

Payment of pensions
and benefits in
Northern Ireland:
*A survey of social security
recipients paid by order book
or girocheque*

Elaine Kempson

A report of research carried out by the Personal Finance Research Centre
at the University of Bristol on behalf of the Social Security Agency

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THE AUTHOR

Elaine Kempson works at the Personal Finance Research Centre, based in the School of Geographical Sciences at the University of Bristol. The Centre undertakes a wide range of research on all aspects of personal finance, particularly among low-income households and benefit recipients. Details of the Centre can be found at www.ggy.bris.ac.uk/pfrc.htm.

GLOSSARY

ACT	Automated Credit Transfer or payments made directly into a bank or building society account.
ATM	Automated Teller Machine - a bank or building society cash machine.
ChB	Child Benefit.
DLA	Disability Living Allowance.
Girocheque	A cheque that is sent to benefit recipients and can be paid into an account or cashed at a Post Office.
Householder	The person (and their spouse) who is named on the tenancy agreement (tenants) or deeds of property (home owners).
JSA	Jobseeker's Allowance.
IB	Incapacity Benefit.
IS	Income Support.
Linked benefits	Where receipt of one benefit qualifies entitlement to another, such as Income Support and Housing Benefit. Entitlement to linked benefits is usually determined by means testing.
Non-householder	Person living in someone else's home, eg young person living with parents; elderly person living with relatives or someone living in residential care.
Non-pensioner	Person who is under retirement age (60 for women; 65 for men).
Order book	A book of 'vouchers' that can be exchanged for benefit or pension at a post office.
Pensioner	Person who is over retirement age (60 for women; 65 for men).
Post Office agency agreements	Agreements signed by banks with Post Office Counters Ltd, that allow their customers to withdraw cash or pay money or cheques into an account at local post offices.
RP	State Retirement Pension.
Social tenant	Person renting their home from a local authority or housing association.
Unbanked	Person who has neither a bank nor a building society account.

SUMMARY

In May 1999, the UK Government announced that they will begin the process of making automated credit transfer (ACT) into bank or building society accounts the normal method of benefit payment from 2003.

According to Social Security administrative data, 21 per cent of people receiving social security benefits and pensions in Northern Ireland have all of their payments made directly into a bank or building society account through automated credit transfer (ACT) even though, using this research, it is calculated that 72 per cent of them actually have an account of some kind.

This research was, therefore, commissioned by the Social Security Agency for the Department for Social Development to provide an overview of the characteristics, experiences and attitudes of benefit recipients who are **not currently paid by ACT**; and to contribute to developing a strategy for moving towards ACT as the normal method of paying benefits. The research was based on a quantitative face-to-face survey with 934 people who were receiving one of six social security benefits who were paid either by order book or girocheque. These included recipients of the State Retirement Pension (RP); Child Benefit (ChB); Incapacity Benefit (IB); Disability Living Allowance (DLA); Income Support (IS) and Jobseeker's Allowance (JSA). The fieldwork for this research took place between November 2000 and February 2001. A parallel survey was undertaken in Great Britain.

While this research was being undertaken, the Department of Trade and Industry announced, in December 2000, that it had reached an agreement in principle with a number of national high street banks to support plans to develop Universal Banking arrangements through post office outlets.

Awareness of and willingness to change to ACT payment of benefits and pensions

Levels of awareness of the benefit payment method changes that are to be introduced in 2003 were quite low. Only two in ten people not currently paid by ACT were aware that there were any proposals to change the way that benefits are paid, and fewer still, one in ten, actually knew what the proposed changes are. When told the details of the changes four in ten were wholly positive, a similar number were entirely negative, with the remainder being equivocal.

Having given their views on a range of questions covering current methods of paying benefits, bank account ownership and patterns of money management, just over four in ten said they were very or quite willing to transfer to ACT. A little over three in ten were willing as long as they could use the post office, a small number of whom also wanted to be able to collect their money as often as they do now. This left two in ten, who were not willing to transfer even if they could collect their benefit at the post office as often as they do now.

The people surveyed were assigned to one of three groups, using a statistical technique known as discriminant analysis. This categorised people according to their likely ease of transfer to ACT, based on their overall attitudes to ACT, which were captured at a number of points during the interview.

Around four in ten people were classified as being *easy to transfer*. These people were most positive about ACT. They were by far the youngest and were also better off financially than the other groups. Couples with children were over represented among them, and they were especially likely to be receiving Child Benefit.

A similar number, four in ten, were *not so easy to transfer*. The personal and economic characteristics of this group were fairly close to the average of all people paid by order book or girocheque. They did, however, include the largest proportion of people unable to work through long term illness or disability and those living in rural areas.

Finally, two in ten were categorised as being *difficult to transfer*. They were both the oldest and poorest of the three groups, and included disproportionate numbers of people receiving either RP or IS.

Current benefit receipt

The great majority of people interviewed were paid by order book (94 per cent) and only a small number (6 per cent), mainly JSA recipients, were paid by girocheque. Almost all collected their benefits in cash at post offices.

The majority of people (seven out of ten) received their benefit weekly; two out of ten were paid four weekly and just one in ten (almost all JSA recipients) got their money fortnightly. Four-weekly payments were most common among ChB and DLA recipients, while almost all RP and IS recipients were paid weekly. Moreover, just about everyone was happy with their current frequency of payment. Most people collected their benefit as soon as it was due; only one in eight let it build up. Those most likely to do so were receiving either ChB or RP. In most cases, they were saving the money – either for bill-payment or, among ChB recipients, to spend on their children.

Almost everyone thought that their current payment method had advantages, chief of which was the convenience of collecting their money at a post office. Most people had much less difficulty reaching a post office than getting to the nearest branch of a bank or building society. Elderly people, people with disabilities, those who didn't have a car and people living in either the inner city or rural areas faced the greatest difficulty getting to a bank or building society branch. Although the majority of people collected their benefit or pension personally, almost a quarter relied on someone else (a third party) to collect it for them. This was most common among people with activity-limiting disabilities and those aged over 80.

The other main reason why people liked to be paid by order book or girocheque was that it suited their desire to operate a cash budget and retain close control

over their finances. Two-thirds of people said that they relied on collecting their benefit or pension payments as their sole means of getting cash. A similar proportion had their benefit or pension paid weekly and rather more, three quarters, operated a weekly household budget. On the whole people seem to have chosen to be paid with a frequency that suited their budget, rather than having adapted their budgeting cycle to fit their frequency of benefit payment.

Also important was having a guaranteed payment on a particular day. While only two out of ten people cited disadvantages with using order books, just over half thought that girocheques had disadvantages. In particular girocheques were seen as an unreliable method of payment prone to loss or fraud.

These aspects of benefit receipt were frequently related to people's ease of transfer to ACT.

The four in ten people who will be *easy to transfer* to ACT included the highest proportion of people who thought that there were disadvantages of being paid by order book or girocheque. Most of them could get to a bank or building society with ease. Compared with others they relied much less on social security as their sole source of cash. The four in ten people who will be *not so easy to transfer* were much like the average in terms of their reliance on benefit for income. They had more difficulty getting to a bank or building society branch than the first group and cited the convenience of using the post office as an advantage of order books. The two in ten people who will be *difficult to transfer* to ACT seemed especially wedded to their current payment method because it helped them keep control over their finances. They were the most reliant on benefit for their income – eight in ten had no other income at all. Nearly half of them said it was difficult to get to the nearest bank or building society. Indeed four in ten of this group relied on someone else to collect their benefit or pension.

Banking Although they chose to collect their benefit or pension in cash, using an order book or girocheque, two thirds of the people interviewed (64 per cent) had a bank or building society account of some kind. According to Association for Payment Clearing Services (APACS), the accounts they held could be used to receive payments by ACT. One in ten had had an account in the past but closed it and a quarter of people (26 per cent) had never had an account of any kind. The level of account holding was however, a good deal lower than in Great Britain, where 78 per cent of benefit recipients not paid by ACT had an account with a bank or building society. In particular a much higher proportion of people in Northern Ireland had never had an account (26 per cent compared with 10 per cent in Britain).

There was a strong relationship between people's economic circumstances and their degree of integration into the banking system. Levels of integration were lowest among people with low incomes. There was also a clear age effect, with the youngest and oldest people being the least integrated.

Statistical modelling techniques were used to provide a more detailed understanding of why people lacked an account. The two most significant factors explaining disengagement from banking (suspension or closure of a bank account) were a person's economic activity status and whether or not they derived all their income from state benefits. This is entirely consistent with qualitative research, which shows that people tend to disengage from banking when they lose an earned income and no longer have money paid into their account. A slightly different picture emerged for people who had never had an account. Here the two most significant factors were reliance on benefit as their sole source of income and being a tenant (which is almost certainly a proxy for living on a low income long-term). Again this is consistent with qualitative research which has found that people who have never had an account tend to be those who have lived on a low income all their lives and have never had an income that was automatically paid into a bank account.

One in twenty people (5 per cent) said that, although they currently did not have an account, they were likely to open one on their own accord in the next two years, that is before the end of 2002. A further four per cent said they might open one. Added to the 64 per cent who already have an account this suggests that by 2003 more than seven in ten people who are not currently paid by ACT could have an account. More people were attracted to the new basic bank accounts than to opening a standard current or savings account. Basic bank accounts have fewer facilities than standard current accounts (in particular they have no overdraft facility and no cheque book). This made them more attractive because they enable people on low incomes to retain close control over their finances, without the risk of being overdrawn.

There was very strong support for banking services being offered through local post offices and it was clear that most people want to be able to continue collecting their benefits or pensions from a post office when ACT is used to pay them.

There was wide variation in the level of integration into banking of people receiving different benefits. Most integrated were ChB recipients – 77 per cent of whom had an account and a further seven per cent said that it was likely they would have opened one by the end of 2002. IS recipients were the least integrated by far – 42 per cent had never had an account of any kind and a similar proportion completely ruled out opening an account by the end of 2002. JSA recipients were notable for the level of volatility in their use of bank accounts. Only a third of them were using an account at the time of the interview, but they included the largest proportions of people who had disengaged from banking, and who anticipated opening an account by 2002.

There was a strong relationship between ease of transfer to ACT and people's use of and attitudes to banking. As might be expected people who will be *easy to transfer* were the most integrated into banking and those who will be most *difficult to transfer* were the least. However, even those who will be *not so easy to transfer* had fairly low levels of engagement.

Money management and banking facilities

Only a third of people interviewed withdrew cash from a bank account, although six in ten said that they were willing to do so. Collecting benefit and pension money at the post office was the primary source of cash for most people, and for eight in ten it was the only source. Only half of those with active accounts said they used them to pay bills.

Over half of the people interviewed operated an entirely cash budget and used no banking facilities for any aspect of their day-to-day money management. This was much higher than in Great Britain where just over four in ten relied on cash budgets. Cash budgeting was especially commonplace among very elderly and those on very low incomes, especially if they relied on social security payments. Cash budgets were relatively rare amongst people with current accounts (17 per cent) but much more common (59 per cent) amongst those with a savings account.

The pattern of use of banking facilities by people receiving the different benefits mirrored that for account holding. People receiving ChB had by far the highest level of integration, while those receiving IS, were the least integrated. JSA recipients made very little use of banking facilities but were much more willing to do so than IS recipients.

There was a strong relationship between the use of banking facilities for day-to-day money management and ease of transfer to ACT. One-third of those who will be *easy to transfer*, to ACT, two thirds of the *not so easy* and seven in ten of the *difficult to transfer*, operated entirely in cash. The latter two groups had a strong resistance to both plastic cards and cash machines. This has important implications for the use of ACT as the normal method of payment from 2003. Not only are basic bank accounts card-based but so, too, is the form of simple account that the Post Office plans to offer under Universal Banking arrangements.

Experience and views of ACT payments

Lack of awareness almost certainly played a part in the low take-up of ACT. Four in ten people paid by order book and girocheque did not know that they could have their benefits paid this way. Half of the people interviewed were unaware that all bank and building society accounts can receive ACT payments.

Inertia was also important. Only 4 per cent of people had thought about switching to ACT. The great majority of people had given the matter no consideration at all.

Experience of ACT payments was fairly low. Only a quarter of people paid by order book or girocheque had other income paid by ACT, which was far fewer than the proportion (four in ten) in Great Britain. However if we look just at people who had an account in use, a little under a half had other income paid by ACT – similar to the proportion in Great Britain. In other words the lower experience of ACT in Northern Ireland is related to the lower level of account holding. Wages were the most common income paid by ACT followed by personal pensions. Most people said that they had been given no choice about how these were paid.

Knowledge of the relative costs of the three methods of paying benefits and pensions was very low indeed. On being told how much less it cost to pay benefits by ACT, 13 per cent of people said that they would be more likely to switch to this method of payment and a further 8 per cent said they might do so.

Attitudes to ACT payment of benefit were generally quite negative. Only three in ten people thought it had any advantages, the main ones being greater convenience, and that it suited the way some people liked to manage their money. Younger people, those with higher incomes and those with other incomes paid by ACT were most likely to cite advantages. In contrast, eight in ten cited disadvantages including, retired people, rural inhabitants, those with low incomes (especially if they relied on benefits for all their income) and people who did not have an account in use.

Despite the predominantly negative views, only a quarter of people said that they would expect to face problems if they transferred to ACT, while four in ten said they would not. The main problems that they anticipated were getting to a bank or building society branch, administrative problems during the changeover and late payments.

The people interviewed were classified into one of four groups, based on the range of views they held about ACT. They included people who were:

- in favour of ACT (15 per cent);
- in favour of ACT but wanted safety nets, were concerned about the post office and did not want things to change too much (28 per cent);
- equivocal about ACT (24 per cent); or
- opposed to ACT (34 per cent).

ChB recipients were the most positive about ACT and had the most experience of having other income paid this way. People receiving IS were both the most antagonistic about ACT and had the least experience of other income being paid by ACT.

As might be expected, the people who will be *easy to transfer* were the most positive about ACT and had the highest level of experience of other income being paid by ACT. They were also the only ones swayed by possible cost savings to the taxpayer. People who will be *not so easy to transfer* were for the most part either opposed to ACT or equivocal about it. Those who will be *difficult to transfer* were almost all opposed to ACT. Few of them had an account that they believed could receive ACT payments and hardly any had other income paid by ACT.

Transferring to ACT

Bringing all of the proceeding analysis together, it is possible to identify the strategies that could be used to facilitate the transfer to ACT, broken down between those with an existing account (64 per cent), and those without (36 per cent).

<p><i>Customers with an account</i></p>	<p>Three-tenths of people currently paid by order book or girocheque will transfer to ACT and use an existing account at a bank or building society. Most of them will be <i>easy to transfer</i>.</p> <p>A further quarter have an account and will transfer to ACT if they can continue to collect their benefit or pension at a post office. Some of them, however, may wish to open a new account for their benefit or pension payment. Agency agreements between their bank or building society and the post office will be key to persuading these people to transfer. Most of these people will be in the <i>not so easy to transfer</i> category.</p> <p>The remaining one in eight people have an account but will need quite a bit of persuasion to use it, indeed some may prefer to open a new account for their benefit or pension payment. Half of them were categorised as <i>not easy to transfer</i>, and the other half being quite <i>difficult to transfer</i>. Four in ten of these people relied on someone else to collect their benefits for them. Post Office agency agreements will be important for these people. They will also want reassurance that they can continue to collect their benefits as they do now, with a guaranteed payment on a particular day, and someone to contact if the payment fails to reach their account on time.</p> <p><i>Customers without an account</i></p> <p>About eight per cent of people did not have an account but will probably open one of their own accord. Most of these people will be <i>easy to transfer</i>, but will need reassurance that being paid by ACT will not effect the timing and reliability of their payment.</p> <p>A further 19 per cent should, with encouragement, be persuaded to open a new basic bank account and use it at the post office. Most of these people will be <i>not so easy to transfer</i>. They will need reassurance that basic bank accounts will enable them to keep tight control over their finances, without the risk of being overdrawn, and that being paid by ACT will not affect how or when they collect their pension or benefit.</p> <p>The remaining 9 per cent both lack an account and seem unlikely to open one. They will be very <i>difficult to transfer</i> to ACT, if indeed they can be persuaded at all. Over eight in ten had never had an account. A third of them relied on someone else to collect their benefit. Importantly, two-thirds were opposed to using any form of plastic card, which is particularly significant as both basic accounts and the proposed Post Office Card Account are card-based.</p> <p>Conclusion</p> <p>The research has identified a number of important issues relating to the transfer to ACT. Firstly, there is a need to encourage more banks to set up arrangements so that both their standard current accounts and their basic accounts can be used at post offices. Secondly, basic bank accounts need to be developed and promoted in Northern Ireland. Thirdly, people who were reluctant to transfer wanted</p>
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reassurance about the reliability of payments made by ACT. This included:

- a guaranteed payment date;
- a statement of the money that has been paid into their account;
- someone they can contact if, for some reason, their benefit or pension does not reach their account.

Most people who were paid weekly also wanted to continue to receive their benefit and pensions with that frequency.

Finally, there are practicalities that need to be sorted out for people who currently have their benefit, or pension collected by someone else.

INTRODUCTION

Currently more than three quarters of all benefit recipients in Northern Ireland receive their payments either through an order book or a girocheque. According to Social Security Agency administrative data, 21 per cent of people receiving social security benefits or pensions have all their payments made directly into a bank or building society account through automated credit transfer (ACT). Using this research, it is calculated that 72 per cent of all benefit recipients have an account of some kind. There is, however, a wide variation across benefits.

The highest levels of ACT payments are made to recipients of Child Benefit (27 per cent of whom receive their benefit in this way) and the State Retirement Pension (26 per cent). Far fewer recipients of Disability Living Allowance (16 per cent), Incapacity Benefit (15 per cent) and Jobseeker's Allowance (13 per cent) have their benefits paid in this way. The level of ACT payments is very low indeed for people receiving Income Support (5 per cent).

The proportion of people paid their benefit or pension by ACT is considerably lower than in Great Britain, where comparable data from the Department of Work and Pensions (formerly the Department of Social Security) show 37 per cent of benefit recipients are paid that way.

In May 1999, the UK Government announced that they will begin the process of making ACT the normal method of benefit payment from 2003, with the process due to be completed by 2005. The main reasons for this are:

- To establish a safe, convenient and more modern way of paying benefits.
- The potentially wider choice this could bring people if their benefit cash could be accessed through banks, ATMs, and cashback at retailers, as well as at Post Offices.
- The support this could give to broader social and financial inclusion policies, by more closely aligning people's financial arrangements, regardless of whether or not they are in work.
- The savings to the taxpayer this will bring. Moving to ACT would result in saving hundreds of millions of pounds on administration costs and on fraud throughout the UK.

To inform this process of change it is necessary to:

- assess the growth potential of benefit payments via ACT;
- understand the barriers to take-up of ACT and what needs to be done to ensure that take-up is maximised; and
- identify those for whom payment by ACT will not be a viable option.

This research This research was commissioned by the Social Security Agency for the Department for Social Development to provide an overview of the characteristics, experiences and attitudes of benefit recipients who are not currently paid by ACT. Within this there were a number of specific objectives:

- To contribute to developing a strategy to move towards ACT as the normal method of paying benefit.
- To consider customers' attitudes to methods of payment of social security benefits.
- To understand why customers with appropriate bank or building society accounts do not use them for receiving benefits.
- To understand the reasons why those without a bank or building society account do not have one.
- To consider the characteristics of the 'unbanked', and those who do have a bank or building society account but choose not to have their benefit paid by ACT.
- To explore what would increase the acceptability of ACT to customers.
- To explore awareness of current and planned banking products, attitudes to them, and current and likely future use of them.
- To assess the proportion and characteristics of customers who are:
 - unlikely ever to have an account;
 - currently lacking or not using a bank or building society account but who would be amenable to doing so if circumstances required it, and identify the factors likely to increase that amenability;
 - currently choosing not to have benefits paid by ACT, despite being active users of a current account; andidentify what factors would encourage each of them to switch to ACT.

The research was based on a quantitative, face-to-face survey of 934 people currently receiving one of six social security benefits by either order book or girocheque. These included recipients of the State Retirement Pension (RP); Child Benefit (ChB); Incapacity Benefit (IB); Disability Living Allowance (DLA); Income Support (IS) and Jobseeker's Allowance (JSA)¹. An unclustered random sample was used to maximise the representativeness of the people interviewed. Full details of the survey are included in the Technical Appendix.

A parallel survey was undertaken in Britain and is published as E Kempson and C Whyley, *Payment of pensions and benefits: a survey of social security recipients paid by order book or girocheque*. Department for Work and Pensions, 2001 (Research Report No 146).

Equality of opportunity The survey included questions to capture data likely to be of use to the Department in screening for equality impacts under Section 75 of the Northern

¹ In the remainder of the report, these initials are used whenever the individual benefits are referred to.

Ireland Act (1998). The groups of people identified under the legislation are:

- (a) between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- (b) between men and women generally;
- (c) between persons with a disability and persons without; and
- (d) between persons with dependants and persons without.

However, due to issues of sensitivity and design, a decision was made before the survey commenced that data in respect of political opinion and sexual orientation would not be collected in this survey.

In analysing the data we have taken account of these equality requirements, the results have, however, only been included in the report where significant differences were found.

This report This report begins, in Chapter 1, by reviewing what people knew of the impending changes and their views of them after they were explained.

Chapter 2 describes how the people interviewed chose to collect their pensions or benefit and the reasons for their decisions.

We then, in Chapter 3, look at their use of and attitudes to banking services, including banking through the Post Office.

Chapter 4 reviews their patterns of day-to-day money management and their use of banking facilities.

In Chapter 5 we analyse people's attitudes to ACT and their experience of having other income paid in this way.

Finally, Chapter 6 brings the analysis together and identifies a number of subgroups of people for whom rather different barriers have to be overcome if they are to be transferred to ACT. It suggests how this transfer might be undertaken, and indicates the challenges that exist to making ACT the normal method of payment by 2005.

1 AWARENESS OF, AND WILLINGNESS TO CHANGE TO, ACT PAYMENT OF BENEFITS AND PENSIONS

Despite a fair degree of publicity, few people (23 per cent of all those interviewed) had heard that there will be changes to the way that benefits and pensions will be paid from 2003. Accurate knowledge was rarer still – just one in ten (11 per cent) knew that benefits and pensions will be paid directly into an account by automated credit transfer (ACT) (Table 1.1). The most common mis-conception was that from 2003 post offices will be closed.

On the whole people over retirement age were both less aware of the proposed changes than younger people (19 per cent, compared with 25 per cent) and less likely to know exactly what is being proposed (9 per cent, compared with 12 per cent).

Levels of knowledge in Northern Ireland were generally lower than those in Britain, where 42 per cent had heard that the method of payment will be changed and 30 per cent knew that payments will be made by ACT. It should, however, be noted that the British survey took place amid a flurry of UK-wide adverse publicity that had largely died down by the time the fieldwork took place in Northern Ireland some six months later.

Views of the proposed changes

Because awareness was so low, everyone who participated in the survey was shown brief details of the proposed changes. The text of the card shown to participants is given in Figure 1.1.

When given these details four in ten people (39 per cent) held wholly positive views. Most commonly they either said that they thought the proposals were ‘a good idea’ or were fine as long as they could continue to use a post office (Table 1.1).

A similar proportion of people (43 per cent) were entirely negative about the proposals and the remainder (18 per cent) were either equivocal or said they held no particular point of view. Negative views centred on a preference for keeping things the same (16 per cent); preferring to use a post office rather than banks or building societies (13 per cent); and finding it more convenient to go to a post office (10 per cent).

In general, people below pension age were more positive than pensioners. Four in ten of them (43 per cent) expressed wholly positive views, compared with a third (33 per cent) of pensioners. They were also much more inclined to think the changes were a good idea and correspondingly less likely to be positive as long as they could use a post office (Table 1.1). Pensioners’ greater attachment to using a post office was also evident in the views of those who were entirely negative about the changes.

The explanation of the proposed changes differed slightly in the Great Britain and Northern Ireland surveys (see Figure 1.1). Most notably they differed in the detail relating to the Post Office. Strictly speaking, then, the replies are not comparable, although it is interesting to note that there was hardly any difference in Britain and Northern Ireland either in the level of positive and negative views or the detailed nature of people's comments.

Everyone interviewed was subsequently asked what concerns they might have about ACT being the normal method of payment. A minority (27 per cent) said that they had no concerns and a handful of people said they would have none as long as they could continue to use a post office (7 per cent) (Table 1.1). The concerns they articulated were wide-ranging and need further analysis. The most common, by far, was a worry that errors or delays in payments might occur (20 per cent). Once again, a larger proportion of non-pensioners had no concerns at all (31 per cent, compared with 19 per cent of pensioners), although rather more of them were worried about errors and delays (22 per cent, compared with 14 per cent).

Willingness to transfer to ACT

Towards the end of the interview, after discussion of the current methods of paying benefits, use of bank accounts and banking facilities and patterns of money management, the people interviewed were asked how willing they would be to transfer to ACT (Table 2.1). Four in ten of them (42 per cent) were either very willing or fairly willing. A further 25 per cent were willing to transfer as long as they could continue to use a post office and a small number (7 per cent) were willing as long as they could collect their money as frequently as now *and* do so at a post office. That left 21 per cent who were not willing to transfer even if they could continue to collect their money at a post office as often as they did now.

Again, non-pensioners expressed a greater degree of willingness to transfer to ACT than pensioners. Nearly half of them (47 per cent) were willing to transfer compared with just a third (32 per cent) of pensioners.

Figure 1.1 Explanation given of changes

From the year 2003, the Social Security Agency (SSA) will start to replace order books and girocheques with direct payment of benefits and pensions into a bank or building society account.

Additionally, the Post Office is working to make a range of bank and other simple accounts available at post offices so that customers can continue to get their benefit cash there if they wish.

Note the second paragraph differs from the one below that was used in the British survey.

However, after the benefit or pension has been paid into the bank or building society account, customers who wish to do so will be able to collect their money in cash at a post office.

Table 1.1 Knowledge and views of changes and willingness to transfer to ACT

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Knowledge of changes									
Accurate	11	12	9	10	17	10	13	8	5
Inaccurate	12	13	10	10	16	10	7	14	5
None	77	75	81	80	67	80	80	78	90
Views of proposed changes									
Positive views only	39	43	33	35	44	46	44	30	51
Negative views only	43	40	49	49	40	39	36	50	27
Equivocal	18	17	18	16	16	14	20	20	22
Concerns about changing to ACT¹									
None	27	31	19	20	36	34	32	16	36
None if can use a post office	7	5	11	11	3	4	7	9	5
Anti-bank	23	22	25	24	17	25	22	32	12
Pro-Post Office	21	16	29	29	12	12	20	27	10
Errors/delays in payment	20	22	14	14	26	22	16	21	25
Access difficulties and cost	19	16	24	23	12	20	18	25	6
Loss of financial control	10	10	11	12	12	9	5	11	7
How would choose to collect money									
From account at a bank branch	14	19	6	7	22	14	15	11	23
From account at a post office	36	39	32	27	39	42	40	36	40
Some other way at post office	47	41	57	60	37	42	41	50	30
Don't know	4	2	5	6	2	2	4	3	7
How willing to transfer to ACT									
Willing	42	47	32	32	52	48	45	33	60
Willing if PO	25	25	24	25	23	27	26	26	21
Willing if PO and same frequency	7	5	10	10	5	4	7	7	2
Not willing	21	19	25	26	17	16	19	26	14
Don't know	5	3	9	8	3	4	3	8	2
Base (weighted)	934	579	351	240	205	96	147	205	42
Base (unweighted)	934	653	277	178	147	157	148	161	143

Base: All respondents

¹ Respondents could voice more than one concern, so percentages do not add up to 100 per cent

On the whole, people in Northern Ireland were about as willing to transfer to ACT as their counterparts in Britain. Slightly fewer were unconditionally willing to transfer (42 per cent compared with 46 per cent in Britain), but to counterbalance this fewer people were unwilling as well (21 per cent compared with 26 per cent). More customers in Northern Ireland placed conditions on their willingness – and in particular wanting to be able to continue using a post office.

