786

action. However, we also note the statement by the Economic Secretary to the Treasury that a legislative approach "is not off the table", and our approach in this Report is based on identifying areas where we expect progress to be made by banks individually and collectively if they are to be able to satisfy the Government, legislators and the public in the future that the voluntary approach is the best way forward. This Report contains recommendations requiring action by the banks. We make such recommendations within the context of our wish to identify benchmarks by which to assess the effectiveness of the current voluntary partnership approach. We expect to monitor closely actions taken in response to those recommendations.

20. An important element in the monitoring by this Committee, by the Government and by others will be an assessment of information on the performance of individual banks. One of the strengths of the CRA in the USA lies in the requirements it imposed on banks to report information on activities in low-income areas and the culture that helped to establish where banks were more conscious both of their activities in such areas and of the profitable business opportunities such activities created. **Although we do not see a case at present for the introduction of legislation comparable to the US Community Reinvestment Act, we recommend that the Government, the banks and the Financial Inclusion Taskforce work together to prepare and then publish measures of engagement by the individual banks with the socially excluded, provided on a standard basis no later than the middle of 2007. More generally, the adequacy of the provision by banks of information which enables full and effective monitoring to be carried out will be an important criterion in determining the overall success of the voluntary partnership approach to combating financial exclusion in banking services.**

4 Opening basic bank accounts

Marking progress towards the “shared goal”

21. Progress towards more broad-based access to basic bank accounts and the measurement of such progress have been given added impetus by the establishment of the goal shared by the Government and banking industry to which we have already referred, namely to work towards halving the number of adults in households with no account of any kind and to have made significant progress in that direction within two years. The benchmarks for the “shared goal” were based on the Family Resources Survey for 2002–03. The Family Resources Survey for 2004–05 was not designed so as to allow direct comparisons to be drawn, because responses from holders of Post Office Card Accounts have been aggregated with those from basic bank account holders.³⁴ This omission was rectified in the comparable Survey for 2005–06, but the results of that Survey will not be available until the first quarter of 2007.³⁵

22. We received information on a number of other surveys that might give a broad indication of the direction of progress. Since April 2003, the banks have opened a total of 1.97 million basic bank accounts.³⁶ Research for the British Bankers’ Association (BBA) published earlier this year indicated that around 50 per cent of the total number of people opening basic bank accounts had previously been unbanked.³⁷ A recent survey conducted by the ONS also showed that the number of adults in benefit units³⁸ without access to bank accounts had been falling during 2005, although the apparent trend cannot yet be viewed as statistically significant.³⁹ Mr Andrew Baker, the Chief Executive of Derbyloans, a CDFI that provides affordable credit to the financially excluded, provided anecdotal evidence supporting these surveys. He told us that “the biggest single change since Derbyloans started trading is that back in 2003 about 25% of customers did not have a bank account”. In contrast, in 2005, customers without a bank account were extremely rare.⁴⁰

23. The banking industry is collectively accountable for progress towards the target, and Nationwide told us that it was concerned to ensure that all banks contributed their fair share towards the target.⁴¹ Performance by the industry in relation to basic bank accounts has varied. The BCSB, the body that sets and enforces the voluntary system of regulation in the banking sector, found “significant divergence between providers on the number of [basic bank accounts] they are currently opening as a proportion of ordinary current accounts, with figures ranging from 2% [for one bank] to 54% for [another]”.⁴² The BBA

34 Ev 303

35 Financial Inclusion Taskforce, *Report on progress towards the shared goal*, March 2006 para 9

36 Figure up to the end of the second quarter 2006, British Bankers Association, press release, 5 October 2006

37 Millward-Brown, *Understanding consumer experience when opening and using basic bank accounts*, March 2006

38 A benefit unit is defined as an adult and their partner, if they have one, and any dependent children. A household is defined as a single person or group of people living at the same address who either share one meal a day or share the living accommodation, i.e. a living room.

39 Financial Inclusion Taskforce, *Report on progress towards the shared goal*, March 2006 paras 10–11

40 Ev 279

41 Ev 393

42 Banking Code Standards Board, *Survey of Subscribers providing Basic Bank Accounts*, November 2005, p 5

currently aggregates the figures for basic bank accounts before publishing them. It is therefore difficult to assess the contribution made by each individual bank towards opening basic bank accounts for the financially excluded. In order to assess the contribution of each bank towards meeting the shared goal, we asked the five major banks to provide figures for the number of basic bank accounts they had opened since April 2003. These are shown in Tables 1 and 2.

Table 1: Number of basic bank accounts opened by five largest banks

	HSBC	Barclays	Lloyds TSB	HBOS		RBS	Total (All-Banks)
				Non-easycash	Easycash		
2003 (Q2 - Q4)	55,000	35,000	84,000	271,000	10,000	152,000	416,418
2004	115,000	52,000	120,000	306,000	55,000	196,000	675,677
2005	144,000	70,000	93,000	0	42,000	134,000	615,970
2006 H1	43,000	38,000	33,000	0	28,000	51,000	257,946
Net new openings	357,000	195,000	330,000	578,000	135,000	533,000	1,966,011
Total stock of accounts	318,000	417,000	294,000	3,300,000		862,000	6,514,992

Source: Individual Banks

Table 2: Share of basic bank account openings by the five largest banks

Share of BBA openings	HSBC	Barclays	Lloyds TSB	HBOS	RBS	Total BBA
2005	23.4%	11.4%	15.1%	6.8%	21.8%	615,970
2006 H1	16.7%	14.7%	12.8%	10.9%	19.8%	257,946

Source: Individual Banks

Note: Numbers will not add up to total and percentages will not add up to 100% due to the numbers of accounts opened by smaller banks and Building Societies

24. We also asked the banks whether they had any specific targets for opening basic bank accounts. HBOS told us that, following changes to their product range, their basic bank account sales had fallen during the second half of 2005, but that they were "not happy about this and took steps to increase our sales. We increased our sales in the first quarter and achieved an estimated market share of 11%, in line with [the HBOS] share of the current account market. We aim to maintain this share through 2006."⁴³ Mr John noted that HSBC said not have a specific target, but assured us that he would not like to see their share of basic bank accounts drop from its current level.⁴⁴

25. The Financial Inclusion Taskforce has been given the responsibility to report to HM Treasury and the banking industry on the progress being made towards the shared goal. Mr Brian Pomeroy, Chairman of the Financial Inclusion Taskforce, told us that "steady progress" was being made, although he thought that it would not be possible to give a definitive assessment of progress towards the target until early 2007.⁴⁵ The New Economics Foundation noted that the growth in the number of accounts had slowed.⁴⁶ HSBC believed

43 Ev 327

44 Q 782

45 Qq 481-482

46 The New Economics Foundation, *Basic bank accounts: the case for a universal service obligation*, 2005

that the banking industry was “on track” to meet the shared goal, but considered that it was necessary “to be mindful that, as the number of people without a bank account is reduced, the task of reaching the remainder becomes more challenging”.⁴⁷ The Economic Secretary to the Treasury told us that a variety of data sources indicated that there had been a significant fall in the number of unbanked, and that gave him some confidence that significant progress was being made.⁴⁸

26. There is evidence to indicate that steady progress has been made so far towards target of halving the number of people without access to a bank account. Banks are collectively accountable for progress so far and in the future. However, it is also vital that each bank can be held to account individually for its contribution to meeting this target. This is not possible at the moment. Individual banks need to accept this responsibility, and accordingly we recommend that the Government, the Financial Inclusion Taskforce and the banks reach agreement enabling each individual bank regularly to publish figures for the numbers of basic bank accounts it has opened in each year. We would expect each bank to develop strategies for ensuring that it makes a proportional and appropriate contribution towards meeting the target, and we would also expect such strategies to take due account of the analysis which follows on the issues surrounding the opening of basic bank accounts.

The business case

27. In assessing the overall approach of the banks towards basic bank accounts, it is important to bear in mind that the banks are businesses accountable to their shareholders. We received evidence that the provision of basic bank accounts is not immediately profitable for the banks and that, in part, their offering is based on a recognition of a responsibility to promote financial inclusion or to look to longer term profitability. Lloyds TSB told us that

there is a cost to the Bank in opening and running basic bank accounts. With an average balance of £371, these accounts generate little income from interest, and as Cruickshank noted, during a period of higher interest rates it took an average current account balance of £1,175 to generate income for suppliers. However, we operate these accounts in recognition that we have a role to play in supporting greater financial inclusion and creating greater access to mainstream financial services.⁴⁹

28. Of course, there is no need for basic bank accounts to be immediately profitable in order for banks to be interested in providing them. Mr James Crosby, Chief Executive of HBOS, told us that

in all my years in the job no single shareholder has ever challenged me on [HBOS’s] commitment to social banking. We have been in the market for 20 years and we have

47 Ev 352

48 Q 977

49 Ev 369

roughly 50% of the market, and they understand that to the extent that it adds value directly through the P&L line it is over time.⁵⁰

Banks provide free banking to groups such as students as a loss leader, relying on the ability to cross-sell other products, such as personal loans, mortgages and credit cards. Sir Fred Goodwin told us that

in common with a number of our products [the basic bank account] is not immediately profitable, but there is a basic principle at stake in this, which is about inclusiveness ... No-one, in our view, benefits from there being financial exclusion; if we can bring more people into the system then there will, we believe, be more business in due course. No-one benefits from people being outside the system, and so in common with many of our products—for instance student accounts are not profitable—we do it in the belief that they will become profitable customers later on.⁵¹

29. We received some evidence on the potential for cross-selling other products to basic bank account holders. For example, Mr Hoffman told us that 30% of Barclays' basic bank accounts now had some sort of savings element attached.⁵² On opening a basic bank account, users may become more engaged with the financial services sector and want to upgrade their account to a full service current account. Mr Crosby accepted that

banks occupy a privileged position within society ... and have certain responsibilities ... Having said that, it is also true [that] when you have had those accounts on the books for decent periods, years not months, you learn how to help those customers on to the next rung. It is a starting point. Of itself the basic bank account is not going to do the trick; it is going to reduce the number of unbanked but it is not going to bring people fully into financial services. The next stage is very important as well, and that of course is ultimately more profitable for [the banks].⁵³

30. The BBA indicated that a total of 126,000 basic bank accounts have been upgraded to full service current accounts between the second quarter of 2003 and the end of 2005. However, there is a wide disparity in the numbers upgraded by different banks: HSBC has upgraded almost 70,000 accounts, whereas some other banks have upgraded fewer than 1,000 of their accounts.⁵⁴ **While the provision of basic bank accounts will not be immediately profitable, we welcome recognition by the banks that they have a responsibility to provide such a service and that, in the longer term, bringing more people into the financial services sector will be profitable for the banks. We also welcome the fact that banks are upgrading consumers to full service accounts where this is appropriate for the individual. It is important that the Financial Inclusion Taskforce, in cooperation with the BBA and individual banks, assesses evidence concerning the business case for banks to provide basic bank accounts.**

50 Q 778

51 Q 775

52 Q 780

53 Q 778

54 Based on figures provided by the British Bankers Association.

Translating the corporate commitment

31. In evidence, banks stressed their corporate commitment to opening basic bank accounts, but this was not always reflected in witnesses’ experience on the frontline. Mr Mike Barry, of Blackpool Citizens Advice Bureau, told us that,

at ground level, despite the corporate commitment, the individual banks are in some cases actively discouraging the opening of basic bank accounts. One customer of ours went to a local high street branch to speak to the customer services manager, who told him ‘Those accounts are only opened by the lowest of the low’ and was actively discouraging him from opening an account. We find that is a widespread issue amongst our clients.⁵⁵

Mr Pomeroy agreed with this perception and diagnosed it as “the frontline not yet being fully trained and consistently trained ... in order to implement the corporate policies”.⁵⁶

Despite the undoubted corporate commitment of the banks to offering basic bank accounts, there is some evidence to suggest that many people are still encountering problems opening basic bank accounts reflecting branch decisions and attitudes rather than the policies adumbrated in head offices. Banks need to redouble their efforts to tackle such problems and ensure that all sections of their organisation are supporting the corporate commitment to provide basic bank accounts.

The role of the Banking Code and the BCSB

The current provisions of the Code

32. The Banking Code is a voluntary code followed by banks in their dealings with personal customers in the United Kingdom. It sets standards of good banking practice and aims to allow competition and market forces to operate, encouraging higher standards of banking practice for the benefit of customers. The Code is reviewed at regular intervals by an independent reviewer who makes recommendations for improvement. The BCSB is responsible for monitoring and enforcing compliance with the Banking Code. The provisions of the Code relating to basic bank accounts are set out below:

3. Helping you to choose products and services which meet your needs. Before you become a customer, we will:

- give you clear information explaining the key features of the services and products you tell us you are interested in;
- assess whether your needs are suited to a basic bank account (if we offer one) and if they are we will offer you this product;
- offer you a basic bank account if you specifically ask and meet the qualifying conditions for one;

55 Q 6

56 Q 483

[This provision] requires subscribers who offer a basic bank account to inform certain customers about the account and how to open one. These are customers for whom the basic bank account would appear to be appropriate. Such customers may include those:

who express an interest in opening a money transmission (current) account which does not allow them to go overdrawn;

whose main source of income appears to be state benefit;

who are content to accept the limited money transmission functionality of a basic account (e.g. no cheque book).

- give you information on a single product or service, if you have already made up your mind; and
- tell you what information we need from you to prove your identity (by law, we have to check your identity).

3.2 We will tell you if we offer products and services in more than one way (for example, on the internet, over the phone, in branches and so on) and tell you how to find out more about them. Where we offer basic bank accounts, we will tell you if they can be used at post offices.

Compliance and mystery shopping

33. The BCSB monitors compliance with the Banking Code through annual statements of compliance from the banks, monitoring visits and an annual mystery shopping exercise into the ease with which information can be obtained about basic bank accounts and how easily they can be opened. In 2005, the BCSB reported a generally improved picture compared with previous years in that 67% of people would be prepared to recommend the bank they opened an account with (up from 41% in 2003 and 57% in 2004). However, the BCSB told us that "our report also makes it clear that there is not an even picture across the industry":

- At four banks, basic bank account literature was not on display in over 90% of branches.
- In two banks, over 40% of applicants were unable to obtain or had difficulty in acquiring information about a basic bank account.
- One bank only recognised the need for a basic bank account in 37% of cases, a lower performance than in the previous surveys.
- In three banks, over 30% of customers were actively dissuaded from opening a basic bank account.
- Unnecessary delays before the account was opened—in one case of up to seven weeks—were encountered.
- In three banks, over 45% of basic bank account customers were required to send original ID documentation away to a processing centre.