How would people choose to be paid after 2003?

Despite the fairly high level of willingness to transfer to ACT, only a small number of people (14 per cent) said that they would choose to collect their money from their account at a bank or building society branch (Table 1.1). Rather more (36 per cent) said they would want to be able to collect their money at a post office from a bank or building society account it had been paid into. The largest proportion (47 per cent), however, did not want to use an account, but wanted to be paid some other way that allowed them to collect their benefit or pension at a post office.

The pattern by benefit

There were some interesting variations in the knowledge and views of different groups of benefit recipients.

Knowledge of the proposed changes could hardly be considered high for any groups of benefit recipients, but it was highest among people getting ChB (17 per cent knew exactly what is being proposed) and lowest for those in receipt of JSA (5 per cent) (Table 1.1).

However it is assessed, people receiving JSA will be the most receptive to having their benefit paid by ACT. Half of them held wholly positive views of the proposed changes, six in ten were unconditionally willing to transfer to ACT and almost a quarter said they would choose to collect their benefit at a bank or building society branch after 2003 (Table 1.1).

ChB recipients will also be fairly receptive, although fewer of them held wholly positive views of ACT. Notwithstanding this, half said they were unconditionally willing to transfer to ACT and one in five would choose to collect their benefit at a bank or building society branch (Table 1.1).

IB and DLA recipients' views tended to mirror the overall averages (Table 1.1). The most negative, however, were people receiving either RP or IS (Table 1.1). In both cases, half of the people interviewed were entirely negative about the proposed changes; and a quarter said that they were not willing to transfer to ACT even if they could continue to collect their pension or benefit at a post office as often as they do now. Half of IS recipients and six in ten people getting RP said that they would not want to collect their money from a bank or building society account, but would want to be paid some other way through a post office.

Ease of transfer to ACT

As might be expected, there was a fair degree of overlap between people's willingness to transfer to ACT and both their views of the proposed changes

and how they would choose to be paid once they have been introduced (Table 1.2). So, two-thirds of the people who were most willing to transfer to ACT held only positive views of this method of payment. And three-quarters of them will collect their money from a bank or building society account from 2003 – although most of these would prefer to be able to access that account through a post office.

At the other extreme, seven in ten of the people who were least willing to transfer were also wholly negative about ACT and eight in ten of them would choose not to collect their money from a bank account, but to be paid in some other way.

Table 1.2 Willingness to transfer to ACT, by views of proposed changes and how people would choose to collect their benefit after 2003

Column percentages						
	Very/fairly willing	Willing if can use a post office	Willing if can use a post office and collect money as frequently as now	Not very/ not at all willing	Don't know	All
Views of proposed changes						
Positive views only	65	32	19	12	15	39
Negative views only	17	49	74	71	70	43
Equivocal	18	18	7	18	15	18
How people would choose to collect money ¹						
From account at a bank branch	29	4	2	4	-	14
From account at a post office	48	40	29	15	21	36
Some other way at post office	21	54	65	79	68	46
Don't know	4	2	4	2	12	4
Base (weighted)	388	231	64	199	49	934
Base (unweighted)	413	228	56	190	45	934

Base: All respondents

- no respondents

¹ respondents could choose more than one method, so percentages do not add up to 100%

At the same time, there were apparent inconsistencies in replies which, in reality, indicated a subtlety in people's views that could not be captured by a single question. For example, about two in ten of the people who were most willing to transfer to ACT, nevertheless held entirely negative views of ACT and a similar proportion said they would not choose to collect their money from an account. It is likely that many of them had reservations about ACT payment of their benefit, but these were not so strong that they will resist being paid by ACT from 2003.

Conversely, just over one in ten people who were least willing to transfer to ACT held entirely positive views of ACT and two in ten said they will collect their money from a bank or building society account after 2003. These people were apparently not anti-ACT *per se* and, although unwilling to be paid by ACT, they could well bow to the inevitable in 2003 and collect their money from a bank account.

Consequently, further statistical analysis was undertaken, using a technique known as discriminant analysis. This took as its starting point people's stated willingness to use ACT but re-categorised them according to their replies elsewhere in the questionnaire – including their attitudes to ACT as well as their ownership of bank accounts. This has enabled us to develop a conceptual model of the ease with which people can be transferred to ACT. This assigned people to one of three groups. Around four in ten people were classified as easy to transfer, a further four in ten will be *not so easy* and around two in ten will be *difficult to transfer*.

Table 1.3 Ease of transfer to ACT by personal and economic circumstances

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Benefit				
Retirement pension	19	29	33	26
Child Benefit	31	18	13	22
Incapacity Benefit	11	10	9	10
Disability Living Allowance	17	16	13	16
Income Support	16	24	30	22
Jobseeker's Allowance	6	3	3	5
Pensioner status				
Below pension age (non-pensioner)	73	57	52	62
Above pension age (pensioner)	27	43	47	38
Gender				
Male	30	37	35	34
Female	70	63	65	66
Age				
up to 29	14	11	6	11
30-39	23	18	13	19
40-49	19	13	15	15
50-59	14	12	11	13
60-69	15	22	24	20
70-79	9	18	18	15
80 or more	6	6	11	7
				Continued

Table 1.3 Continued

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Religion				
Catholic	49	49	47	49
Protestant	44	41	46	43
Family circumstances				
Single no children	18	24	28	22
Couple no children	14	24	21	20
Lone parent	18	17	14	16
Couple with children	31	19	14	23
Other (includes non-householders)	19	17	23	19
Net weekly household income				
Under £100	19	28	23	24
£100-199	26	30	36	29
£200-299	14	11	10	12
£300-499	10	5	4	7
£500 or more	9	2	-	4
Economic activity				
FT employment	13	3	-	6
PT employment	12	6	4	8
Unemployed looking for work	10	7	9	8
Looking after family/home	18	17	20	18
Fully retired	20	33	35	29
Unable to work through disability	26	34	32	30
Type of neighbourhood				
Inner city	10	2	20	8
Suburbs	21	23	22	22
Central town	11	8	9	9
Town outskirts	26	33	15	27
Village	8	11	12	10
Other rural	24	34	22	24
Housing tenure				
Outright owner	19	28	33	28
Mortgagor	26	18	13	21
Social tenant	14	33	38	31
Private tenant	10	7	1	6
Rent free (inc non-householders)	9	14	16	14

Continued

Table 1.3 Continued

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Disability				
Has disability that limits activity	46	56	63	53
Has non-limiting disability	6	5	5	5
No disability	48	40	32	41
Mobility impairment	32	37	42	36
Visual impairment	4	8	6	6
Mental health problems	13	17	16	16
Other physical disability	32	42	43	43
Collect own benefit				
Yes	82	78	63	77
No	18	22	37	23
Base (weighted)	352	410	175	934
Base (unweighted)	370	395	169	934

Base: All respondents

Easy to transfer

These people were the youngest of the three groups. Their average age was 49, three quarters of them were under pension age and they included very few older pensioners. Women customers and, especially couples with children were considerably over-represented among them. Consequently they were especially likely to be in receipt of ChB. Although they were small in number, JSA recipients were also most numerous in this easy to transfer group.

These people were also far better-off financially than the other two groups. They had by far the highest income and they included the largest proportions of people in either full-time or part-time work and people buying their home on a mortgage. They were not, however, drawn from any particular type of locality.

Not so easy to transfer

In most respects the characteristics of the people who were *not so easy to transfer* were close to the average for the overall population of people paid by order book or girocheque. Their average age was 54 and a little more than four in ten of them were over pension age. Single people and couples without children were also slightly over-represented. They included slightly more RP and IS recipients than the average, but the difference was not great.

Their incomes were slightly below the average for all people who were paid by order book or girocheque and they included a below-average proportion of people in work. In contrast, people who were fully retired were over-represented and this Group also included the largest proportion of people unable to work through long-term illness or disability of the three groups.

Their housing tenure, too, was about average, although they included by far the largest proportion of people living in rural areas – especially rural localities outside villages.

Difficult to transfer People who will be *difficult to transfer* were the oldest and poorest of the three groups. Their average age was 58 and three in ten of them were aged over 70. As a consequence, they included the largest proportion of single people living alone and relatively few families with children.

They included by far the largest proportion of IS recipients. None of them was in full-time work and only 4 per cent had part-time jobs. Two thirds of them were either fully retired or unable to work through long-term sickness or disability. In fact, they had the highest incidence of disability that limited daily activity (63 per cent) and of mobility impairment (42 per cent).

Outright owners and social tenants were much more numerous than they were among people who will be easier to transfer to ACT and they were quite the most likely to live in inner city areas.

There are three main methods of paying benefits and pensions – direct payment into a bank or building society account (ACT); order books and girocheques. ACT is available for all social security benefits; the other payment methods are associated with particular ones. All benefit recipients, with the exception of people receiving JSA, can be paid either by ACT or by order book. JSA recipients can have their payments made by either ACT or girocheque. The people in this survey were all selected because they were not having their sampled benefit paid by ACT at the time of the research.

Generally, and perhaps predictably, the methods by which they were paid reflected these patterns of availability. The great majority of people (94 per cent) were paid by order book, while only a small number of people were paid by girocheque and most of these were receiving JSA. Girocheque recipients, almost without exception, cashed them at a post office as opposed to using a bank or a cheque cashing outlet.

Hardly anybody (3 per cent) had changed their method of payment since they started their current claim and, for the most part, people had been in receipt of their sampled benefit for considerable lengths of time (Table 2.1). Six in ten had been receiving it for more than five years; three quarters for more than three years. Girocheque recipients, however, were much shorter-term customers and had a higher turnover. Over half of them had been receiving their sampled benefit for less than a year. At the time of the survey 13 per cent of girocheque recipients were no longer claiming benefit, compared with 2 per cent of the people with order books.

Taken as a whole, people paid by order book and girocheque were fairly elderly and women outnumbered men two to one. Nearly half owned or were buying a home; four in ten were tenants and, while most of them lived either in the suburbs or outskirts of towns, a third lived in villages or other rural areas. Over half had a disability that limited their daily activity, but only one in twenty was a full-time carer. Catholics slightly outnumbered Protestants. Predictably most people were not in work, and three quarters lived in a household with no earners at all (Table 2.1).

There were some interesting differences in the personal and household circumstances between people paid by order book and those being paid by girocheque. Girocheque recipients were much younger and were overwhelmingly male. They included far fewer home owners and many more who were non-householders either living in someone else's home or, in a small number of cases, residential care. More of them lived in inner city areas, and correspondingly fewer in rural areas. They had a much lower incidence of disability that limited daily activities and the great majority were unemployed and looking for work.

Table 2.1 Personal and household characteristics of people not paid by ACT

	<i>Column percentages</i>		
	All	Order book	Girocheque
Age			
Under 30	11	9	35
30-39	19	19	19
40-49	15	15	21
50-59	12	12	21
60-69	20	21	2
70-79	15	16	-
80+	7	7	1
Gender			
Male	34	32	72
Female	66	68	28
Family circumstances			
Single no children	22	22	28
Couple no children	20	21	7
Lone parent	16	17	9
Couple with children	23	23	15
Other (includes non-householders)	19	17	41
Housing tenure			
Outright owner	28	29	15
Mortgagor	21	22	17
Social tenant	31	31	26
Private tenant	6	5	9
Other	14	13	32
Type of neighbourhood			
Urban	60	40	38
Rural	40	60	62
Inner city	9	8	17
Suburbs	22	22	21
Central town	9	9	6
Town outskirts	27	27	28
Village	10	10	11
Other rural	24	24	17
Disability			
Has disability that limits daily activities	53	55	24
Has non-limiting disability	6	6	4
No disability	41	39	72
Carer			
Yes	5	5	4
No	95	95	96

Continued

Table 2.1 Continued

	Column percentages		
	All	Order book	Girocheque
Religion			
Catholic	49	48	55
Protestant	42	44	39
Other	4	3	4
Refused	5	5	2
Economic activity			
FT employment	6	7	4*
PT employment	8	8	6*
Unemployed looking for work	8	4	73
Looking after family/home	18	19	-
Fully retired	29	30	2
Unable to work through disability	30	31	15
Number of earners in household			
Two	8	8	-
One	16	16	13*
None	76	76	87
Length of time on benefit			
Less than 6 months	2	1	23
6 months to 1 year	6	6	29
1-2 years	7	6	23
2-3 years	7	7	6
3-5 years	14	14	11
More than five years	62	65	17
Don't know	1	1	2
No longer in receipt of benefit	2	2	13
Base (weighted)	934	881	53
Base (unweighted)	934	777	157

Base: All respondents

* 13 per cent of people were no longer receiving benefit by the time they were interviewed

Reasons for choice of current payment method

Most people seem not to have made a conscious decision to be paid by order book or girocheque - six in ten (59 per cent) said they had not realised they had a choice of payment method when they started their current claim. Moreover, there was little difference between those paid by order book and those paid by girocheque.

Recent customers were more aware of having a choice of payment methods than those who had been receiving benefit for long periods of time. Half (49 per cent) of those who had been receiving benefit for less than three years knew they had a choice, compared with four in ten (40 per cent) of people who had started claiming between three and five years ago, and just over a third (35 per cent) of people who had been receiving their benefit for more than five years.

In reality, many of the long-term customers may not have had a choice, as ACT payment was only introduced relatively recently for some benefits.

Among those who had known they had a choice of payment method, the most important factors influencing their decision were the convenience of using a post office (46 per cent) and that it would give them an immediate source of cash (29 per cent). No other factor assumed anything like this level of importance. For example, 6 per cent of them said it was because they wanted to be paid weekly and 5 per cent said it suited their style of money management - although in both cases these were more important as secondary reasons. Only 4 per cent of people specifically said they had chosen to be paid by order book or girocheque because they lacked a bank or building society account, although as we shall see in the next chapter, many more actually lacked an account.

Many of the people interviewed (63 per cent) received other benefits as well as their sampled one - IS (21 per cent); DLA (16 per cent) and Attendance Allowance (10 per cent) being the most common - and nine in ten of them had all their benefits paid in the same way.

Whether people had considered changing and why not

The great majority of people (95 per cent) had not considered changing from their current method of payment. The most common reason by far was that they had no reason to do so, as their current payment methods suited them (76 per cent). Almost three in ten (29 per cent) said that they had just not thought about it and a similar number (28 per cent) specifically mentioned the convenience of using a post office. Many people cited two or more of these reasons. Again, only 4 per cent said that it was because they lacked a bank or building society account.

Perceived advantages and disadvantages of order books and girocheques

When asked, most people thought that their chosen method of payment had a number of advantages; and only a minority cited any disadvantages. That said, girocheque recipients were much less positive than people paid by order book (Table 2.2).

Important, once again, was the convenience of using a post office, although this was less of a consideration for people paid by girocheque. The main advantage, however, was that a guaranteed sum of money is paid on a guaranteed day, and especially so for those paid by order book. The other important advantages were all concerned with a preference for a cash budget. A quarter of girocheque recipients, however, said that unreliable payments were a disadvantage of being paid in this way.

Convenience of post offices

The convenience of using the post office was an important reason why many people had chosen to be paid by order book or girocheque. And, as we saw in the previous chapter, a large number of people were only willing to transfer to ACT if they could continue to use a post office. The reason for this is not difficult to ascertain - most people had much less difficulty getting to the nearest post office than to a bank or building society branch (Table 2.3).

Table 2.2 The advantages and disadvantages of order books and girocheques

	Column percentages ¹	
	Order book	Girocheque
Advantages¹		
Guaranteed money on a guaranteed day	56	44
PO convenient	53	39
Simple/quick to do	32	-
Prefers cash budget	27	24
Convenient source of cash	21	-
Convenient payment period	-	26
None	3	8
Disadvantages¹		
Unreliability of arrival times	-	24
Easy to lose	8	8
Inconvenience of using PO	6	5
None	80	54
Base (weighted)	881	53
Base (unweighted)	777	157

¹ Respondents could give more than one advantage/disadvantage so percentages do not total 100%

Eight in ten said they lived within a mile of a post office while only half that number lived this close to a bank or building society branch. Half of them could walk to a post office and eight out of ten said that it was easy to reach. Only a small number of people (11 per cent) said that getting to the nearest post office was difficult and just 2 per cent lived four or more miles from one (Table 2.3).

In contrast, journeys to the nearest bank or building society branch were clearly problematic for a greater number of people. Just under one in five (17 per cent) lived four or more miles from the nearest branch and nearly a third (31 per cent) faced difficulties getting there. Even so, the majority of people did live fairly close to a branch and most could get there under their own steam – either by walking or driving (Table 2.3).

Difficulty reaching a branch was related to a number of factors. It increased steadily with age, from 19 per cent of people in their twenties to 60 per cent of people in their eighties. It also increased with the severity of activity-limiting disabilities. While 16 per cent of people with no disability had difficult access, this increased to 28 per cent of people with a non-limiting disability and to 43 per cent of people with a disability that limited their daily activity. Likewise, it increased with lack of access to a car, from 20 per cent of people who had access to a car whenever they needed it, to 32 per cent who had occasional access and 42 per cent who had no access at all. Difficulties were also very much concentrated among people living in inner cities (36 per cent) or rural areas

outside villages (38 per cent), but for rather different reasons. Inner city dwellers included disproportionate numbers of very elderly people and people with activity-limiting disabilities; while for rural inhabitants it was more a matter of the distances to be travelled.

Table 2.3 Travel from home to nearest bank or building society branch, cash machine and post office

	Column percentages		
	Bank or B Soc branch	Cash machine	Post Office
Distance			
Under ½ mile	19	26	54
½ mile but under 1 mile	24	23	27
1 mile but under 2 miles	23	20	11
2 miles but under 3 miles	10	6	4
3 miles but under 4 miles	6	4	2
More than 4 miles	17	13	2
Don't know	-	7	*
Means of transport¹			
Own car or motorcycle	37	Not asked	30
On foot	28		51
Lift	18		14
Taxi	12		5
Public transport	8		2
Bike	-		*
Other	1		1
Don't know	1		*
Ease of journey			
Very easy	25	28	49
Fairly easy	33	30	33
Neither easy nor difficult	10	8	7
Fairly difficult	19	17	6
Very difficult	12	11	5
Don't know	*	7	*
Base (weighted)	934	934	934
Base (unweighted)	934	934	934

Base: All respondents

* less than one per cent

- no respondents

¹ Some people used more than one means of transport, so the percentages do not total 100%

Getting to the nearest cash machine was only marginally easier than reaching a branch. This is not really surprising as the majority of cash machines are located at bank or building society branches and those that are not tend to be at railway stations and supermarkets (Table 2.3).

More people had difficulties getting to a branch than in Britain, where 11 per cent of people had a journey of four or more miles and 25 per cent said it was difficult. There are three possible reasons for this. Firstly, more of the people surveyed in Northern Ireland lived in rural areas (34 per cent, compared with 20 per cent in Britain). Secondly more of them had a disability that limited their daily activities (53 per cent, compared with 47 per cent). And thirdly twice as many people would either have to rely on a lift or take a taxi to get to the nearest branch (29 per cent, compared with 14 per cent in Britain).

Access to post offices was also not as easy in Northern Ireland as it was in Britain. In Northern Ireland two in ten people lived more than a mile from a post office; in Britain the figure was just one in ten. Consequently half of customers in Northern Ireland could not walk to a post office, compared with only three in ten in Britain.

Reliance on benefit for cash

Aside from the convenience of using a post office, the other main reason for having chosen to be paid by order book or girocheque was the fact that it suited people with low incomes who wanted to operate a predominantly cash budget and to keep control over their money.

Just about everyone (96 per cent) said that their benefit payments were one of their main sources of cash and for most (65 per cent) it was their only source of cash. Moreover, many (62 per cent) relied on benefit as their sole source of income and these people quite disproportionately operated a cash budget. What is not clear, however, is whether people had actually chosen to be paid by order book or girocheque because they had always operated a cash budget or whether they had decided to do so when faced with a drop in income. This point is explored further in the following chapters on banking.

As might be expected, reliance on benefit as the only source of income was very common among unemployed people (93 per cent); lone parents (80 per cent); and above average for people unable to work through disability (74 per cent). People who were wholly retired were, however, only slightly more reliant on benefit than the average (66 per cent). It was far more common among people in their twenties (73 per cent) or aged over 70 (75 per cent) than in other age groups. More men relied on benefit than women (71 per cent compared with 57 per cent) and more Catholics than Protestants (67 per cent compared with 57 per cent). It was also very much an inner city phenomenon (81 per cent).

Moreover there was a strong link with the period over which people budgeted. Around seven in ten of people budgeting weekly (69 per cent) or fortnightly (74 per cent) relied on benefit for all their income, compared with just 13 per cent of people who budgeted on a monthly cycle.

An almost identical picture emerged for people who were reliant on benefit as their sole source of cash.

Frequency of benefit payment

Most people (64 per cent) had their benefit or pension paid weekly; only a quarter (23 per cent) were paid four weekly and an even smaller number (13 per cent) fortnightly. The majority of people (75 per cent) also budgeted weekly – in fact more than were paid their benefit or pension with that frequency. In contrast, far fewer people budgeted by the fortnight (7 per cent) or month (12 per cent) than were paid their benefit or pension that often (Table 2.5).

On the whole, most people seem to have chosen to be paid with a frequency that suited their budgeting cycle rather than adapting their budgeting cycle to fit their frequency of payment. There are a number of reasons for this conclusion.

Firstly, almost all of them (97 per cent) said that they were happy with their current frequency of payment. Only 2 per cent said they would prefer smaller amounts more often and most of these were currently paid fortnightly and said it would make budgeting easier. Fewer than 1 per cent preferred larger amounts less often.

Secondly, hardly anybody (2 per cent) had changed their budgeting period since they started to get their sampled benefit.

And thirdly, most people wanted to continue to be paid with the same frequency after ACT is introduced (Table 2.4). If they wanted anything other than their current payment frequency, they were much more likely to want to be paid weekly than either fortnightly or four weekly. In other words they would prefer a payment frequency that matched their current budgeting cycle.

Table 2.4 Current frequency of payment by preferred frequency and budgeting period

	Column percentages		
	Current frequency of payment		
	Weekly	Fortnightly	Four weekly
Preferred frequency if paid by ACT			
Weekly	92	38	28
Fortnightly	4	61	5
Four weekly	3	*	68
Budgeting period			
Weekly	87	43	59
Fortnightly	2	43	2
Monthly	5	5	33
Doesn't budget	6	9	5
Base (weighted)	596	122	214
Base (unweighted)	523	222	188

Base: All respondents

* less than 1 per cent

Benefit collection Most people (88 per cent) regularly collected all their benefit or pension when it was due for payment. However, a minority (12 per cent) let it mount up – in most cases they were saving it either to pay bills (4 per cent) or to meet their children's needs (3 per cent).

Third party collection Although the majority of people normally collected their benefit or pension themselves, almost a quarter (23 per cent) relied on someone else to collect it for them all or most of the time. In almost all cases it was collected by a relative (20 per cent) and because the recipient had poor health or limited mobility (18 per cent). In fact more than eight in ten (84 per cent) of people who had their benefit collected for them said that they had a disability that limited their daily activity.

The extent of reliance on someone else was clearly related to age and disability. It increased markedly with age from less than one in ten (8 per cent) of the under 20s to two thirds (65 per cent) of the over 80s. Similarly it increased steeply with the degree of disability – from 8 per cent of people with none, to 12 per cent of those with a non-limiting disability and 37 per cent of those with a disability that limited their daily activity. It was, therefore, most prevalent among people who were wholly retired (31 per cent) and those unable to work through disability (37 per cent). There was a small, but not significant, increase with the degree of access to a private car.

Variations in patterns of benefit receipt by benefit received So far in this chapter we have considered all groups of benefit recipients together. There were, however, some interesting variations from this more general picture when we look at the six benefits studied separately. The key variations from the general picture are summarised below.

Retirement Pension RP recipients comprised the second-largest group of long term customers – three quarters (73 per cent) had been receiving the state pension for more than five years (Table 2.5). They were the ones who were most attracted to the convenience of being able to collect their pension at a post office. More than half (55 per cent) said that this was the main reason why they had chosen to be paid by order book and that it was one of the main advantages of order book payments (58 per cent). Indeed an above-average proportion of them (37 per cent) said it was difficult to get to the nearest bank or building society branch. They also had one of the higher levels of benefit collection by third parties (29 per cent).

Just about all RP recipients (99 per cent) were paid weekly, but a significant minority (16 per cent) did not always collect their pension when it was due. This is quite possibly because only 85 per cent of them budgeted weekly and it suited the others to let their pension mount up. Moreover, they were the only group where *fewer* people wished to be paid weekly after the introduction of ACT than are paid that frequently now. Even so, 90 per cent said they would like to continue to be paid weekly.

Table 2.5 Current benefit receipt by benefit

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Length of claim									
Under 6 months	2	3	1	1	-	4	*	2	23
6 months -1 year	6	9	2	3	3	15	6	6	24
1 – 2 years	7	8	6	8	3	12	8	4	26
2 – 3 years	7	8	6	5	3	10	10	9	7
3 – 5 years	14	14	13	10	7	16	26	14	10
Over 5 years	62	57	71	73	81	42	47	62	10
Don't know	1	1	1	-	1	1	3	2	-
No longer receiving benefit									
	2	4	-	-	1	8	1	2	14
Realised had a choice of method									
	39	42	33	37	48	38	41	31	35
Main reason for choice²									
Post office convenient	46	41	56	55	43	38	53	36	36
An immediate source of cash	30	29	30	30	29	32	25	35	21
Advantages of order book¹									
Guaranteed money on a set day	56	57	55	55	62	58	50	60	
Post office convenient	53	49	59	58	45	57	50	54	
Simple/quick to do	32	31	33	34	30	34	27	35	
Prefers a cash budget	27	25	29	29	18	33	20	35	
None	3	4	1	2	4	2	2	4	
Disadvantages of order book¹									
Easy to lose	8	10	4	5	13	8	6	6	
Inconvenience of using PO	6	8	2	3	13	5	3	3	
None	80	75	88	86	68	80	84	83	
Advantages of girocheque¹									
Guaranteed money on a set day									50
Post office convenient									46
More convenient									27
Prefers a cash budget									23
None									7
Disadvantages of girocheque¹									
Unreliability									22
Post Office inconvenient									13
Personal security									8
None									52

Continued

Table 2.5 Continued

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Ease of journey to bank branch									
Very easy	27	34	15	18	53	24	18	19	31
Fairly easy	32	32	31	35	26	35	33	28	43
Neither easy nor difficult	10	9	13	11	6	12	11	13	12
Fairly difficult	19	17	23	23	13	16	22	22	9
Very difficult	12	8	18	14	2	14	16	17	5
Cash budgeting									
Benefits only source of cash	65	61	72	65	28	71	76	88	78
Relies on benefit as sole source of income	62	59	67	59	29	63	68	90	80
Current frequency of payment									
Weekly	64	49	88	99	53	51	17	84	16
Fortnightly	13	21	*	-	-	46	7	16	84
Four-weekly/monthly	23	30	11	1	48	3	76	-	-
Whether collects benefit when due									
Yes	88	88	87	83	73	95	95	97	99
No, lets it mount up	12	12	13	16	27	5	5	3	*
Budgeting period									
Weekly	75	69	85	85	65	69	73	86	35
Fortnightly	7	10	3	3	-	16	6	9	48
Four-weekly/monthly	12	15	6	6	30	8	14	1	2
Does not budget	6	6	6	6	5	7	7	4	14
Whether has changed period since claim									
Yes	2	3	1	*	1	3	-	6	5
No	98	97	99	99	99	97	100	94	95
Preferred frequency of payment if paid by ACT									
Weekly	70	60	86	90	54	63	47	87	47
Fortnightly	12	16	4	5	4	32	7	12	52
Four-weekly/monthly	18	23	9	4	42	5	45	1	*
Whether has benefit collected									
Yes	23	18	33	29	5	29	39	24	8
No	77	82	67	71	95	71	61	76	92

Continued

Table 2.5 Continued

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Reason why collected									
Poor health	18	12	27	24	*	21	31	20	-
Combines with other activity	2	3	2	2	3	4	3	3	7
Collects when gets own benefit	2	1	3	3	1	2	3	1	*
Base (weighted)	934	579	351	240	205	96	147	205	42
Base (unweighted)	934	653	277	178	147	157	148	161	143

Base: All respondents

* Less than 1 per cent

- No respondents

¹ Only selected responses given, so percentages do not add up to 100 per cent

² Base all who knew they had a choice

Child Benefit

ChB recipients included the largest proportion of long-term customers (81 per cent), yet paradoxically, they were also the most aware of having had a choice of payment method when they started to receive their benefit (48 per cent) (Table 2.5). Unlike others, they were not attracted to order book payments because of the convenience of using a post office, but rather because it offered them a guaranteed payment on a guaranteed day (62 per cent). They had least difficulty getting to the nearest bank or building society branch – 53 per cent said it was very easy and a further 26 per cent quite easy; while only 2 per cent said it was very difficult. Hardly any (5 per cent) had their benefit collected for them and almost none of these did so because of poor health. They were the only group where a significant minority (32 per cent) said that they thought being paid by order book had its disadvantages. The two most common criticisms were the inconvenience of using a post office (13 per cent) and the ease of losing their order book (13 per cent).

Nearly half of them (48 per cent) had their ChB paid four weekly and more than a quarter (27 per cent) did not always collect it when it was due. In fact, they included the largest proportion of people who budgeted by the month (30 per cent) although weekly budgeting was still the norm. They also had the lowest level of dependence on benefits either as their only source of cash or their only source of income. The few who were dependent on benefit in either of these ways were also claiming IS.

Incapacity Benefit

IB recipients included the second-highest proportion of shorter-term customers – two in ten (19 per cent) had been receiving the benefit for under a year; three in ten (31 per cent) for less than two years (Table 2.5). They had chosen to be paid by order book for reasons that broadly reflect the overall picture, except that they included a slightly higher proportion (33 per cent) who said that they preferred to operate a cash budget. They also had the second-highest proportion

of people (57 per cent) citing the convenience of using a post office as an advantage of being paid by order book. They found getting to the nearest bank or building society branch slightly more difficult than the average – but less than one would expect given their disability. They had the second-highest level of reliance on someone else to collect their benefit for them (29 per cent).

Nearly half of them (46 per cent) had their benefit paid fortnightly; slightly more (51 per cent) were paid weekly. However, most (69 per cent) actually budgeted by the week and would prefer to be paid weekly after the introduction of ACT (63 per cent).

Disability Living Allowance

A below-average proportion of DLA recipients (47 per cent) had been claiming for more than five years, although they included fewer very short-term customers than IB recipients (Table 2.5). They included the second-highest proportion who had chosen to be paid by order book because it was more convenient to use a post office. Moreover, 38 per cent of them said it was difficult for them to get to the nearest bank or building society branch, and 39 per cent relied on someone else to collect their benefit for them – far more than any other benefit group.

Three quarters were paid their benefit four weekly – by far the highest of the six benefit groups. In contrast, very few (14 per cent) actually budgeted monthly; weekly budgeting was much more common (73 per cent). If benefit rules allowed it, many of them would choose to switch to weekly payments after the introduction of ACT.

Income Support

People receiving IS were the least likely to have known that they had a choice of payment method when they began to receive benefit (Table 2.5). They were particularly notable for their inclination towards weekly cash budgets. They were especially attracted to order book payments because it guaranteed their money on a set day (60 per cent), provided a ready source of cash and met their preference for a cash budget (35 per cent each). They had by far the highest dependence on benefits as their only source of cash and, indeed, their only source of income.

Over eight in ten (84 per cent) received their benefit weekly, a similar proportion budgeted weekly (86 per cent) and would choose to be paid weekly after ACT is introduced (87 per cent).

Jobseeker's Allowance

JSA recipients were the most transient of all. Nearly half (47 per cent) had been claiming benefit for less than a year and 14 per cent were no longer claiming when they were interviewed (Table 2.5). They had the second-highest level of dependence on benefits after IS recipients.

They were much less wedded to their current method of payment than any of the people paid by order book. Half of them cited disadvantages of girocheques – most commonly the unreliability of payments (22 per cent) and inconvenience of using a post office (13 per cent). Like ChB recipients most (74 per cent) found it relatively easy to get to the nearest bank or building society branch and

very few (8 per cent) relied on someone else to collect their benefit for them. Even then, it was more a matter of convenience than necessity.

The majority of them (84 per cent) were paid fortnightly, but only half budgeted over a two-week period (48 per cent) or would choose to be paid fortnightly when ACT is introduced (52 per cent). Nearly half (47 per cent) would opt for weekly payments if benefit rules allowed it.

Variations in patterns of benefit receipt by ease of transfer

The people who will be *easy to transfer* included slightly more shorter-term customers and correspondingly fewer people who had been receiving their benefit for more than five years. They included the greatest proportion of people who had realised from the outset that they could have been paid by ACT, but they had mainly chosen to be paid by order book or girocheque because they found it more convenient. They were, however, the most likely to say that there were disadvantages to being paid by order book and, interestingly, the inconvenience of using a post office was the main one. In fact, eight in ten of them said that they could get to the nearest bank or building society with ease. So, although they said that being paid by order book or girocheque was convenient, the great majority of them would not find it difficult to withdraw their benefit if it were paid by ACT.

Table 2.6 Ease of transfer to ACT

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Length of claim				
Under 6 months	3	2	1	2
6 months – 1 year	7	5	8	6
1 – 2 years	8	7	5	7
2 – 3 years	7	8	4	7
3 – 5 years	14	15	9	14
Over 5 years	58	62	72	62
Don't know	3	1	1	1
No longer receiving benefit				
	3	3	1	2
Realised had a choice of method				
	40	33	28	35
Main reason for choice				
Post Office convenient	35	39	32	36
An immediate source of cash	13	25	41	23
Advantages of order book¹				
Guaranteed money on a set day	50	56	70	56
Post Office convenient	42	60	57	57
Simple/quick to do	25	33	48	33
Prefers a cash budget	17	19	19	21
None	6	2	-	3

Continued

Table 2.6 Continued

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Disadvantages of order book¹				
Easy to lose	11	6	7	8
Inconvenience of using PO	13	3	2	7
None	72	85	85	80
Ease of journey to bank branch				
Very easy	41	19	18	27
Fairly easy	37	30	25	32
Neither easy nor difficult	8	12	11	10
Fairly difficult	8	26	25	19
Very difficult	6	13	22	12
Cash budgeting				
Benefits only source of cash	51	73	79	65
Relies on benefit as sole source of income	46	68	80	62
Current frequency of payment				
Weekly	55	69	71	64
Fortnightly	15	12	13	13
Four-weekly/monthly	31	20	16	23
Whether collects benefit when due				
Yes	81	92	92	88
No, lets it mount up	18	8	8	12
Budgeting period				
Weekly	64	79	84	74
Fortnightly	8	7	8	7
Four-weekly/monthly	20	8	3	12
Does not budget	6	5	3	5
Preferred frequency of payment if paid by ACT				
Weekly	58	77	78	70
Fortnightly	15	10	8	12
Four-weekly/monthly	26	13	12	18

Continued

Table 2.6 Continued

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Whether has benefit collected				
Yes	18	22	37	23
No	82	78	63	77
Reason why collected				
Poor health	10	18	32	18
Combines with other activity	3	1	4	3
Collects when gets own benefit	3	1	1	2
Base (weighted)	350	410	174	934
Base (unweighted)	370	395	169	934

Base: All respondents

* No respondents

¹ Only selected responses given, so percentages do not add up to 100 per cent. Note figures for perceived advantages and disadvantages of girocheque payments omitted as the numbers were too small for this level of analysis

They relied much less on social security for their income than people who will be more difficult to transfer to ACT and they were also more likely both to operate monthly budgets and to say they would like to be paid four-weekly after ACT becomes the normal method of payment. It should, however, be acknowledged that even among these people there was a preponderance of weekly budgeting and most would prefer to have their benefit paid weekly. They were more likely than others to let their benefit mount up before they collected it – almost certainly because they were less reliant on it for their income.

People who will be *not so easy to transfer* were much like the average in terms of the length of time they had been receiving benefit, their degree of reliance on benefit for their income and their reasons for choosing to be paid by order book or girocheque. They had more difficulty getting to the nearest bank or building society branch than those who will be easier to transfer to ACT and, consequently, many more of them cited the convenience of using a post office as an advantage of order books. Eight out of ten of them budgeted weekly and a similar number would choose to be paid weekly following the transfer to ACT.

Finally, the people who will be *difficult to transfer to ACT* were by far the longest-term customers and seven in ten of them had been receiving their benefit or pension for more than five years. Consequently, they included the smallest proportion of people who were aware of ACT payments at the time they had

started to receive their benefit or pension. Although many of them cited the convenience of using a post office both as a reason why they had chosen their current payment method and as an advantage of order books, they more commonly gave reasons related to money management.

In fact they were by far the most reliant on benefit for all their income – eight in ten had no other income at all. They also overwhelmingly budgeted by the week and would choose to have their benefit or pension paid weekly when ACT payments are introduced.

Although they said least often that they had chosen to be paid by order book or girocheque because it was more convenient to use a post office, nearly half of them said it was difficult to get to the nearest bank or building society branch, and they included the largest proportion of people with very difficult journeys. This apparent contradiction may well be explained by the fact that four in ten of them had their benefit or pension collected by someone else, which was twice the level of either of the other two groups.

Although they chose to collect their benefit or pension in cash using an order book or girocheque, two thirds of the people interviewed (64 per cent) did have a bank or building society account of some kind² (Table 3.1). This is more than might have been expected but is a good deal lower than in Britain, where 78 per cent of benefit recipients not paid by ACT were account-holders. Part of the explanation may lie in the greater penetration of credit union accounts among people without a bank account in Northern Ireland. In fact, 5 per cent of people had no bank or building society account of any kind, but they did have a credit union account.

Looking at the pattern of account-holding and use in more detail, two important differences emerge between people in Northern Ireland who have benefits paid by order book or girocheque and their counterparts in Britain. Firstly, far fewer of them had an account that they used (58 per cent, compared with 71 per cent). And secondly, there was a far greater proportion of people who had *never* had an account – 26 per cent in Northern Ireland compared with 10 per cent in Britain. This much lower level of engagement with banking is explored in detail below, as it will have important implications for the ease with which payment of benefits and pensions can be transferred to ACT.

There was a very strong link between people's economic circumstances and their degree of integration into the banking system, however that was measured. So people on the lowest incomes were most likely to be unbanked, least likely to have a current account and relied more on saving accounts, and if they had an account it was very unlikely to be in use. Overlaid on this, there also seemed to be an age effect with the youngest and oldest people being least integrated into banking, but for different reasons. Young people in their twenties included more who had disengaged, while people in their eighties more commonly used only a savings account or they had never had an account at all. These patterns are described in more detail in the sections that follow.

Overall levels of account-holding

There was a strong relationship between account-holding and income (Table 3.1). So people without accounts were heavily concentrated among those with the lowest incomes and especially those who were reliant on state benefits as their only source of income (53 per cent, compared with 8 per cent of people with some other source of income).

² According to APACS all bank and building society accounts should be able to receive payments made by ACT.

Table 3.1 Proportions of people with a bank or building society account and type of account held

Personal characteristics and economic circumstances	Proportion with a bank or building society account					
	Any account	Current account	Savings account	No account	Base (weighted)	Base (unweighted)
All in sample	65	45	19	36	934	934
Age						
20-29	47	35	12	54	104	128
30-39	67	52	15	33	177	168
40-49	66	55	12	34	143	156
50-59	72	53	20	28	117	151
60-69	68	48	20	32	184	169
70-79	65	36	29	35	138	106
80+*	50	25	27	50	63	48
Gender						
Male	60	40	18	40	319	381
Female	67	48	17	33	614	553
Family circumstances						
Single no children	54	32	23	46	209	201
Couple no children	72	52	20	29	186	180
Lone parent	54	33	21	46	152	133
Couple with children	80	69	11	20	211	201
Other (includes non-householders)	59	37	22	41	174	217
Disability						
Has disability that limits activity	58	38	19	42	496	501
Has non-limiting disability*	68	51	16	33	51	49
No disability	72	53	19	28	387	384
Mobility impairment	54	39	16	46	331	328
Visual impairment*	46	22	24	54	56	54
Mental health problems	49	32	18	51	140	147
Other physical disability	57	38	19	43	356	353
Religion						
Catholic	59	38	20	41	453	457
Protestant	71	52	19	29	395	395
Housing tenure						
Outright owner	79	62	17	21	285	249
Mortgagor	91	77	15	9	200	201
Social tenant	46	21	25	54	284	276
Private tenant	42	31	11	58	57	57
Rent free (inc non-householders)	42	22	20	58	129	147

Continued

Table 3.1 Continued

Personal characteristics and economic circumstances	Proportion with a bank or building society account					
	Any account	Current account	Savings account	No account	Base (weighted)	Base (unweighted)
Type of neighbourhood						
Inner city	43	26	17	57	79	85
Suburbs	60	43	17	40	205	214
Central town	68	47	21	32	84	83
Town outskirts	60	41	20	40	250	245
Village	72	53	19	28	93	98
Other rural	75	55	19	25	223	209
Economic activity						
FT employment*	97	90	7	3	60	50
PT employment	96	75	21	4	73	62
Unemployed looking for work	46	29	17	54	76	155
Looking after family/home	56	39	18	44	167	131
Fully retired	68	42	26	32	266	211
Unable to work through disability	56	40	16	44	283	316
Net weekly household income						
Under £100	49	24	25	51	221	265
£100-199	55	31	24	45	276	252
£200-299	76	58	18	24	114	111
£300-499	91	86	5	9	63	60
£500 or more*	95	93	2	5	40	35
Benefit is sole source of income						
Yes	47	28	19	53	569	598
No	92	74	18	8	355	336
Length of time on benefit						
Less than 6 months*	82	50	32	18	22	42
6 months to 1 year	63	46	17	37	59	80
1-2 years	69	49	19	31	67	90
2-3 years	62	51	11	38	66	71
3-5 years	60	43	17	40	126	133
More than five years	64	45	18	36	581	506

Base: All respondents

* percentages should be used with caution because of small base

Consequently not having an account was very common among lone parents and unemployed people, around half of whom did not have an account at the time of the survey.

In marked contrast almost all of those who were in work (even if it was part-time) and who had net incomes of £300 a week or more had an account of some kind.

The link with age was not straightforward (Table 3.1). The proportion of people without an account was highest among those aged in their twenties (54 per cent) and the over-eighties (50 per cent), with little systematic variation between these ages. Slightly more men than women lacked an account (40 per cent, compared with 33 per cent) but this could well be explained by the greater numbers of female recipients of Child Benefit, who tended to be among the better-off. Catholics were more likely to lack an account than Protestants (41 per cent, compared with 29 per cent). People with a disability that limited their activity were more likely to be unbanked than people with no disability at all (42 per cent, compared with 28 per cent). And people with mental health problems or a visual impairment were especially likely to be without an account.

Interestingly, there was also a link between not having an account and the ease with which people could get to a bank branch. Over half (52 per cent) of people who said it was fairly or very difficult to get to a branch lacked an account. This compares with less than two in ten (18 per cent) people who said it was very easy and three in ten (30 per cent) for whom the journey was fairly easy. Given this analysis, account-holding was unexpectedly higher in rural areas than urban ones, and the lowest level by far was in inner city areas, where only 43 per cent of people had an account. Moreover, as we shall see later, few people said that they lacked an account because they could not get to a branch. Previous research has shown that, where people lack a bank or building society in their neighbourhood the psychological barriers are often far greater than the physical ones (Kempson et al, 1999). Information on attitudes to banks (described below) suggests that this may well be the explanation for the link between account-holding and ease of access to branches in this study too.

Type of account

Overall, 45 per cent of people had a current account in their household, 19 per cent had just a savings account (Table 3.1). Levels of current account-holding in Britain were appreciably higher (56 per cent), whereas the proportion of people with just a savings account was the same (19 per cent). In other words, not only is account-holding lower in Northern Ireland but this is all accounted for by a much lower penetration of current accounts.

Within Northern Ireland, levels of current account-holding varied much more by personal and economic circumstances than savings accounts did.

At the one extreme, there were some groups of people where over seven in ten had a current account (Table 3.1). They tended to be younger people with reasonable levels of income and included people in either full-time or part-time work; people with a source of income other than benefits; people in households with net weekly incomes of £300 or more; and people buying their homes on a mortgage.

At the opposite end of the spectrum, there were other groups of people where fewer than one in three had a current account (Table 3.1). These were all people on very low incomes: people reliant on benefits for all of their income; with less than £200 a week (net) coming into their household; unemployed

people; lone parents; social tenants and people living in inner cities; people aged over 80; and people with mental health problems or a visual impairment.

Although the proportion of people with just a savings account varied much less, reliance on savings accounts was especially high among people aged over 70 and people with net weekly household incomes of £100 or less. Although the numbers are very small, it is worth noting that two specific groups appeared to rely heavily on savings accounts but probably for quite different reasons. Firstly, people with a visual impairment, who may well find using a passbook-based savings account easier to use than a current account with a cheque book or plastic card. Secondly, people who had been claiming benefit for less than six months – most of whom were unemployed people claiming JSA. Here the most likely explanation seems to be that they close their current accounts when they become unemployed, but retain a savings account. As the money in the savings account is depleted that, too, gets closed.

Whose name is the account in?

Just about everybody who said they had an account in their household also said it was in their name. The majority (45 per cent) said it was in their own name only; 18 per cent said it was held in joint names; and in less than 1 per cent of cases was the only account in the household in their partner's name. In other words, just about everybody who had an account could have had their benefit or pension paid into it and been able to access the money personally.

Level of use of accounts now and in the past

Although 64 per cent of the people interviewed said that they had an account, slightly fewer (58 per cent) said that they were using it at the time of the survey and the remaining 6 per cent said that they had suspended its use (Table 3.2). Among the 36 per cent of people who were unbanked, most (26 per cent) had never had an account at all while the remaining 10 per cent had had an account in the past, but closed it.

As noted above, this pattern differs greatly from the situation in Britain, where many more people (71 per cent) had an account in use and far fewer (10 per cent) had never had an account. Levels of disengagement (suspension or closure of accounts), however, were broadly similar. Part of the explanation for this lies in the larger proportion of people in Northern Ireland who relied on benefits as their only source of income (62 per cent, compared with 50 per cent in Britain).

As might be expected, there was a strong relationship between different types of people's level of use of accounts and their level of account-holding. So, the types of people who used accounts most were the ones who had the highest levels of account-holding. Over nine in ten people in work or with higher net incomes of £300 a week or more had an account they used (Table 3.2). Similarly the types of people who used accounts least were also the ones who were most likely to be unbanked. They were drawn disproportionately from people with the lowest incomes. Consequently, groups where fewer than four in ten were using an account at the time of the survey included people with net weekly household incomes of less than £100 (36 per cent), those who relied on benefit

as their sole source of income (38 per cent), unemployed people (28 per cent), people living in inner cities (38 per cent) and tenants of all kinds (Table 3.2).

Table 3.2 Proportions of people using an account now or in the past

Personal characteristics and economic circumstances	Proportion who ...				Row percentages	
	Has an account and uses it	Has an account, does not use it	Had an account, but closed it	Never had an account	Base (weighted)	Base (unweighted)
All in sample	58	6	10	26	934	934
Age						
20-29	38	9	23	31	104	128
30-39	62	5	13	20	177	168
40-49	60	6	12	22	143	156
50-59	64	8	7	21	117	151
60-69	65	8	7	20	184	169
70-79	57	8	5	30	138	106
80+*	42	8	6	44	63	48
Gender						
Male	52	8	12	28	319	381
Female	61	5	9	25	614	553
Family circumstances						
Single no children	46	8	12	34	209	201
Couple no children	66	5	8	21	186	180
Lone parent	45	8	16	30	152	133
Couple with children	77	4	9	10	211	201
Other (includes non-householders)	52	7	7	34	174	217
Disability						
Has disability that limits activity	51	6	11	32	496	501
Has non-limiting disability*	61	6	8	25	51	49
No disability	66	6	10	18	387	384
Mobility impairment	48	6	13	33	331	328
Visual impairment*	39	6	12	43	56	54
Mental health problems	44	5	20	31	140	147
Other physical impairment	50	6	12	32	356	353
Religion						
Catholic	53	6	10	32	453	457
Protestant	64	7	10	19	395	395

Continued

Table 3.2 Continued

Personal characteristics and economic circumstances	Proportion who ...				Row percentages	
	Has an account and uses it	Has an account, does not use it	Had an account, but closed it	Never had an account	Base (weighted)	Base (unweighted)
Housing tenure						
Outright owner	75	4	5	16	285	249
Mortgagor	88	3	4	5	200	201
Social tenant	37	9	13	41	284	276
Private tenant*	29	14	20	37	57	57
Rent-free (inc non - householders)	35	7	18	40	129	147
Type of neighbourhood						
Inner city	38	5	16	41	79	85
Suburbs	55	5	11	28	205	214
Central town	63	5	11	22	84	83
Town outskirts	54	6	12	28	250	245
Village	67	5	7	20	93	98
Other rural	66	9	5	20	223	209
Economic activity						
FT employment*	97	-	1	1	60	50
PT employment	96	-	-	4	73	62
Unemployed looking for work	28	18	15	39	76	155
Looking after family/home	51	5	17	27	167	131
Fully retired	61	8	5	27	266	211
Unable to work through disability	50	6	13	31	283	316
Net weekly household income						
Under £100	36	13	15	36	221	265
£100-199	50	5	12	33	275	252
£200-299	74	3	4	19	114	111
£300-499	90	-	2	8	63	60
£500 or more*	95	-	2	2	40	35
Benefit is sole source of income						
Yes	38	9	14	39	569	598
No	90	2	4	4	355	336
Length of time on benefit						
Less than 6 months*	50	32	9	9	22	42
6 months to 1 year	51	12	14	24	59	80
1-2 years	63	6	12	19	67	90
2-3 years	58	4	14	24	66	71
3-5 years	55	5	17	24	126	133
More than five years	59	5	8	28	581	506

Base: All respondents

* percentages should be used with caution because of small base

There were, however, some subtle differences in the reasons why people did not have an account in use. On the whole, younger people in their twenties, and those living on low incomes had high levels of disengagement from banking, as well as including large proportions of people who had never had an account. This applied especially to unemployed people, lone parents, and people with mental health problems (Table 3.2).

Moreover, disengagement was strongly associated with short periods of time on benefit. So people who had started to receive benefit within the past 6 months were three times as likely to have suspended rather than closed their accounts. However, the longer they had been claiming benefit the more likely people were to have closed their account altogether. Consequently, people who had been on benefit for more than two years were three times more likely to have closed an account than they were to have suspended its use (Table 3.2).

Statistical modelling techniques³ were used to provide a more detailed understanding of the factors most strongly associated with disengagement from banking and with never having opened an account.

For disengagement, the two most significant factors were a person's economic activity status and whether or not they derived all their income from state benefits. The results of this analysis are given diagrammatically (Figure 3.1) and show the proportion of all people who had ever had an account but suspended or closed it. Disengagement was very low among people with either full-time or part-time jobs (1 per cent) or who were fully retired but did not rely solely on the state pension (3 per cent). On the other hand, it was high among unemployed people (57 per cent), people on state benefits looking after a family (46 per cent), and people with a disability whose only income was in the form of state benefits and who rented rather than owned their home (50 per cent). This is entirely consistent with qualitative research which shows that people tend to disengage from banking when they lose their earned income and no longer have an income paid into their account (Kempson and Whyley 1998).

Turning now to people who had never had an account, a slightly different picture emerges. In this case, the two most significant factors were whether or not someone relied on benefit for all their income and housing tenure. Also important was difficulty getting to the nearest bank or building society branch and the length of time on benefit. Again this is shown diagrammatically below (Figure 3.2). The groups of people who were most likely never to have had an account were people totally reliant on state benefits, who were tenants and either had difficulty getting to a branch (63 per cent) or had no difficulties but were long-term benefit recipients who were Catholic (50 per cent). Those who were least likely never to have had an account were not dependent on benefits for all their income and were owner occupiers (1 per cent). Again this is consistent with qualitative research showing that people who have never

³ Logistic regressions and CHAID analysis.

opened an account are concentrated among those who have lived on low incomes all their lives and never had an income that was automatically paid into an account.

Reasons for lacking an account

When asked, the main explanation people gave for not having an account was having no need for one – which, in part at least, was because their benefit or pension was not paid by ACT.

Among the 10 per cent of people who had had an account but closed it, 7 per cent said that they had done so either because they had no money going into it or because they had stopped working. No other reason accounted for more than 1 per cent.