- There were some examples of good practice: For one bank over 90% of people would recommend it to anyone wanting to open a basic bank account.⁵⁷

34. Many witnesses noted that, because the results of the mystery shopping survey were anonymous, it was not possible to identify which banks had performed well and where further improvement was needed.⁵⁸ The BCSB told us that they had

rules for compliance and disciplinary matters which are human rights compliant. If we were to publish the data from the mystery shopping that would, in effect, be to name and shame the poor performers which might be beneficial from your perspective, but the problem for us would be that it would be a breach of our rules.⁵⁹

Mr Gerard Lemos, Chairman of the BCSB, expanded on this point in a subsequent letter, stating that

the contract between the BCSB and each subscriber does not permit the BCSB to publish details of alleged breaches of the Code committed by that subscriber unless the subscriber has had the opportunity to answer those allegations. [The BCSB] believe that the [publication of the] results of the survey which have led to a ‘red’ or ‘amber’ grading in one of our reviews is tantamount to a disclosure of a breach of the Code and would certainly be regarded as such by the public and the authorities.⁶⁰

However, he confirmed in that letter that, “if an individual subscriber gives the BCSB consent to disclose specific information held by the BCSB about that subscriber to the Treasury Committee, we would be able to release such information”.⁶¹

35. We therefore wrote to the Chief Executives of all participating banks requesting the disclosure of this information. They each responded with a limited disclosure of the performance of their individual banks, their overall rating and the action they were taking to tackle the problems identified by the BCSB.⁶² We questioned the representatives of the five major banks about disclosure. Mr Crosby of HBOS could not see a specific reason for not disclosing the results of the survey.⁶³ Sir Fred Goodwin of RBS indicated that he was quite happy for RBS to publish that information. Mr Fairey of Lloyds TSB told us that he would probably be happy disclosing the information if his bank was given the opportunity to provide additional information to place the results of the survey in context.⁶⁴ Mr John of HSBC also indicated that he would be happy for the results of the survey to be made

57 Ev 203

58 Ev 405; Qq 8–10; Citizens Advice, *Banking Benefits*, January 2006, p 39

59 Q 334

60 Ev 204

61 Ibid

62 Ev 211–212, 326–328, 376–377, 455

63 Q 772

64 Qq 770–771

public.⁶⁵ Mr Hoffman of Barclays provided a detailed letter, outlining the action that had been taken by Barclays to deal with the issues identified in the BCSB survey.⁶⁶

36. The Banking Code Standards Board mystery shopping survey has been useful in identifying improvements that need to be made to the process of opening a basic bank accounts. However, improvement has not been universal, and there remain several banks that are not meeting their responsibilities. We note the action taken by the banks to improve matters, but we consider it essential that the full results of the next mystery shopping survey are published so that there is full transparency about which banks are meeting their commitments under the Banking Code and which are not. This will sharpen the incentives for the worst to improve and enable the best performers to receive recognition. The Chief Executives of the five major banks or their representatives who gave evidence to this Committee have accepted the principle of transparency and we expect them to lead the way by publishing the full results for their banks and pressing for full publication in relation to all banks.

Revisions to the Code

37. Changes to the terms of the Banking Code can also be used as a mechanism for improving the provision of banking services for the financially excluded. The BCSB has made four suggestions for improvements to the Banking Code to help improve access to basic bank accounts, which Mr Fortescue summarised:

Firstly, mandatory display of literature about basic bank accounts in all branches; secondly, there should be no credit search with credit reference agencies; it is not necessary for opening an account; it is possible to do an identification search rather than a credit search; thirdly, we were concerned that it was taking too long for people to open accounts, so we think the Code should incorporate a standard time to open basic bank accounts ... We think it should be possible to have a limitation on the number of days it takes to open a basic bank account; and fourthly, the question of identification, which has been quite a problems ... We think verification of ID documents should take place in the branch rather than having [the original documents] sent to some central point.⁶⁷

38. These proposed changes reflect some of the current problems relating to the opening of basic bank accounts which we examine in this chapter and about which we make recommendations. We are here concerned with the timing of any changes that are agreed to. The BCSB initially indicated in oral evidence that these requirements could be incorporated during the next Code review at the start of 2007 and thus come into force at the beginning of 2008.⁶⁸ We put it to the BCSB that customers should not have to wait until 2008 for these changes. Mr Lemos pledged to examine this issue and later wrote to us indicating that the independent directors of the BCSB recognised that the changes should

65 Qq 774

66 Ev 211–212

67 Q 347

68 Q 348

be expedited and that it would not be acceptable to wait until 2008.⁶⁹ **We recommend that the Banking Code Standards Board ensure that any changes to the Banking Code relating to basic bank accounts that they have made or that arise from this Report are implemented no later than the end of March 2007.**

Identification and address verification requirements

39. Problems encountered by applicants for basic bank accounts in proving their identity and address were cited by witnesses as the most significant barrier preventing people from opening such accounts.⁷⁰ Financial institutions have been subject to requirements to have anti-money laundering procedures in place since 1994, with the most recent requirements set out in the Money Laundering Regulations 2003. The FSA also requires firms to have systems and controls in place to guard against money-laundering.⁷¹ Detailed guidance for firms to follow is set out for the financial services industry by the Joint Money Laundering Steering Group (JMLSG).

40. Problems with applicants proving their identity have been a major issue for some time. In September 2004, Mr John Tiner, Chief Executive of the FSA, speaking from personal experience, described the identity verification procedures being applied then as “just ridiculous” and “having quite a big effect on people who do not have bank accounts at all”.⁷² In its Report into Restoring Confidence in Long-term Savings, in the last Parliament, the then Treasury Committee noted that there was broad agreement that the money laundering regulations required simplification.⁷³ For basic bank accounts, all three mystery shopping exercises conducted by the Banking Code Standards Board and reported so far—in 2003, 2004 and 2005—have highlighted continuing problems. The BCSB told us:

Anti-Money Laundering checks still create difficulties. Many benefit recipients do not have documents such as driving licences or passports. Some bank staff need to be more aware of alternative forms of identification: greater flexibility is needed at branch level.⁷⁴

41. When asked to list the barriers that had prevented them from previously opening an account, 56% of clients assisted by SAFE mentioned the provision of identification and address verification documents to satisfy the anti money-laundering requirements as a factor. SAFE noted that, despite the help they had given to applicants in preparing their identification in advance of visiting a bank, 60% of applicants were not able to open an account on their first visit, with over one quarter being refused outright.⁷⁵ The BBA

69 Ev 205

70 Ev 353, 215, 202

71 These are currently set out in the FSA’s Money-Laundering Sourcebook. The FSA has recently announced its intention to replace the Money Laundering Sourcebook with a limited number of provisions focusing on senior management responsibility, risk management and systems and controls. See FSA PS06/01: Reviewing our Money Laundering regime, 27 January 2006.

72 Treasury Committee, Oral and written evidence on the Single Market in Financial Services, 16 September 2004, HC (2003–04) 1068-I, Qq 43–44

73 Treasury Committee, Eighth Report of Session 2003–04, *Restoring confidence in long-term savings*, HC 71–I, para 81

74 Ev 202

75 SAFE, *Banking the Unbanked—a snapshot*, pp 44–46

accepted that, “for the great majority of retail customers, account opening with the standard identification evidence ... is quick and hassle free, but this is often not the case with those special interest groups that may not possess the standard documentation”.⁷⁶

42. The FSA and the banks undertook a multi-agency initiative to deliver a more proportionate customer identification regime which commands industry and consumer support and meets law enforcement needs. The new guidelines were released by the JMLSG on 3 March 2006. The BBA told us that the new guidance contained three significant changes compared with previous guidance:

- A distinction is now made between information that a firm should collect about a customer’s identity, and evidence that the firm must verify;
- For the great majority of customers, for anti-money laundering purposes, a firm in a face-to-face situation will be able to verify, from documents that give a high level of confidence in an individual’s identity, the customer’s full name and photograph and either their residential address or their date of birth; the effect of this will be to enable identification from a single document where the individual possesses either a passport or a photo-card driving licence;
- There is now expanded guidance on documentation that may be accepted, on a proportionate and risk-based approach, for those customers who cannot reasonably be expected to possess standard documentation.⁷⁷

43. Mr Tiner told us that the new guidance

basically says that the banks should have a predisposition to help [financially excluded] people open their account, even if they cannot prove where they live—and that is no longer a requirement, which is a very big change from the old system. They do not have to prove their address any more. So the days of utility bills and things like that for these people are gone. All they have to do is take a letter from someone that suggests that they are a bona fide person.⁷⁸

Mr Clive Briault, Managing Director of Retail Markets at the FSA, added that there was now specific guidance covering groups that had previously experienced difficulty, such as newly-arrived immigrants or people just leaving prison.⁷⁹ He also made it clear that “there is now a revised set of requirements which should make it much easier for people to open bank accounts ... and we would hope that banks would change the way in which they operate to reflect those new, more permissive guidelines”.⁸⁰ Mr Tiner summed up by stating that that there “is a sea change that is needed in the banks ... to help their customers”.⁸¹ The FSA rules require “appropriate measures to ensure that procedures for identification of new customers do not unreasonably deny access to its services to potential

76 Ev 215

77 Ibid

78 Q 685

79 Q 687

80 Q 688

81 Ibid

customers who cannot reasonably be expected to produce detailed evidence of identity”.⁸² Ms Teresa Perchard of Citizens Advice noted that the new guidelines would allow the acceptance of a benefit entitlement letter, or a letter from a responsible person, and stressed that the issue was now “getting the practice right on the frontline”.⁸³

44. A number of witnesses expressed concern that the provisions of the Proceeds of Crime Act 2002 that made bank staff individually responsible for their decisions could encourage a risk-averse attitude amongst bank staff to opening basic bank accounts. Mr Seymour Fortescue, Chief Executive of the BCSB, believed that the issue of identity verification needed to be seen

in the context of it being a criminal offence to open a bank account for somebody without adequate ID and the very substantial fines which the FSA has made on certain institutions which have not got it right. There is a risk-averse culture in most banks.⁸⁴

The FSA has taken the step of writing to the banks to tackle this ‘fear factor’ by indicating that it will take a risk-based approach to enforcing the new requirements. Mr John thought that the problems arising from the risk-averse approach taken by individual members of staff could be tackled through “reinforcement and confidence and training so that members of staff are confident that if it is an item on a list that we provide to all branches then they know that they are okay. It is training; you have to reinforce it.”⁸⁵

45. Many banks have both a shortlist of accepted identification, for the most trusted forms of identification, such as a passport, and an extended list that includes less traditional forms of identification.⁸⁶ There have been calls for all banks to make both these lists available in branches and to inform applicants of the different options that were available to help them prove their identity.⁸⁷ Banks will also need to amend their literature to ensure that there is reference to the fact that a full passport is not always required.

46. Mr Crosby told us that he thought that

the challenge is particularly great for basic bank account applications because a good deal more flexibility was required at the front end because a lot of such customers maybe do not have passports and utility bills and things. So in our organisation, because we process these applications centrally, we have been able to change the money guidance rules for basic bank accounts very quickly—we have not been able to do it for other accounts—and we can see that it is a lot easier; we can have somebody who has the experience to accept a photocopy of a letter from a doctor, for example, as valid evidence. I think that is a sign that it will get better, but there is

82 FSA Handbook, Senior Management Arrangements, Systems and Controls, SYSC 3.2.6 G(5)

83 Q 16

84 Q 353

85 Q 802

86 Ev 206

87 SAFE, *Banking the Unbanked—a snapshot*, p 46

obviously more to do in terms of the reception that you are hearing that customers are getting.⁸⁸

Sir Fred Goodwin suggested the possibility of a “de minimis” level for money laundering requirements, in other words that there could be some specific level of transactions below which a lower standard of proof could be required, combined with closer monitoring of account transactions.⁸⁹ RBS told us that they had “established relationships with intermediaries like Working Links, JobCentre Plus and Reed in Partnership, whose long-standing links to [financially excluded] individuals can help overcome the problem of confirming identity”.⁹⁰

47. A number of witnesses noted that the reforms would not provide a complete solution. SAFE considered that recent JMLSG guideline reforms were unlikely to have a huge impact on the ability of the financially excluded to open bank accounts because “the use of one form of identity relies upon the use of a primary form of identification (e.g passport) which people experiencing financial exclusion are usually unable to provide in any case”.⁹¹ SAFE also noted that, while applicants may be able to use their original DWP proof of benefit entitlement award letter, “the address may be old and therefore contradict what the client is stating as their new address” and “the original letter cannot be reissued”.⁹² We also note that, under the standard procedure for confirming identity, where an applicant can only produce a Government document without a photograph, such as a benefit entitlement letter, this will need to be supported by a second document, such as a utility or council tax bill. Mr Pomeroy cautioned that, while the rules were a great improvement, he did not think “they necessarily solve the problem for everybody”.⁹³ He believed that the key point was that “it is one thing to have the rules; it is another thing to have bank frontline staff trained in them and implementing them”. He urged “the banks to make sure their frontline staff are fully trained, so that they do accept the alternative documentation and do not turn people away because they are not au fait with the latest rules”.⁹⁴

48. Problems with satisfying the identification requirements of the anti-money laundering regulations are the single most significant barrier preventing access to basic bank accounts. There is a need for a proportionate regulatory regime that strikes an appropriate balance between promoting financial inclusion and the need to combat money laundering. We welcome the recent revision of the money laundering guidance that seeks to accomplish these aims. The banks now need to ensure that this flexible approach is reflected in their own internal guidance and also that a flexible approach is taken at branch level. In order to comply with the requirement of the Banking Code to “tell customers what information they need to provide to prove their identity”, we recommend that all banks provide extended lists to applicants and ensure that staff are

88 Q 799

89 Ibid

90 Ev 452

91 Ev 466

92 Memorandum from SAFE: unprinted.

93 Q 486

94 Ibid

advised to work with applicants to inform them of all possible options for proving their identity.

49. It is important that the FSA continues its actions to remove the risk-averse culture at bank level and take a risk-based approach to enforcement. It is also important that individual banks remove the barrier of risk-averse individual employees through clear training on what forms of identity are acceptable and the importance of promoting financial inclusion. We recommend that the FSA monitor the implementation of the revised JMLSG guidance closely and produce a report in the first half of 2007 on the variety of approaches taken by the banks, including an assessment of whether these have led to improvement. We further recommend that the FSA take action under its rules if it is found that the procedures or practices of individual banks at branch level unreasonably deny access to basic bank accounts to those who cannot reasonably be expected to produce particular documentation as evidence of identity.

50. Many financially excluded individuals will be in contact with public sector agencies and we note the partnerships that banks have developed with organisations such as Job-Centre Plus. We recommend that the Government review the extent to which existing relationships with public sector organisations can be used to help the financially excluded prove their identity. We also expect the Government to encourage banks to develop links with public sector organisations and other third sector groups such as housing associations and to work proactively with organisations such as SAFE to develop solutions to help financially excluded people prove their identity.

51. Membership of the Joint Money Laundering Steering Group consists of 16 trade associations in the financial services industry. The Group’s aim is to promote good practice in countering money laundering and to give practical assistance in interpreting the Money Laundering Regulations. To ensure that the implementation of money laundering regulations and associated industry guidance adequately consider the needs of financially-excluded consumers, we recommend that membership of the Joint Money Laundering Steering Group be expanded to include a representative of consumer groups.

Unsuccessful applications

52. We received evidence to suggest that some individuals who were unsuccessful in applying to open a basic bank account did not understand why. This could lead them to make a further application without remedying the problem that gave rise to the lack of success of the previous application.⁹⁵ We recommend that the Guidance accompanying the Banking Code be amended to ensure that, where applications for basic bank accounts are turned down, banks should explain to applicants why their application has been turned down and what steps might need to be undertaken to allow their application to be accepted.

Delays in opening basic bank accounts

53. Citizens Advice reported to us that some of their clients were experiencing long delays when attempting to open basic bank accounts with some banks. When a benefit claimant is required to open an account before they can receive their benefit, such delays can cause significant inconvenience and potentially hardship.⁹⁶ The BCSB agreed that “speed of being able to open an account is crucial where the payment of benefits is concerned”. Their mystery shopping found evidence of “unnecessary delays (in one case of up to seven weeks)”, which were described as “unacceptable”.⁹⁷ Mr Fortescue told us that the cause of these delays was

usually to do with identification problems, particularly if the documents have to be sent to a central point; they then get sent back with a letter which somebody, whose first language may not be English, may have difficulty in understanding ... You can imagine the sort of delays which result.⁹⁸

54. SAFE referred to the issues of cost and security as well as delay in cases where applicants were required to send away original copies of identity documents for verification, noting that “for some [applicants] the only valid form of identity they may have is a giro cheque. They would simply not be able to send this off in the post and wait for it to be returned an unlimited number of days later.”⁹⁹ Some banks have begun to make changes to tackle these problems. Barclays told us that they had altered their processes so that applicants no longer had to send original identity documents to their central processing unit and could now have them verified in the bank branch.¹⁰⁰

55. Ms Whyley of the NCC believed that, “because the basic bank account is often used for benefit payment, knowing when your account will be open is critical to having that system working reliably”. She felt that there should be a time limit specified for the basic bank account opening process.¹⁰¹ Mr Fairey of Lloyds TSB accepted the principle that, once a bank had satisfied its obligation under the money laundering regulations, it should take no longer than ten days to provide a fully operational basic bank account.¹⁰² **Long delays in opening basic bank accounts are unacceptable. These delays are associated with the central processing of applications, as opposed to banks allowing processing to be undertaken at branch level. We recommend that the Banking Code be amended to require verification of identity documents to take place at branch level rather than applicants being required to send documents away to a central point. We would expect that all banks would wish to ensure that they have procedures in place for verification at branch level even before such a change to the Code comes into effect. We further recommend that the Banking Code be amended to establish a maximum time limit of ten days for providing a fully functional basic bank account where the customer has**

96 Ev 241

97 Ev 202

98 Q 360

99 SAFE, *Banking the Unbanked - a snapshot*, p 51

100 Ev 212

101 Q 12

102 Q 805

provided appropriate identification. We would expect individual banks to ensure that their own standards meet or improve upon that limit before such a change to the Code comes into effect.

Access for people in debt or undischarged bankrupts

56. Early in 2005 our predecessors noted that basic bank accounts were a useful tool for people with bad debts to manage their repayments, without the risk that paying money into an overdrawn account would be significantly reduced by charges.¹⁰³ Because basic bank accounts have no overdraft facility, access to a basic bank account can also prevent the accumulation of further debt. The Government agreed with the then Committee that “Basic bank accounts can be a useful way for people in debt to manage their commitments and attempt to resolve their problems”.¹⁰⁴ However, as can be seen from Table 3, a number of banks currently do not allow people with bad debts to open basic bank accounts:

Table 3: Reasons for refusing access to basic bank accounts

Bank	Reasons for refusal
Abbey: Basic Account	Undischarged bankrupt, record of fraud
Alliance & Leicester: Basic Cash Account	Undischarged bankrupt, some bad debts, depending on individual circumstances
Bank of Ireland: Basic Cash Account	Undischarged bankrupt, record of fraud, record of bad debts
Bank of Scotland: Easycash	Undischarged bankrupt, record of fraud
Barclays: Cash Card Account	Record of fraud
Clydesdale: Cashmaster	Undischarged bankrupt, record of fraud, some bad debts
Co-operative Bank: Cashminder	Record of fraud
First Trust Bank: Basic Bank Account	Undischarged bankrupt, record of fraud, record of bad debts
Halifax: Easycash	Undischarged bankrupt, record of fraud
HSBC: Basic Bank Account	Undischarged bankrupt, record of fraud
Lloyds TSB: Basic Bank Account	Undischarged bankrupt, record of fraud
Nationwide Building Society: Flex Cash Card	History of fraud
NatWest: Step Account	Undischarged bankrupt, record of fraud
Northern Bank: Cashmaster – Basic	Undischarged bankrupt, record of fraud, record of bad debts
The Royal Bank of Scotland: Key Account	Undischarged bankrupt, record of fraud
Ulster Bank: Basic Bank Account	Undischarged bankrupt, record of fraud
Yorkshire Bank: Readycash	Undischarged bankrupt, record of fraud, record of bad debts

Source: FSA, *Basic Bank Accounts – Your questions answered*, page 7

57. The vast majority of banks restrict the ability of people who are undischarged bankrupts from opening bank accounts. The Enterprise Act 2002 made changes to the insolvency regime to make it more supportive of enterprise. The maximum duration of

103 Treasury Committee, Second Report of Session 2004–05, *Credit card charges and marketing*, HC 274, para 75

104 Treasury Committee, Second Special Report of Session 2004–05, *Responses to the Committee’s Second Report of Session 2004-05: Credit card charges and marketing*, HC 508, p 10

bankruptcy was reduced to one year to “allow a fresh start for those who have failed through no fault of their own”.¹⁰⁵ The number of people opting for bankruptcy has risen strongly in recent years, with personal insolvencies reaching 47,291 in 2005, an increase of 31% on the previous year.¹⁰⁶ Citizens Advice argued that “the limited choice of bank accounts for undischarged bankrupts arguably contradicts the Government’s policy intention that bankruptcy should allow people in unmanageable debt to make a fresh start”.¹⁰⁷

58. Some of the problems faced by applicants may be related to the decision of banks to undertake credit searches for basic bank account applicants. To help confirm an applicants address, banks may undertake electronic identity checks to determine whether a person was on the electoral register, but it is not necessary to undertake credit checks for an account that does not provide credit.¹⁰⁸ Nevertheless, the BCSB found in its 2005 survey that, “in 38% of cases, our assessors were advised that they would be credit checked”.¹⁰⁹

59. There are some examples of good practice amongst the banks. Barclays, the Nationwide Building Society, and the Co-operative bank will offer basic bank accounts to all applicants unless they have a record of fraudulent activity. **We welcome the policy of Barclays, Nationwide and the Cooperative bank in providing access to basic bank accounts to all except those with a record of fraudulent activity. Basic bank accounts are a useful way for those in debt to manage their commitments and attempt to resolve their problems. Because basic bank accounts do not offer any credit, banks should not need to conduct credit reference checks—as opposed to electronic identity checks—on applicants, and we recommend that the Banking Code be amended to prohibit such credit reference checks. Denying basic bank accounts to undischarged bankrupts seems to run contrary to the spirit of the policy of the Government to encourage enterprise by introducing a bankruptcy procedure intended to provide a fresh start for those who fail through no fault of their own. We recommend that the Banking Code be amended to ensure that basic bank accounts are not unreasonably denied to those with debt problems and we further recommend that all banks review their policies on access to basic bank accounts for those in debt and undischarged bankrupts.**

Promotion and marketing

60. The availability of clear and informative literature about basic bank accounts can be an important method of encouraging the financially excluded to apply for bank accounts. Similarly, a lack of literature can mean that applicants find it difficult to apply for an account or are simply not aware of its existence. The BCSB told us that

Whilst it is not a Code requirement to do so, in every survey that we have undertaken to date we have recommended that banks and building societies make sure that their Basic Bank Account literature is readily available in branches. There

105 Speech by Melanie Johnson MP, Insolvency Lawyers Association, 13 November 2002

106 The Insolvency Service, press release, 5 May 2006

107 Citizens Advice, Banking Benefits, January 2006, p 18

108 Banking Code Standards Board, Survey of Subscribers providing Basic Bank Accounts, November 2005, p 7

109 Ibid

has been some improvement, but we found that about 30% of our assessors had difficulty in getting literature and in some cases it was not available at all.¹¹⁰

In many cases, the literature was not available in the banking hall and was only available behind the counter.¹¹¹ SAFE believed that the banks needed to make greater effort to ensure that their literature clear and appropriate for the financially excluded.¹¹² **We recommend that the Banking Code be amended to require all banks to display their basic bank account literature in branches. Marketing material should be developed with the needs of the financially excluded in mind and we encourage banks to work with community groups and others to ensure basic bank account literature is appropriate and accessible.**

Enforcement

61. We received evidence that banks were attempting actively to dissuade individuals from opening basic bank accounts. The BCSB’s mystery shopping indicated that in 20% of cases applicants were actively dissuaded from opening basic bank accounts. Again, results varied between banks, with one actively dissuading 40% of applicants, while another did not actively dissuade a single person from opening an account.¹¹³ **We expect the Banking Code Standards Board to investigate the extent and form of dissuasion of financially excluded people from opening basic bank accounts and to take action against any banks found to be actively dissuading such people from opening basic bank accounts.**

110 Ev 202

111 Banking Code Standards Board, Survey of Subscribers providing Basic Bank Accounts, November 2005, p 6

112 SAFE, Banking the Unbanked, pp 30–32

113 Banking Code Standards Board, Survey of Subscribers providing Basic Bank Accounts, November 2005, p 10

5 Operating basic bank accounts

Introduction

62. Providing access to bank accounts will not ensure financial inclusion, unless those accounts are used appropriately and do not subject users to unsuitable terms and conditions. Which? suspected that there was “a significant difference between the headline figures quoted and the number of accounts that are actually being actively used by consumers who were previously excluded”.¹¹⁴ Derbyloans told us that

Possibly as many as 30% to 40% of our applicants will withdraw all but a few pence of their wage or benefit on the day it is credited and carry on using cash as before. All the ownership of a bank account has done is to add an additional step to getting access to their money and has produced no change in their financial behaviour or aspirations.¹¹⁵

Ms Whyley of the NCC argued that

the basic bank account model is not quite appropriate for people who have been financially excluded. It does not offer the benefits of financial inclusion which are going to attract people to start changing their money management style ... I think the bit that has been missed out is talking to people who are financially excluded about what banking services they need, how they would like them to be delivered and how that would offer them the sorts of benefits that would attract them into banks to take those accounts out.¹¹⁶

Mr Crosby of HBOS told us that “in one sense” such comments were

valid criticism because basic bank accounts are derived from current accounts that were developed over many years. In another sense, I do not think it is because the core aspect of the basic bank account ... is the lack of access to credit but with access to the money transmission system. That was never an original part of current accounts. In fact, a lot of investment had to go on to make that money transmission work. So I think the answer is yes and no, but hopefully, as the years go by, we will get better at tailoring basic bank accounts to the needs of those customers.¹¹⁷

63. The NCC suggested a number of areas where current terms and conditions were posing problems for low-income people operating basic bank accounts. These included problems with the direct debit system over the lack of access to weekly payments and disproportionate penalty charges; lack of counter access and longer cheque clearing cycles and banks appropriating money in basic bank accounts to pay other debts.¹¹⁸ The NCC believed that “basic bank accounts need to be redesigned to meet the needs of the

114 Ev 502

115 Ev 279

116 Q 17

117 Q 806

118 National Consumer Council, Basic Banking, July 2005

financially excluded”.¹¹⁹ They suggested that basic bank accounts should offer counter access at branches, a small penalty-free buffer zone to guard against unpaid direct debits, systems that recognise and fit with the weekly budgeting cycle, including statements and payment mechanisms; and automated payments that are triggered by money entering the account so that payments cannot be made without money to cover them.¹²⁰ Other improvements suggested by research conducted with low-income consumers were mechanisms that would help those on low-incomes to manage and control their tight budgets and provide clear information on the amount of money in the account and impending direct debits and warning consumers if they are about to go into the red.¹²¹

64. There remain questions about what will trigger changes to the terms and conditions of basic bank accounts to make them easier to operate and more appropriate for people on low-incomes. Mr Hoffman believed that there was some advantage in consistency of some basic features, but beyond that there are competitive features that some banks would add.¹²² Mr Crosby believed that

a lot of the basic features will be common, [but] how do we in the end best serve these universal customers with products that are most tailored to their needs—it is to let market forces do it. I think it is about competition driving innovation, both in terms of the service [banks] provide and the features.¹²³

65. The Treasury had previously consulted on whether there should be minimum standards for basic bank accounts, but this option was not pursued.¹²⁴ **Financial inclusion will require more than the achievement of numerical targets for numbers of accounts opened. Survey evidence indicates that a significant proportion of basic bank account holders withdraw all their money in cash on the day it is credited and gain little benefit from operating a basic bank account. There needs to be a greater focus on ensuring that the terms and conditions of basic bank accounts are appropriate and useful for those on low incomes. We make a number of recommendations below and expect the Treasury, the Financial Inclusion Taskforce and the banks to discuss and take forward appropriate measures for their implementation.**

Default charges and a buffer zone

66. Penalty charges applied by banks when funds are not available to meet a direct debit can result in serious short-term pressures on tight household finances. Table 4 shows the charges levied for failed direct debits and whether the basic bank account offers a buffer zone to prevent charges being incurred. The average charge levied is £34.

119 Ev 397

120 Ibid

121 Presentation by Opinion leader research, Financial Inclusion Taskforce conference, 20 April 2006: see www.financialinclusion-taskforce.org.uk

122 Q 818

123 Q 819

124 HM Treasury, *Standards for Retail Financial Products*, January 2001

Table 4: Level of default charges and whether the basic bank account offers a buffer zone

	Buffer Zone	Charge for unpaid direct debits
Abbey: Basic Account	No	£35
Alliance & Leicester: Basic Cash Account	No	£34
Bank of Ireland: Basic Cash Account	No	£38
Bank of Scotland: Easycash	No	£39
Barclays: Cash Card Account	No	£15
Clydesdale: Cashmaster	No	£35
Co-operative Bank: Cashminder	No	£19.50
First Trust Bank: Basic Bank Account	£10	£38
Halifax: Easycash	No	£39
HSBC: Basic Bank Account	£10	No
Lloyds TSB: Basic Bank Account	£10	No
Nationwide Building Society: Flex Cash Card	£30	£30
NatWest: Step Account	No	£38
Northern Bank: Cashmaster – Basic	No	£28
The Royal Bank of Scotland: Key Account	No	£38
Ulster Bank: Basic Bank Account	No	£30
Yorkshire Bank: Readycash	No	£35

Source: FSA, *Basic Bank Accounts – Your questions answered*, p 7

Many witnesses compared the level of default charges with benefit levels.¹²⁵ For example:

- Basic State Pension: £84.25 per week;
- Personal allowance for income support for a person who is 25 or over: £57.45 per week;
- Long-term incapacity benefit: £76.45 per week.

The average charge can therefore represent a large proportion of a low-income household's weekly income. Such charges could result in serious short-term financial pressures on tight family budgets, forcing them to cut back on necessities. NCC research had indicated that penalty charges were more likely to be incurred in low-income households with children, and especially single parents on benefit. They told us that

people on low incomes cannot afford these charges and they act as a disincentive to being financially included ... Levying high charges on those customers who are least able to pay is clearly inappropriate given that the account is supposed to meet the needs of people on low incomes.¹²⁶

125 Ev 279, 242, 397; Citizens Advice, *Banking Benefits*, pp 29–30

126 Ev 397

Mr Barry told us that one of his clients “had £140 a month being taken from her account in bank charges” for non-payment of direct debits.¹²⁷ There is also an issue as to whether the level of such charges would meet the general test of fairness set out in the Unfair Terms in Consumer Contracts Regulations 1999. In assessing whether the charge would meet this test, the OFT would take a view of whether the charge reflected a reasonable pre-estimate of the net limited additional administrative cost which occur as a result of the specific breaches of contract.¹²⁸ In September 2006, the OFT announced that it was conducting an initial fact-finding exercise to examine the level of default charges on bank accounts and whether they meet the OFT’s definition of fairness.¹²⁹

67. Only one bank has cut its charge in the past year: Barclays recently reduced the default charges on basic bank accounts, from £30 to £15, to reflect the fact that “these customers have very low income or are on benefits”.¹³⁰ Mr Hoffman explained that Barclays “took a pragmatic decision that because of the limited means of the typical cash card account customer we would reduce the fee to £15. We did the same for students because it is an entry level account, too. It was just a pragmatic decision recognising that it would increase the amount that we lose on these accounts.”¹³¹ Two banks—HSBC and Lloyds TSB—do not levy penalty charges on their basic bank accounts. Mr John of HSBC told us that

if you have three returned direct debits or standing orders we would have a conversation with the individual and see what the fundamental problem is. If we believe that there is really—if I use the word “abuse” I do not mean it in a threatening sort of way, but I think people have a responsibility to look after the funds they have available, and if I add on to it the ten pound buffer zone which we also give them, so there is a little bit of leeway there, then we have a conversation with them and we ask them to close their account.¹³²

Other banks defended their level of penalty charges on their accounts. Sir Fred Goodwin told us that the charge was “Based on the costs we incur and an estimate of the number of such items there are likely to be over time ... in common with a great many goods and services in the country, they have an individual price and the impact they have is relative to the wealth of the people paying them”.¹³³ **Unreasonable and excessive penalty charges are detrimental to those on low incomes and do not promote financial inclusion. We are not convinced that penalty charges of up to £39 are reasonable and accurately reflect the costs incurred by the banks. We welcome the actions of Barclays in cutting its penalty charge, and the approach taken by HSBC and Lloyds TSB, that do not levy penalty charges on basic bank accounts. We encourage other banks to explore these approaches or apply similar leeway such as not imposing charges for the first three times that direct debits are unpaid. We would expect the OFT to ensure that the level of**

127 Q 27

128 Office of Fair Trading, *Calculating fair default charges in credit card contracts*, April 2006

129 Office of Fair Trading, *Following success on credit card default charges – OFT turns attention to bank current accounts*, September 2006

130 Barclays, *Corporate responsibility report 2006*, p 11

131 Q 831

132 Q 835

133 Q 833

default charges on basic bank accounts is examined as part of its fact-finding exercise into the fairness of bank default charges.