Figure 3.1 Proportions of people who have disengaged from banking

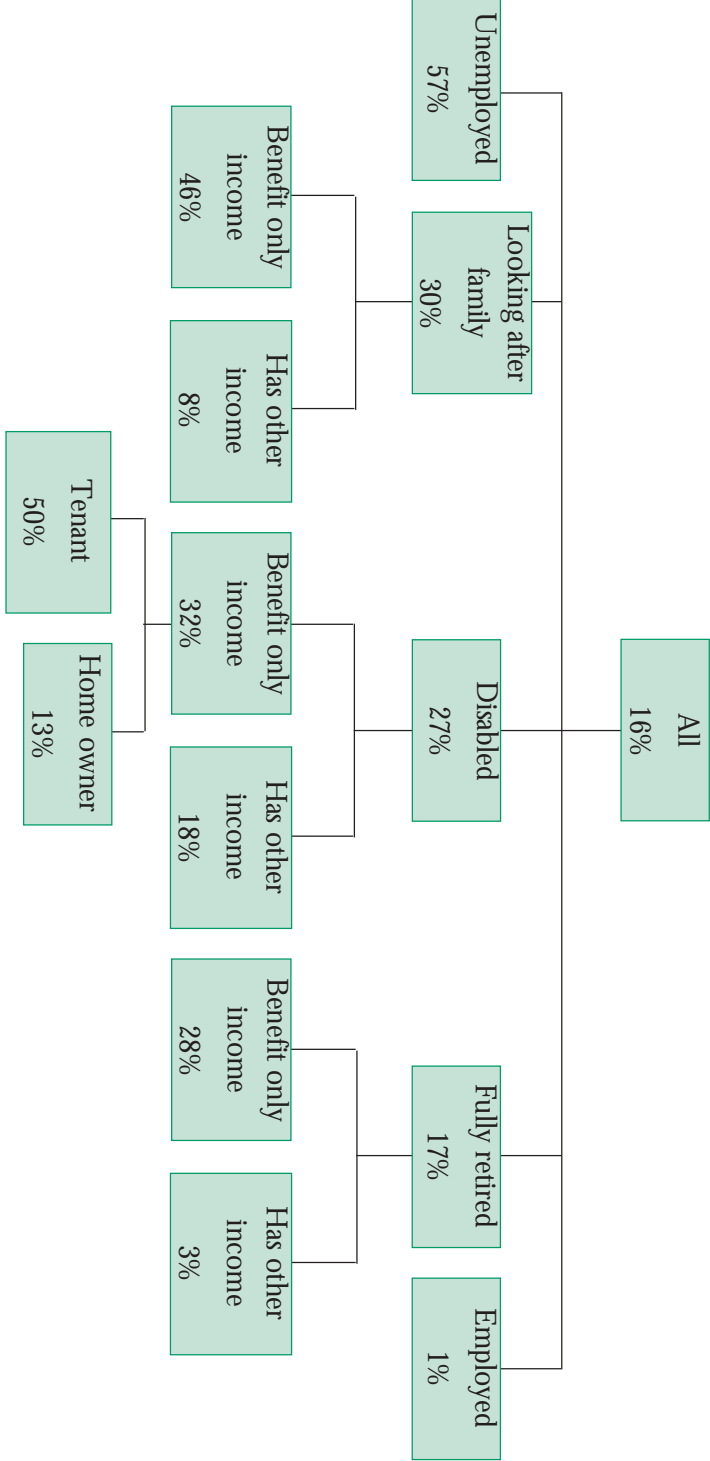
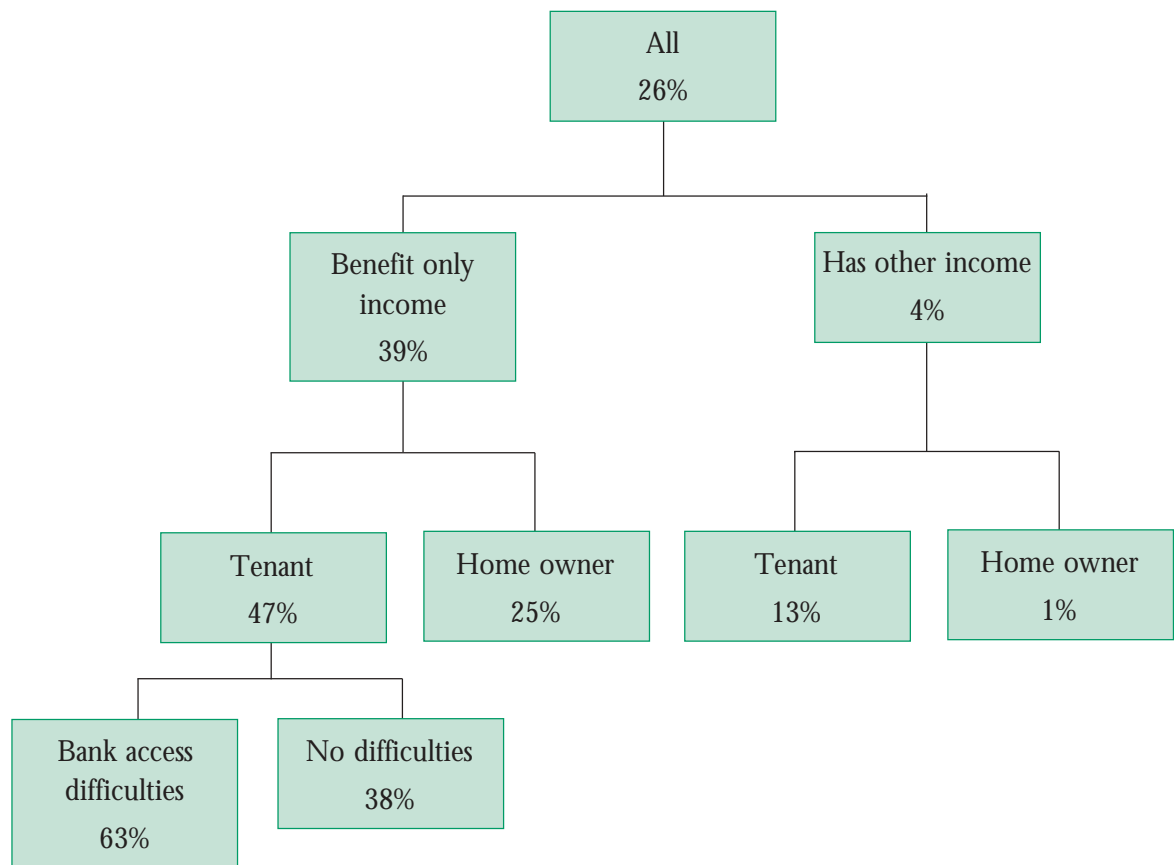


Figure 3.2 Proportions of people who have never had a bank or building society account



Likewise, of the 26 per cent of people who had never had an account, 22 per cent said either they had never needed one or that they had never had any money to put into one. A further 2 per cent were concerned primarily about loss of control if they used an account to manage their money and 1 per cent said that mistrust of banks was the primary reason why they lacked an account.

Likelihood of the unbanked opening an account by 2003

Very few people who lacked either a savings or a current account (8 per cent) said that they were likely to open one before the end of 2002, while eight in ten (80 per cent) definitely ruled it out. Slightly more (11 per cent) said that they thought they were likely to open one of the new 'basic bank accounts' when these were described to them. These are accounts that have been designed to meet the requirements of people on low incomes. They do not have a cheque book nor can they be inadvertently overdrawn as the balance in the account is checked before any transaction is processed. They also have a small 'buffer zone', which is usually up to £10, so that people can get access to the last few pounds in their account at cash machines that dispense only £10 notes, without incurring bank charges for going overdrawn.

Of course there is some overlap between the people likely to open either a savings or current account and those likely to open a basic bank account. So, altogether, 13 per cent of people who lacked an account said that they were likely to open one of some kind. This is equivalent to 5 per cent of all people

who are currently paid by order book or girocheque. A similar number (4 per cent) thought they might open an account of some kind. It should be noted that these questions were asked in the context of people's current and past experience of banking. At this stage in the interview, the issue of future ACT payment of benefits and pensions had not been introduced. In other words, they measure the proportion of people who will, of their own accord, open an account.

So, by 2003, around seven out of ten people should have a bank or building society account, comprising 64 per cent who already have one plus the 5 per cent who expect to open one. A further 4 per cent might have opened one. But that still leaves nearly one in three people (28 per cent) who are currently paid by order book or girocheque who said they did not expect to have an account by the end of 2002 – which is when ACT payments will start to be phased in as the normal method of payment. Recent qualitative research, however, suggests that more people might be attracted to basic bank accounts if they are described in more detail than is possible in a survey interview (Collard, Kempson and Whyley, 2001).

People who were most resistant to opening an account included: people aged over 80 (46 per cent of whom neither had, nor expected to have an account by 2003); people whose income derived solely from benefits (42 per cent); social tenants (43 per cent) and people living in inner cities (42 per cent); and people with a visual impairment (46 per cent).

There are currently no basic bank accounts in Northern Ireland that meet fully the CAT standards being proposed by the Treasury⁴. It is, therefore, interesting to note the types of facility that were most attractive to the people who were unbanked but thought they might open a basic bank account. Most did not want a cheque book or a debit card but they did want a cash machine card and a passbook. They did not want an overdraft facility and wanted a facility that would prevent them overdrawing the account inadvertently. A buffer zone to allow them to withdraw the last few pounds at a cash machine without being charged for overdrawing was also quite attractive.

Credit union membership among the unbanked

Only one in eight (13 per cent) of the people who did not have a bank or building society account were members of a credit union. Moreover, only 2 per cent of these credit union members said that they believed that their credit union account could receive ACT payments, although 20 per cent were willing to have their benefits paid into it if this were possible. On this basis it seems

⁴ The proposed CAT standard for basic bank accounts would cover Charges, Access and Terms and might include:

Charges No charges for everyday transactions and no risk of an overdraft

Access No requirement for initial or regular deposits; customers must be able to use cash machines, cash and cheque deposits, automated credit transfer, direct debit, standing order or budget accounts

Terms All advertising and paperwork must be straightforward, fair and clear; account holders must receive regular statements and minimum notice if CAT standards terms are to be withdrawn; account holders must be able to withdraw all funds

unlikely that credit union accounts are an option for the payment of benefits and pensions by ACT to people who do not have a bank or building society account.

Views of banks and banking

During the course of the interview, respondents were given a self-completion questionnaire, in which they were asked to indicate on a five point scale how strongly they agreed or disagreed with 17 different statements relating to banks and banking. Their replies have been made more manageable by using a statistical technique, known as principle component analysis, that helped to identify five underlying attitudes that the 17 specific statements captured:

- a belief that banks and banking are not for people on low incomes;
- a belief that accounts cannot be avoided these days;
- a belief that bank staff are both knowledgeable and approachable;
- a positive attitude to direct payments;
- a preference for savings accounts because they give greater financial control.

Like the questions that they were compiled from, each of these was ranked on a five point scale, where 1 represented strong agreement, 5 strong disagreement, and 3 no strong view one way or the other. So, the lower the score the more people agreed with the attitude.

Banking is not for people on low incomes

Across the sample as a whole, more people agreed that banking is not for people on low incomes than disagreed (average score 2.5). And, as might be expected there was a strong link with household income. So people with net weekly incomes of under £100 agreed most strongly (average score 2.4); while those with incomes of £400 or more per week were more inclined to disagree (3.2). Specific groups that most agreed that banking is not for people on low incomes included:

- unemployed people (2.2);
- inner city residents (2.2);
- people who relied on benefit as their sole source of income (2.3);
- people with a disability that limited their daily activity (2.4), or were unable to work through disability (2.4).

There was also a clear link between account-holding and use. People who had never had an account agreed most strongly (2.1) followed by people who had disengaged from banking whether by suspending or closing their accounts (2.2). People who had an account they used were more evenly divided (average score 2.8) and especially so if they were using a current account (2.9).

Bank accounts are necessary and cannot be avoided

This attitude was interesting in that it did not indicate an unconditional support for the use of accounts. As well as believing that an account is essential these days and that it is not possible to manage one's money without an account, it also encompassed a belief that an account is a necessary evil, as well as a preference for face-to-face banking at a branch. In other words, accounts are needed and cannot be avoided. Overall, people were about evenly divided on this point of view (average score 3.1).

Once again there were clear links between income and account-holding, although the picture was a mirror image of the previous one. So people with household incomes of £300 a week or more agreed most strongly (2.6), with the level of agreement dropping with lower incomes, so that there was a preponderance of people disagreeing among those with net incomes of less than £100 (3.3).

People who had an account they used were, on balance, inclined to agree but not to any great extent (2.8); while people who had never had an account were slightly more negative than those who had disengaged (3.6 compared with 3.4).

Specific groups who agreed that accounts are necessary and unavoidable included:

- people in full-time (2.6) or part-time work (2.7); and
- people buying their home on a mortgage (2.8).

Savings accounts give more financial control

On average more people agreed that savings accounts give greater financial control than disagreed with it (average score 2.5). In this case, the link with income was much less pronounced. Moreover, those most inclined to agree were not the very poorest, but people with net household incomes of £100 to £199 a week (2.3). Likewise the link with account-holding was not entirely straightforward, and people who had just a savings account were as likely to agree as those with no account at all (2.3).

Savings accounts were, however, much more attractive to elderly people than they were to younger ones. So the level of agreement decreased from 2.2 among the over 80s to 2.7 in the under 30 age group.

Positive about direct payments

It is perhaps surprising, given the other underlying attitudes, that there was an overall tendency to think that direct payments into and out of accounts can save time and need not be risky for people on low incomes (average score 2.7). In this case, younger people and people on higher incomes were the ones that most agreed. The average score for people in their twenties was 2.4, and this rose steadily to 2.8 for the over eighties. The link with income was even more pronounced, so that people with net household incomes in excess of £500 a week scored 2.1. Disagreement increased with falling income so that those least inclined to agree had incomes of under £200 a week (2.8).

Direct payments were much more attractive to people who were in full-time work (2.1) than to people who were unemployed, unable to work through disability or wholly retired (each of which had an average score of 2.8).

Again there was a link with account-holding and use. The most positive were those who were using an account when they were interviewed (2.4); people who had disengaged from banking were less positive (2.7); and least positive of all were those who had never had an account (3.1).

Bank staff are knowledgeable and approachable

While they may have been less than enthusiastic about bank accounts, most people tended to agree that bank staff were both knowledgeable and approachable (average score 2.2). In this case, however, there was not a strong link with income, and only a fairly weak link with ownership and use of accounts, and with age.

Differences from attitudes in Britain

Broadly similar underlying attitudes emerged from analysis of the survey in Britain, except that the opinion that banking is necessary and unavoidable divided into two quite distinct attitudes: an unequivocal belief that accounts are essential, and a preference for a simple and more traditional form of banking.

Table 3.3 Percentages of people in Northern Ireland and Britain who agreed with statements about banking and low-income customers

	Northern Ireland	Britain
Bank accounts are inappropriate for people on low incomes		
It's easy to get into debt if you use a current account when you have a very low income	59	47
Current accounts are only really appropriate for people who are in work and have a regular income	57	36
Using a bank account is too risky if you are on a low income	45	30
Banks aren't interested in people on low incomes		
Banks are most interested in people who have well-paid jobs	56	39
Banks only want customers who are in work	48	32
Base (weighted)	934	4,806
Base (unweighted)	934	4,805

Moreover, where attitudes could be compared, there was generally no great difference between the average scores in Northern Ireland and Britain. There was, however, one important difference - benefit recipients in Northern Ireland who were not paid by ACT were much more inclined to think that banking is not for people on low incomes (average score 2.5, compared with 3.0 in Britain). This manifested itself in two linked beliefs: that it is inappropriate or risky for someone on a low income to use banking facilities and that banks are not much interested in low-income customers. Both of these were far more common in Northern Ireland (Table 3.3).

Further analysis was undertaken to classify people according to the range of views they held - using a statistical technique known as cluster analysis. This analysis identified three main groups of people. The largest group by far were *reluctant customers*, who accounted for nearly half (47 per cent) of the people interviewed. The other two groups were of roughly equal size: 26 per cent

were *engaged with banking*, while 27 per cent were *disengaged from banking*. In other words, links to banking among people who were not paid by ACT were, on the whole, fairly tenuous.

In Northern Ireland, the *reluctant customers* were people who believed that savings accounts give more financial control than current accounts (average score 2.1), and that banking is not for people on low incomes (2.4) but an account is necessary and cannot be avoided these days (2.7). They found bank staff knowledgeable and approachable (2.0) and were in favour of direct payments made both into and out of bank accounts (2.3). The majority of them (77 per cent) had an account of some kind, although only 56 per cent had a current account and 19 per cent had just a savings account. They were not drawn disproportionately from particular income groups nor were they any more likely than the average to be dependent on benefit for all their income. But people who were fully retired were over-represented among them as were people who owned their home outright.

Those who were classified as *engaged with banking* did not agree that banking is not for poor people (3.5), nor did they believe that a savings account offers more financial control than a current account (3.4). They were also fairly equivocal about bank accounts being necessary but unavoidable (2.8). On the other hand, they were in favour of direct payments (2.2) and also held positive views of bank staff (2.2). They had the highest level of account-holding of the three groups (91 per cent) and the majority not only had a current account (77 per cent) but had one they used (75 per cent). Only 3 per cent said that they were unlikely to have an account by the beginning of 2003. They were disproportionately drawn from the better-off, that is, people with net household incomes over £300 a week, who were in either full-time or part-time work, and did not rely on benefits as their sole source of income.

Finally, people who were *disengaged from banking* believed that banking is not for people on low incomes and that a savings account offered greater financial control. They were the only one of the three groups that did not agree that a bank account is necessary and unavoidable these days (3.6). They were also the only ones who were opposed to direct payments (3.7) and held the least positive views of bank staff (2.6). As expected, they had the lowest level of account-holding and use. Although 44 per cent had an account, only 23 per cent had a current account, and 19 per cent had just a savings account. At the time of the survey only 35 per cent of them had an account of some kind that was in use. They were drawn disproportionately from people on low incomes: people who were unemployed, or unable to work through disability; people with net household incomes of less than £200 a week; and people who were wholly reliant on social security for their income.

A high level of attachment to using a post office to collect benefits and pensions was evident in the replies given throughout the survey. Two questions, however, were designed to gauge people's views about banking facilities being offered at their local post office:

- Banking through local post offices is a good way of extending access to banking, and
- Using the post office to provide banking is a good way to ensure that post offices stay open.

Most people agreed with both of these statements; those that did not were undecided rather than opposed to the ideas. Nine in ten (87 per cent) people agreed that banking through post offices is a good way of ensuring they stay open and only 2 per cent disagreed. There was, however, slightly less support for the suggestion that using post offices would be a good way of extending access to banking – 65 per cent agreed with this proposition, but 28 per cent were undecided and 7 per cent disagreed. This reflects the findings of other research which has shown that some people feel that post offices are too small, busy or crowded to offer banking services and to do so with a degree of privacy (Kempson and Jones, 2000).

These two attitude statements were combined to give a single five point scale score where a score of 1 denoted strong agreement with offering banking facilities at post offices, and 5 strong disagreement. The average score across all the people interviewed was 1.8 and there was remarkably little variation between people in different circumstances.

In fact, throughout the questionnaire it was clear that many people wanted to continue to use a post office after the introduction of ACT. Moreover, when asked directly, only 18 per cent of people said that they would prefer *not* to obtain cash by writing a cheque at a post office. Currently, however, there is little opportunity for people to use the post office for their day-to-day banking needs. Discussions between the Big Four banks in Northern Ireland and the Post Office are at an early stage and, at present, only two banks with UK-wide coverage (the Co-operative Bank and Alliance and Leicester Giro) have agency arrangements that allow customers in Northern Ireland to use the Post Office for day-to-day banking. Just 2 per cent of people not currently paid by ACT had an account with either of these banks and 1 per cent cashed cheques at a post office. Despite this, 9 per cent of people said that they were aware that some banks did have such agency arrangements and, although half of them were unable to name a bank, the remainder correctly named one or more of the banks that have set up arrangements in Britain.

Knowledge of banking

The self-completion questionnaire also included a range of questions designed to measure people's knowledge of banking facilities and services. On the whole, levels of knowledge were poor (but no poorer than in Britain, where engagement with banking was a good deal higher). Fewer than one per cent of people gave the right answers to more than three quarters of the 18 questions; and only 17 per cent got more than half right. A further 46 per cent gave correct answers to

between a quarter and a third of questions, and 37 per cent to less than a quarter of them. In fact, the most common reply to the majority of questions was 'don't know'. Levels of knowledge were strongly related both to income and to levels of engagement with banking.

The patterns of account-holding and attitudes to banking by benefit

There were large variations in the level of account-holding and use by different groups of benefit recipients as well as important differences in their attitudes to and knowledge of banking services (Table 3.4).

Most integrated into the banking system were ChB recipients. Three quarters of them (77 per cent) had an account and almost all of these were using it at the time of the survey. A further 7 per cent said that it was likely that they will open an account in the next two years. So, by 2003, the great majority of them (84 per cent) should have an account. They included the highest proportion of people whose attitudes suggested they were engaged with banking (48 per cent) and were the most knowledgeable about banking services.

People receiving RP were interesting in that they had the second-highest level of integration into banking – seven in ten had an account and two-thirds were using an account when they were interviewed. On the other hand, the unbanked among them were highly resistant to opening an account by 2003. Consequently, by that date, a quarter will almost certainly not have an account unless there is a programme to promote the up-take of accounts. They were far more likely to be *reluctant bankers* than any other group of benefit recipients (59 per cent) and had surprisingly low levels of knowledge of banking services.

JSA recipients were also very interesting for the degree of volatility in their use of banking services. Only a third of them were using an account at the time they were interviewed – the lowest of all the six benefit sub-groups. In fact, they had by far the highest level of disengagement from banking – 21 per cent had an account but had stopped using it and a further 17 per cent had closed their only account down. At the same time, they included the largest proportion of people who might be expected to open an account by 2003. As a consequence, only two in ten did not expect to have opened an account by the time ACT payments start to be phased in. Their attitudes to and knowledge of banking services were about the average for all pension and benefit recipients.

Table 3.4 Account-holding, future banking intentions and attitudes to banking services by benefit

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Account-holding and use									
Has a bank account	64	64	65	71	77	66	61	45	55
uses it	58	57	59	66	76	56	54	39	33
does not use it	6	7	6	5	2	10	7	7	21
Has no bank account	36	36	36	29	23	34	39	55	45
has closed one in past	10	13	5	5	9	14	11	13	17
has never had one	26	23	30	24	14	20	28	42	29
Likelihood of opening an account									
Has account already	64	64	65	71	77	66	61	45	55
Likely to open	5	8	1	-	7	3	6	5	14
Might open	5	6	2	3	3	10	7	9	10
Definitely won't open	26	22	32	26	13	21	26	41	21
Overall attitudes to banking									
Engaged	26	32	16	17	48	20	21	18	28
Reluctant	47	41	56	59	35	47	49	43	41
Disengaged	27	27	28	24	17	33	30	39	31
Bank knowledge									
High	*	*	-	-	2	-	-	*	-
Medium high	17	20	11	13	28	14	17	9	18
Medium low	46	49	39	41	55	50	41	42	53
Low	37	30	50	46	15	36	42	49	30
Base (weighted)	934	579	351	240	205	96	147	205	42
Base (unweighted)	934	653	277	178	147	157	148	161	143

Base: All respondents

* Less than 1 per cent

- No respondents

Taking the two disability benefits together, IB recipients were slightly more integrated into banking than people receiving DLA, although neither deviated greatly from the patterns of bank use for the sample as a whole. In their attitudes, they were slightly less engaged with banking than the average. IB recipients' knowledge of banking services was slightly better than the average, while for DLA recipients it was slightly worse.

Least integrated by far were people receiving IS. Only four in ten of them were using an account at the time they were interviewed, while an equivalent number had never had an account. Indeed four in ten also said that they definitely did not intend opening an account, not even one of the new basic accounts, before ACT payments are introduced in 2003. This was reflected in their attitudes to

banking and they included the largest proportion of people who were judged to be disengaged (39 per cent). They also had the least knowledge of banking services of all six benefit groups.

Table 3.5 Account-holding and attitudes to banking by ease of transfer to ACT

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Account-holding and use				
Has a bank account	85	54	46	64
uses it	77	49	39	58
does not use it	7	5	6	6
Has no bank account	16	46	54	36
has closed one in past	6	13	12	10
has never had one	10	33	43	26
Likelihood of opening an account				
Has account already	85	54	46	64
Likely to open	8	5	1	5
Might open	2	7	4	5
Definitely won't open	5	34	49	26
Overall attitudes to banking				
Engaged	40	17	16	26
Reluctant	49	49	32	47
Disengaged	12	34	52	27
Bank knowledge				
High	1	-	1	*
Medium high	22	15	6	17
Medium low	54	43	34	46
Low	22	42	58	37
Base (weighted)	350	410	174	934
Base (unweighted)	370	395	169	934

Base: All respondents

* Less than 1 per cent

- No respondents

Account-holding and attitudes to banking by ease of transfer to ACT

There was a strong relationship between the ease of transfer to ACT and people's use, attitudes to and knowledge of banking facilities (Table 3.5).

People who will be *easy to transfer* were by far the most integrated into banking. Almost all of them had an account at the time they were interviewed and the majority of those who did not expected to have opened one by the beginning of 2003. Their attitudes to banking suggested that the great majority of them were either engaged with banking or reluctant customers. And their levels of

knowledge of banking while not particularly high, were a good deal higher than others in the survey.

The people who will be *not so easy to transfer* had quite low levels of engagement with banking. Almost half of them lacked an account and a third of them did not expect to have one by the beginning of 2003. The largest proportion of them were assessed from their attitudes to be *reluctant banking customers*, although a third were considered to be *disengaged from banking*. Their knowledge of banking was really quite low.

Without doubt, the people who were least integrated into banking were those who will be *most difficult to transfer*. Less than half of them had a bank or building society account at the time they were interviewed, and only four in ten were using an account. In fact more people had never had an account than were using one at the time of the interview. Moreover, very few of those lacking an account expected to have opened one before the beginning of 2003 – so that half of the people who will be most difficult to transfer did not expect to have an account when ACT becomes the normal method of payment. Their knowledge of banking was incredibly low and six in ten gave correct answers to fewer than a quarter of the 18 questions.

In the previous chapter we saw that 64 per cent of people not currently paid by ACT had a bank or building society account and 58 per cent said that they were using an account at the time of the survey. This chapter looks in more detail at the level and nature of use of banking facilities for different aspects of money management as well as exploring the characteristics of people who operate a wholly cash budget.

Not everyone has access to a full range of banking facilities even if they have an account. First, accounts differ in the facilities that they offer and secondly applications for all but the most basic savings accounts are credit-scored and people are offered facilities that are considered appropriate for their assessed level of risk. Pass books (for savings accounts) and cash machine cards are made available to just about everyone, regardless of risk – although the type of cash machine card may differ. Other facilities are all subject to a risk assessment: of these, a cheque book would be easiest to obtain, followed by cheque guarantee cards, debit cards and credit cards, in that order.

As might be expected, then, cash machine cards were the facility most commonly held by the people surveyed (41 per cent), followed by cheque books (38 per cent). Credit and debit cards (10 and 18 per cent) were much less common (Table 4.1). Moreover, all these facilities were most commonly associated with current accounts, while savings accounts typically offered a pass book (Table 4.1).

Actual use of these facilities was lower and even the active accounts seemed to be used primarily for basic banking transactions. Around three in ten people used a cash machine card and a similar number used a cheque book – but only half of cheque book users also used a cheque guarantee card. All other facilities were used by fewer than two in ten of the people interviewed (Table 4.1).

Getting cash The great majority of people were aware of a range of ways of obtaining cash from a bank account, yet only 34 per cent actually did so. By far the most commonly used banking facility was cash machines but even these were used by only a minority of people (24 per cent) (Table 4.2).

Table 4.1 Proportions of people having and using specific types of banking facility

Banking facility	Cell percentages			
	Has facility on any account	Has facility on a current account	Has facility on a savings account	Uses facility on any account
Has (uses) an account	64	-	-	58
Has current account	-	45	-	-
Has savings account	-	-	18	-
Pass book	21	7	14	13
Cheque book	38	35	2	29
Cheque guarantee card	26	25	*	17
ATM card	41	34	6	31
Debit card	18	16	1	10
Standing orders/direct debits	31	28	2	19
Credit card	10	9	*	4
Base (weighted)	934	934	934	934
Base (unweighted)	934	934	934	934

Base: All respondents

- no respondents

* less than 1 per cent

It was quite clear that collecting their benefit or pension at a post office was one of the main methods of getting cash for almost all (96 per cent) of the people paid by order book or girocheque. Indeed it was the method used most often by the majority of them (82 per cent) (Table 4.2).

That said, rather more people were willing to use banking facilities (60 per cent) than actually did so (34 per cent) (Table 4.3). This suggests that their actual use was constrained by two factors. Some people (around 40 per cent) were opposed to their use *per se*, while a smaller number (26 per cent) had decided not to use them because they either had no need to do so, or they found them inappropriate to their current circumstances. Lack of knowledge was clearly not a factor.

Table 4.2 Methods used to obtain cash

Column percentages			
	One used most		
	Main methods	frequently	Willing to use
Order book or girocheque			
at a post office	96	82	na
Cash machine	24	12	41
Cashing a cheque at			
bank or b.soc branch	8	2	43
Cashing cheque at a post office	*	*	43
Cashing a cheque elsewhere			
(eg shop or pub)	2	*	39
Debit card at bank or			
b.soc branch	4	1	30
Passbook at bank or			
b.soc branch	4	*	51
Cashback	2	*	34
Base (weighted)	934	934	934
Base (unweighted)	934	934	934

Base: All respondents

na not asked

* less than one per cent

Most acceptable by far was using a passbook at a bank or building society branch (51 per cent), followed by cashing a cheque either at a bank or building society branch (43 per cent) or at a post office (43 per cent), and using a cash machine (41 per cent) (Table 4.2). Even so, four in ten people (40 per cent) said that they preferred not to use any banking facilities to get cash – which has important implications for the move towards making ACT the normal method of paying benefits and pensions. The reasons they gave for their preference predominantly related to wanting to retain close control over their money (24 per cent). Other reasons included not having or wanting an account (8 per cent) and a liking for using the post office (2 per cent).