68. Several witnesses recommended the introduction of a small penalty-free overdraft for basic bank accounts to act as a buffer zone. This would allow for a small element of leeway and prevent charges being incurred unnecessarily. HSBC and Lloyds TSB currently offer a buffer zone of £10.¹³⁴ Nationwide told us that they offered a buffer zone of £30 and that this meant that “if a customer has £25 in their account and a £50 direct debit is being processed the payment will be honoured and no fee charged”.¹³⁵ Mr Pomeroy told us that discussions with people on low incomes had indicated that such a buffer zone would be useful.¹³⁶ This position was also supported by the Economic Secretary to the Treasury and the Banking Code Standards Board.¹³⁷ **There is broad agreement that a small penalty free buffer zone of £10 can help low-income households manage their commitments and avoid the charges and hassle associated with failed direct debits. We recommend that all basic bank accounts should incorporate such a buffer zone.**

Direct debits

69. The NCC believed that “monthly direct debits, which require payment to be made on a set date do not meet the needs of many people on low incomes. Weekly, rather than monthly, budgeting remains their preferred option.”¹³⁸ We put to the banks the proposition that basic bank accounts might offer weekly direct debits. They told us that the timing of direct debits was controlled by the originator (for example the utility company) that was billing the consumer. In effect, basic bank accounts offered the facility to pay weekly direct debits already, but it was in the hands of the utility companies as to whether direct debits were taken out weekly or monthly. Consumer groups and Professor Kempson have put forward the idea that banks could provide a system of automated payments, that were triggered by the receipt of money into the account.¹³⁹ This could ensure that payments would not be made without the money to cover them. It could also provide customers with a mechanism for improving access to affordable credit and to help low income households to budget properly. However, banks believed that such an approach could be impractical because the bank would have to tell a utility company that the money was not in the account before the direct debit was triggered and then store the direct debit instruction until the money was in the account.¹⁴⁰ A simpler method might be to allow greater flexibility of the direct debit date to coincide with an incoming credit, but again responsibility for changing any date would normally lie with the utility company. **There is a compelling case for establishing a formal dialogue between the banks and utility companies to consider the extent of demand for weekly direct debits and how such demand might be met. We expect the banks to agree proposals for improvements to the**

134 Ev 352, 369

135 Ev 393

136 Q 490

137 Qq 980, 386

138 National Consumer Council, Basic Banking, July 2005

139 Ev 397; Kempson, Collard, Affordable Credit for low-income households, February 2005

140 Qq 811–812

direct debit system so that payments could be triggered by money coming into the account, although we note the complexities of the issues involved.

Counter services

70. We received evidence that some banks had begun to restrict counter access to basic bank accounts. The Treasury told us that they were

aware of recent moves by some of the banks to restrict over-the-counter access to basic bank accounts. The Government would be concerned if changes to the terms and conditions of basic bank accounts were such that the benefits of holding an account were eroded.¹⁴¹

Current information indicates that Lloyds TSB, Halifax, Abbey National and Alliance and Leicester do not allow basic bank account holders to use the counter.¹⁴² This has the effect of providing a second class service to basic bank account holders, removes access to counter staff support and reduces opportunities to gain access to other financial services. Help the Aged have pointed out that lack of counter access can pose difficulties for the elderly and those who have trouble remembering PIN numbers.¹⁴³ We reproduce extracts from the terms and conditions from the two major banks that do not permit counter access below:

- The Lloyds TSB basic bank account doesn't include: withdrawals from branch counters for less than £200 in any one day.
- With [HBOS] Easycash, you won't be able to: Access the branch counter service when withdrawing less than £300.

71. Three banks that gave evidence, RBS, Barclays and HSBC, allowed counter access to basic bank accounts. Sir Fred Goodwin told us that it was “pretty basic stuff here, that if you give somebody an account then they should be able to use your facilities.”¹⁴⁴ Mr Hoffman was clear that Barclays' basic bank account holders were not regarded as “second-class citizens” and were offered the same access to branch counters and ATMs as normal current account holders.¹⁴⁵ The two other banks we questioned on counter access suggested that, although the terms and conditions of their basic bank accounts did not allow counter access, in practice customers were not denied access to the branch network. Mr Fairey of Lloyds TSB told us that “At the moment our literature states that we do not encourage encashment at the counter under £200. In practicality, we do and we provide that service to customers.”¹⁴⁶ Mr Crosby told us that HBOS's “cash card product is a card-based product ... rather than counter-based, but having said that our social banking customers do enjoy access, in practice, to our branch counters because all our management

141 Ev 342

142 SAFE, Banking the unbanked: a snapshot, p 34

143 Ev 333

144 Q 816

145 Q 761

146 Q 814

have local discretion. So it is a mix-and-match situation.”¹⁴⁷ **Treating basic bank account holders like second class citizens by denying access to branch counters causes exclusion and reduces the opportunities for holders to become further integrated with the financial services sector. We welcome the policy of RBS, Barclays, HSBC and other banks that provide full counter access for their basic bank account customers. HBOS and Lloyds TSB told us that in practice they do not deny counter access to basic bank account customers. We recommend that they amend their terms and conditions to make it clear that they will provide counter access to such customers, although we would expect banks to continue to advise customers on the different ways of accessing their money and to provide practical assistance to customers in using ATMs or other automated services.**

Cheque clearing

72. In the light of criticisms expressed in the Cruickshank report, the OFT payments systems taskforce is currently examining whether there is sufficient demand from and benefits for consumers and businesses in speeding up cheque clearance times.¹⁴⁸ Some banks currently require longer clearance times for cheques paid into basic bank accounts than their current accounts.¹⁴⁹ The BCSB found that five banks applied longer clearing periods for paying cheques into their basic bank account compared with their standard current accounts. However, the BCSB noted that staff were not providing a clear explanation of cheque clearing times and practical advice on what this actually meant in terms of when money would be available for withdrawal.¹⁵⁰ Mr Crosby said that HBOS had lengthened the cheque clearance time for basic bank account customers from four days to six days due to very significant levels of cheque fraud that were being suffered, and informed us that, by increasing the clearance time, HBOS had “reduced fraud levels by 80%”.¹⁵¹ **We note that five banks currently apply longer cheque clearing times to basic bank accounts and that there is some evidence that such an approach has been successful in reducing fraud. However, longer cheque clearing times represent a significant disadvantage to customers and we recommend that the OFT payment systems taskforce specifically consider the issue of longer clearing times for basic bank accounts as part of its report on the cheque clearing system. That report should lay out a clear timetable to reduce the clearing times for cheques paid into basic bank accounts.**

The right of set-off

73. Banks are able to take money out of a customer’s bank account to pay other debts owed to the bank. For example, a bank could transfer money from a current account to pay a loan taken out by the same person. This is called the right of set-off, and there is no limit on the amount a bank can take, although the Financial Ombudsman Service has stated that banks should not exercise their right of set-off before giving a customer a reasonable

147 Q 813

148 Office of Fair Trading, Second Annual progress report of the Payment Systems Taskforce, May 2006, para 1.7

149 Qq 820–827

150 Banking Code Standards Board, Survey of Subscribers providing Basic Bank Accounts, November 2005, p 14

151 Q 823

opportunity to pay the debt.¹⁵² Citizens Advice provided evidence to suggest that banks were using their right of set-off to remove money from basic bank accounts, even when a debt management plan has been agreed with creditors.¹⁵³ Mr Fortescue told us that the Banking Code guidance stated that “banks should leave the customer with sufficient money for day-to-day expenses, taking account of an individual circumstances. [The BCSB] is aware of instances where that has not happened; where the bank has grabbed all the money when it is paid in after the salary date ... we have taken them up with the bank concerned and been able to rectify the situation.”¹⁵⁴ **We consider that banks should not exercise their right of set-off from basic bank accounts in cases where an individual repayment plan has been agreed. In other cases, banks should always leave consumers with sufficient money for day-to-day expenses. We recommend that the BCSB investigate this issue further and propose any appropriate changes to the Banking Code. We also consider that the fact that banks may exercise the right of set-off needs to be made much clearer to consumers in the literature issued by the banks and when consumers open bank accounts.**

Cash budgeting

74. Mr Pomeroy observed that many people had an apprehension about opening bank accounts due to a fear that they would lose control of their budget. He told us that it was very clear that

someone who has been used to working in cash—seeing the cash there on the mantelpiece or in a jar or wherever it happens to be—is daunted by having the money go into an account. You cannot actually see it physically [so] how will you control it? The sort of features that these accounts need to have are features which assist in reassuring [customers] over control.¹⁵⁵

The NCC noted that basic bank accounts can undermine previously successful cash management strategies.¹⁵⁶ **Basic bank accounts should contain features that help people monitor their day-to-day expenses. These could include regular statements or the ability to check balances at Post Offices. We recommend that research be undertaken by the Financial Inclusion Taskforce into methods of helping communicate to basic bank account users the amount of money left in their account and any impending direct debits. We further recommend that the banks investigate innovative ways of accomplishing this through mechanisms such as text message banking.**

Access to free cash withdrawals

75. In the previous Parliament, our predecessor Committee conducted an inquiry into cash machine charges. The Report arising from this inquiry noted that, as part of the agenda of

¹⁵² For further information see Banking: firms right of ‘set off’, Financial Ombudsman Service, Ombudsman news, Issue 40, September/October 2004

¹⁵³ Ev 241–242

¹⁵⁴ Q 373

¹⁵⁵ Q 489

¹⁵⁶ National Consumer Council, Basic banking: Getting the first steps right.

promoting financial inclusion, it was important that those on low incomes had access to free cash withdrawals from their bank account.¹⁵⁷ Since that Report was published, a number of banks have made announcements to expand their provision of free cash machines into low-income areas. A working group, chaired by the Rt Hon John McFall MP, was established with the support of the Economic Secretary to the Treasury in July 2006 which is currently examining what mechanisms can be used to support the provision of free cash machines in low-income areas.¹⁵⁸ We welcome the action taken by the banks and await the full report from the ATM working group.

Survey information

76. While the BCSB has conducted regular research into the opening of basic bank accounts, they admitted in oral evidence that they had not conducted research into the problems and experiences of customers in operating the accounts. Mr Fortescue, Chief Executive of the BCSB, accepted that such research would be a good idea and later wrote to us accepting the view that more information was needed and promising to propose such research.¹⁵⁹ **We recommend that the Banking Code Standards Board conduct research as a high priority into the experience of consumers operating basic bank accounts.**

Broader targets

77. **A strategy that simply looks at the absolute numbers of accounts opened will not deliver meaningful financial inclusion. The Government and the banks need to take a broader approach and ensure that basic bank accounts are useful and appropriate for those who were previously financially excluded. The Government must ensure that the most vulnerable are considered and given appropriate help and assistance to enable them to open and operate accounts. In the medium term, the Government should establish a more sophisticated goal which should take account of actual usage of bank accounts by those who were previously financially excluded rather than focusing simply on the numbers with access to such accounts.**

157 Treasury Committee, Fifth Report of Session 2004–05, *Cash Machine Charges*, HC 191

158 HC Deb, 13 September 2006, col 2334W; Rt Hon John McFall MP press notice, “New cash machine working group will report to Minister”, 4 May 2006

159 Ev 205

6 Wider banking issues

Bill payment

78. There are a number of banking issues relating to financial inclusion which affect a broader spectrum of customers than those who have basic bank accounts. One of these is bill payment. OFGEM stressed that “in the current climate of rising wholesale costs feeding into energy bills, it is important that low-income consumers in particular take advantage of all the options available to them for keeping their bills as low as possible”.¹⁶⁰ The Government recently stated that as a result of the rise in energy prices the its targets for cutting fuel poverty are being placed under serious pressure. They calculated that as a result of recent rises in energy prices the total number of vulnerable households in fuel poverty in England was due to rise by 1 million by the end of 2006, with proportional rises in other countries in the United Kingdom. Vulnerable households are deemed to be those containing children or those who are elderly, sick or disabled.¹⁶¹ Professor Kempson told us that currently

there is no appropriate account-based method of bill payment for people on low incomes. A handful of banks have experimented with bill payment accounts of the type that were commonplace before being replaced by direct debits. The inflexibility of direct debits, and the associated charges if there are insufficient funds to cover a direct debit, are a major reason why people on low incomes do not wish to use transactional banking.¹⁶²

79. The Fuel Poverty Advisory Group agreed that “direct debits are currently unattractive for many low-income consumers. There are very high charges if an account is overdrawn as a result of a direct debit, direct debits are taken monthly rather than weekly and this is not suitable for many on low incomes, and the use of direct debits can leave the customer uncertain how much he/she has available for other needs.”¹⁶³ Sir Fred Goodwin noted that

Direct debits are a difficult tool: on the one hand it can make life very easy but the trouble with a direct debit is it is kind of binary because you are, effectively, giving someone else control over part of your resources, and if you do not have much in the way of resources then it does indeed make life that bit more difficult. Obviously, the people we are talking about here would tend to not carry a buffer in their account, so one of the reasons why you would want access to a direct debit would be to enjoy some of the discounts you get from a utility company, but it is difficult to do that if the utility company then comes and draws an amount out of your account which you do not have control over. Only about 30% of our customers use direct debits in the basic bank accounts, and I think many of them do not use them just because of their binary nature. I do not think it is so much to do with the charge; the charge is one part of your worries but if your direct debits start bouncing ,you then start to

160 Ev 414

161 Defra, DTI, *The UK Fuel Poverty Strategy*, 4th Annual progress report, 2006

162 Ev 425–426

163 Ev 320

have problems with the originator, with the utility companies and anyone else they are coming from. So I think it is right direct debits should be made available as part of the account but they are quite a tricky thing to use.¹⁶⁴

Paypoint, a company which offers a range of bill payment services across the country, noted that paying in cash allowed people to retain control of their finances and also provided a service for the unbanked to pay bills.¹⁶⁵

80. The Government currently operates a third party deduction scheme, which allows benefit claimants to have deductions from benefits to clear arrears on household bills, and in some cases to pay for current consumption. Citizens Advice has recently published research citing problems with the current scheme and calling for a review.¹⁶⁶ OFGEM told us they were keen to see more progress made in

facilities to enable low income customers, particularly those on benefits, to have direct deductions for payment of fuel bills. In this area there is currently a rather limited direct deductions scheme known as Fuel Direct, which is operated by DWP for benefits claimants threatened with disconnection. This is a scheme which fuel companies and consumer groups would like to see expanded, so that it is more generally available as a budgeting tool. DWP have indicated that the current scheme is designed as a last resort measure, and that any wider expansion would be more appropriately undertaken by use of direct debits.¹⁶⁷

Energywatch noted the limitations of the current scheme, observing that "once people are no longer in arrears they are invariably removed from the scheme. Many end up back in debt again when being able to stay in the scheme may have kept them out of debt."¹⁶⁸ Energywatch believed that the scheme would be more effective if "people could opt in and choose to manage their finances in this way and to remain on the scheme if they wish, after debts have been cleared".¹⁶⁹

81. Water UK, the industry association that represents all water suppliers, believed that

there is a need for an account for all those on low income, which could be used for collecting income and for making direct payments for essential services (including water) on a regular customer/creditor agreed period without penalties. We believe this could be funded outside of Government with financing from creditor paid transaction charges.¹⁷⁰

164 Q 807

165 Ev 421

166 Citizens Advice, *Take it away: CAB evidence on the DWP third party deduction scheme and financial inclusion*, 16 March 2005

167 Ev 414–415

168 Ev 289

169 Ibid

170 Memorandum from Water UK: not printed

Water UK also noted that, unlike the third party deduction scheme, a new scheme along the lines proposed could aid in the transition from benefits to work.¹⁷¹

82. Rising energy costs are increasing the number of pensioner and other vulnerable households in fuel poverty. This in turn reinforces the importance of low-income consumers accessing low-cost bill payment services if they are to avoid fuel poverty. Direct debits are currently unattractive to many people on low incomes. We believe there is a need for discussions between utility companies, banks and the Government to consider what improvements could be made to the direct debit system and whether an improved method of bill payment could be developed. In the near term changes to the third party deduction scheme could provide an easy way of improving the ability of those on benefits to manage bill payment. We recommend that the DWP carry out a full review of this scheme with a view to its expansion.

Credit unions

83. The Association of Chartered Certified Accountants (ACCA) noted that the Government had committed to work in partnership with the banking industry to achieve real progress in reducing the numbers of unbanked, but that no similar commitment had been made to work with the credit union movement. The ACCA believed that the role of credit unions as a gateway to bring the financially excluded into mainstream banking ought to be further explored by the Government.¹⁷² The Association of British Credit Unions (ABCUL) told us that credit unions were currently developing a service to provide credit union members with transactional banking through an agreement with the Cooperative bank. Sue Davenport of Leeds City Credit Union told us that this would be a full service current account with the ability to set up direct debits and an ATM card, and that quite a number of members would qualify for a debit card.¹⁷³ The new account would not have an overdraft facility, but account holders would be able to obtain a line of credit within the credit union’s normal lending system. ABCUL also noted that fees for unpaid transactions would be able to be set “substantially lower” than those of banks. Mr Lyonette, Chief Executive of ABCUL, told us that initially 13 credit unions would offer this service, although that represented around one third of the credit union membership because those proposing to offer the service tended to be the larger institutions. He thought that the service could be expanded to perhaps 80 credit unions over the next two to three years.¹⁷⁴

We welcome the development of a credit union-based transactional bank account. We recommend that the Government actively support the development of this account through the Financial Inclusion Fund to enable more credit unions to offer an alternative to basic bank accounts in areas of financial exclusion. We further recommend that the Government give a commitment that it will work constructively with credit unions to maximise their contribution to improving access to banking services for the unbanked.

171 Ev 497

172 Ev 196

173 Q 238

174 Qq 242–243

Local Housing Allowance

84. As part of the next stage of Direct Payment, the DWP is currently piloting in 18 local authorities the introduction of a new way of paying Housing Benefit, known as the Local Housing Allowance. These local authorities encourage tenants to have their LHA paid into their bank account, rather than direct to their landlord. Where the tenant does not have a bank account, they are provided with support and guidance to help them through the process of opening such an account. The DWP told us that paying money direct to the landlord does not encourage the tenant to take any interest in the rent payable or to budget their income to meet their rental liability. Paying the housing benefit to the tenant will encourage “tenants to move to a position similar to those in work thereby making the transition into work easier”.¹⁷⁵

85. We have not considered wider issues relating to LHA, such as its effect on the availability of accommodation or the various levels at which the LHA has been set in the different pilot areas, but it is evident that direct payment of housing benefit in some senses raises the stakes for claimants. For example, if the tenant has difficulties opening a bank account that tenant may be forced to rely on expensive cheque cashing services. In the pilot areas, some claimants had problems opening accounts because banks were not accepting confirmation letters of entitlement to housing benefit as proof of identity.¹⁷⁶ Although the new industry guidance on identification requirements should allow this to happen in the future, it will ultimately depend on the exact changes that banks make to their own internal guidance. If any of the problems operating basic bank accounts which we have already explored, such as excessive default charges or banks appropriating money in bank accounts to pay other debts, are encountered by tenants, this could leave tenants with rent arrears and at risk of losing their homes. Also, if Housing Benefit is paid late or inaccurately then this will run the risk of the tenant incurring overdraft charges. The National Housing Federation told us that

for [local] authorities in the worst performing 25% it took between 42 days and 101 days to process new claims in the last quarter of 2004–05. The Government’s target is for 90% of new claims to be paid within seven days of being processed. Late payments by the local authority will mean individual tenants could incur overdraft charges and could find themselves in rent arrears.¹⁷⁷

The National Housing Federation also noted that a study undertaken by London and Quadrant Housing Association had found that rent arrears increased to 6% in pilot areas. In non-pilot areas arrears were at 3%.¹⁷⁸ **Before rolling out Local Housing Allowance further, the Government must ensure that problems opening and operating basic bank accounts are resolved. In particular, the Government should confirm that there is widespread acceptance by the banks of local authority housing benefit letters as a means of satisfying the identification requirements of the money laundering regulations. Alongside the roll-out of the Local Housing Allowance, the Government**

175 Ev 276

176 Citizens Advice, Early Days—CAB evidence on the Local Housing Allowance, p 12

177 Ev 390

178 Ibid

must also provide funding for services operated by Citizens Advice Bureau or other advice agencies to help people open bank accounts and provide guidance on how to operate the account. The target for 90% of housing benefit claims being paid within seven days of being processed needs to be met by all local authorities to ensure that tenants do not incur rent arrears or significant bank default charges as a result of the move to Direct Payment.

Understanding and promoting demand

86. As recognised by many witnesses, the problems of financial inclusion relate not only to the lack of availability of products, but also to the need to stimulate demand for appropriate financial products. The Financial Inclusion Taskforce believed that

individuals may benefit from assistance with understanding the options available to them, the potential benefits of different products, and the requirements for accessing products. Practical assistance in, for example, applying for a bank account may also be appropriate. This kind of informed choice process may be usefully facilitated through organisations such as: those with which individuals are already in touch, such as housing associations or Job Centre Plus; others which the individuals already trust, such as voluntary sector organisations or community groups; or central or local government.¹⁷⁹

87. Barclays considered that the most effective way of reaching people on benefits and low incomes who did not have bank accounts was “via the extensive network already established by HM Government and the charitable sector ... Conventional forms of marketing have proved ineffective at reaching this group of people.”¹⁸⁰ RBS called for more research on the “distinction between the unbanked and those who do not wish to be banked—and the reasons why they may not wish to have a bank account”.¹⁸¹ The Financial Inclusion Taskforce has conducted research with financially excluded groups which concluded that most people who were financially excluded wanted a bank account: 79% had attempted at one time to open a bank account. However, there were significant barriers in terms of lack of awareness of the availability of accounts, a fear that a bank account could be the first step towards debt, and a fear of failure or a worry that they will not qualify for an account, or the banks would reject their application.¹⁸²

88. We visited Services Against Financial Exclusion (SAFE), which is based in Toynbee Hall in East London, to examine its work helping people gain access to bank accounts and provide education on money management and how to operate an account. SAFE works with the Community Banking sections of banks to address access issues at a local level, as well as working with people on low incomes to help them understand the different options available and providing one-to-one support to help clients open a bank account. We talked to people about the difficulty they had in obtaining bank accounts and the additional help

179 Ev 301–302

180 Ev 207

181 Ev 453

182 Opinion leader research, presentation at the Financial Inclusion Taskforce conference, 10 April 2006, www.financialinclusion-taskforce.org.uk

that had been provided by SAFE. On 20 April 2006, the then Chief Secretary to the Treasury, Mr Des Browne MP, announced that money from the Financial Inclusion Fund would be made available to raise awareness of the problem of financial exclusion amongst intermediary organisations such as charities and housing associations. The money was also intended to provide those organisations with tools and training to help their clients access financial services.¹⁸³ The Financial Inclusion Taskforce commissioned research on “Access to financial services by those on the margins of banking”. One of the policy implications of this report was that “Demand stimulation will be needed to make people more aware of the benefits of banking” and that “this will need to go beyond making generic information and advice available—many people need to be supported through the process of opening an account by local contacts who are aware of locally-available services, and how they can be accessed.”¹⁸⁴ **The evidence suggests that the great majority of financially excluded people do want to access bank accounts. However, in many cases, real or perceived barriers can outweigh any advantage that they think might come from accessing a bank account. There is a need for action to stimulate demand and to provide support to the excluded in accessing financial products. Trusted, community-based institutions, such as Services Against Financial Exclusion and Citizens Advice, can play a vital role in promoting financial inclusion and acting as intermediaries. Conventional marketing efforts may not be effective at reaching financially excluded groups, and banks must work in partnership with community organisations to help people to access basic bank accounts. We welcome the additional funding from the Financial Inclusion Fund for intermediary organisations such as charities and housing associations to help raise awareness and promote access to financial services.**

Bank branches

89. We received a submission from Andrew Layshon, Paola Signoretta and Shaun French of Nottingham University which mapped the changing location of bank and building society branches between 1995 and 2003 and listed the types of areas that saw higher or lower rates of branch closure. The research found that

the average branch closure rate for bank and building and society branches for all areas between 1995 and 2003 was 20%. However, the highest rate of closure—almost 24%—was experienced in *Multicultural metropolitan* areas, which include poor inner city areas. Higher than average rates of branch closure were also experienced in areas defined as *Prospering metropolitan*, *Traditional manufacturing*, *Built up areas* and *Student Communities*. Meanwhile, areas that experienced lower than average branch closures tended to be more affluent, and which could safely be described as typically ‘Middle England’; these were *Suburbs and small towns*, *Coastal and countryside areas* and *Industrial hinterland*.¹⁸⁵

However, the research also found that

183 HM Treasury, press release, *Chief Secretary announces funding to help the financially excluded*, 20 April 2006

184 Financial Inclusion Taskforce, *Access to Financial Services by those on the margins of banking*, p 2

185 Ev 488

senior managers in three of the top five British banking groups suggested that since 2000–01 large scale bank branch rationalisation has effectively been put on hold. Although closures have continued to take place since 2000–01 the respondents suggested that these were mostly the result of ‘natural wastage’ citing the end of leasing contracts, problems with making individual branches compliant with the Disability Discrimination Act and other mundane reasons for branch closures rather than the result of formal rationalisation programmes. Nevertheless, evidence also emerged during the research in 2005 that some banks have begun to introduce small-scale, phased closure programmes which go beyond the natural wastage described above.¹⁸⁶

90. The Campaign for Community Banking suggested that a solution to avoid leaving communities without access to bank branches would be to introduce the model of shared branches.¹⁸⁷ They claimed that the pilot scheme conducted by the BBA during 2002 was flawed.¹⁸⁸ Mr Mark Lovell, Chief Executive of Action for Employment (A4e) noted that in other countries there had been trials of how “based on a different technology platform, you can take services out in a mobile way to communities”—describing such a proposal as a “bank in a boot”.¹⁸⁹ **Lack of access to a bank branch can be an important source of geographical financial exclusion. Some vulnerable groups, particularly the elderly, are heavier users of bank branches than younger people. While we note that since 2000–01 large scale bank branch closures have been avoided, we recommend that the Financial Inclusion Taskforce undertake a mapping exercise to determine the problem of lack of access to branches and explore with the high street banks the possibility of innovative models of delivery such as shared or mobile branches.**

Remittances

91. A remittance is generally defined as money sent from one place (or country) to another. This can include migrant workers sending money home to families that remain in their country of origin. According to the World Bank, remittance flows account for about one-third of global external finance, second in volume after foreign direct investment. Increasingly, offering remittance services to immigrant communities is seen as a useful way of encouraging engagement with the formal financial services sector.¹⁹⁰ If migrant workers are unable to access formal money transmission and remittance services, they may turn to the informal sector. The Department for International Development (DFID) estimated that, in 2005, the total value of outward remittance flows from the United Kingdom to developing countries was £2.3 billion. The Government has recognised the importance of remittances in promoting economic development, and DFID is therefore seeking to remove barriers to the flow of money transfers, to lower the costs and to make access to money transfer products easier for those on low incomes. DFID has established a remittances working group to provide a forum for private and public sector representatives

186 Ibid

187 Ev 220

188 Ibid

189 Q 165

190 World Bank, *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, November 2005

to discuss opportunities, as well as constraints, and identify actions to expand and improve remittance transfer services to developing countries.¹⁹¹ Regarding their role, HM Treasury told us that they were "concerned that the remittance services market in the UK should be competitive, efficient and sound, and that new opportunities for money remitters are introduced to enable them to enter and compete fairly in other EU markets".¹⁹²

92. The FSA, the BCSB and Her Majesty's Revenue and Customs (HMRC) are responsible for regulating remittance providers, the first two covering banks and the last covering Money Transfer Organisations. The DFID working group noted concerns that "the FSA and HMRC do not always work in a coordinated manner".¹⁹³ The Money Transmitters Association (MTA) illustrated some problems with the current regulatory regime. HMRC is only allowed to give out limited responses to requests for information: for example, HMRC

can only confirm that a company is registered, it cannot give any details of visits made and whether any inspection yielded a positive result that AML controls were working. In effect, the registration scheme is not helping money transmitters to [obtain] banking facilities.¹⁹⁴

The MTA told us that 75% of money transmitters had experienced problems in obtaining or retaining a bank account. The MTA believed that, "if money transfer companies are prevented from operating legally through the lack of a bank account, they will exit the formal sector but continue to trade in the black market".¹⁹⁵ Mr Tiner agreed that closing the bank accounts of small money transfer organisations increased the risk of money transmission activity migrating to illicit channels and that, in such circumstances, "those people go underground and are not subject to any scrutiny at all". Mr Tiner believed that, between HMRC, the FSA and DFID, they could take this issue forward.¹⁹⁶

93. The Treasury told us that they were currently engaged in a review of the regulatory regime for Money Service Businesses (MSBs) to ensure that

the supervisory regime continues to support the needs of a dynamic and flexible MSB sector that is properly protected from the risk of money laundering and terrorist financing. This involves striking a balance between preventing the misuse of money remittance corridors for money laundering against the need to minimise regulatory burdens on the MSB industry, managing the risk of driving business underground and improving access to remittances services by honest users.¹⁹⁷

A consultation document was published in September 2006.¹⁹⁸

191 UK Remittances working group, *The UK Remittance market*, November 2005

192 Ev 349

193 UK Remittances working group, *The UK Remittance market*, November 2005, Key Finding 3

194 Ev 483

195 Ev 481

196 Q 732

197 Ev 349

198 HM Treasury, *'The regulation of money service business: a consultation'*, September 2006

94. Access to appropriate methods of transmitting money is important for financial inclusion, and flows from international remittances are an increasingly vital source of finance and a lifeline for developing countries. Small money transmitters can play a valuable role by providing remittance services to communities that may not be engaged with the mainstream financial services sector. A lack of coordination in the current regulatory regime is hindering the ability of small money transfer businesses to obtain business banking services. Closing down the business accounts of money transmitters increases the risk of activity transferring to illicit or illegal channels, as the FSA has recognised. The Treasury and the FSA must ensure that this issue is dealt with in consultation with the BBA and the Money Transfer Association. We welcome the review of the regulation of Money Service Businesses by the Treasury, which should seek to identify an appropriate balance between preventing money laundering and terrorist financing on the one hand and improving access to remittance services for honest users on the other. We recommend that this review explicitly address the issue of access by small money transfer companies to business bank accounts.