Compared with Britain, similar proportions of people relied on cashing their order book or girocheque as the source of cash (82 per cent compared with 79 per cent) that they used most frequently and the proportions of people who used banking facilities at least some of the time was identical. Fewer people in Northern Ireland were, however, willing to use banking facilities (60 per cent compared with 77 per cent), reflecting the lower level of account-holding.

Use of banking facilities to obtain cash was strongly linked to both age and household income (Table 4.3). Use peaked among people in their thirties and forties, half of whom withdrew cash from an account. It fell steeply with age so that only two in ten people aged over 70 used banking facilities in this way. In all age groups, however, many more people were willing to obtain cash from an account than actually did so.

As might be expected, there was also a clear relationship between people's attitudes to banks and banking and their use of them to get cash. Fewer than two in ten people assessed as *disengaged* got cash from a bank account, compared with four in ten *reluctant customers* and six in ten people who were assessed as *engaged* (Table 4.3).

Of greater interest, perhaps, is the fact that only six in ten people with an account they said they used withdrew cash from it (Table 4.3). In other words, they relied on cashing their order books and girocheques for day-to-day cash, but used their account to pay bills or write cheques for everyday purchases. This was almost certainly a matter of convenience because eight in ten of them were willing to use banking facilities to get cash. As we shall see later, people using their accounts in this way tended to be elderly.

About half of people who had disengaged from banking (having suspended or closed their account) were, nevertheless, willing to use banking facilities to obtain cash, but only two in ten people who had never opened an account said the same (Table 4.3). On this evidence, around three in ten of people who had their benefit or pension paid by order book or girocheque both lacked an account and did not want to use one to access cash. In other words, there is a sizeable proportion of benefit recipients who will be quite resistant to being paid by ACT.

Table 4.3 Use of banking facilities to obtain cash

					Cell percentages
Banking facilities					
	Aware of	Use	Willing to use	Base (weighted)	Base (unweighted)
All	96	34	60	934	934
Age					
Under 30	100	27	64	104	128
30-39	97	45	74	177	168
40-49	99	47	66	143	156
50-59	97	32	65	116	151
60-69	97	33	51	184	169
70-79	90	22	49	139	106
80 or over**	81	19	42	63	48
Net weekly household income					
Under £100	93	11	47	221	265
£100-199	95	24	57	275	252
£200-299	99	43	67	114	111
£300-499**	100	78	92	63	60
£500 or more**	100	95	100	40	35
Benefit is sole source of income					
Yes	93	11	47	569	598
No	100	71	82	355	336

Continued

Table 4.3 Use of banking facilities to obtain cash

					Cell percentages
Banking facilities					
	Aware of	Use	Willing to use	Base (weighted)	Base (unweighted)
Ownership and use of accounts					
Has account and uses it	100	58	82	538	512
Has account, does not use it**	98	-	54	59	75
No account, closed it	97	-	50	93	102
No account, never opened one	95	-	19	242	243
Overall attitudes to banking					
Engaged	99	62	91	198	193
Reluctant	98	42	66	349	341
Disengaged	96	17	50	205	291
Ease of access to branch					
Very easy	98	58	79	252	248
Fairly easy	98	33	64	295	311
Neither easy nor difficult	95	23	51	96	99
Fairly difficult	92	24	45	176	165
Very difficult	90	9	43	110	107

Base: All respondents

- no respondents

** percentages should be used with caution as the number of people in these categories was small

Also interesting was the strong relationship with how easily people said they could get to the nearest bank or building society branch. Indeed, among the minority of people who said the journey was very difficult only 9 per cent used banking facilities to get cash, but five times as many (43 per cent) were willing to do so. This is consistent with the fact that many people had chosen to be paid by order book or girocheque because it was much more convenient to go to the post office than to a bank or building society branch.

Paying for everyday purchases

When it came to paying for everyday purchases, six in ten people (62 per cent) said that they had only used cash in the past month. If they had used any banking facilities at all, they had written a cheque (22 per cent) (Table 4.4).

Moreover, nearly half of the people interviewed (46 per cent) said that they preferred only to pay in cash. Almost all of them (equivalent to 41 per cent of all those interviewed) said they preferred paying in cash because it meant that they always knew how much money they had and left them more in control. Half of them (21 per cent of everyone interviewed) also said that they found it more convenient to pay in cash. Again levels of use of banking facilities were not constrained by lack of knowledge (Table 4.5)

Many more people were willing to use particular non-cash methods of payment than had done so in the past month (Table 4.4). This suggests that the low

levels of use were due almost as much to a lack of need to make non-cash purchases as to a desire to retain financial control. Interestingly, though, the most popular non-cash payment method was a postal order.

Table 4.4 How paid for everyday things in last month¹

	<i>Column percentages</i>	
	Uses	Willing to use
Cheque	22	42
Postal order	8	59
Stored value cards (eg phone card)	7	40
Debit card	7	37
Credit or charge card	7	21
Cash only	62	46
<i>Base (weighted)</i>	934	934
<i>Base (unweighted)</i>	934	934

Base: All respondents

¹ Some people had used or were willing to use more than one method, so percentages do not add up to 100%

Use of banking facilities to pay for everyday purchases followed much the same pattern as obtaining cash from a bank account. So both use and willingness to use non-cash payment methods were linked to age, although not as strongly as they were for use of banking facilities to access cash. Use peaked among people in their forties – four in ten of whom had bought something in the past month and not paid for it in cash (Table 4.5). In this case, the youngest and oldest people interviewed had the lowest levels of non-cash purchases.

In contrast, there was a much stronger relationship with household income. Only 8 per cent of people with net household incomes below £100 a week had made a non-cash purchase in the past month, compared with ten times that proportion of people with incomes of £300 a week or more (Table 4.5). Willingness to use non-cash methods of payment followed a similar pattern.

Table 4.5 Use of banking facilities to pay for everyday things in last month

	Cell percentages				
	Aware of	Use	Willing to use	Base (weighted)	Base (unweighted)
All	95	27	53	934	934
Age					
Under 30	96	13	46	104	128
30-39	94	33	58	177	168
40-49	97	39	59	143	156
50-59	93	31	52	116	151
60-69	97	26	42	184	169
70-79	91	19	28	139	106
80 or over**	94	17	27	63	48
Net weekly household income					
Under £100	94	8	34	221	265
£100-199	93	15	34	275	252
£200-299	97	39	64	114	111
£300-499**	100	73	81	63	60
£500 or more**	100	85	98	40	35
Benefit is sole source of income					
Yes	93	12	34	569	598
No	99	53	68	355	336
Ownership and use of accounts					
Has account and uses it	98	46	63	538	512
Has account, does not use it**	92	-	34	59	75
No account, closed it	97	-	44	93	102
No account, never opened one	89	-	16	242	243
Overall attitudes to banking					
Engaged	98	54	74	198	193
Reluctant	95	32	53	349	341
Disengaged	95	9	32	205	291
Ease of access to branch					
Easy	99	48	70	252	248
Fairly easy	95	26	48	295	311
Neither easy nor difficult	92	17	33	96	99
Fairly difficult	93	17	33	176	165
Difficult	94	10	25	110	107

Base: All respondents

- no respondents

** percentages should be used with caution as the number of people in these categories was small

The link with people's attitudes to banking was especially interesting. In particular, hardly any of the people who were assessed as *disengaged* from banking had bought anything in the past month not using cash and only three in ten of them were willing to do so. This was much lower than their willingness to use an account either to get cash or, as we shall see later, to pay bills. Around half of them were willing to use banking facilities for one or other of these purposes.

Bill payment

The great majority of people (92 per cent) had one or more household bills to pay – the most common being electricity and telephone bills. Fewer people were connected to the gas supply and many had their rate bills met by social security payments.

Across all bills, cash was the most common method of payment (Table 4.6). Pre-payment meters were very common among electricity customers and many phone users had also chosen 'pay as you go' methods. Only one in ten people paid electricity, telephone or rates bills by cheque. Direct debits and standing orders were less common still, except for rates, where one in ten people paid this way. Only three in ten people (31 per cent) used banking facilities (including cheques) to pay any of their bills – far fewer than in Britain, where 43 per cent did.

Table 4.6 Bill-payment methods by type of bill

	Column percentages			
	Electricity	Gas	Phone	Rates
Method of payment				
Cash	37	5	42	17
Cheque	10	*	11	11
Debit or credit card	*	-	*	*
Direct debit or standing order	6	*	5	10
Pre-payment meter/pay as you go	30	*	14	-
Buys stamps	3	*	6	-
Direct deductions from benefit	1	-	*	3
Some other way	3	*	2	5
Does not pay bill	10	93	19+	53
How pays in cash/cheque/debit or credit card				
At post office	29	*	42	9
By post	4	*	5	5
At a PayPoint outlet	4	*	3	*
At bank or building society branch	*	*	*	*
Rate collection office/NIHE/landlords office	-	-	-	10
Somewhere else	9	4	2	3
Does not pay in cash/cheque/debit or credit card	53	95	47	72

Continued

Table 4.6 Continued

	Column percentages			
	Electricity	Gas	Phone	Rates
How organises cash payments				
Puts money aside towards bill	20	3	27	12
Pays regular amounts towards bill at post office	11	*	10	2
Finds lump sum when due	3	2	3	2
Other	2	*	2	1
Does not pay in cash	63	95	58	83
Base (weighted)	934	934	934	934
Base (unweighted)	934	934	934	934

Base: All respondents

- no respondents

* less than 1 per cent

Everyone who paid a bill in cash, by cheque or debit or credit card was asked how they physically made the payment. A clear majority of people paid electricity and telephone bills at a post office (Table 4.6). Fewer people paid their rates this way, and went to the Rate Collection Agency office instead. This heavy reliance on making payments in person is quite notable. So, too is the high level of use of the Post Office. In fact, nearly six in ten of all the people interviewed (56 per cent) paid some or all of their bills at a post office. This proportion varied remarkably little by age, income or ownership or use of bank and building society accounts (Table 4.7). Use of the Post Office was only marginally higher than in Britain (56 per cent compared with 52 per cent).

Table 4.7 Use of banking facilities and post offices to pay bills

	Cell percentages					
	Banking facilities					
	Aware of	Use	Willing to use	Pay bills at PO	Base (weighted)	Base (unweighted)
All	99	31	59	56	934	934
Age						
Under 30	98	18	71	47	104	128
30-39	99	39	69	46	177	168
40-49	100	43	66	56	143	156
50-59	97	25	62	60	116	151
60-69	100	34	51	62	184	169
70-79	98	23	46	65	139	106
80 or over**	94	21	36	59	63	48
Net weekly household income						
Under £100	98	9	50	53	221	265
£100-199	100	18	49	58	275	252
£200-299	100	47	71	56	114	111
£300-499**	100	75	86	44	63	60
£500 or more**	100	80	98	38	40	35

Continued

Table 4.7 Use of banking facilities and post offices to pay bills

						Cell percentages
	Banking facilities					
	Aware of	Use	Willing to use	Pay bills at PO	Base (weighted)	Base (unweighted)
Benefit is sole source of income						
Yes	98	12	46	55	569	598
No	100	60	80	57	355	336
Ownership and use of accounts						
Has account and uses it	100	52	77	58	538	512
Has account, does not use it**	95	-	42	63	59	75
No account, closed it	97	-	46	52	93	102
No account, never opened one	97	-	29	51	242	243
Overall attitudes to banking						
Engaged	100	56	87	48	198	193
Reluctant	100	39	67	62	349	341
Disengaged	99	13	46	53	205	291
Ease of access to branch						
Easy	98	51	81	50	252	248
Fairly easy	100	32	61	57	295	311
Neither easy nor difficult	100	18	54	59	96	99
Fairly difficult	100	21	41	60	176	165
Difficult	95	11	39	57	110	107

Base: All respondents

- no respondents

** percentages should be used with caution as the number of people in these categories was small

People who paid bills in cash were also asked how they organised these cash payments. Across all bills, most of them set money aside towards the quarterly or half yearly bill. Around one in ten people had set up arrangements with their supplier that allowed them to make regular payments towards the cost of their electricity and telephone bills at a post office (Table 4.6).

Once again, people who preferred only to pay bills in cash (41 per cent of all those interviewed) said that it left them feeling more in control. Around half of them (equivalent to 16 per cent of everyone interviewed) said that they liked to know that bills were paid and a similar number (17 per cent) said that they liked to know how much money they had left after meeting their regular commitments.

Overall variations in the patterns of use of banking facilities for bill-payment by people of different ages, different income levels and different degrees of integration into banking were broadly similar to those for the use of accounts to withdraw cash and make everyday purchases (Table 4.7). Again it is interesting to note that only half of people with an account they said was active used it to pay bills, although rather more (77 per cent) were willing to use it for bill-payment. Greatest resistance to using banking facilities for bill-payment came

from: people aged over 70; people dependent on social security payments for all their income; people who did not have an account they used and especially those who had never had an account; and people who said it was fairly or very difficult to get to the nearest bank or building society branch (Table 4.7).

Total reliance on a cash budget

In fact over half of people receiving benefits paid by order book or girocheque (54 per cent) operated entirely in cash and used no banking facilities for day-to-day money management. Their benefit or pension was the only source of cash they used and they also paid all their bills and bought everyday items in cash. This proportion was higher than in Britain, where 43 per cent of their peers relied on cash budgets.

Cash budgeting was especially commonplace among:

- unemployed people (84 per cent of whom operated entirely in cash);
- people with net household incomes below £100 a week (82 per cent);
- people living in inner cities (79 per cent);
- social tenants (78 per cent);
- people whose entire income came from social security payments (78 per cent);
- people with a visual impairment (73 per cent);
- single people living alone (70 per cent);
- people aged under 30 (69 per cent) or over 80 (67 per cent); and
- lone parents (66 per cent)

(see Table 4.8).

Table 4.8 People who operated wholly cash budgets

Personal characteristics and economic circumstances	Uses some banking facilities	Operates a wholly cash budget	Row percentages	
			Base (weighted)	Base (unweighted)
All	46	54	934	934
Age				
20-29	31	69	104	128
30-39	53	47	177	168
40-49	54	46	143	156
50-59	48	52	117	151
60-69	50	50	184	169
70-79	36	64	138	106
80+ **	33	67	63	48
Gender				
Male	37	63	319	381
Female	50	50	614	553
Family circumstances				
Single no children	30	70	209	201
Couple no children	50	50	186	180
Lone parent	34	66	152	133
Couple with children	71	29	211	201
Other (includes non-householders)	41	59	174	217
Disability				
Has disability that limits activity	38	62	496	501
Has non-limiting disability**	51	49	51	49
No disability	55	45	387	384
Mobility impairment				
Mobility impairment	38	62	331	328
Visual impairment**	27	73	56	54
Mental health problems	36	64	140	140
Other physical disability	38	62	356	353
Religion				
Catholic	41	59	453	457
Protestant	51	49	395	395
Housing tenure				
Outright owner	61	39	285	249
Mortgagor	79	21	200	201
Social tenant	23	78	284	276
Private tenant**	27	73	57	57
Rent free (inc non-householders)	23	78	129	147

Continued

Table 4.8 Continued

Row percentages				
Personal characteristics and economic circumstances	Uses some banking facilities	Operates a wholly cash budget	Base (weighted)	Base (unweighted)
Type of neighbourhood				
Inner city	29	71	79	85
Suburbs	43	57	205	214
Central town	52	48	84	83
Town outskirts	44	56	250	245
Village	51	49	93	98
Other rural	51	49	223	209
Economic activity				
FT employment**	93	7	60	50
PT employment	92	8	73	62
Unemployed looking for work	16	84	76	155
Looking after family/home	43	57	167	131
Fully retired	44	56	266	211
Unable to work through disability	35	65	283	316
Net weekly household income				
Under £100	18	82	221	265
£100-199	37	63	276	252
£200-299	61	40	114	111
£300 or more	93	7	103	95
Benefit is sole source of income				
Yes	22	78	569	598
No	84	16	355	336
Length of time on benefit				
Less than 1 year	40	60	81	102
1-3 years	45	55	133	161
3-5 years	43	57	126	133
More than five years	48	52	581	506
Type of bank account				
Current account	83	17	422	415
Savings account	41	59	165	162
None	-	100	347	345
Overall attitudes to banking				
Engaged	74	26	195	193
Reluctant	59	41	349	341
Disengaged	25	75	205	291
Budgeting period				
Weekly	40	60	671	653
Fortnightly**	30	70	69	122
Monthly	90	10	107	95
Don't budget**	45	55	55	53

Base: All respondents

** percentages should be used with caution as the number of people in these categories was small

In contrast, the types of people who were most likely to use banking facilities in their day-to-day money management were: people in work, whether full-time or part-time; net household incomes of more than £300 a week; and people who budgeted monthly. In all of these groups more than nine in ten used banking facilities and fewer than one in ten operated a cash budget (Table 4.8).

Cash budgets were fairly rare among people with a current account (17 per cent) but, interestingly, more people said that they did not use their current account for day-to-day money management than said that their account was not in use. The difference is almost certainly accounted for by people who had other income paid into their account, but only drew on it occasionally. In contrast, cash budgeting was much more common (59 per cent) among people who had only a savings account.

In other words, as previous qualitative research has shown, cash budgeting tended to be favoured by people on restricted budgets who, as they told us in this survey, wanted to keep a close eye on how much they spent to avoid getting into financial difficulties (Kempson, 1994; Kempson and Whyley, 1998; Kempson and Whyley, 1999).

Use of plastic cards and cash machines

When ACT becomes the normal method of payment for benefits and pensions many of the people who currently operate a cash budget will almost certainly find themselves needing to use a plastic card of some kind to draw cash. People on low incomes who apply for a current account are generally given one with a cash machine card rather than a cheque book. Moreover, the new generation of basic bank accounts are entirely cash card based; none have a cheque book or any other way of withdrawing cash. Finally, the simple type of account, planned by the Post Office for people who do not want either a standard or basic bank or building society account, also uses a plastic card.

For this reason, the people interviewed were asked about their current ownership of different types of plastic card as well as their willingness to use them. This included bank cards of all kinds but also other types of plastic cards, such as the loyalty cards issued by most supermarkets and many other retailers, pre-payment cards for utilities and telephones and Northern Ireland Housing Executive rent cards.

Table 4.9 Ownership and willingness to use plastic cards¹

	Cell percentages		
	Has	Willing to use	Prefers not to use
Any bank card	42	53	47
Cash machine card	32	56	54
Cheque guarantee card	21	53	57
Debit card	13	34	66
Credit/charge card	10	18	82
Store card	7	34	66
Other cards			
Loyalty card	36	58	42
Pre-payment meter card for utilities	27	57	43
Stored value cards (eg phone card)	10	56	44
NIHE rent card	4	57	43
None at all	32	36	-
<i>Base (weighted)</i>	934	934	934
<i>Base (unweighted)</i>	934	934	934

Base: All respondents

¹ Respondents may have use or be willing to use more than one method, so percentages do not add up to 100%

Seven in ten people (68 per cent) had some form of plastic card, although rather fewer (42 per cent) had one of the bank cards. Most common were loyalty cards (36 per cent), followed by cash machine cards (32 per cent) and pre-payment cards for metered utilities (27 per cent) (Table 4.9).

Overall the level of willingness to use plastic cards was similar to the actual level of card-holding. In fact, slightly more people said they preferred not to use cards (36 per cent) than said that they currently had one (32 per cent). The level of acceptability of individual types of card was, however, generally much higher than their use. So, for example, although only three in ten (32 per cent) of people used a cash machine card almost twice that number (56 per cent) was willing to do so (Table 4.9). Indeed, cash machine cards were among the most acceptable of plastic cards, and on a par with all the non-bank cards. As a consequence slightly more people were prepared to use a bank card (56 per cent) than actually held one (42 per cent) (Table 4.10).

Table 4.10 Types of people who used and were willing to use plastic cards

							Row percentages	
	Bank cards	Has Other		Bank cards	Willing to use Other		Base (weighted)	Base (unweighted)
		cards only	No cards at all		cards only	No cards at all		
All	42	26	32	56	8	36	934	934
Age								
Under 30	37	37	26	61	6	33	104	128
30-39	57	24	19	72	8	20	177	168
40-49	55	24	21	67	7	26	143	156
50-59	43	27	30	62	7	31	116	151
60-69	38	31	31	52	6	42	184	169
70-79	25	25	50	34	12	54	139	106
80 or over**	16	20	64	22	6	71	63	48
Net weekly household income								
Under £100	22	31	47	46	9	45	221	265
£100-199	28	38	34	44	11	45	275	252
£200-299	51	22	27	64	9	27	114	111
£300 or more	86	7	7	90	4	6	103	95
Benefit is sole source of income								
Yes	21	36	43	43	10	47	569	598
No	75	12	13	78	4	18	355	336
Ownership and use of accounts								
Has account and uses it	69	13	18	73	3	23	538	512
Has account, does not use it**	19	28	53	41	7	52	59	75
No account, closed it	4	52	44	52	11	38	93	102
No account, never opened one	-	46	53	24	17	59	242	243
Overall attitudes to banking								
Engaged	76	10	14	85	3	12	198	193
Reluctant	49	24	27	62	5	33	349	341
Disengaged	24	39	37	42	14	43	205	291

Base: All respondents

** percentages should be used with caution as the number of people in these categories was small

Levels of ownership and acceptability of plastic cards differed widely across people in different circumstances (Table 4.10). The pattern of ownership of bank cards was similar to the patterns of use of banking facilities generally. In other words, the lowest level of bank card-holding was among elderly people and people on low incomes and/or dependent on social security payments for all their income. It was also low among those who were disengaged from banking. Only a small number of people who had suspended their accounts (19 per cent) had retained any bank cards and just a handful (4 per cent) of people who had closed their account altogether still had credit or store cards (Table 4.10).

The pattern of ownership of people who had only other types of plastic card was almost a mirror image (Table 4.10). So, the types of people most likely to have only non-bank cards were people on the lowest incomes, who depended on social security for all their income; were assessed as *disengaged from banking*; and did not have a bank or building society account at the time they were interviewed. The only exception was the pattern with age, where older people with low levels of bank card-holding did not include a greater proportion with non-bank cards.

Consequently the differences in the proportions of people with no cards at all was reduced. Even so, the types of people who were least likely to have any type of plastic cards were all the ones who were least likely to use banking facilities for day-to-day money management (Table 4.10).

We have already noted that more people were willing to use bank cards than actually held them. This was true of just about all groups of people but was especially so for people aged under 30; people on low incomes; people dependent on social security for all their income; and people who had suspended or closed their bank accounts (Table 4.10). Consequently approaching half of people in these groups were willing to use bank cards even though many fewer had one at the time they were interviewed.

Greatest resistance to bank cards, therefore, was expressed by people who had never had an account (only 24 per cent of whom were willing to use a bank card) and very elderly people (22 per cent of the over eighties and 34 per cent of people in their seventies) (Table 4.10). These same groups were also the ones who were most resistant to plastic cards of all kind. In fact six in ten (59 per cent) of people who had never had an account preferred not to use any kind of plastic card. This has important implications both for bringing them into the banking system and also for paying their benefits and pensions when ACT becomes the normal method of payment.

Use and views of cash machines

It is also likely that many people will need to use a cash machine when ACT becomes the normal payment method for benefits and pensions – unless agency agreements are set up between the Post Office and banks, as is happening in Britain.

Just over half of the people interviewed (53 per cent) had either used or were willing to use a cash machine and another 10 per cent were willing to do so, if they were shown how. But that left almost four in ten people (37 per cent) who were really not willing to use one under any circumstances (Table 4.11). The main reasons they gave were a general dislike and mistrust of machines (20 per cent of all the people interviewed) and fears for their personal safety (10 per cent). Only a small number of people were worried about losing financial control (4 per cent), about errors or having their card ‘chewed up’ (4 per cent), or about being charged to use the cash machine (3 per cent).

Table 4.11 Use and views of cash machines

	Use of cash machines				Row percentages	
	Uses or willing to use	Willing to use if helped	Not willing to use	View of cash machines ¹	Base (weighted)	Base (unweighted)
All	53	10	37	2.8	934	934
Age						
Under 30	74	14	12	3.3	104	128
30-39	75	9	16	3.3	177	168
40-49	73	6	21	3.1	143	156
50-59	54	17	28	2.8	116	151
60-69	38	9	52	2.4	184	169
70-79	27	9	63	2.2	139	106
80 or over**	14	6	79	2.0	63	48
Net weekly household income						
Under £100	44	13	42	2.6	221	265
£100-199	44	14	42	2.6	275	252
£200-299	57	10	33	2.8	114	111
£300 or more	87	2	11	3.4	103	95
Benefit is sole source of income						
Yes	42	12	46	2.6	569	598
No	73	6	21	3.0	355	336
Ownership and use of accounts						
Has account and uses it	69	7	24	2.9	538	512
Has account, does not use it**	52	9	40	2.7	59	75
No account, closed it	60	13	26	2.9	93	102
No account, never opened one	16	16	68	2.4	242	243
Overall attitudes to banking						
Engaged	86	5	9	3.3	198	193
Reluctant	57	10	32	2.8	349	341
Disengaged	45	11	44	2.6	205	291
Ease of access to branch						
Easy	77	7	16	3.2	252	248
Fairly easy	60	11	28	2.9	295	311
Neither easy nor difficult	40	14	46	2.5	96	99
Fairly difficult	34	11	55	2.4	176	165
Difficult	25	10	65	2.2	110	107

Base: All respondents

¹ Score out of 5, the higher the score, the more positive people were about cash machines

** percentages should be used with caution as the number of people in these categories was small

Everyone who was interviewed was asked if they faced any difficulties actually using cash machines. Most did not, but 11 per cent said that poor eyesight presented them with problems, and 7 per cent had only limited use of their hands. Only 1 per cent of people said that they could not reach the cash machine in their wheelchair – evidence that the banks' programme of re-siting cash machines to make them more accessible to wheelchair users has achieved its intention. A surprising number of people (22 per cent) said that they were unable to remember PIN numbers.

People were also read out the following six statements about cash machines and asked how strongly they agreed or disagreed with each of them. These included two positive statements:

- *Cash machines are a convenient way of getting money* (73 per cent agreed)
- *I would rather use a cash machine than get service from a cashier* (30 per cent agreed)

and four negative ones:

- *Other people can see what you are doing, they are not private enough* (60 per cent agreed).
- *I would not use a cash machine unless I had to* (59 per cent agreed)
- *Cash machines are difficult to use* (26 per cent agreed)
- *Things often go wrong with cash machines* (25 per cent agreed).

These statements were analysed using a statistical technique, known as principal component analysis to identify the underlying attitudes. In fact there was just one underlying attitude, classifying people as pro- or anti-cash machine. A single five point scale was derived so that, at one extreme, people who scored 1 were strongly in favour of cash machines and, at the other, those who scored 5 were strongly against them. The average score across all the people interviewed was 2.8, suggesting an even balance between those who were in favour and those against.

Not unexpectedly, there was a strong correlation between the types of people who were not willing to use cash machines, even if they were shown how to do so, and people with negative attitudes. So the lower their net weekly household income and the less they were engaged with the world of banking, the more resistant people were to cash machines on both measures. But, as other research has shown (Kempson and Jones, 2000), the greatest variation was by age, with high levels of resistance among people aged over 70 (Table 4.11).