95. There appeared to be some misunderstanding on the part of the banks concerning the role of HMRC in relation to remittances. Mr Fairey told us that he believed that “money transmitters are unregulated but registered with HM Revenue and Customs which is obviously not the same as being regulated for money-laundering purposes”.¹⁹⁹ Sir Fred Goodwin believed that HMRC were not looking at money transmitters from a money laundering perspective.²⁰⁰ The JMLSG guidance lists money transmitters as a higher risk business where banks should consider making more penetrating enquiries. No mention is made in the JMLSG guidance of the fact that that money transmitters are subject to registration and the regulation of their anti-money laundering controls by HMRC.²⁰¹ **We recommend that the JMLSG guidance be amended to make clear that money transmitters are subject to regulation by HMRC. The revised guidance should indicate what information a bank should gather from money transmitters in order to satisfy the bank’s obligations. We expect that the banks will work constructively with money transfer businesses to develop an appropriate level of control against money laundering.**

199 Q 884

200 Q 885

201 Joint Money Laundering Steering Group, Part 2: Sectoral Guidance, para 1.36, www.jmlsg.org.uk

7 The Post Office Card Account

Background

96. In its June 2000 report on Modernising the Post Office network, the Prime Minister’s Performance and Innovation Unit recommended the establishment of a Post Office-based Universal Bank.²⁰² This was envisaged as a Post Office-based bank offering accounts that would be opened and operated through the Post Office. The accounts would have offered direct debits and the ability to withdraw cash from cash machines, in addition to deposit and withdrawal services from Post Office counters. However, as Mr Graham Halliday, Director of Banking and Financial Services at the Post Office, told us that

in actual fact, when the cost of running a single bank account with all the functionality ... was looked at, it was discovered that it would not work financially. What was set in place was universal banking services [which] had two legs attached to it. One of those was the creation of the banks’ own basic bank accounts which were accessible at the Post Office; the other leg was the Post Office Card Account.²⁰³

97. The Post Office Card Account (POCA) is a simple account that can be used to receive benefits, State pensions and tax credit payments. No other money can be paid into the account and it cannot be used for the receipt of wages from employment. Money can only be withdrawn over-the-counter in Post Office branches. The account does not offer standing orders or direct debits. When the Government introduced the direct payment of benefits into accounts, claimants were offered a choice of whether to have the money paid into an existing bank account or to open a new basic bank account or Post Office Card Account.

Take-up

98. The take-up of Post Office Card Accounts has been much greater than the Government expected, with over 5 million customers requesting a POCA. As of April 2006, there were 4.3 million customers (including 2.3 million pensioners) regularly collecting their benefits through a POCA, generating around 129 million transactions per annum.²⁰⁴ Ms Perchard described the take-up of the POCA as “phenomenal”, given the difficulties faced by customers seeking to open a POCA.²⁰⁵ As shown in Table 5, the take-up of the POCA has been particularly marked amongst pensioners.

202 Prime Minister’s Performance and Innovation Unit, *Counter Revolution: Modernising the post office network*, June 2000

203 Q 593

204 Ev 439

205 Q 25

Table 5: Number of Direct Payment customers opting for Post Office Card Accounts or payment into bank accounts, by benefit received. Data up to March 2005

	Pensions	Jobcentre Plus	Child Benefit	Veterans Agency	DLA/AA	Carer's Allowance	Total
PO Card account requests received to date	3,109,846	1,001,155	686,903	43,979	258,849	71,583	5,172,315
Bank details received to date	2,909,825	1,582,851	2,534,888	70,686	625,496	193,382	7,917,128
Positive responses received to date	6,019,671	2,584,006	3,221,791	114,665	884,345	264,965	13,089,443
Bank details received to date (%)	48.34%	61.26%	78.68%	61.65%	70.73%	72.98%	60.48%
PO Card account requests to date (%)	51.66%	38.74%	21.32%	38.35%	29.27%	27.02%	39.52%

Source: PostComm's fifth annual report on the network of post offices 2004-05, p 38

99. We asked witnesses what factors they thought had led take-up of POCA's to be much greater than the Government expected. Ms Whyley noted that “people do like to deal with the Post Office; it is something which is familiar to them.”²⁰⁶ Other witnesses noted that the benefits of the POCA were clearly explained and that, as documented earlier in this Report, many people had encountered difficulties in opening basic bank accounts.²⁰⁷ **The take-up of Post Office Card Accounts has been far greater than the Government expected, with 4.3 million people currently using the POCA to receive benefits, including 2.3 million pensioners. This appears to reflect both the difficulties in opening basic bank accounts and the perceived advantages amongst benefit claimants of using the Post Office.**

The POCA and financial inclusion

100. Some witnesses argued that the limited functionality of the Post Office Card Account meant that holding such an Account did not result in financial inclusion. Ms Whyley told us that

the limited functionality of those accounts really does not amount to financial inclusion. It merely is a good way of people receiving their money electronically. It is not financial inclusion in any meaningful sense.²⁰⁸

Mr Pomeroy told us that people who currently only held a POCA were counted as financially excluded, “because the functionality of the Post Office Card Account is very limited compared with a normal bank account”.²⁰⁹ Others took a different view: the BBA believed that, “where an individual having opened a POCA is aware of its limited functionality, but decides nevertheless it meets their requirements, this we consider results in financial inclusion”.²¹⁰

206 Ibid

207 Q 160

208 Q 26

209 Q 491

210 Ev 214

Withdrawal of the Post Office Card Account

101. The first announcement that the Government were not intending to renew the contract for the Post Office Card Account was made during a debate in the House of Lords on 12 January 2006 when Baroness Prosser, a Non-Executive Director of Royal Mail Holdings, stated that “the Department for Work and Pensions has notified us that the current Post Office [Card Account] will cease when the contract ends in 2010–11”.²¹¹ Mr Plaskitt told us that

the contract that [the Government] agreed with the Post Office back in 2002 exclusively states that it runs from 2003 until 2010. Nothing of that has changed. [The Government] will continue to honour the contract right the way through to 2010.²¹²

A debate on the Post Office Card Account was held in Westminster Hall on 15 February 2006. In that debate, Mr Plaskitt noted that the contract with the Post Office specified that “The POCA is intended to be an interim step for Account Holders who will be encouraged by both Parties to migrate to Bank Accounts which provide services and opportunities not available through the POCA”.²¹³

102. Mr Plaskitt told us that operating the POCA cost the DWP around £200 million each year.²¹⁴ The DWP has also indicated that the average cost “of making a payment into a Post Office Card Account is approximately £1.00, compared to £0.01 into a bank or building society account”.²¹⁵ We asked the Minister whether the decision not to renew the POCA was based on the need to make efficiency savings in Government expenditure. He told us that “there are no cuts here” and that

it is not a cuts exercise or a savings exercise ... It is about honouring the contract because the contract that we wrote and both of us signed up to commits both of us—the Post Office and DWP—as soon as the Card Account was up and running to do the migration work to get people into financial inclusion.²¹⁶

103. Witnesses from third sector organisations expressed concern about the fact that the contract for the POCA would not be renewed and that the account would be phased out. SAFE told us that

the possible closure of the Post Office Card Account concerns us. This is because they are a uniquely simple, accessible product enabling unbanked people to receive benefits by Direct Payment. As such, its withdrawal from the market could mean the exclusion of those who are: unwilling or unable to use a more fully featured account or unable to overcome barriers to opening an account, notably ID/AV and application procedures. As well as this direct concern, the withdrawal of POCA also

211 HL Deb, 12 January 2006, col 329

212 Q 909

213 HC Deb, 15 February 2006, col 489WH

214 Q 908

215 HC Deb, 30 March 2006, col 1207W

216 Q 928

represents a failure to grasp the possibility of graduating people through such a basic service towards more fully featured accounts.²¹⁷

Ms Perchard told us that “Simply to prevent people developing it and then to ditch it is an abdication of responsibility which affects a lot of vulnerable individuals on low incomes”.²¹⁸

The migration process

104. If, as the Government intends, the contract for the POCA is not renewed, then there will need to be some sort of migration process undertaken to ensure that the 4.2 million people currently using the POCA can continue to be paid State benefits. Citizens Advice told us that the Government

cannot take four million people who rely on benefits, a lot of them older people who use that as their payment system, and suddenly close the door on that payment method in 2010 ... [The Government needs] to start now to think about how you can transfer people onto a payment system which will be there for them in ten years time.²¹⁹

The Post Office indicated that between 1.2 million and 1.3 million (around 30%) of POCA holders did not have access to a bank account.²²⁰ Mr Plaskitt believed that “some will be our pensioner customers. Some will be working age benefit customers who do not have a bank accounts either.”²²¹ The remaining 2.9–3 million POCA users will have some other form of bank account, although it is not clear if these figures include people who may only have a savings account, rather than a current account or basic bank account.

105. In terms of the future, two possible options were discussed in evidence.²²² The first was to migrate customers away from the POCA to an existing bank account, or to require them to open a new form of bank account. The second was to move customers to an alternative Post Office product, either one of the new financial services products, or to some expanded version of the Post Office Card Account.

106. The banking industry provided £182 million over five years to help fund the Post Office Card Account. RBS were of the view that

the Government’s approach to tackling financial exclusion through the Post Office needs greater clarity. The banks were called on to provide large sums of money to fund the Post Office card account. But the POCA was then designed in a way that does not support credit scoring and which in practice handicaps the ability of those who hold a POCA to access credit. It is not clear whether the Government genuinely

217 Ev 469

218 Q 36

219 Q 28

220 Q 493

221 Q 917

222 Qq 551, 627–631, 860–865

wishes to see the Post Office play the longer-term role in tackling financial inclusion that its history, customer base and network would appear to suit it for.²²³

Sir Fred Goodwin told us that the banks had "signed up to develop an account which had far greater functionality than the one we have". He raised the question that "if the POCA is going to disappear, what are the plans, then, for how benefit is going to be paid".²²⁴

107. Given the implications for the banks of any widespread transition from POCAs to basic bank accounts, we asked the chief executives whether the DWP or the Government had discussed the future of the POCA or any migration programme. Sir Fred Goodwin indicated that RBS was not party to such discussions, stating that "I do not know what the plan is; that is the problem".²²⁵ He indicated that there were huge logistical implications for the banks, depending on what decision was made and considered that "some clarity would be good".²²⁶ Mr Crosby believed that "something is going to have to be agreed for this very large number of customers by 2010. The reality is there is going to have to be a series of conversations between Government, the banks and the Post Office because at the moment clearly there is no plan, but there is plenty of time to create one."²²⁷ Mr John said that he would certainly like to see the card account developed further: "after all, [the banks] have contributed quite a lot of money to it; it is successful".²²⁸ Mr Plaskitt pledged to meet with the banks to discuss the future of the Post Office Card Account and the possible transition or migration process.²²⁹

108. The DWP has undertaken three pilot schemes to test methods of encouraging Post Office Card Account users to migrate to using bank accounts to receive their benefits. These methods were:

- not promoting the option to open a new Post Office Card Account for around 3,000 customers making a new claim for Jobseeker's Allowance, State pension or Pension Credit;
- writing to around 25,000 customers paid by Post Office Card Account asking them to supply account details. This pilot involved some follow-up telephone calls to check if customers had received their letter and to see if they had any questions or needed help or support to open a new account; and
- writing to around 1,500 customers who had one benefit paid into a Post Office Card Account and another into a bank account saying that the Government intended to pay both their benefits into their bank account.²³⁰

223 Ev 453

224 Q 848

225 Q 850

226 Q 851

227 Q 858

228 Q 860

229 Q 940

230 HC Deb, 15 February 2006, column 2187W

Citizens Advice were frustrated about “the lack of consultation about the brief pilots that were run by DWP to test methods of encouraging POCA holders to migrate to basic bank accounts”.²³¹ Mr Plaskitt undertook to share information from the results of the pilots with this Committee and with Parliament.²³²

109. Witnesses from consumer groups noted that any migration process to basic bank accounts would require tackling the barriers that had prevented people from opening such accounts in the past, and also ensuring that these accounts were suitable. Ms Whyley told us that

it is essential that we get the basic bank account products right if we are going to expect people to move from the Post Office card account to those accounts, but it is really important that we get the migration process right. There needs to be significant investment in that, because we have to make sure people have the right accounts for them, that they have accounts that allow them to access their money where they want to access it and which offer them a product that works. If you think how rare it is and how big a deal it is, even in the mainstream, when people switch a current account, in this setting, where people are being forced to move, it is going to be incredibly stressful ... It is vital that we get this right, as it will move the basic banking progress back several years if we get it wrong.²³³

Ms Perchard noted that the POCA had been designed to deal with those who would not or could not open a bank account, contending that such people would require quite a lot of support in individual cases to transfer to mainstream banking. She cautioned that some people would be

quite difficult to reach; they may have mental health problems or they may be older people with Alzheimer’s who cannot deal with their financial affairs in the way that we might attempt to, and they will need more support than mainstream consumers ... It is not just about putting out cards and accounts and telling people where to go. Some people will need much more support and help to get into the system but also to manage their financial affairs effectively when they are in.²³⁴

110. There are around 1.2 million people using Post Office Card Accounts to receive benefits who do not have access to another account. For any migration from POCAs to basic bank accounts to be successful, there needs to be significant progress in tackling the barriers to opening accounts identified in this Report. In particular, in view of the difficulties encountered by customers in proving their identity to satisfy the anti-money laundering regulations, we recommend that the Government investigate whether the provision of a statement from a POCA could be used to help people prove their identity. Substantial investment would also need to be made to provide help and support through Citizens Advice and other community-based institutions for people, many of whom may be pensioners, to enable them to open and operate basic bank

231 Citizens Advice, Parliamentary briefing: Access to payments and other benefits through Post Office Card Accounts, 22 March 2006

232 Q 925

233 Q 29

234 Q 27

accounts. Clear information that people will be able to continue to support their local Post Office by making withdrawals over-the-counter will also need to be provided.

111. The second option discussed in evidence was to move customers to another Post Office-based product, either a new Post Office account, or some revised version of the POCA. SAFE considered “the possibility of expanding features of the POCA to have real potential, provided it continues to be debt free”, for example with no charges for failed transactions.²³⁵ Mr Alan Cook, Managing Director of the Post Office, told us that the Post Office “have to find, I believe, an alternative, more functionally rich successor, if you like, to the card account and that is the conversation I am trying to engage the DWP in now”.²³⁶ He went on to indicate that it was

the case that the original specification for the Card Account was to make it really simple. You cannot do much with it at all, you go to a Post Office, you take the cash out. If you take too much out by mistake you cannot put any back in ... I think we can produce a card account that has more capability, which would enable you to access cash in different ways and pay bills. I believe that would be a big step forward for current customers that we regard as socially excluded who do not wish to make, for whatever reason, the bigger step towards taking out a current account.²³⁷

112. Mr Plaskitt told us what the Government

would clearly like as an outcome ... is to see as many more people as possible moving to a state of being financially included. We do not know at this stage exactly what the structure of a successor account to the card account will look like ... [The Post Office] would clearly like [the account] to have more functionality. So would we. Exactly what form that it will take it is too early to tell. We will find out more about that as the migration exercise proceeds and we learn more about what customers want and expect from that successor account ... What we have an opportunity to do here, as we move forward and successor and alternative accounts appear, is to help hopefully as many as we can of that million people become financially included by moving to an account that does give them opportunities and facilities that the Post Office Card Account does not at the moment give them.²³⁸

113. There will clearly need to be a successor to the Post Office Card Account for those who cannot manage with or obtain a full bank account. We recommend that the DWP work with the Post Office to introduce a successor to the Post Office Card Account with greater functionality.