The patterns of money management by benefit

Again there were variations between people claiming different benefits that, potentially, have implications for the transfer of benefit payments to ACT. In general these mirrored the pattern of account-holding described in the previous chapter.

Table 4.12 Money management and use of bill-payment facilities by benefit

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Getting cash¹									
Aware of banking facilities	96	98	91	93	100	97	99	91	100
Uses banking facilities	34	38	28	35	70	29	23	11	19
Willing to use banking facilities	61	67	49	52	80	61	62	47	71
Paying for things¹									
Aware of banking facilities	95	95	95	96	96	99	96	90	98
Uses banking facilities	27	30	23	28	51	24	19	12	7
Willing to use banking facilities	47	54	35	39	67	53	47	30	54
Paying bills¹									
Aware of banking facilities	99	99	98	99	99	100	99	97	100
Uses banking facilities	31	32	29	35	55	35	19	12	7
Willing to use banking facilities	59	66	47	52	78	60	60	44	76
Pays bills at post office									
Some/all	56	52	62	67	52	55	53	52	31
None	44	48	38	33	48	45	47	48	69
Household budgeting									
Uses banking facilities	46	48	43	49	73	46	39	24	24
Operates a wholly cash budget	54	52	57	51	27	54	61	76	76
Plastic card-holding									
Bank cards	42	48	31	38	74	45	34	19	40
Only other plastic cards	27	27	26	19	17	28	34	40	11
None at all	31	25	43	43	9	27	32	41	39
Willingness to use plastic cards									
Bank cards	56	66	40	43	81	64	58	41	67
Only other plastic cards	8	7	9	8	5	6	9	11	5
None at all	36	27	51	49	14	30	33	48	29
Use of cash machines									
Has used/willing to use	53	67	30	34	83	64	51	38	78
Has not used, but willing if helped	10	12	7	5	6	11	11	17	15
Not used, unwilling even if helped	37	21	62	61	10	25	38	45	7
Views of cash machines²									
Base (weighted)	934	579	351	240	205	96	147	205	42
Base (unweighted)	934	653	277	178	147	157	148	161	143

Base: All respondents

¹ Cell percentages, so do not total 100 per cent² Score out of 5, the higher the score, the more positive people were about cash machines

People receiving ChB stood out from all other benefit recipients as having a particularly high level of use of banking facilities for day-to-day money management (Table 4.12). In particular, seven out of ten of them withdrew cash from their bank account, although only half had used it to pay for purchases in the past month and a similar number used it to pay bills. In fact they were just as likely to pay bills at a post office as they were to use banking facilities. Overall, only a quarter of them relied entirely on cash for all aspects of their household budget – much lower than any other group. They also had by far the highest level of plastic card-holding – three quarters of them had a bank card of some kind and fewer than one in ten had no plastic cards at all. Similarly they held the most positive views of cash machines and only one in ten of them were unwilling to use one even if they were shown how to do so.

Pensioners receiving RP had the second-highest level of use of banking facilities, but fell way behind ChB recipients in this respect. For example, they were only half as likely to use their account to withdraw cash and were twice as likely to have an entirely cash budget. They made the greatest use of paying bills at a post office, with two-thirds of them paying some or all of their bills this way. This is consistent with their strong attachment to the Post Office when it comes to payment of their pension. They had the lowest level of card-holding – over four in ten had no plastic cards of any kind – and they were the least willing to use plastic cards – half of them were unwilling to use any form of plastic card. It is not surprising, then, to find that they were the most resistant to using cash machines.

IB recipients made little use of banking facilities for day-to-day money management, and they were the only group that used an account more for bill-payment than for any other purpose. Over half of them operated an entirely cash budget and a similar number paid some or all of their bills at a post office. They had the second-highest level of card-holding in general and bank cards in particular. Only a quarter of them had no plastic cards of any kind. They were also among the most willing to use plastic cards and were more willing than average to use a cash machine, although one in ten wanted first to be shown how.

People receiving DLA had even lower levels of use of banking facilities than IB recipients – indeed their use was below the average across the board – and six in ten of them operated an entirely cash budget. They also had the second-lowest level of bank cards after pensioners getting RP, but because many of them used other types of plastic card their level of card-holding overall was about average. They also had about average levels of willingness to use plastic cards and cash machines.

Unemployed people getting JSA made least use of banking facilities, along with people getting IS. Three quarters of both groups operated a wholly cash budget. But there the similarities ended. If JSA recipients used any banking facilities they were three times more likely to withdraw cash from their account than to use it either to pay for purchases or to pay bills. Despite their low levels of use,

JSA recipients were, in fact, the second most willing to do so, after people getting ChB. This is consistent with their volatile use of bank accounts, noted in the previous chapter, and suggests a temporary move to cash budgeting while on a low income. The proportion with a bank card was about average (and twice that among IS recipients) and their level of willingness to use them was second only to ChB recipients. Seven in ten were prepared to use bank cards and just about all of them to use a cash machine, although one in seven wanted to be shown how to do so first.

People receiving IS were, undoubtedly, the least prepared to use banking facilities, just as they had the lowest level of account-holding. Three quarters of them operated a cash budget and six out of ten of them said they were unwilling to use banking facilities either to access cash or to pay bills. Half of them paid bills at a post office – a figure that is low because many of them had pre-payment meters and were exempt from paying rates. Only two in ten of them had any bank cards – by far the lowest in the sample, but because many of them had other types of card (most notably for pre-payment electricity meters) their card-holding overall was slightly higher than pensioners receiving RP. Their levels of willingness to use plastic cards in general and bank cards in particular were on a par with pensioners getting RP. They were predominantly negative about cash machines although they included the largest proportion of people who had not used a cash machine but were willing to do so if they were shown how.

Money management and ease of transfer to ACT

The ways that people managed their money day-to-day mirrored their levels of integration into banking.

So the people who will be *easy to transfer* were the heaviest users of banking facilities for various aspects of day-to-day money management. Just a third of them operated an entirely cash budget. Even so, only half of them withdrew cash from a bank or building society account, and fewer still used an account to pay bills or had bought something in the past month that they had paid for using a banking facility. They made least use of the Post Office for bill-payment, although half of them paid some or all of their bills this way and the differences between the three groups were not great.

Although they used banking facilities quite sparingly, the majority of them were quite happy to do so. In particular, 84 per cent of them were quite willing to use a bank or building society account to obtain cash. A similar number were willing to use a cash machine, although a minority would want to be shown how to do it. They were, in fact, the only group that held positive views about cash machines. They were also by far the most comfortable using plastic cards and bank cards in particular.

People who will be *not so easy to transfer* made much less use of banking facilities. Nearly two thirds of them dealt entirely in cash, and only a minority used a bank or building society account to withdraw cash, pay bills or pay for everyday purchases. Nearly six in ten paid some or all of their bills at a post office. Very few used any bank cards – including cash machine cards.

They were also really quite resistant to using banking facilities of all kinds. Just half were willing to use them to withdraw cash or to pay bills, only four in ten to pay for everyday purchases. They were also quite antagonistic towards bank cards and cash machines. Six in ten were unwilling to use any bank cards, and nearly a half ruled out plastic cards of all kinds. Similarly, four in ten were unwilling to use a cash machine even if they were shown how.

Table 4.13 Money management and ease of transfer to ACT

	<i>Column percentages</i>			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Getting cash¹				
Aware of banking facilities	99	94	91	96
Uses banking facilities	49	27	21	34
Willing to use banking facilities	84	51	35	61
Paying for things¹				
Aware of banking facilities	97	94	93	95
Uses banking facilities	38	22	17	27
Willing to use banking facilities	68	40	21	47
Paying bills¹				
Aware of banking facilities	99	99	98	99
Uses banking facilities	45	23	19	31
Willing to use banking facilities	82	50	34	59
Pays bills at post office				
Some/all	52	57	59	56
None	48	43	41	45
Household budgeting				
Uses banking facilities	65	36	29	46
Operates a wholly cash budget	35	64	71	54
Plastic card-holding				
Bank cards	65	31	20	42
Only other plastic cards	18	30	36	27
None at all	17	40	44	32
Willingness to use plastic cards				
Bank cards	83	44	31	56
Only other plastic cards	3	9	16	8
None at all	13	47	54	36
Continued				

Table 4.13 Continued

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Use of cash machines				
Has used/willing to use	74	47	26	53
Has not used but willing if helped	11	10	9	10
Not used, unwilling even if helped	16	42	65	37
Views of cash machines ²				
	3.15	2.63	2.36	2.78
Base (weighted)	350	410	174	934
Base (unweighted)	370	395	169	934

Base: All respondents

¹ Cell percentages, so do not total 100 per cent

² Score out of 5, the higher the score, the more positive people were about cash machines

The people who were most wedded to dealing in cash were, not unexpectedly, those who will be *difficult to transfer*. Seven in ten of them only ever used cash and two in ten or fewer used banking facilities to obtain cash, to pay bills or to pay for everyday purchases. They also had the highest incidence of bill-payment at a post office. What is more, they were highly resistant to using banking facilities for any type of transaction and only a third were prepared to use an account to withdraw cash.

They were also very resistant to using either plastic cards or cash machines. Two thirds said that they were unwilling to use a cash machine even if someone showed them how. Seven in ten said they were unwilling to use a bank card and nearly half preferred not to use any plastic cards at all.

The level of resistance to plastic cards among people who will be *not so easy* or *difficult to transfer* has important implications for the plans to make ACT the normal method of payment from 2003. Not only are basic bank accounts card-based but so too is the simple type of account that is planned by the Post Office as part of its Universal Banking proposals.

Take-up of ACT payment of benefits and pensions is low in Northern Ireland (21 per cent) and also much lower than it is in Britain (37 per cent). There are a number of possible reasons for this, apart from the low levels of account-holding, all of which have potential implications for the transfer to ACT payments.

First, people may not have known that they could be paid by ACT when they started to claim. Secondly, they may only have become aware of ACT payments since they had opted to be paid by order book or girocheque and not considered changing their payment method. Thirdly, they may have been deterred from switching because of anticipated problems. Fourthly, if they had an account, they may not have been aware that their account could receive ACT payments. Fifthly, they may have been wary of ACT payments generally, or their objections might relate solely to ACT payment of benefits and pensions.

Awareness that benefits and pensions can be paid by ACT

Only 35 per cent of people paid by order book or girocheque said they believed at the time they made their claim that they could have chosen to be paid by ACT (Table 5.1). On the surface this looks like levels of awareness were extremely low, but it needs to be set in context. Most (62 per cent) of the people interviewed had started to receive their benefit or pension more than five years ago and many of them may not have had the choice of ACT payments from the outset. This was, in fact, borne out by the analysis. Only 29 per cent of people who had been receiving benefit for five or more years knew they could be paid by ACT from the outset, compared with nearly half (48 per cent) of people who had been on benefit for under three years. Reflecting this, awareness was especially low among people aged over 70.

All, however, could have had their benefit or pension paid by ACT at the time they were interviewed, yet only 60 per cent were aware of the fact (Table 5.1). Most commonly those who were aware had found out either by word of mouth (20 per cent) or they had been told by Social Security Agency staff (14 per cent). A small number had found out from notes either on the claim form (8 per cent) or their order book (7 per cent). Here the biggest variation was by income (Table 5.1). The age effect persisted but was much diminished and the effect by length of time people had been receiving benefit had all but disappeared.

Table 5.1 Knowledge and experience of ACT

	Cell percentages					
	<u>Knowledge of Act</u>		Knows has	Has other	Base	Base
	When	Now	an account	income paid	(weighted)	(unweighted)
	claimed		that can	by ACT		
			receive ACT			
All	35	60	49	27	934	934
Age						
Under 29	49	67	43	20	104	128
30-39	38	68	55	38	176	168
40-49	39	66	55	38	143	156
50-59	33	60	56	21	116	151
60-69	41	67	53	27	184	169
70-79	20	41	34	19	138	106
80 or more**	12	41	34	16	63	48
Type of neighbourhood						
Inner city	27	47	30	12	79	85
Suburbs	41	64	47	27	205	214
Central town	52	75	56	31	84	83
Town outskirts	29	58	48	28	249	245
Village	32	63	55	31	94	98
Other rural	35	57	53	28	223	209
Disability						
Has disability that limits daily activities	32	55	40	18	496	501
Has non-limiting disability**	24	59	51	27	51	49
No disability	41	67	59	40	386	384
Economic activity						
FT employment**	53	85	95	88	58	48
PT employment	47	74	89	78	73	62
Unemployed looking for work	32	49	31	4	75	155
Looking after family/home	33	63	42	21	167	131
Fully retired	29	52	46	24	267	211
Unable to work through disability	36	61	41	15	284	316
Net weekly household income						
Under £100	31	56	30	8	221	265
£100-199	29	49	37	14	275	252
£200-299	37	64	59	34	114	111
£300-499	40	68	87	71	63	60
£500 or more**	55	83	95	89	40	35
Benefit is sole source of income						
Yes	29	51	28	4	579	598
No	45	75	84	65	354	336

Continued

Table 5.1 Continued

Cell percentages						
	<u>Knowledge of Act</u>		Knows has an account that can receive ACT	Has other income paid by ACT	Base (weighted)	Base (unweighted)
	When claimed	Now				
Length of time on benefit						
Less than 1 year	48	62	52	19	80	122
1-2 years	48	66	58	18	67	90
2-3 years	48	62	57	28	66	71
3-5 years	37	60	48	28	126	133
More than five years	29	60	47	22	581	506

Base: All respondents

** percentages should be used with caution as the number of people in this category is small

Moreover, levels of awareness were considerably lower than in Britain, where half (47 per cent) of people said that they knew they could have been paid by ACT at the time they submitted their claim and three quarters (77 per cent) knew when they were interviewed.

In other words, lack of awareness almost certainly plays an important part in the low take-up of ACT in Northern Ireland.

People who had thought about changing to ACT payments

Although 25 per cent of the people interviewed had become aware that they could be paid by ACT since beginning their claim, only 4 per cent had considered switching to ACT (compared with 9 per cent in Britain). Almost all of these had considered it in the past year. Just over one in ten of them had decided to go ahead and another three in ten were still making up their minds. By far the most common reason given by the people who had decided not to change from their order books or girocheques was a concern that they would be unable to draw small or odd amounts of money out of their bank or building society account. This is a particular problem for people who use cash machines that typically dispense only £20 and £10 notes.

The people who were most likely to have considered changing were in employment (9 per cent of whom had thought about switching to ACT) and had net household incomes of £300 a week or more (10 per cent). People who had not realised at the outset that they could have been paid by ACT were also more likely to have considered changing (7 per cent).

The great majority of people (96 per cent) had, however, never considered switching to ACT. For the most part this was driven by inertia rather than a principled objection to it. The most common explanation was that they had no reason to do so (77 per cent of all the people interviewed). Other common explanations were that they had never given the matter any thought (29 per cent) and that it was more convenient to go to a post office (28 per cent).

More reassuring is the fact that only 1 per cent of people had previously chosen to be paid by ACT, but subsequently decided to switch to order book or girocheque payments. It would seem, therefore, that once people have elected to have their benefit or pension paid in a particular way, they are unlikely to ask for it to be changed.

Proportions of people with an account they thought could receive ACT payments

In theory, all bank and building society accounts can receive payments made by ACT. But in practice not every account-holder was aware of this. So, although two thirds (64 per cent) of the people interviewed had an account, less than half (49 per cent) said that they believed that it was 'possible to have wages, benefits or other regular payments made directly into it' (Table 5.1). A small number (5 per cent) said it was not possible; rather more (10 per cent) said that they did not know. Looked at another way about three quarters of account-holders were aware that they could have ACT payments made into their account. This is somewhat lower than in Britain, where 86 per cent of account-holders were aware of this fact.

Awareness of ACT facilities was far higher among people with a current account (89 per cent) than it was among those with a savings account (46 per cent). It was also higher for people who used their account (80 per cent) than for those who had suspended it (41 per cent).

There was also a strong relationship with economic activity status and income (Table 5.1). Almost all of the people in full-time work (95 per cent) or who had net household incomes of £500 a week or more (95 per cent) said that they had an account that could receive ACT payments. The contrast between those reliant on benefits for all their income (28 per cent of whom said they had an account that could receive ACT payments) and those who were not (84 per cent) was especially notable.

Experience of ACT payments

Experience of ACT payments was fairly low and also much lower than in Britain. Only a quarter of people in Northern Ireland (27 per cent) had other income that was paid directly into their account (Table 5.1), compared with four in ten (42 per cent) in Britain. A further 10 per cent said they had had income paid by ACT in the past, compared with 14 per cent in Britain.

Looked at another way, just under half of the 58 per cent of people with an account they used had other income paid directly into it by ACT. This proportion did not differ greatly from Britain, suggesting that people in Northern Ireland had less experience of ACT because they were less engaged with banking.

Wages were the most common ACT payments (15 per cent), followed by occupational and personal pensions (9 per cent). Hardly anybody (5 per cent) had other social security benefits paid by ACT. In fact six in ten people with wages coming into their household (59 per cent) had them paid by ACT, as did two thirds of people with a private pension (66 per cent). In the great majority of cases, people with an income paid by ACT had been given no choice over how they would be paid by their employer or pension provider (17 per cent).

No other reason stood out as being particularly important – for example 2 per cent of people said they had chosen to have other income paid by ACT because it was more convenient and 2 per cent because they used the money to pay bills.

In view of this, it was not surprising to find a strong relationship between experience of ACT payments and economic activity status and income (Table 5.1).

Knowledge of the relative costs of benefit payment methods

The three methods of benefit payment cost quite different amounts to administer. ACT payments are by far the cheapest. Order book payments cost up to fifty times as much as payments by ACT, while girocheques, cost over eighty times as much.

Knowledge of the costs of paying benefits and pensions was very low indeed. Only 30 per cent of people knew that ACT payments cost the least, while 19 per cent thought it was the most expensive method of payment. Half of people (50 per cent) had no idea how much ACT payments actually cost and only 11 per cent gave a cost that was within 10p of the correct amount. People were no better informed about the actual costs of payments by order book or girocheque either. On being told the relative costs, 13 per cent of people said that they would be more likely to switch to ACT and a further 8 per cent said they might be (Table 5.4).

Perceived advantages and disadvantages of having benefit paid by ACT

As we saw in Chapter 2, the great majority of people paid by order book (97 per cent) believed that there were advantages to being paid that way and few (20 per cent) thought there were any disadvantages. Views of girocheque recipients were not quite so positive – while 92 per cent believed this method of payment had advantages, nearly half (46 per cent) named disadvantages.

In contrast, views of ACT payment of benefits and pensions were a good deal more negative. Only three in ten (29 per cent) people thought it had any advantages, while eight in ten (82 per cent) cited disadvantages (Table 5.2).

The advantages of ACT payments

Between them, the 29 per cent of people who thought ACT payment of benefit had advantages named a wide range of specific issues. Most commonly, they related to greater convenience (14 per cent) or to aspects of money management (14 per cent). Greater personal safety was an important concern for 9 per cent of people.

Of those citing aspects of convenience, 5 per cent specifically said that they found going to a post office inconvenient and 4 per cent said that it would avoid the need to make a special journey to a post office. In terms of money management, 5 per cent liked the reliability of ACT payments and similar numbers of people said it would make it easier to save and that it would make it easier to pay bills. Slightly fewer (4 per cent) said that ACT payments would suit their style of money management.

The types of people who were most inclined to see the advantages of ACT were young, in work, and had higher than average incomes (Table 5.2).

Table 5.2 Advantages, disadvantages and anticipated problems of ACT payments

	Cell percentages				
	Believes ACT has advantages	Believes ACT has disadvantages	Expects problems	Base (weighted)	Base (unweighted)
All	29	82	25	934	934
Age					
Under 29	41	80	22	104	128
30-39	39	80	23	176	168
40-49	38	80	25	143	156
50-59	32	74	26	116	151
60-69	21	83	29	184	169
70-79	15	91	25	138	106
80 or more**	12	90	17	63	48
Type of neighbourhood					
Inner city	28	79	29	79	85
Suburbs	25	84	33	205	214
Central town	42	71	25	84	83
Town outskirts	30	82	26	249	245
Village	33	82	26	94	98
Other rural	27	85	17	223	209
Disability					
Has disability that limits daily activities	25	82	28	496	501
Has non-limiting disability**	33	80	18	51	49
No disability	35	82	23	386	384
Economic activity					
FT employment**	70	74	17	58	48
PT employment	50	68	12	73	62
Unemployed looking for work	32	85	24	75	155
Looking after family/home	33	84	26	167	131
Fully retired	16	87	26	267	211
Unable to work through disability	26	80	30	284	316
Net weekly household income					
Under £100	20	83	26	221	265
£100-199	26	83	26	275	252
£200-299	34	77	31	114	111
£300-499	48	81	16	63	60
£500 or more**	73	77	17	40	35
Benefit is sole source of income					
Yes	22	85	29	579	598
No	41	76	20	354	336
					Continued

Table 5.2 Advantages, disadvantages and anticipated problems of ACT payments

	Cell percentages				
	Believes ACT has advantages	Believes ACT has disadvantages	Expects problems	Base (weighted)	Base (unweighted)
Length of time on benefit					
Less than 1 year	36	75	22	80	122
1-2 years	33	73	31	67	90
2-3 years	34	74	14	66	71
3-5 years	29	77	34	126	133
More than five years	27	86	24	581	506
Has other income paid by ACT					
Yes	51	76	17	260	230
No	21	84	27	674	704
Ownership and use of accounts					
Has account and uses it	39	77	21	538	512
Has account, does not use it **	20	86	25	59	75
No account, closed it	19	88	27	93	102
No account, never opened one	15	90	33	242	243

Base: All respondents

** percentages should be used with caution as the number of people in this category is small

Four in ten (41 per cent) of people aged under 40 named advantages, with little difference between people in their twenties and those in their thirties. The link with employment and income was greater still. Seven in ten people in full-time employment (70 per cent) and half of those with part-time jobs (50 per cent) cited advantages of ACT as did three quarters (73 per cent) of those with net household incomes of £500 a week or more, (Table 5.2). In all these cases greater convenience was the attraction of ACT.

People with other income currently being paid by ACT were more likely to cite advantages (51 per cent) than those who had never had any ACT payments (21 per cent), although in many ways, it is surprising that the difference was not greater. In particular, people with experience of ACT quite disproportionately cited the greater convenience of being paid this way.

The disadvantages of ACT payments

Many more people (82 per cent) believed that there were disadvantages associated with being paid by ACT (Table 5.2). Interestingly, convenience was again uppermost in many people's minds (44 per cent). Equal numbers of people said that they would find going to a bank or building society inconvenient or that getting to a post office was more convenient (17 per cent each), with one in ten people (10 per cent) making both points.

A minority (17 per cent) said it would not suit their style of money management to have their benefit money paid into an account and one in ten (9 per cent) believed there would be errors or delays in their payments. Given the large proportion of people without an account (36 per cent) it was surprising that so

few cited lack of an account (8 per cent) or worries about using an account (8 per cent). Nor did many people seem to link ACT with four weekly payments – only 3 per cent.

The types of people who were most inclined to say that ACT payments had disadvantages (Table 5.2) were:

- Retired people (87 per cent) and especially if they were aged over 70 (91 per cent). The main disadvantage in their eyes was the inconvenience involved;
- People living in rural areas but not in villages (85 per cent), who were also concerned about inconvenience;
- People whose entire income derived from social security payments (85 per cent) who included a disproportionate number of people saying that ACT payments did not suit their method of money management (25 per cent) but were less likely than average to cite inconvenience;
- People who had never had an account (90 per cent) or who had disengaged from banking (87 per cent). They were particularly concerned about losing the convenience of using a post office and the never-banked were especially concerned about not having an account (22 per cent). Even so, it is surprising that so few of them cited this as a disadvantage.

Again people with other income paid by ACT were less inclined to think this payment method had disadvantages (76 per cent) than those who had never had any income paid this way (84 per cent). More remarkable, however, is the high level of perceived disadvantages among people with experience of other payments being made by ACT. Their concerns about ACT payment of benefits were disproportionately linked to aspects of money management. Nearly three in ten (29 per cent) said it did not suit the way they chose to manage their money, compared with the average of 17 per cent.

Anticipated problems of transferring to ACT payment of benefit

When specifically asked, only a minority of people (25 per cent) said that they would expect to face problems if they transferred to ACT (Table 5.2) while four in ten (43 per cent) said that they did not. The remaining people said that they did not know. This needs to be set in the context of the very small number of people who had considered changing. While anticipated problems will play a part in the planned transfer to ACT, they are unlikely to have been an important factor in the low take-up to date.

The problems that people most commonly anticipated related to getting to a bank or building society branch (10 per cent), facing administrative delays and errors during the changeover (9 per cent), receiving their money late (8 per cent) and being unable to open a bank account (4 per cent).

Not unexpectedly, both the level of concern and the nature of anticipated problems varied by people's age and disability, their financial circumstances, whether or not they had an account and where they lived (Table 5.2).

On the whole, the expectation of problems was more common among pensioners (27 per cent) than non-pensioners (22 per cent). And more of them expected to face difficulties getting to a bank or building society branch to withdraw cash (15 per cent compared with 8 per cent of non-pensioners). In contrast, people under pension age were more often exercised by worries about administrative problems during the changeover (10 per cent compared with 6 per cent of pensioners) and with getting their money late (9 per cent compared with 6 per cent).

Similarly people who had a disability that limited their daily activity more commonly expected problems (28 per cent) than those who did not have one (23 per cent). And a greater proportion of people who had their benefits collected for them expected difficulties (31 per cent) than among people who collected their money personally (23 per cent). In both instances their fears disproportionately related to getting to a bank or building society branch. People with disabilities were twice as concerned about access problems (12 per cent) as people without a disability (8 per cent); the difference between people who relied on others to collect their money and those who did not was greater still (15 per cent, compared with 9 per cent).

People reliant on benefit as their sole source of income more often anticipated problems (29 per cent) than people who had some other source of income (20 per cent). Concern was especially high among lone parents (31 per cent) but, interestingly, not among the unemployed (24 per cent). Their main concerns were about retaining financial control rather than getting to a bank or building society branch. More than one in ten people reliant on benefit for all their income were worried about getting their money late (11 per cent) or facing administrative problems during the changeover (11 per cent).

A third of people who had never had a bank or building society account, thought that the change to ACT payments would be problematic. The more contact people had with the world of banking the fewer their fears, so that only two in ten (21 per cent) of people who had an account in use said they expected the change to ACT to be accompanied by difficulties. People who had never had an account were especially worried about all aspects of the changeover, including getting to a bank or building society branch (15 per cent), administrative problems (13 per cent) and getting their money late (12 per cent). They also had an above-average level of concern about getting a bank or building society account (8 per cent), but this is a much lower level than might have been expected.

Variations by the type of neighbourhood in which people lived were complex and reflected differences in the characteristics of people who lived there as much as geographical differences between them. The highest level of expected difficulties was among people living in the suburbs (33 per cent), who were especially concerned about difficulties arising during the changeover (17 per cent) and about getting their money late (11 per cent). While fewer people living in rural areas anticipated problems (24 per cent in villages; 17 per cent in

other rural areas), people living in villages were particularly worried about getting to a bank or building society branch (16 per cent).

Again there was a big difference between people who had other income paid by ACT (17 per cent) and those who did not (27 per cent). The concerns of people with ACT experience related mostly to getting to a bank or building society branch and to administrative problems (7 per cent each). But the fact that people with experience of ACT were very much more likely to cite disadvantages (76 per cent) than they were to expect problems (17 per cent) indicates that it was generally convenience that made many of them resistant to having their benefit paid in the same way as their other income.