The overall approach of the DWP

114. We have received evidence that organisations with highly apposite views on matters relating to the future of POCA were not consulted on the migration pilots, including Sub-

235 Ev 469

236 Q 591

237 Q 595

238 Q 917

Postmasters and Citizens Advice.²³⁹ This is symptomatic of wider problems in the handling of the matter. **The approach of the DWP to the future of the Post Office Card Account has been characterised by inadequate consultation and a lack of clear strategic planning. Sub-Postmasters and Citizens Advice were not consulted at an early stage about the migration pilots. The high street banks, which provided funding for the POCA and will be closely involved in any transition to basic bank accounts, have not been consulted. The DWP must develop clear plans for the future arrangements for the 4.3 million people currently receiving benefits through the Post Office Card Account, consulting widely with the Post Office, Sub-Postmasters, high street banks and Citizens Advice and other consumer groups. We expect the DWP to publish a document outlining this strategy before 2007.**

The role of the Post Office in promoting financial inclusion

115. The withdrawal or replacement of the POCA is likely to have substantial implications for the future of the Post Office network. The National Federation of Sub-Postmasters (NFSP) noted that the Post Office, with 14,500 branches, is larger than all of the United Kingdom’s banks and building societies combined. The Post Office also has branches in locations where banks and building society branches had long since ceased to exist.²⁴⁰ The NFSP observed that the Post Office was a trusted brand, particularly among marginalised or vulnerable members of society, who form a disproportionately high percentage of the customer base.²⁴¹ The NFSP thought that withdrawal of the POCA could cost the network at least £100 million a year in income, in addition to further reduced income from lower “footfall” due to fewer customer visits—leading to fewer purchases of other goods and services. The NFSP believed that the “inevitable reduction in the Post Office network will in turn have a further and disproportionate impact on financially excluded groups who are often dependent upon their Post Office”.²⁴² Mr Cook told us that “it is undoubtedly the case that the decision to close the Card Account, if we can get nothing in its place [to] retain the footfall of those customers, will be a negative impact on the profitability of Post Office Limited, a large negative impact”.²⁴³

116. The Post Office indicated that the overall Post Office network is currently making a loss of around £2 million a week. The Government, through the DTI, is currently paying £150 million a year through the ‘Social network payment’ to support the Post Office network. The Government has committed to the maintenance of the ‘Social network payment’ until March 2008 and is “carefully considering options for the network beyond 2008”, but is “not working to a fixed timetable”.²⁴⁴ We put it to the DTI that any loss of revenue from the closure of the POCA could lead to this social network payment needing to be increased if Post Office closures were to be avoided. Ms Fiona Price of the DTI told us that “it is certainly something that would need to be considered along with all the other

239 Citizens Advice, Parliamentary briefing: Access to payments and other benefits through Post Office Card Accounts, 22 March 2006

240 Ev 381

241 Ev 381

242 Ev 386

243 Q 600

244 HC Deb, 26 Jun 2006, col 78W

issues”.²⁴⁵ Mr Cook was clear that the “Government needs to take a whole of Government perspective on the provision of services for the Post Office”.²⁴⁶ The Economic Secretary to the Treasury told us that the question was “How we can make sure that footfall in the Post Office network is maintained and increased—because it is a huge resource for the country—but in a way which actually delivers proper kinds of accounts which people should be able to access at the Post Office”.²⁴⁷

117. The Post Office’s customer base, extensive branch network and trusted role in the local community mean that the Post Office can play a lead role in promoting financial inclusion. The Government is not maximising the potential of the Post Office in this area. The loss of the contract for the Post Office Card Account, whether these customers are eventually transferred to basic bank accounts or to an alternative Post Office product, is likely to result in a loss of income to the Post Office. If this income cannot be replaced by alternative services or products, then either Post Offices will close or Government spending on the social network payment will need to increase. This would result in a saving to the DWP but a corresponding increase in expenditure by the DTI. The Government needs to ensure a joined-up approach by the DWP, DTI and the Treasury to funding and providing services through the Post Office network. In view of its overall responsibility for public spending, we think that the Treasury is the appropriate lead department for developing this strategy. We recommend accordingly that the Treasury develop a clear blueprint for the role of the Post Office and financial support for it. The Government also needs to recognise the negative impact that further Post Office closures could have on financial inclusion.

Access to cash over Post Office counters

118. Under the universal banking arrangements, Post Offices provide the public with free over-the-counter access to cash withdrawals from their basic bank accounts and some current accounts. The Economic Secretary to the Treasury told us that he was worried that “too many people do not seem to know about it, and they do not seem to know that actually you can use a Post Office to access the wider banking system”.²⁴⁸ Recent BBA research found that only around 50 per cent of basic bank account holders were aware that withdrawals could be made over-the-counter at the Post Office.²⁴⁹ However, this result needs to be seen in the context that there are still almost 4 million basic bank accounts which were opened before the launch of Universal Banking Services, where the customer is unable to use the Post office counter. Only around 2.4 million basic bank accounts offer Post Office access for cash withdrawals.²⁵⁰

119. At present just under 60% of current account holders cannot use the Post Office network to access cash. In particular, three major banking groups—HSBC, HBOS and

245 Q 965

246 Q 596

247 Q 1023

248 Q 1032

249 BBA, ‘Understanding consumer experience when opening and using basic banking accounts’, Millward Brown, March 2006

250 BBA figures

RBS—do not offer any Post Office access to their current accounts. Sir Fred Goodwin told us that RBS saw “no evidence that such an arrangement would be valued sufficiently by our customers to justify the additional business expense. Moreover, as a matter of straightforward competition, the Post Office has begun in co-operation with another bank to sell its own competing financial products to customers across the counter.”²⁵¹ To extend free access to cash, Citizens Advice believed that all current account customers ought to be able to withdraw cash for free at Post Office counters. Lloyds TSB saw the Post Office as “providing a useful supplement to our branch network, providing access to branches for our personal customers in areas where our representation is sparser”. They noted that over “99 per cent of the population are within three miles of either a Post Office or branch of Lloyds TSB”.²⁵² There is also the issue of whether customers can make deposits at Post Office counters. Currently, of the major banks, only basic bank account customers of Alliance and Leicester, Lloyds TSB and the Co-operative bank can make deposits at Post Office counters.

120. The LINK access and Governance working group of the Payments Systems Taskforce discussed whether to allow the Post Office to join the LINK card scheme, to enable it to offer over-the-counter transactions to all LINK card holders because such membership would not be allowed under the criteria for the LINK card scheme. Agreement was not reached on whether the rules for LINK access were sufficiently wide and whether the Post Office should be able to join. The LINK Access and Governance Working Group report concluded that “members of the LINK card scheme and Post Office Ltd should continue to explore if a way acceptable to all parties can be found that would allow free cash withdrawals at Post Office counters for all consumers holding a current account with a major financial institution”.²⁵³

121. Lack of access to cash withdrawals for current account customers may be one of the factors that could cause difficulties in any transition away from the Post Office Card Account. Although, as already noted, almost 70% of POCA users also have some form of bank account, many of these may not be accessible at Post Office counters. Indeed, this might have been a reason why the customers concerned originally opted for a POCA. In areas of the country where there is a lack of access to other forms of free cash withdrawal, these customers may be reluctant to switch away from a POCA. **Universal banking services available through the Post Office are far from universal, with around 60% of current accounts not offering access to cash withdrawals at the Post Office counter. We note that while some banks have problems regarding the cost of such access, which presumably can be overcome through negotiations, for others the main barrier is the fact that the Post Office is a competitor in the sale of financial products. We recommend that the DWP and the Treasury discuss with the banks increasing access to Post Office counter withdrawals and ensure that further progress is made.**

251 Ev 455

252 Ev 371

253 OFT Payment Systems Taskforce, LINK access and Governance working group report, April 2006

ATMs in Post Office branches

122. When the then Treasury Committee examined the issue of cash machines in Post Office branches in 2005, they found that of the 2,493 cash machines (ATMs) within Post Office branches, 1,856 charged a fee direct to the consumer. The then Committee concluded that “the Post Office needs fundamentally to re-examine its policy concerning charging cash machines”.²⁵⁴ The Post Office told us that, since October 2005,

Post Office Ltd has changed its cash machine strategy. Post Office Ltd has taken the decision to withdraw from its over-arching contractual arrangements with existing ATM suppliers and going forward will only introduce free-to-use Post Office Ltd ATMs. In practice this means that the existing physical arrangements in branches will continue until the end of the contract.²⁵⁵

123. Mr Cook told us that the Post Office had plans to put 1,500 free ATMs in Post Offices as their existing contracts with charging operators came to an end. Existing contracts meant that this installation of free machines would take a number of years.²⁵⁶ During the then Committee’s inquiry into charging cash machines, Citizens Advice told our predecessors about Speke—a low income area of Liverpool, identified as an area currently lacking access to free cash machines. The Committee concluded that the Post Office “had a particular responsibility to ensure that (if commercially viable) a free machine is installed in areas that lack access to free cash withdrawals”.²⁵⁷ The Post Office told us that as a result of the Committee’s inquiry they had now installed a free cash machine in Speke and that “the machine is growing in terms of the number of transactions it is doing. Not only that, it is bringing additional benefits to the sub-Post Office and also the retail outlet.”²⁵⁸ **We welcome the fundamental change in the Post Office’s cash machine strategy to increase the number of free ATMs. We recommend that they speed up their installation of free cash machines and ensure that they prioritise viable sites in areas that currently lack access to free cash withdrawals.**

254 Treasury Committee, Fifth Report of Session 2004–05, *Cash Machine Charges*, HC 191, para 140

255 Ev 436

256 Qq 562–574

257 HC (2004–05) 191, para 140

258 Q 569

Conclusions and recommendations

Background

1. The evidence we have received indicates that those without access to a bank account are likely to be on a low-income, the long-term inactive or unemployed, the elderly, lone parents and council and housing association tenants. (Paragraph 7)

The overall approach

2. The case for the imposition of statutory requirements relating to access to, or the provision of, banking services for the financially excluded is closely linked to analysis of the current performance of the banking industry and of individual banks. This Report makes a contribution to such an analysis. As matters stand, we do not consider that the case for such legislative action has been made. We agree with the Economic Secretary to the Treasury that more can be achieved at present by a voluntary partnership approach, and also with his important point that the willing participation of the banks will be essential in tackling financial inclusion regardless of legislative action. However, we also note the statement by the Economic Secretary to the Treasury that a legislative approach “is not off the table”, and our approach in this Report is based on identifying areas where we expect progress to be made by banks individually and collectively if they are to be able to satisfy the Government, legislators and the public in the future that the voluntary approach is the best way forward. This Report contains recommendations requiring action by the banks. We make such recommendations within the context of our wish to identify benchmarks by which to assess the effectiveness of the current voluntary partnership approach. We expect to monitor closely actions taken in response to those recommendations. (Paragraph 19)
3. Although we do not see a case at present for the introduction of legislation comparable to the US Community Reinvestment Act, we recommend that the Government, the banks and the Financial Inclusion Taskforce work together to prepare and then publish measures of engagement by the individual banks with the socially excluded, provided on a standard basis no later than the middle of 2007. More generally, the adequacy of the provision by banks of information which enables full and effective monitoring to be carried out will be an important criterion in determining the overall success of the voluntary partnership approach to combating financial exclusion in banking services. (Paragraph 20)

Opening basic bank accounts

4. There is evidence to indicate that steady progress has been made so far towards target of halving the number of people without access to a bank account. Banks are collectively accountable for progress so far and in the future. However, it is also vital that each bank can be held to account individually for its contribution to meeting this target. This is not possible at the moment. Individual banks need to accept this responsibility, and accordingly we recommend that the Government, the Financial

Inclusion Taskforce and the banks reach agreement enabling each individual bank regularly to publish figures for the numbers of basic bank accounts it has opened in each year. We would expect each bank to develop strategies for ensuring that it makes a proportional and appropriate contribution towards meeting the target, and we would also expect such strategies to take due account of the analysis which follows on the issues surrounding the opening of basic bank accounts. (Paragraph 26)

5. While the provision of basic bank accounts will not be immediately profitable, we welcome recognition by the banks that they have a responsibility to provide such a service and that, in the longer term, bringing more people into the financial services sector will be profitable for the banks. We also welcome the fact that banks are upgrading consumers to full service accounts where this is appropriate for the individual. It is important that the Financial Inclusion Taskforce, in cooperation with the BBA and individual banks, assesses evidence concerning the business case for banks to provide basic bank accounts. (Paragraph 30)
6. Despite the undoubted corporate commitment of the banks to offering basic bank accounts, there is some evidence to suggest that many people are still encountering problems opening basic bank accounts reflecting branch decisions and attitudes rather than the policies adumbrated in head offices. Banks need to redouble their efforts to tackle such problems and ensure that all sections of their organisation are supporting the corporate commitment to provide basic bank accounts. (Paragraph 31)
7. The Banking Code Standards Board mystery shopping survey has been useful in identifying improvements that need to be made to the process of opening a basic bank accounts. However, improvement has not been universal, and there remain several banks that are not meeting their responsibilities. We note the action taken by the banks to improve matters, but we consider it essential that the full results of the next mystery shopping survey are published so that there is full transparency about which banks are meeting their commitments under the Banking Code and which are not. This will sharpen the incentives for the worst to improve and enable the best performers to receive recognition. The Chief Executives of the five major banks or their representatives who gave evidence to this Committee have accepted the principle of transparency and we expect them to lead the way by publishing the full results for their banks and pressing for full publication in relation to all banks. (Paragraph 36)
8. We recommend that the Banking Code Standards Board ensure that any changes to the Banking Code relating to basic bank accounts that they have made or that arise from this Report are implemented no later than the end of March 2007. (Paragraph 38)
9. Problems with satisfying the identification requirements of the anti-money laundering regulations are the single most significant barrier preventing access to basic bank accounts. There is a need for a proportionate regulatory regime that strikes an appropriate balance between promoting financial inclusion and the need to combat money laundering. We welcome the recent revision of the money

laundering guidance that seeks to accomplish these aims. The banks now need to ensure that this flexible approach is reflected in their own internal guidance and also that a flexible approach is taken at branch level. In order to comply with the requirement of the Banking Code to “tell customers what information they need to provide to prove their identity”, we recommend that all banks provide extended lists to applicants and ensure that staff are advised to work with applicants to inform them of all possible options for proving their identity. (Paragraph 48)

10. It is important that the FSA continues its actions to remove the risk-averse culture at bank level and take a risk-based approach to enforcement. It is also important that individual banks remove the barrier of risk-averse individual employees through clear training on what forms of identity are acceptable and the importance of promoting financial inclusion. We recommend that the FSA monitor the implementation of the revised JMLSG guidance closely and produce a report in the first half of 2007 on the variety of approaches taken by the banks, including an assessment of whether these have led to improvement. We further recommend that the FSA take action under its rules if it is found that the procedures or practices of individual banks at branch level unreasonably deny access to basic bank accounts to those who cannot reasonably be expected to produce particular documentation as evidence of identity. (Paragraph 49)
11. We recommend that the Government review the extent to which existing relationships with public sector organisations can be used to help the financially excluded prove their identity. We also expect the Government to encourage banks to develop links with public sector organisations and other third sector groups such as housing associations and to work proactively with organisations such as SAFE to develop solutions to help financially excluded people prove their identity. (Paragraph 50)
12. To ensure that the implementation of money laundering regulations and associated industry guidance adequately consider the needs of financially-excluded consumers, we recommend that membership of the Joint Money Laundering Steering Group be expanded to include a representative of consumer groups. (Paragraph 51)
13. We recommend that the Guidance accompanying the Banking Code be amended to ensure that, where applications for basic bank accounts are turned down, banks should explain to applicants why their application has been turned down and what steps might need to be undertaken to allow their application to be accepted. (Paragraph 52)
14. Long delays in opening basic bank accounts are unacceptable. These delays are associated with the central processing of applications, as opposed to banks allowing processing to be undertaken at branch level. We recommend that the Banking Code be amended to require verification of identity documents to take place at branch level rather than applicants being required to send documents away to a central point. We would expect that all banks would wish to ensure that they have procedures in place for verification at branch level even before such a change to the Code comes into effect. We further recommend that the Banking Code be amended to establish a maximum time limit of ten days for providing a fully functional basic

bank account where the customer has provided appropriate identification. We would expect individual banks to ensure that their own standards meet or improve upon that limit before such a change to the Code comes into effect. (Paragraph 55)