Views of the likely impact of the switch to ACT

Near the end of the interview, all respondents were read 14 different statements about ACT payment of benefits and pensions that had been derived from views expressed in earlier qualitative research (Thomas and Pettigrew, 1999).

In fact, four in ten people agreed that they had no particular concerns about being paid by ACT, although some of these did go on to agree with specific concerns when they were raised. The great majority of people wanted to be paid as often as they are now (95 per cent) and to have an emergency payment should anything go wrong (92 per cent). Most people (86 per cent) also agreed that they would want to be able to draw all their benefit or pension as a single lump sum. Concerns about being able to use a post office and the impact of ACT payments on the viability of post offices were also widespread.

Fears about possible disruption to the household budget were not as prevalent. Seven in ten would want to know when the money had been paid into their account and just over half were worried that changing to ACT could disrupt their benefit payments. In both cases, the level of concern increased the less willing people were to transfer to ACT.

There was much less agreement with statements that referred to the advantages of being paid by ACT. For example, half of the people interviewed agreed that being paid by ACT would lead to a wider choice of places to withdraw their money. About a third agreed that they would be less inclined to spend all their money if it were paid into a bank or building society account. And a similar proportion agreed that people should be persuaded to transfer to ACT because it is a cheaper method of payment. Unsurprisingly, the more willing people were to transfer, the more they agreed with these advantages of ACT.

Once again, these views were analysed using a statistical technique known as principle component analysis. This identified five underlying attitudes that were captured by the statements, each of which was scored on a five point scale, where 1 indicated strong agreement and 5 strong disagreement. In other words, the lower the score, the more strongly people agreed with the attitude. The

attitudes and their average scores for all the people interviewed were:

- safety nets should be provided (average score 1.5, showing that the great majority of people agreed);
- concern about the implications for post offices (1.5);
- a desire to be paid money in same way (1.5);
- worried about practical problems (2.5);
- ACT has a number of advantages (2.9, showing that views were about evenly balanced between people who agreed and those who disagreed).

In other words, there was a good deal of conservatism, with most people wanting safety nets to be provided, being concerned about the possible implications for post offices and wanting to be paid their money in the same way as now. Worries about practical problems were much less commonplace and people were divided about whether ACT payments had advantages.

Safety nets should be provided

There was widespread support for the two statements that related to this attitude, namely that *'the Government should introduce alternatives for those who cannot have their benefit/pension paid into an account'* and *'I would want a guarantee of an emergency payment if the direct payments did not work'*. The average score was 1.5.

Indeed, there were only very small variations between people in different circumstances – the largest ones being by household income and the level of integration into the banking system. People with net household incomes below £100 a week agreed most strongly (average score 1.4) and the level of agreement fell with rising income, so that people with incomes in excess of £500 had an average score of 1.9. Likewise, people who had never had a bank or building society account were most in favour (1.3), those with a current account they used agreed least (1.6).

In other words, hardly anyone dissented from this point of view.

Concern about the implications for post offices

Likewise there was also widespread concern about the implications of the proposed switch to ACT payments for post offices (average score 1.5). This attitude encompassed two distinct but related views *'I would be worried about the Post Office losing business and closing down'* and *'I would still want to be able to get my benefit/pension at the Post Office'*.

The variation across people in different circumstances was a little wider than the previous statement but not by a large margin. In this case, the biggest variations were by age and income. People aged over 70 agreed most strongly (1.3) and the level of agreement fell the younger people were so that the under thirties agreed least (1.8). Again people with the lowest net household incomes of under £100 a week were in fairly strong agreement (1.5) and agreement was weaker at the other end of the income spectrum among people whose incomes exceeded £500 a week (1.9). These age and income effects combined so that people who were fully retired were most concerned about the implications for the Post Office (1.3) and people who were in full-time work were least concerned (2.1).

*A desire to be paid money in
same way*

The third area of widespread agreement related to retaining key aspects of current payments (average score 1.5). More particularly this included two statements *'If payments are made directly into an account, I would want to be able to be paid as frequently as I am now'* and *'I would want to be able to collect all of my money in one go'*. This last statement was also fairly strongly associated with concerns about the Post Office.

Here the main variation was between people in different financial circumstances, with scores ranging from 1.5 among people with net household incomes below £100 a week, to 1.9 for those with £500 a week or more. There was also some variation with the level of integration into the banking system. People who had never had an account agreed most strongly (1.3), and those who were using a current account agreed slightly less (1.6). Again, though, the level of variation was very small.

*Worried about practical
problems*

As noted above, rather fewer people were worried about practical problems than were concerned to keep as close as possible to the current arrangements - through the provision of safety nets, use of a post office and payment frequency.

This attitude captured general concerns as well as two more specific statements *'I would be worried about not knowing how much money had gone into my account or when it went in'* and *'It would be too much hassle to change to direct payments into an account, they'd mess up the payments in the changeover period'*.

In this case there was much more variation across different types of people, with especially wide variation by household income, employment status and use of bank accounts.

Greatest concern was expressed by people with net household income of under £100 a week (2.3) and this fell with rising income so that people getting £500 or more a week were not concerned at all (3.4).

People who had full-time jobs were not, on the whole, worried about problems (3.2), and nor were those who worked part-time (3.1). In contrast, worries were much more commonplace among people who were wholly retired (2.2), unable to work through disability or long-term illness (2.4), looking after a family full-time (2.4), or unemployed (2.5).

People who had never had an account of any kind were the most worried (2.0), followed by those who had closed or suspended their account (2.3). Worries were least common among people who had an account they use, especially if it was a current account (2.8).

In addition, people who had their benefit collected for them were more inclined to be worried about practical problems (2.2) than those who collected it personally (2.6), and pensioners had more concerns (2.2) than people below pension age (2.6).

ACT has a number of advantages

This final attitude encompassed four statements on the advantages of ACT:

- *'You are less inclined to spend all your benefit/pension if it is paid directly into a bank or building society.'*
- *'You have a wider choice about where to draw your benefit/pension if it is paid directly into a bank or building society.'*
- *'Because it is cheaper than order books and girocheques, people should be encouraged to have their benefits paid directly into a bank or building society account.'*
- *'Direct payments into an account would be safer than an order book or girocheque, because there is no chance that your money can be lost or stolen.'*

In this case, people were quite divided in their views (average score 2.9).

Types of people who most strongly agreed that there were advantages to being paid by ACT included those in full-time work (2.4) and whose net household incomes exceeded £500 a week (2.3). Others who tended to agree included people with part-time jobs (2.5); people with a current account, whether it was used or not (2.6); non-pensioners of all ages (2.7); people whose net household incomes were between £300 and £499 a week (2.7); and people living in rural areas other than villages (2.7).

On the other hand, the types of people who least agreed that ACT payments have any advantages lived in inner cities (3.3); had never had an account (3.2); and were aged over 70 (3.1).

Overall views of ACT

Further statistical analysis (cluster analysis) was undertaken to classify people by their range of views of ACT. This showed that people could best be assigned to one of four groups:

- People who were pro-ACT;
- People who were in favour of ACT but otherwise quite conservative;
- People who were equivocal about ACT;
- People who were opposed to ACT.

People who were judged to be pro-ACT payments generally agreed that they had advantages (2.0), they were not worried about practical problems (3.9) and nor were they especially concerned about the implications for the Post Office (2.9). They represented 15 per cent of all the people interviewed. They were disproportionately people aged under 40; who were in work; had net household incomes of £300 or more a week and had an account that they used (Table 5.3).

Those who were in favour, but otherwise quite conservative, also believed ACT payments had advantages (2.2) but, in this case they also strongly agreed with concerns about the Post Office (1.2), with the need for safety nets (1.2) and wanting no changes to the way they are paid (1.3). They were not, however, particularly concerned about practical problems. They accounted for a further 28 per cent of the people interviewed. They tended to have characteristics that were about average for the sample as a whole, except that they included more

people living in rural areas outside of villages and more people under retirement age (Table 5.3).

Around a quarter of people interviewed (24 per cent) were best described as equivocal about ACT. They were not really inclined to agree that ACT payments had any advantages (2.9) nor were they especially worried about practical problems (2.5). On the other hand they tended to agree that they were worried about the implications of ACT payment of benefits for the Post Office (1.8). Again these people were broadly similar in their characteristics to the sample as a whole. They did, however, include more people living on the edge of towns (Table 5.3).

Table 5.3 Overall views of ACT

	<i>Cell percentages</i>					
	Pro-ACT				Base	Base
		but			(weighted)	(unweighted)
	Pro-ACT	conservative	Equivocal	Anti-ACT		
All	15	28	24	34	934	934
Age						
Under 29	21	35	23	20	104	128
30-39	23	26	23	25	176	168
40-49	16	28	26	26	143	156
50-59	20	32	30	25	116	151
60-69	9	27	23	46	184	169
70-79	7	18	18	51	138	106
80 or more **	5	32	25	38	63	48
Type of neighbourhood						
Inner city	18	16	25	42	79	85
Suburbs	12	28	23	37	205	214
Central town	27	22	19	33	84	83
Town outskirts	14	29	31	27	249	245
Village	13	27	19	41	94	98
Other rural	14	33	21	32	223	209
Disability						
Has disability that limits daily activities	12	29	24	36	496	501
Has non-limiting disability **	18	14	37	31	51	49
No disability	19	28	22	31	386	384
Economic activity						
FT employment **	43	22	28	7	58	48
PT employment	31	30	23	16	73	62
Unemployed looking for work	15	33	25	26	75	155
Looking after family/home	10	24	28	38	167	131
Fully retired	5	26	22	45	267	211
Unable to work through disability	14	32	22	32	284	316

Continued

Table 5.3 Continued

	Cell percentages					
	Pro-ACT				Base	Base
		but				
	Pro-ACT	conservative	Equivocal	Anti-ACT	(weighted)	(unweighted)
Net weekly household income						
Under £100	12	29	25	34	221	265
£100-199	15	21	26	38	275	252
£200-299	18	30	20	33	114	111
£300-499	27	24	31	18	63	60
£500 or more **	40	25	30	5	40	35
Benefit is sole source of income						
Yes	10	28	23	40	579	598
No	23	28	26	23	354	336
Length of time on benefit						
Less than 1 year	25	35	18	23	80	122
1-2 years	27	28	21	28	67	90
2-3 years	14	31	20	24	66	71
3-5 years	14	33	24	34	126	133
More than five years	13	25	24	29	581	506
Has other income paid by ACT						
Yes	9	28	3	40	260	230
No	91	72	77	60	674	704
Ownership and use of accounts						
Has account and uses it	22	28	24	26	528	512
Has account, does not use it **	10	38	21	31	58	75
No account, closed it	5	29	29	37	91	102
No account, never opened one	3	24	23	50	234	243
Who collects benefit						
Collects personally	17	28	24	31	704	721
Someone else collects	7	28	22	43	211	213

Base: All respondents

** percentages should be used with caution as the number of people in this category is small

The largest group, however, were people who were opposed to ACT – 34 per cent of all those interviewed. These people disagreed that ACT had any advantages (3.8) and were the ones who most strongly agreed with all the other concerns. They were very concerned for the future of the Post Office (1.1) with having safety net provision (1.2) and with retaining current payment arrangements (1.2). They were also really quite worried about practical problems occurring (1.6). They included disproportionate numbers of pensioners and especially those in their sixties and seventies; of people who had never had an account; people who were dependent on social security for all their income and people who relied on someone else to collect their benefit for them (Table 5.3).

Variations in experience and views of ACT by benefit

ChB recipients had the highest levels of awareness of ACT, both from the time they started to receive benefit and at the time of the survey (Table 5.4). Seven in ten of them (71 per cent) had an account they believed could receive ACT payments and six in ten (58 per cent) already had other income paid by ACT. In both cases, these were far greater proportions than for any other of the benefit recipients studied. They were the most inclined to think that being paid by ACT had advantages (52 per cent) and the least likely to anticipate problems if they switched to ACT payments (20 per cent), although they were just as inclined to name disadvantages as anybody else. Overall, ChB recipients included the second smallest proportion of people whose attitudes classified them as 'anti-ACT' and an above average proportion of them could be persuaded to transfer to ACT by knowledge of the cost savings to the taxpayer.

Pensioners receiving RP had the second-highest experience of other income paid by ACT (29 per cent had private pensions paid directly into a bank account). They were also among the most likely to have an account that they knew could receive ACT payments (53 per cent). On the other hand, their levels of awareness that their state pension could be paid into a bank account were low and they were the most negative about having their pension paid this way. They were unlikely to be persuaded by knowledge of costs.

IB recipients were fairly likely to have other income paid by ACT (21 per cent) and they included a similar proportion of people who had accounts that they believed could receive ACT payments as among RP recipients. They were only slightly more positive about ACT payments than the average and included the largest proportion of people classified as pro-ACT, but conservative.

DLA recipients had less experience of ACT than any of the previous groups. Their levels of awareness that their benefit could be paid by ACT were slightly above average but they included the second smallest proportion of people who had an account they believed could receive ACT payments. Their views of ACT did not deviate greatly from the average, although they were more likely than average to be persuaded to transfer by knowledge of costs.

Table 5.4 Experience and views of ACT payments by benefit

	Column percentages								
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	IS	JSA
Knew about ACT when began claim									
Yes	35	37	29	32	45	34	40	25	33
No	65	61	71	68	55	66	60	75	67
Knows about ACT now									
Yes	60	66	52	55	76	60	65	50	48
No	40	34	48	45	24	40	35	50	52
Has an account that thinks can accept ACT									
Yes	49	52	44	53	71	53	39	27	45
No	51	48	56	47	29	47	61	73	55
Has other income paid by ACT									
Yes	27	30	23	29	58	21	17	7	-
No	73	70	77	71	42	79	83	93	100
Cited advantages of ACT									
Yes	29	36	18	21	52	25	30	17	39
No	57	52	66	64	39	62	54	68	49
Don't know	14	12	16	15	9	13	16	15	12
Cited disadvantages of ACT									
Yes	82	79	88	86	82	85	69	86	79
No	4	4	3	11	-	4	7	5	7
Don't know	14	17	9	3	18	11	24	9	14
Expects problems if switches to ACT									
Yes	25	24	27	25	20	29	28	30	21
No	75	76	73	75	80	71	72	70	79
Overall views of ACT									
Pro-ACT	15	19	8	10	21	18	15	9	27
Pro-ACT but conservative	28	30	25	25	26	34	31	28	32
Equivocal	24	25	21	18	32	20	26	22	27
Anti-ACT	34	26	47	47	20	28	28	41	15
Persuaded to change by costs									
Yes	13	15	9	11	13	17	18	8	20
Possibly	8	10	5	6	13	6	8	6	10
No	75	72	78	76	73	74	68	82	63
Don't know	4	2	7	6	1	3	5	4	7
Base (weighted)	934	579	351	240	205	96	147	205	42
Base (unweighted)	934	653	277	178	147	148	148	161	143

Base: All respondents

- No respondents

Unemployed people receiving JSA were particularly interesting as none of them had other income paid by ACT and they were among the least aware that their benefit could be paid by ACT. On the other hand, they were fairly positive about ACT payments – at least when compared with the other people interviewed. Overall, they included the largest proportion of people with pro-ACT attitudes and the smallest proportion who were anti-ACT. Three in ten of them would be persuaded to transfer by knowing the cost saving of being paid by ACT – more than any other group.

Table 5.5 Experience and views of ACT payments by ease of transfer to ACT

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Knew about ACT when began claim				
Yes	40	33	28	35
No	60	67	72	65
Knows about ACT now				
Yes	71	55	52	60
No	29	45	48	40
Has an account that thinks can accept ACT				
Yes	70	39	29	49
No	30	61	71	51
Has other income paid by ACT				
Yes	44	31	9	27
No	56	79	91	73
Cited advantages of ACT				
Yes	52	19	8	29
No	48	81	92	71
Cited disadvantages of ACT				
Yes	65	91	94	82
No	36	9	6	18
Expects problems if switches to ACT				
Yes	16	30	34	25
No	84	70	66	75
				Continued

Table 5.5 Continued

	Column percentages			
	Easy to transfer	Not so easy to transfer	Difficult to transfer	All
Whether has considered switching to ACT				
Yes	12	1	-	5
No	88	99	100	95
Overall views of ACT				
Pro ACT	40	-	1	15
Pro Act but conservative	37	30	4	28
Equivocal	20	35	6	24
Anti ACT	3	36	89	33
Persuaded to change by costs				
Yes	29	4	1	13
Possibly	13	6	2	8
No	52	85	95	75
Don't know	5	4	2	4
Base (weighted)	350	410	174	934
Base (unweighted)	370	395	169	934

Base: All respondents

- No respondents

That leaves IS recipients who were without doubt the least engaged with ACT. Hardly any (25 per cent) of them had been aware that they could be paid by ACT when they had started to receive IS and only half of them (50 per cent) knew it was possible at the time of the interview. Only a quarter of them (27 per cent) had an account that they thought could receive ACT payments and just 7 per cent had other income paid by ACT – in all cases other benefits (3 per cent DLA; 2 per cent IB; and ChB and RP 1 per cent each). They were also among the most negative about ACT, but not quite as negative of people receiving RP. They included the largest proportion of people (30 per cent) who expected to face problems if they switched to ACT and could not be persuaded by knowledge of the cost saving of ACT payments.

Experience and views of ACT payments by ease of transfer to ACT

As might be expected the people who will be *easy to transfer* were the most positive about ACT and more than three-quarters of them held views that were pro-ACT payments (Table 5.5). One in ten had already considered changing to ACT. Half of them believed that ACT payments have advantages and 44 per cent already had other income paid by ACT. Their views were not, however, wholly positive as 65 per cent cited disadvantages of ACT payments and 16 per cent said they would expect problems if they transferred to this method of payment for their benefit. On the other hand, these were the smallest proportions of all three groups.

The majority of the *easy to transfer* group were aware that they could be paid by ACT and also that they had an account into which their benefit or pension could be paid. They were also the only ones that would be persuaded to transfer to ACT by knowing how much it would save the taxpayer.

The *not so easy to transfer* group held much less positive views and the majority of them were either anti-ACT payments or equivocal. None of them was unconditionally in favour of ACT. Only two in ten thought this method of payment had any advantages while nine in ten cited disadvantages. They were less aware that they could be paid by ACT than those who were *easy to transfer* and only four in ten of them had an account that they believed they could have their benefit or pension paid into. That said, three in ten did have other income paid directly into an account.

People who will be *difficult to transfer* were almost entirely anti-ACT. Only a handful of them thought it had any advantages at all and nearly all thought it had disadvantages. Despite this, only three in ten of this group expected problems if they switched to ACT payments. They were the least aware that they could be paid by ACT, only three in ten of them had an account that they thought could receive ACT payments and just one in ten had other income that was being paid into their bank or building society account.

Key questions for the research were *How easy will it be to transfer people who are currently paid by order book or girocheque to ACT payments?* And, *What will facilitate that transfer?*

Earlier chapters of this report have shown that four in ten (42 per cent) people currently paid by order book or girocheque said that they were really quite willing to transfer to ACT (Chapter 1). Moreover, two thirds (64 per cent) had a bank or building society account and could, in practical terms, have their benefit or pension paid directly into it by ACT (Chapter 3). Indeed, a quarter (27 per cent) already had other income paid this way and most of these said that they had been given no choice in the matter (Chapter 5).

There was, of course, a high degree of overlap between people's willingness to transfer to ACT and their ability to do so. So taking into account their views of ACT payments as a whole, as well as their ownership and use of accounts, nearly four in ten people (37 per cent) were classified as likely to be *easy to transfer to ACT*. A further four in ten (44 per cent) were classified as *not so easy* and two in ten (19 per cent) as *difficult to transfer* (see Chapter 1). This classification is valuable because it helps to identify the issues and practical problems that will need to be addressed before ACT payment of benefits and pensions is phased in from 2003.

Over previous chapters we have built up a fairly detailed picture of these people, including their personal circumstances, their views about their current method of payment, their experience of banking and use of banking facilities in day-to-day money management and, finally, their views and experience of ACT payments.

People who were assessed to be ***easy to transfer*** tended to be younger (average age 49) and better off financially than others who were paid by order book or girocheque. ChB and JSA recipients were over-represented among them. They included the largest proportion of people who realised they could have been paid by ACT, but had chosen order books or girocheques because they were more convenient. At the same time, they were the ones who were most likely to find their current method of payment inconvenient and the great majority could reach the nearest bank or building society branch with ease.

They were by far the most integrated into banking. Nearly nine in ten had an account and most of the rest expected to have opened one by the beginning of 2003. They were the most favourably disposed towards using banking facilities for all aspects of day-to-day money management, although rather fewer of them actually used them. They were the only group that was positive about cash machines and were by far the most comfortable using plastic cards, and bank cards in particular.

As might be expected, they held the most positive views about ACT payment of benefits and pensions, although even they were not entirely positive. Nearly half of them already had other income paid by ACT and they were the only ones that would be persuaded to change to ACT payments by knowing the cost saving to the taxpayer.

The personal characteristics of people who were classified as *not so easy to transfer* were quite close to the average for all who are paid by order book or girocheque. They did, however, include the largest proportions of people who were unable to work through long-term illness or disability and who lived in rural areas outside villages. They had much more difficulty getting to the nearest bank or building society branch than people who will be easier to transfer and, consequently, many more of them liked their current method of payment because of the convenience of using a post office. Most of them budgeted weekly and wanted to continue to receive their benefit or pension weekly when ACT is introduced.

They had quite low levels of engagement with banking. Half of them lacked an account and a third said that they did not expect to have opened one before 2003. They included the largest proportion of people classified as *reluctant bank customers*. Indeed, two thirds of them dealt entirely in cash and used no banking facilities for any aspect of their day-to-day money management. They were quite resistant to using banking facilities of all kinds and were antagonistic towards both bank cards and cash machines.

The majority of them were either anti-ACT payments or equivocal about them, but even so, three in ten did have some other income that was paid into their bank account by ACT.

Finally, people who will be *difficult to transfer* were both the oldest and the poorest of the people currently paid by order book or girocheque. Three in ten of them were aged over 70, they included by far the largest proportion of people in receipt of IS and eight in ten had no income other than social security payments. Indeed over half of them received IS either as their sampled benefit or in addition to their sampled benefit. They disproportionately lived in inner cities, had the highest incidence of activity-limiting disability and the greatest difficulty getting to the nearest bank or building society branch. Four in ten had their benefit collected for them for reasons of ill-health. Although many said they had chosen their current payment method because of the convenience of using a post office, they more commonly gave reasons related to money management.

They were, without doubt, the least integrated into banking. In fact more of them had never had an account than were using one at the time of the survey. Half of them did not expect to have an account by the time ACT payments start to be introduced in 2003. Nearly two thirds of them operated a wholly cash budget, nearly six in ten paid some or all of their bills at a post office and they overwhelmingly budgeted by the week and wanted to have their benefit

or pension paid weekly after the introduction of ACT payments. They were really quite resistant to using banking facilities of all kinds. Only half were willing to obtain cash from a bank account, six in ten were unwilling to use any bank cards and nearly half ruled out plastic cards of all kinds.

It was, therefore, no surprise to find that most of them were anti-ACT although only three in ten of them anticipated problems if payment of their benefit or pension were switched to ACT.

Facilitating the transfer to ACT

Having considered in some detail the factors that will determine the ease of transfer to ACT, we now look at the practicalities of implementing the transfer. This analysis was undertaken by classifying people according:

- to their views across the questionnaire of how they will most likely collect their benefit or pension, after ACT payments become the normal method of payment;
- whether or not they have a bank or building society account;
- and if they do not, how likely it is that they would open either a current account or one of the new 'basic bank accounts' that are currently available in Britain and are being developed by banks in Northern Ireland.

This resulted in people being assigned to one of six transfer categories, three of which already had a bank or building society account, three of which did not (Figure 6.1).

Figure 6.1 Facilitating the transfer to ACT

Transfer category	Per cent of sample	Easy to transfer	Not so easy to transfer	Difficult to transfer
Have an account				
Will transfer and use their account at a bank branch	29	•••••••	•	
Will transfer if can use account at a post office	23	••	•••••••	•
Will need persuading to use their account	12		•••••	•••••
Have no account				
Will probably open a current account	8	•••••••	•••	
Will probably open a basic bank account at a post office	19		•••••••	••
Will resist transfer	9		••••	•••••••
<i>All respondents</i>	100	••••	••••	••

Note: The number of circles (•) indicates the distribution of each transfer category across the six groups

People who already have a bank or building society account

The largest group of people (29 per cent) will almost certainly use an existing account and withdraw their benefit either at a branch of their bank or building society or from a cash machine. The great majority of these people were classified as *easy to transfer* (Figure 6.1), they had an account that was in use and will also use their existing account when ACT payments are introduced. Over half of them already had other income paid by ACT (Table 6.1).

Table 6.1 Key aspects of banking for people with accounts

	Column percentages			
	All ¹	Will collect at bank	Will collect at PO	Needs persuading
Account use				
Has account and uses it	58	93	88	89
Has account that is not in use	6	7	12	11
Type of account				
Has a current account	45	81	64	58
Has just a savings account	19	19	36	42
Will want to open a new account for ACT				
Will use existing account	47	85	63	61
Will open a new account	7	11	12	8
Don't know	10	4	25	28
Has other income paid by ACT				
Yes	27	53	31	40
No	73	47	69	60
Has benefit collected by third party				
Yes	23	15	16	34
No	77	85	84	66
Weighted base	934	272	218	107
Unweighted base	934	281	203	103

Base: All respondents

¹ Includes the 36 per cent of people who have no account

Another fairly large group (23 per cent) will be persuaded to use a bank or building society account as long as they can withdraw their benefit or pension at a post office. Again the majority of them had an account that they used, but rather more of them had just a savings account. Consequently, 12 per cent said that they will open a new account when payment of their benefit or pension is made by ACT and a further 25 per cent were not sure whether they would or not (Table 6.1). In most cases they would open a new account to keep their pension or benefit separate from other money. Discussions between banks in Northern Ireland and the Post Office about establishing agency arrangements so that people can carry out a range of banking transactions at their local post

office are still at an early stage. They will, however, be important for this group of people, most of whom were also classified as *not so easy to transfer* (Figure 6.1). This is discussed further below.

The third and smallest group of account-holders (12 per cent) will also want to collect their benefit or pension at a post office but will almost certainly need to be persuaded to do so. These people were evenly divided across the *not so easy* and *difficult to transfer* groups (Figure 6.1). Although their level of account use was fairly high, almost four in ten of them had just a savings account (Table 6.1). Only six in ten of them said that they would use an existing account when ACT becomes the normal method of payment. A small number (8 per cent) said that they will want to open a new account and the rest (28 per cent) were not sure what they will do. Moreover, nearly four in ten of them relied on someone else to collect their benefit or pension for them. The types of encouragement they might need to transfer to ACT are described later in this chapter.

*People who do not have a
bank or building society
account*

We turn now to the 36 per cent of people who did not have a bank or building society account at the time of the survey.

A small group of them (8 per cent of all who were paid by order book or girocheque) will probably open a bank or building society account of their own accord. Most of them will be *easy to transfer* to ACT (Figure 6.1). Four in ten of these people had had an account in the past – more than any of the other people who lacked an account. Less than one in ten of them expected to have any difficulty opening an account. They were also the most willing to use plastic cards, and bank cards in particular (Table 6.2).

A further 19 per cent will take more encouragement but could almost certainly be persuaded to open one of the new basic bank accounts when these become available through post offices. This is discussed more fully below. Most will not, however, be easy to persuade to transfer to ACT (Figure 6.1). Few of them had ever had an account and, more significantly for their take-up of basic bank accounts, they tended to be anti-plastic cards. Only a minority expected to be able to open an account without difficulty so it will be important to advertise the fact that basic bank accounts are readily available to anyone (Table 6.2).

Table 6.2 Key aspects of banking for people without accounts

Column percentages				
	All ¹	Will open a current account	Will open a basic account	Will resist transfer
Account-holding in the past				
Has closed an account	10	39	28	17
Has never had an account	26	61	72	83
When last had an account				
Within last 3 years	3	10	7	3
3-5 years	1	7	3	4
More than 5 years ago	6	22	18	10
Never	26	61	72	83
How easy to open an account				
Easy	11	60	27	12
Neither easy nor difficult	3	10	10	5
Difficult	9	10	28	32
Don't know	13	20	35	51
Willingness to use plastic cards				
Willing to use bank cards	56	60	24	21
Only willing to use non bank cards	8	8	19	16
Unwilling to use any	36	32	57	63
Has benefit collected by third party				
Yes	23	29	29	34
No	77	71	71	66
Weighted base	934	73	177	84
Unweighted base	934	86	178	81

Base: All respondents

¹ Includes the 64 per cent of people who have an account

That leaves 9 per cent of people who are currently paid by order book or girocheque who will resist transfer to ACT. These people will be difficult to transfer if, indeed, they can be persuaded to transfer at all. Only 7 per cent of them had used an account within the past three years and 83 per cent had never used one at all. A third of them expected to have difficulty opening an account and a half had no idea how difficult it would be. They were also very resistant to using plastic cards. More than a third of them relied on someone else to collect their benefit or pension for them.

What would make ACT more acceptable?

At the end of the interview, people were presented with a range of possible incentives and asked whether or not they would make them more willing to transfer to ACT (Table 6.3). Reassuringly, only a small number of people (4 per cent) said that none of the suggestions would encourage them.

The most popular suggestion by far was being able to continue to collect benefit and pension payments at a post office. The next most popular suggestion was having someone to contact in case errors or delays occurred with payments, followed by having a guaranteed payment date. Interestingly, the two least popular suggestions, overall, were a financial incentive and a schedule of the money due to be paid into the account. And neither of these appealed to more than half of the people who will resist transfer (Table 6.3).

In Table 6.3 this analysis is combined with people's views both of their current method of payment and of ACT. From this we can identify the sorts of factors that will be most influential with the various transfer groups.

*People who already have a
bank or building society
account*

The important considerations among people who will use an existing account at a bank or building society branch, will be the cost saving to the taxpayer, the disadvantages of being paid by order book or girocheque, and the advantages of being paid by ACT (Table 6.3). Few of them will need other incentives, although being able to use their account at a post office if they wished might be helpful.

The single most important consideration for people who will want to use an existing account at a post office, will be having widespread agreements between banks and the Post Office that will allow them to do so (Table 6.3). Most of them (87 per cent) would also want to be able to withdraw all their benefit or pension as a single lump sum and similar proportions would like a guaranteed payment date (86 per cent) and someone to contact should things go wrong (87 per cent). On the whole they will be much less persuaded by pointing out the advantages and cost saving of them being paid by ACT.

Most important, however, is what will persuade the people who have accounts but will need encouragement to use them. Many of them were particularly worried about having their pattern of money management disrupted by the move to ACT payments (Table 6.3). For example, three quarters of them were concerned about the 'hassle' of transferring to ACT; nearly three in ten (28 per cent) said that the disadvantage of ACT payments was that they did not suit their pattern of money management. Guaranteeing that they could use a post office to collect their benefit or pension from their account would not be sufficient to persuade them to transfer. At the very least they will want a guaranteed payment on a particular date and someone to contact in case the payment does not reach their account on time. They will also need reassuring that they can be paid weekly. In short, it will be important to reassure these people that nothing much will change in the way that they collect their money.

Table 6.3 Ways of encouraging transfer to ACT

Column percentages							
		Has account			Has no account		
		Will collect	Will collect	Needs	Will open	Will open	Will resist
	All	at bank	at PO	persuading	a current	a basic	transfer
		account	account	account	account	account	transfer
Views of current payment method							
Thinks has disadvantages	18	29	12	16	24	15	7
Thinks has no disadvantages	82	71	88	84	76	85	93
Concerns about ACT ¹							
Want to continue to use post office							
	86	75	96	97	82	98	99
It would be too much hassle	55	29	61	76	31	70	85
Worries about knowing money paid in							
	71	46	76	80	65	90	90
Would want to get all money in one go	86	74	87	90	93	96	94
Would want emergency payments	92	90	91	89	100	97	98
Advantages of ACT							
More convenient	5	11	5	5	3	1	-
Suits money management	8	15	7	5	11	6	-
Other	16	29	11	10	17	10	-
Don't know	14	10	12	7	14	22	19
None	57	35	65	74	55	61	81
Disadvantages of ACT							
Inconvenient	27	22	37	27	16	32	18
Does not suit money management							
	13	15	12	28	4	10	10
Other	42	24	42	39	55	50	73
Don't know	4	6	1	3	6	7	-
None	14	34	7	5	19	2	-
Impact of knowledge of costs of ACT							
Will encourage to transfer	13	32	6	4	14	3	-
May encourage to transfer	8	14	6	87	11	5	3
No impact	75	49	85	5	71	87	94
Don't know	4	5	3	5	4	5	5

Continued

Continued

Table 6.3 Continued

Column percentages							
	All	Has account			Has no account		
		Will collect at bank	Will collect at PO	Needs persuading	Will open a current account	Will open a basic account	Will resist transfer
Possible incentives ¹							
Very willing without incentive	21	60	-	-	50	-	-
Assurance can continue to use PO	68	38	96	70	49	89	64
Guaranteed payment date	62	31	86	54	49	82	54
Someone to contact if errors	61	35	87	63	50	83	56
Regular statement of money paid in	56	35	79	49	47	74	42
Payments more than once a month	53	31	75	37	49	80	44
A financial incentive	52	31	76	48	44	68	43
A schedule of money due	52	32	70	44	47	72	52
None of the above	4	*	*	25	-	10	32
Base (weighted)	934	272	217	107	73	178	84
Base (unweighted)	934	281	203	103	86	178	81

Base: All respondents

* less than one per cent

- no respondents

¹ cell percentages eg 86% of everyone interviewed agreed they wanted to be able to continue to use post office

*People who do not have a
bank or building society
account*

Half of the people who will probably open an account at a bank or building society will need no real incentives to encourage them to transfer to ACT. To a degree they will be persuaded by pointing out the advantages to customers of ACT payments; the corresponding disadvantages to customers of being paid by order book or girocheque, as well as the cost to the taxpayer if payments are made by ACT (Table 6.3). They will, however, be reassured by having a guaranteed payment date and someone to contact in case there are errors or delays in their benefit or pension payments.

People who will probably open a basic bank account will be largely persuaded to open an account if they can do so at a post office and be told that these accounts are available to anyone who wants one (Table 6.3). They will, however, need reassurance that a basic bank account will enable them to keep control over their money and that they will be able to draw all their benefit or pension out in one go, if they wish. Weekly payments will be very important indeed for these people.

People who will resist transfer will, almost by definition, be very difficult to encourage to open a bank account and have their benefit or pension paid into it. None of the incentives would hold sway with more than six in ten people, indeed most would only influence a minority and a third of people explicitly

said that none of the incentives would have any effect on their decision at all. They will want all the reassurances of the previous group and, even then, may still resist opening a bank account.

What method of payment would best accommodate people who will be resistant to transferring to ACT?

If the 9 per cent of people who had no account and were very resistant to transferring to ACT cannot be persuaded to open a bank account, what form of payment method would be most appropriate to their circumstances and needs? Currently all the options being considered are based on plastic cards – including the card-based account that the Post Office plans to develop for this purpose. However, it is clear from the analysis above that this group of people is very resistant both to plastic cards and to using cash machines. To make such payment options acceptable, therefore, these people would almost certainly prefer the plastic card to be accompanied by the equivalent of a pass book and all transactions undertaken on benefit and pension recipients' behalf by Post Office staff.

Overview of possible policy initiatives

Pulling all this together, there is clearly a range of important policy initiatives that will be needed to smooth the transition to ACT. These include:

- assisting and encouraging people to open bank accounts (in part by encouraging the development of basic bank accounts);
- encouraging banks to set up agency agreements with the Post Office;
- retaining the option of weekly and fortnightly payments; and
- providing reassurance that payments will not be disrupted.

Encouraging the supply and take-up of basic bank accounts

The development and promotion of basic bank accounts will be very important, given the low level of account-holding in Northern Ireland, coupled with the widely held views about banking being inappropriate for people on low incomes.

In contrast to Britain, where most of the main banks now have a basic bank account, none of the Big Four in Northern Ireland has one that meets all the criteria set out in the report of Policy Action Team 14 and included in the draft CAT standards issued by the Treasury (see Chapter 3). In particular, none of the accounts that were available at the time of writing had a 'buffer zone' that would allow the account-holder to access, without overdraft penalties, the last few pounds in their account at a cash machine dispensing nothing smaller than £10 notes. It will, therefore, be important for the Northern Ireland Bankers' Association to encourage full basic bank accounts to be set up or, where appropriate, for existing accounts to be modified.

Designing appropriate accounts will not, however, ensure that they are taken up. Moreover, there was much less interest in opening a basic account in Northern Ireland than was the case in Britain. This is not altogether surprising. Basic bank accounts have been designed to overcome the reasons why people find existing current accounts inappropriate if they are on a low income. Hence their advantages will be much more apparent to people who have had experience of using an account than to those who have never had one. In Northern Ireland, the never-banked outnumber those who have closed accounts almost three to one; while in Britain these two groups are of roughly equal size.

The people who are in the best position to promote the take-up of accounts are sub-postmasters and mistresses, who are generally trusted by those who lack an account.

Making arrangements so that people can continue to collect their money at local post offices if they wish

Throughout the questionnaire, there was a high degree of support for being able to collect benefits and pensions at a post office. It was particularly important for all but the 29 per cent of people who had an account and will use it at a bank or building society and many of the 8 per cent who lacked an account but will probably open one at a bank or building society.

In other words, establishing arrangements so that people with bank accounts can withdraw cash from them at a post office will be very important to the smooth transfer to ACT. Likewise, the Post Office will need to play an important role in relation to people who are currently unbanked – either by making available a simple bank account or by encouraging banks to make their basic bank accounts available through local post offices. Post Office staff will also have a key role to play in helping people who are resistant to plastic cards to handle accounts that rely on their use.

Currently, none of the Big Four banks in Northern Ireland has an agency agreement for the Post Office to provide their standard account customers with basic transactional banking. Discussions between the two parties have begun, but are at an early stage. Moreover, the British parent banks of Ulster Bank and Northern Bank do not currently have agency arrangements in Britain, so even here things are starting further back than is the case with basic bank accounts. Encouraging these banks to set up agency agreements would ensure that 49 of the 64 per cent of people with a bank account could use their local post office to withdraw their benefit or pension payments.

Four British/UK banks currently have an agency agreement – Lloyds TSB, Barclays, Co-operative Bank and Alliance and Leicester Giro – but only Co-operative Bank and Alliance and Leicester Giro have agreements that extend to Northern Ireland. Only 2 per cent of people not paid by ACT had an account with either of these banks.

Retaining weekly payments

It would appear from their views of the disadvantages of ACT that most people did not necessarily equate four weekly payments with this method of payment – although for many a change to ACT now would be accompanied by a change to four weekly payments.

There was, however, a good deal of evidence to suggest that a move to four weekly payments at the same time as the introduction of ACT would greatly increase resistance to transferring to this method of payment. The more resistant people were to ACT, the more commonly they budgeted weekly and the greater the proportion who would choose to be paid weekly after ACT is introduced.

Weekly payments will be of great importance in persuading the unbanked to open basic bank accounts and in encouraging those who will need persuasion to use their existing bank accounts.

*Providing reassurance about
the impact of ACT on
ability to budget*

The attitudes to using bank or building society accounts indicated all too clearly that people were concerned about using them if they were on a low income. It was also clear that the more difficult people will be to transfer, the more they were concerned about having their budget disrupted by errors or delays in ACT payments. Consequently, they would like a guaranteed date for the money to be paid in, someone to contact in case things go wrong and a regular statement of the money paid into their account. The unbanked among them will need reassurance that the new basic bank accounts have been designed by and for people on low incomes who want to keep close control over their household budget.

*Communicating details
of the proposed changes*

In communicating details of the changes consideration needs to be given both to the messages that need to be conveyed to smooth the transfer, and also to the most effective medium for communicating those messages.

Messages to be conveyed

Three key sets of messages need to be conveyed:

- the advantages of ACT payments;
- reassurance that things will not change too much for recipients of benefits and pensions; and
- allaying concerns about disruption to the household budget.

The possible advantages of ACT

As noted above, a minority of people will be swayed by the advantages of being paid by ACT. Chief among these is having a wider choice of places to withdraw their benefit or pension. Also important were being less inclined to spend all one's benefit if it is paid directly into an account and the cost saving to the taxpayer.

Reassurance that things will not change too much

A large proportion of people would be far more willing to transfer to ACT if they thought that they would not have to change radically the way they manage their finances. In other words, they would want to be told that they could continue to collect their money from a post office as often as they do now, even if it is paid into a bank account. This will, of course, depend on weekly payments being retained and agency arrangements being set between the main banks and the Post Office.

Allaying concerns about disruption to the household budget

Concern about the possible disruption transfer to ACT might cause to household budgets was fairly widespread, but especially so among those who will need persuasion either to use an existing bank or building society account or to open a basic bank account if they lack one. Both groups will want to be certain that

their benefit or pension had been paid into their account and to have someone they can contact easily who will sort things out if it has not. Those lacking an account will also need reassurance that basic bank accounts cannot be overdrawn, so they will not lose financial control, but they will be able to withdraw all their money at a cash machine and not incur charges, even if they have less than £10 in the account.

Table 6.4 Ways of communicating details of the transfer to ACT

Cell percentages							
	All	Has account			Has no account		
		Will collect at bank	Will collect at PO	Needs persuading	Will open a current account	Will open a basic account	Will resist transfer
Best way to communicate details of changes ¹							
TV advertisements	63	62	57	69	79	57	72
Letter sent separately from order book/giro	52	52	54	62	54	40	56
Letter with order book/giro	52	51	51	41	52	63	46
Leaflets at post office	46	46	46	34	55	54	38
Posters at post office	41	37	44	41	49	44	32
Advertisements in newspapers/magazines	33	35	28	46	45	17	23
Radio advertisements	23	23	21	21	37	22	37
Leaflet sent with order book/giro	20	23	16	26	20	18	20
Leaflet sent separately from order book/giro	11	16	11	12	14	6	9
Posters at SSA local offices	10	12	6	8	19	11	8
Leaflets at SSA local offices	9	12	7	6	19	6	9
Personal visit	1	2	1	1	2	2	-
Base (weighted)	934	272	217	107	73	178	84
Base (unweighted)	934	281	203	103	86	178	81

Base: All respondents

- no respondents

¹ cell percentages eg 63% of everyone interviewed agreed that TV advertisements were a good way of communicating the details

Communications media Television advertisements were the most popular way for the Social Security Agency to communicate the details (Table 6.4). Letters sent either with order books or girocheques or separately from them were the next most popular, followed by leaflets in post offices. Other suggestions found much less support. For example, few people wanted to be sent SSA leaflets and fewer still thought that either posters or leaflets at SSA local offices were an effective way to communicate the proposed changes.

There were only subtle differences in the communication channels that people in the six transfer categories would favour. Just about everyone thought that

television advertisements, supplemented by letters, would be the best way to communicate with them. Leaflets at post offices will have more impact on people who are least resistant to the transfer – whether they have accounts or not. Articles in newspapers or magazines might be used to persuade people who need encouragement to use a bank or building society account they already have, but they will have less impact on others.

In summary There is a lot still to be done to facilitate the transfer to ACT payment of all benefits and pensions that will commence in 2003. It is, however, possible to identify a clear strategy to achieve this and most people will move over to this method of payment, albeit with differing levels of ease. Only a small number (less than one in ten) of the people currently being paid by order book or girocheque will be highly resistant to opening a bank or building society account and having their benefit or pension paid into it.

Study universe To meet the objectives of the study, the requirement was for a nationally representative sample of recipients of each of the following six benefits, who were not paid by ACT:

- Retirement Pension (RP)
- Child Benefit (ChB)
- Incapacity Benefit (IB)
- Disability Living Allowance (DLA)
- Income Support (IS)
- Jobseeker's Allowance (JSA).

As was the case in Great Britain, the above benefits were felt to cover the spread of social security benefits, and so include good proportions of the various customer groups (lone parents, pensioners, jobseekers and people with disabilities).

The required sample size for each benefit was set at 150.

Sample design Following on from the above, six independent samples were required, one for each of the benefits. The Statistics and Research Branch of the Department drew the samples.

Unlike the British sample, there was no clustering of the sample in Northern Ireland. Rather, six completely unclustered samples were selected, with the list of those eligible for the survey sorted geographically and then alphabetically in order to ensure a representative sample. The only exclusions from the sampling population were credits only cases of JSA and DLA payments.

With the benefit of the earlier British survey, it was possible to adjust the number of individuals sampled for the survey. Thus differential assumptions with regard to opt-out rates and response rates were applied to each of the six samples.

The end result of the above sampling was a start sample of contacts spread across the six benefits as shown below:

	Sampled recipients
RP	350
ChB	275
IB	300
DLA	290
IS	290
JSA	325
Total	1,830

Opt-out letter All 1,830 sampled contacts were subsequently sent an ‘opt-out’ letter, to comply with the data protection regulations governing samples drawn from Departmental records. A copy of the letter is appended to this report, from which it can be seen that it explained the background to the survey, sought the contacts’ co-operation and offered confidentiality guarantees. The opt-out procedure was also explained, by which individuals could decline being approached by an interviewer.

In total, 366 individuals opted-out of the survey (20 per cent of all those sampled) – the number and percentage for each benefit is shown below:

	Sampled recipients	Opt-outs	% opt-outs
RP	350	105	30%
ChB	275	44	16%
IB	300	56	19%
DLA	290	72	25%
IS	290	60	21%
ISA	325	29	9%
Total	1,830	366	20%

The proportion of opt-outs was slightly less than had been anticipated based on the British experience.

Questionnaire development The same questionnaire was used for recipients of all six benefits and was developed by researchers at the Personal Finance Research Centre (pfrc), working in close collaboration with colleagues from the Analytical Services Division of the, then, Department of Social Security, in Britain and the Department for Social Development in Northern Ireland. The draft questionnaire was piloted by interviewers from Public Attitude Surveys Limited (PAS), the survey research company contracted to carry out the GB fieldwork and data processing elements of the project. Seven interviewers worked on the pilot, five in Britain and two in Northern Ireland. Pilot fieldwork took place during the middle of March with each interviewer doing 15 interviews, 105 in total. Interviewers were allocated to particular types of areas to ensure a good mix of pilot respondents; each interviewer had to get a spread of respondents in terms of the benefit being received and with regard to whether or not the respondent had a bank account. Within their area, interviewers were able to free-find respondents that met the criteria set.

The pilot interviewers were personally briefed and de-briefed, following which final changes were made to the questionnaire.

Main fieldwork procedures Fieldwork in Northern Ireland was undertaken by Ulster Marketing Surveys (UMS). The project manager from pfrc and project staff from the Department for Social Development personally briefed all the interviewers working for UMS on the project before starting work. This day-long briefing was used to ensure

that those attending had a full understanding of the project, so that they could handle any queries from respondents and to practice administration of the questionnaire.

All interviewers were also provided with detailed written instructions about the conduct of the survey. The briefing took place on 20th November 2000; interviewing began thereafter, and was completed by 14th February 2001.

Response rate The table below shows the outcome for all sampled contacts:

Outcome	No	%
Start sample	1,830	100.00
Opt out	229	12.51
Issued to field	1,601	
Address ineligible/empty/not occupied	79	4.32
Respondent ineligible	28	1.53
Ill/incapacitated	23	1.26
In hospital	8	0.44
Potential interviews	1,463	
Interviews	933	50.98
Non contact	306	16.72
Personal refusal	114	6.23
Office refusal	53	2.90
Proxy refusal	27	1.48
Broken appointment	9	0.49
Other	21	1.15
Total	1,830	100.00

The number of opt-outs shown in the above analysis (229) is less than the number stated above (366). This was because contact details of a number of individuals that had originally opted-out were inadvertently issued to interviewers. Although UMS tried to recall them, some individuals were called upon and a number agreed to be interviewed.

There are two response rates that can be derived from the above:

- Gross response rate – the number of interviews achieved from all contacts initially selected = 51 per cent.
- Interviewer response rate – the number of interviews achieved from the potential number possible (i.e. all contacts minus those that opted-out, where either the address or respondent was ineligible or those where ill-health prevented an interview), a measure of interviewer performance = 64 per cent.

The gross response rate was affected by the relatively high proportion of contacts that opted-out of the survey. To some extent the good interviewer response rate helped to compensate.

The table at the end of this appendix provides a similar analysis for each of the six benefits. As can be seen, the response rates varied as follows :

- Gross response rate: 44 per cent (JSA) to 56 per cent (IS)
- Interviewer response rate: 53 per cent (JSA) to 69 per cent (IS)

Quality control

In line with the requirements of the Interviewer Quality Control Scheme (IQCS), to which UMS belongs, quality control checks were carried out on the fieldwork. Ten per cent of all interviews were back-checked by either a telephone or personal call back on the respondent. These checks covered the work of 12 of the 32 interviewers assigned to the project. In addition, 5 interviewers were personally supervised while working on the project.

Such checking showed the interviewing to be of a satisfactory standard, and that the instructions issued to interviewers had been followed.

Data processing

The interview was carried out using a paper questionnaire. All completed interviews were therefore manually edited to check for correct completion and to code any written-in answers. Coding frames were devised for all 'others' written in and for all verbatim questions. The data were then keyed and verified to identify any data entry errors. All data were subjected to a computer edit to identify any remaining inconsistencies in the dataset before tabulations were produced.

Weighting

Given the number of opt-outs and the availability of some profile information about those that had opted out, it was possible to devise a weighting schema to correct for both opt-outs and interviewer non-response. Participation in the project was modelled using CHIAD analysis, applied to each benefit separately.

Four of the benefits produced no significant predictors of participation; in effect, the achieved samples were representative of their start samples. Two benefits did require minor correction: JSA and IB.

JSA: Amount of weekly benefit

		Weight
Overall Response	44.00%	1.00
Weekly Benefit Less than 50	34.90%	1.26
Weekly Benefit 50+	48.60%	0.91

IB: Sex and Age

		Weight
Overall Response	52.33%	1.00
Female	66.40%	0.79
Males under 45	26.20%	2.00
Males over 45	53.90%	0.70

Some analyses required all six benefit samples to be added together. In doing so it was necessary to first apply the above weights and then a second set of weights that corrected for the different size of the universe population (all those in receipt but not paid by ACT). The table below shows this set of weights:

Benefit	Universe	Proportion	933	Actual	Weight
Retirement Pension	6,084,785	37.35	349	178	1.9579
Child Benefit	3,551,834	21.80	203	146	1.3934
Incapacity Benefit	1,168,938	7.18	67	157	0.4264
Disability Living Allowance	1,433,331	8.80	82	148	0.5547
Income Support	3,212,411	19.72	184	161	1.1428
Jobseeker's Allowance	838,306	5.15	48	143	0.3358
Total	16,289,605	100	933	933	

NI benefit payment survey - final response analysis

Outcome	RP		ChB		IB		DLA		IS		JSA		Total	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Start sample	350	100.00	275	100.00	300	100.00	290	100.00	290	100.00	325	100.00	1830	100.00
Opt out	68	19.43	24	8.73	35	11.67	51	17.59	37	12.76	14	4.31	229	12.51
Issued to field	282		251		265		239		253		311		1601	
Address ineligible	1	0.29	0	0.00	1	0.33	0	0.00	0	0.00	1	0.31	3	0.16
Respondent ineligible	0	0.00	1	0.36	9	3.00	3	1.03	2	0.69	13	4.00	28	1.53
In hospital	3	0.86	0	0.00	4	1.33	1	0.34	0	0.00	0	0.00	8	0.44
Ill/incapacitated	7	2.00	0	0.00	5	1.67	6	2.07	5	1.72	0	0.00	23	1.26
Empty/not occupied/derelict	2	0.57	1	0.36	1	0.33	3	1.03	5	1.72	4	1.23	16	0.87
Other ineligible address	5	1.43	7	2.55	13	4.33	6	2.07	6	2.07	23	7.08	60	3.28
Potential interviews	264		242		232		220		235		270		1463	
Interviews	178	50.86	146	53.09	157	52.33	148	51.03	161	55.52	143	44.00	933	50.98
Non contact	32	9.14	55	20.00	51	17.00	36	12.41	41	14.14	91	28.00	306	16.72
Personal refusal	30	8.57	27	9.82	10	3.33	16	5.52	15	5.17	16	4.92	114	6.23
Proxy refusal	3	0.86	3	1.09	3	1.00	7	2.41	2	0.69	9	2.77	27	1.48
Office refusal	18	5.14	9	3.27	6	2.00	7	2.41	7	2.41	6	1.85	53	2.90
Broken appointment	2	0.57	2	0.73	2	0.67	1	0.34	1	0.34	1	0.31	9	0.49
Other	1	0.29	0	0.00	3	1.00	5	1.72	8	2.76	4	1.23	21	1.15
Total	350	100	275	100	300	100	290	100	290	100	325	100	1830	100
Gross response rate*		50.86		53.09		52.33		51.03		55.52		44.00		50.98
Interviewer response rate#		67.42		60.33		67.67		67.27		68.51		52.96		63.77

* based on all contacts - a measure of the interviews achieved from all those initially selected

#based on potential interviews - a measure of interviewer performance

Statistics & Research Branch, Room 1 Annex 1, Castle Buildings, Stormont, Belfast BT4 3UD

<Contact serial number>

<Contact name and address>

3 November 2000

A chance to have your say about how benefits and pensions are paid

What is this survey about?

We would like your help with an important research project looking at how people receiving benefits and pensions prefer to have them paid. We are interested in how you currently receive your benefit or pension, whether you have considered any other payment methods and your opinions of the options available. The results will be used to help the Department for Social Development (DSD) decide how to improve payment methods in the future.

Why have you written to me?

We are writing to over 1800 people across Northern Ireland who are currently receiving a benefit or pension, to ask for their help with the research. You are one of those we have randomly selected and we would be grateful if you could find time to be interviewed. The time taken will vary from person to person, taking between 45 minutes to one hour, and will be arranged for a date and time to suit you. The research will be carried out over the next 2-3 months.

Who is doing the interviews?

All interviews will be carried out by Ulster Marketing Surveys (UMS), an independent market research company. Taking part is, of course, voluntary. However, we really do need the help of all those who have been selected. Even if you are content with your current method of payment, we still value your opinion. It may not prove necessary to interview everyone who is willing to be interviewed, but it would be helpful for us to know in advance who does not wish to be interviewed. If you do not wish to be interviewed then please write to UMS at FREEPOST, BEL 754, Belfast, BT 7,1BR. Please include your full name and address and the number that appears above your name at the top of this letter.

If we do not hear from you by 17 November 2000 then we will assume you are content for an interviewer from UMS to contact you. When the interviewer calls, please ask to see their Identification Card – this will show a picture of the interviewer.

What will happen to my replies?

Everything you tell the interviewer will be treated in the **strictest confidence**. There will be a report written on the views of everyone as a whole.

I do hope you feel able to help us with this important survey. It is essential that we hear the views and opinions of people receiving benefits and pensions. If you have any questions about the research, please do not hesitate to contact me on (028) 905 22513.

Many Thanks



Sandy Fitzpatrick
Statistics & Research Branch

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