15. We welcome the policy of Barclays, Nationwide and the Cooperative bank in providing access to basic bank accounts to all except those with a record of fraudulent activity. Basic bank accounts are a useful way for those in debt to manage their commitments and attempt to resolve their problems. Because basic bank accounts do not offer any credit, banks should not need to conduct credit reference checks—as opposed to electronic identity checks—on applicants, and we recommend that the Banking Code be amended to prohibit such credit reference checks. Denying basic bank accounts to undischarged bankrupts seems to run contrary to the spirit of the policy of the Government to encourage enterprise by introducing a bankruptcy procedure intended to provide a fresh start for those who fail through no fault of their own. We recommend that the Banking Code be amended to ensure that basic bank accounts are not unreasonably denied to those with debt problems and we further recommend that all banks review their policies on access to basic bank accounts for those in debt and undischarged bankrupts. (Paragraph 59)
16. We recommend that the Banking Code be amended to require all banks to display their basic bank account literature in branches. Marketing material should be developed with the needs of the financially excluded in mind and we encourage banks to work with community groups and others to ensure basic bank account literature is appropriate and accessible. (Paragraph 60)
17. We expect the Banking Code Standards Board to investigate the extent and form of dissuasion of financially excluded people from opening basic bank accounts and to take action against any banks found to be actively dissuading such people from opening basic bank accounts. (Paragraph 61)

Operating basic bank accounts

18. Financial inclusion will require more than the achievement of numerical targets for numbers of accounts opened. Survey evidence indicates that a significant proportion of basic bank account holders withdraw all their money in cash on the day it is credited and gain little benefit from operating a basic bank account. There needs to be a greater focus on ensuring that the terms and conditions of basic bank accounts are appropriate and useful for those on low incomes. We make a number of recommendations below and expect the Treasury, the Financial Inclusion Taskforce and the banks to discuss and take forward appropriate measures for their implementation. (Paragraph 65)
19. Unreasonable and excessive penalty charges are detrimental to those on low incomes and do not promote financial inclusion. We are not convinced that penalty charges of up to £39 are reasonable and accurately reflect the costs incurred by the banks. We welcome the actions of Barclays in cutting its penalty charge, and the approach taken by HSBC and Lloyds TSB, that do not levy penalty charges on basic bank accounts. We encourage other banks to explore these approaches or apply similar leeway such

as not imposing charges for the first three times that direct debits are unpaid. We would expect the OFT to ensure that the level of default charges on basic bank accounts is examined as part of its fact-finding exercise into the fairness of bank default charges. (Paragraph 67)

20. There is broad agreement that a small penalty free buffer zone of £10 can help low-income households manage their commitments and avoid the charges and hassle associated with failed direct debits. We recommend that all basic bank accounts should incorporate such a buffer zone. (Paragraph 68)
21. There is a compelling case for establishing a formal dialogue between the banks and utility companies to consider the extent of demand for weekly direct debits and how such demand might be met. We expect the banks to agree proposals for improvements to the direct debit system so that payments could be triggered by money coming into the account, although we note the complexities of the issues involved. (Paragraph 69)
22. Treating basic bank account holders like second class citizens by denying access to branch counters causes exclusion and reduces the opportunities for holders to become further integrated with the financial services sector. We welcome the policy of RBS, Barclays, HSBC and other banks that provide full counter access for their basic bank account customers. HBOS and Lloyds TSB told us that in practice they do not deny counter access to basic bank account customers. We recommend that they amend their terms and conditions to make it clear that they will provide counter access to such customers, although we would expect banks to continue to advise customers on the different ways of accessing their money and to provide practical assistance to customers in using ATMs or other automated services. (Paragraph 71)
23. We note that five banks currently apply longer cheque clearing times to basic bank accounts and that there is some evidence that such an approach has been successful in reducing fraud. However, longer cheque clearing times represent a significant disadvantage to customers and we recommend that the OFT payment systems taskforce specifically consider the issue of longer clearing times for basic bank accounts as part of its report on the cheque clearing system. That report should lay out a clear timetable to reduce the clearing times for cheques paid into basic bank accounts. (Paragraph 72)
24. We consider that banks should not exercise their right of set-off from basic bank accounts in cases where an individual repayment plan has been agreed. In other cases, banks should always leave consumers with sufficient money for day-to-day expenses. We recommend that the BCSB investigate this issue further and propose any appropriate changes to the Banking Code. We also consider that the fact that banks may exercise the right of set-off needs to be made much clearer to consumers in the literature issued by the banks and when consumers open bank accounts. (Paragraph 73)
25. Basic bank accounts should contain features that help people monitor their day-to-day expenses. These could include regular statements or the ability to check balances at Post Offices. We recommend that research be undertaken by the Financial

Inclusion Taskforce into methods of helping communicate to basic bank account users the amount of money left in their account and any impending direct debits. We further recommend that the banks investigate innovative ways of accomplishing this through mechanisms such as text message banking. (Paragraph 74)

26. We recommend that the Banking Code Standards Board conduct research as a high priority into the experience of consumers operating basic bank accounts. (Paragraph 76)
27. A strategy that simply looks at the absolute numbers of accounts opened will not deliver meaningful financial inclusion. The Government and the banks need to take a broader approach and ensure that basic bank accounts are useful and appropriate for those who were previously financially excluded. The Government must ensure that the most vulnerable are considered and given appropriate help and assistance to enable them to open and operate accounts. In the medium term, the Government should establish a more sophisticated goal which should take account of actual usage of bank accounts by those who were previously financially excluded rather than focusing simply on the numbers with access to such accounts. (Paragraph 77)

Wider banking issues

28. Rising energy costs are increasing the number of pensioner and other vulnerable households in fuel poverty. This in turn reinforces the importance of low-income consumers accessing low-cost bill payment services if they are to avoid fuel poverty. Direct debits are currently unattractive to many people on low incomes. We believe there is a need for discussions between utility companies, banks and the Government to consider what improvements could be made to the direct debit system and whether an improved method of bill payment could be developed. In the near term changes to the third party deduction scheme could provide an easy way of improving the ability of those on benefits to manage bill payment. We recommend that the DWP carry out a full review of this scheme with a view to its expansion. (Paragraph 82)
29. We welcome the development of a credit union-based transactional bank account. We recommend that the Government actively support the development of this account through the Financial Inclusion Fund to enable more credit unions to offer an alternative to basic bank accounts in areas of financial exclusion. We further recommend that the Government give a commitment that it will work constructively with credit unions to maximise their contribution to improving access to banking services for the unbanked. (Paragraph 83)
30. Before rolling out Local Housing Allowance further, the Government must ensure that problems opening and operating basic bank accounts are resolved. In particular, the Government should confirm that there is widespread acceptance by the banks of local authority housing benefit letters as a means of satisfying the identification requirements of the money laundering regulations. Alongside the roll-out of the Local Housing Allowance, the Government must also provide funding for services operated by Citizens Advice Bureau or other advice agencies to help people open bank accounts and provide guidance on how to operate the account. The target for

90% of housing benefit claims being paid within seven days of being processed needs to be met by all local authorities to ensure that tenants do not incur rent arrears or significant bank default charges as a result of the move to Direct Payment. (Paragraph 85)

31. The evidence suggests that the great majority of financially excluded people do want to access bank accounts. However, in many cases, real or perceived barriers can outweigh any advantage that they think might come from accessing a bank account. There is a need for action to stimulate demand and to provide support to the excluded in accessing financial products. Trusted, community-based institutions, such as Services Against Financial Exclusion and Citizens Advice, can play a vital role in promoting financial inclusion and acting as intermediaries. Conventional marketing efforts may not be effective at reaching financially excluded groups, and banks must work in partnership with community organisations to help people to access basic bank accounts. We welcome the additional funding from the Financial Inclusion Fund for intermediary organisations such as charities and housing associations to help raise awareness and promote access to financial services. (Paragraph 88)
32. Lack of access to a bank branch can be an important source of geographical financial exclusion. Some vulnerable groups, particularly the elderly, are heavier users of bank branches than younger people. While we note that since 2000–01 large scale bank branch closures have been avoided, we recommend that the Financial Inclusion Taskforce undertake a mapping exercise to determine the problem of lack of access to branches and explore with the high street banks the possibility of innovative models of delivery such as shared or mobile branches. (Paragraph 90)
33. Access to appropriate methods of transmitting money is important for financial inclusion, and flows from international remittances are an increasingly vital source of finance and a lifeline for developing countries. Small money transmitters can play a valuable role by providing remittance services to communities that may not be engaged with the mainstream financial services sector. A lack of coordination in the current regulatory regime is hindering the ability of small money transfer businesses to obtain business banking services. Closing down the business accounts of money transmitters increases the risk of activity transferring to illicit or illegal channels, as the FSA has recognised. The Treasury and the FSA must ensure that this issue is dealt with in consultation with the BBA and the Money Transfer Association. We welcome the review of the regulation of Money Service Businesses by the Treasury, which should seek to identify an appropriate balance between preventing money laundering and terrorist financing on the one hand and improving access to remittance services for honest users on the other. We recommend that this review explicitly address the issue of access by small money transfer companies to business bank accounts. (Paragraph 94)
34. We recommend that the JMLSG guidance be amended to make clear that money transmitters are subject to regulation by HMRC. The revised guidance should indicate what information a bank should gather from money transmitters in order to satisfy the bank’s obligations. We expect that the banks will work constructively with

money transfer businesses to develop an appropriate level of control against money laundering. (Paragraph 95)

The Post Office Card Account

35. The take-up of Post Office Card Accounts has been far greater than the Government expected, with 4.3 million people currently using the POCA to receive benefits, including 2.3 million pensioners. This appears to reflect both the difficulties in opening basic bank accounts and the perceived advantages amongst benefit claimants of using the Post Office. (Paragraph 99)
36. There are around 1.2 million people using Post Office Card Accounts to receive benefits who do not have access to another account. For any migration from POCAs to basic bank accounts to be successful, there needs to be significant progress in tackling the barriers to opening accounts identified in this Report. In particular, in view of the difficulties encountered by customers in proving their identity to satisfy the anti-money laundering regulations, we recommend that the Government investigate whether the provision of a statement from a POCA could be used to help people prove their identity. Substantial investment would also need to be made to provide help and support through Citizens Advice and other community-based institutions for people, many of whom may be pensioners, to enable them to open and operate basic bank accounts. Clear information that people will be able to continue to support their local Post Office by making withdrawals over-the-counter will also need to be provided. (Paragraph 110)
37. There will clearly need to be a successor to the Post Office Card Account for those who cannot manage with or obtain a full bank account. We recommend that the DWP work with the Post Office to introduce a successor to the Post Office Card Account with greater functionality. (Paragraph 113)
38. The approach of the DWP to the future of the Post Office Card Account has been characterised by inadequate consultation and a lack of clear strategic planning. Sub-Postmasters and Citizens Advice were not consulted at an early stage about the migration pilots. The high street banks, which provided funding for the POCA and will be closely involved in any transition to basic bank accounts, have not been consulted. The DWP must develop clear plans for the future arrangements for the 4.3 million people currently receiving benefits through the Post Office Card Account, consulting widely with the Post Office, Sub-Postmasters, high street banks and Citizens Advice and other consumer groups. We expect the DWP to publish a document outlining this strategy before 2007. (Paragraph 114)
39. The Post Office's customer base, extensive branch network and trusted role in the local community mean that the Post Office can play a lead role in promoting financial inclusion. The Government is not maximising the potential of the Post Office in this area. The loss of the contract for the Post Office Card Account, whether these customers are eventually transferred to basic bank accounts or to an alternative Post Office product, is likely to result in a loss of income to the Post Office. If this income cannot be replaced by alternative services or products, then either Post Offices will close or Government spending on the social network payment will need

to increase. This would result in a saving to the DWP but a corresponding increase in expenditure by the DTI. The Government needs to ensure a joined-up approach by the DWP, DTI and the Treasury to funding and providing services through the Post Office network. In view of its overall responsibility for public spending, we think that the Treasury is the appropriate lead department for developing this strategy. We recommend accordingly that the Treasury develop a clear blueprint for the role of the Post Office and financial support for it. The Government also needs to recognise the negative impact that further Post Office closures could have on financial inclusion. (Paragraph 117)

40. Universal banking services available through the Post Office are far from universal, with around 60% of current accounts not offering access to cash withdrawals at the Post Office counter. We note that while some banks have problems regarding the cost of such access, which presumably can be overcome through negotiations, for others the main barrier is the fact that the Post Office is a competitor in the sale of financial products. We recommend that the DWP and the Treasury discuss with the banks increasing access to Post Office counter withdrawals and ensure that further progress is made. (Paragraph 121)
41. We welcome the fundamental change in the Post Office’s cash machine strategy to increase the number of free ATMs. We recommend that they speed up their installation of free cash machines and ensure that they prioritise viable sites in areas that currently lack access to free cash withdrawals. (Paragraph 123)

Formal minutes

Tuesday 7 November 2006

Members present:

Mr John McFall, in the Chair

Jim Cousins

Mr Michael Fallon

Mr David Gauke

Sally Keeble

Mr Andrew Love

Kerry McCarthy

Mr George Mudie

Mr Brooks Newmark

John Thurso

Mr Mark Todd

Peter Viggers

* * * * *

"Banking the unbanked": banking services, the Post Office Card Account, and financial inclusion

The Committee considered this matter.

Draft Report ("Banking the unbanked": banking services, the Post Office Card Account, and financial inclusion), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 18 read and agreed to.

Paragraph 19 read, amended and agreed to.

Paragraphs 20 to 25 read and agreed to.

Paragraph 26 read, amended and agreed to.

Paragraphs 27 to 30 read and agreed to.

Paragraph 31 read, amended and agreed to.

Paragraphs 32 to 51 read and agreed to.

Paragraph 52 read, amended and agreed to.

Paragraphs 53 to 58 read and agreed to.

Paragraph 59 read, amended and agreed to.

Paragraph 60 read and agreed to.

Paragraph 61 read, amended and agreed to.

Paragraphs 62 to 68 read and agreed to.

Paragraph 69 read, amended and agreed to.

Paragraphs 70 and 71 read and agreed to.

Paragraph 72 read, amended and agreed to.

Paragraphs 73 and 74 read and agreed to.

A paragraph—(*The Chairman*)—brought up, read the first and second time, and added (now paragraph 75).

Paragraphs 75 to 97 (now paragraphs 76 to 98) read and agreed to.

Paragraph 98 (now paragraph 99) read, amended and agreed to.

Paragraphs 99 to 111 (now paragraphs 100 to 112) read and agreed to.

Paragraph 112 (now paragraph 113) read, amended and agreed to.

Paragraphs 113 to 122 (now paragraphs 114 to 123) read and agreed to.

Summary read, amended and agreed to.

Resolved, That the Report, as amended, be the Thirteenth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134 (Select committees (reports)).

* * * * *

[Adjourned till Tuesday 21 November at 10.00 am.]

List of Reports from the Treasury Committee during the current Parliament

Session 2005–06		Report
First Report	The Monetary Policy Committee of the Bank of England: appointment hearings	HC 525
Second Report	The 2005 Pre-Budget Report	HC 739
Third Report	The Monetary Policy Committee of the Bank of England: appointment hearing for Sir John Gieve	HC 861
Fourth Report	The 2006 Budget	HC 994
Fifth Report	The design of a National Pension Savings Scheme and the role of financial services regulation	HC 1074
Sixth Report	The administration of tax credits	HC 811
Seventh Report	European financial services regulation	HC 778
Eighth Report	Bank of England Monetary Policy Committee: appointment hearing for Professor David Blanchflower	HC 1121
Ninth Report	Globalisation: the role of the IMF	HC 875
Tenth Report	Independence for statistics	HC 1111
Eleventh Report	The Monetary Policy Committee of the Bank of England: appointment hearings for Professor Tim Besley and Dr Andrew Sentance	HC 1595
Twelfth Report	Financial inclusion: credit, savings, advice and insurance	HC 848