

Department for Work and Pensions

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Payment of pensions and benefits:

A survey of social security recipients paid by order book or girocheque

Elaine Kempson and Claire Whyley

A report of research carried out by the Social Policy Research Unit
on behalf of the Department for Work and Pensions
(formerly known as Department of Social Security)

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CONTENTS

Acknowledgements	xi
The Authors	xii
Glossary	xiii
Summary	1
1 Introduction	13
2 Awareness of, and willingness to change, ACT payment of benefits and pensions	17
2.1 Views of the changes	18
2.2 How willingly will people transfer to ACT?	20
2.3 How would people choose to collect their benefit or pension after 2003?	22
2.4 A classification of ease of transfer to ACT	24
2.4.1 Group 1 <i>Easy to transfer to ACT</i>	26
2.4.2 Group 2 <i>Quite easy to transfer to ACT</i>	29
2.4.3 Group 3 <i>Potentially difficult to transfer to ACT</i>	30
2.4.4 Group 4 <i>Quite difficult to transfer to ACT</i>	30
2.4.5 Group 5 <i>Difficult to transfer to ACT</i>	31
2.5 Summary	32
3 Benefit receipt	33
3.1 Reasons for choice of current method of payment	34
3.2 Perceived advantages and disadvantages of order books and girocheques	36
3.3 Awareness of the costs of different payment methods	39
3.3.1 <i>The impact of knowing the costs of different payment methods</i>	40
3.4 Length of claim	41
3.5 Other benefits received	42
3.6 Other sources of income	43
3.7 Frequency of benefit payment	45
3.7.1 <i>Preferred payment frequency</i>	46
3.7.2 <i>Frequency of benefit collection</i>	48
3.8 Collection of benefit by third parties	48
3.9 Benefit receipt and ease of transfer to ACT	50
3.9.1 Group 1 <i>Easy to transfer to ACT</i>	50
3.9.2 Group 2 <i>Quite easy</i> and Group 3 <i>Potentially difficult to transfer to ACT</i>	50
3.9.3 Group 4 <i>Quite difficult to transfer to ACT</i>	52
3.9.4 Group 5 <i>Difficult to transfer to ACT</i>	53

4	Banking and use of Post Offices	55
4.1	Type of account	55
4.1.1	<i>Facilities with the account</i>	57
4.2	Whose name is the account in?	58
4.3	Level of use of accounts now and in the past	59
4.3.1	<i>Degrees of integration into banking services</i>	62
4.3.2	<i>Reasons why people had suspended or closed their account</i>	62
4.3.3	<i>Reasons why people had never opened a bank or building society account</i>	62
4.3.4	<i>Facilities used with the account</i>	62
4.4	Attitudes to banks and banking	63
4.4.1	<i>Banking is not for people on low incomes</i>	64
4.4.2	<i>Concern about using current accounts</i>	64
4.4.3	<i>A belief that bank accounts are essential</i>	65
4.4.4	<i>A positive attitude to technology-based banking</i>	65
4.4.5	<i>Positive views of bank staff</i>	66
4.4.6	<i>A preference for simple, more traditional banking</i>	66
4.4.7	<i>Overall views</i>	66
4.5	Knowledge of banking services	68
4.6	Future banking intentions	69
4.7	Banking at the Post Office	70
4.8	Access to banks and Post Offices	72
4.9	Banking and ease of transfer to ACT	74
4.9.1	<i>Group 1 Easy to transfer to ACT</i>	74
4.9.2	<i>Groups 2 and 3 Quite easy and potentially difficult to transfer to ACT</i>	77
4.9.3	<i>Group 4 Quite difficult to transfer to ACT</i>	77
4.9.4	<i>Group 5 Difficult to transfer to ACT</i>	78
5	Money management	79
5.1	Household budgeting and benefit receipt	79
5.1.1	<i>Benefit receipt and budgeting cycles</i>	79
5.1.2	<i>Reliance on state benefit as the sole source of income</i>	82
5.2	Use of banking facilities in household money	83
5.2.1	<i>Accessing cash</i>	83
5.2.2	<i>Awareness of banking facilities for accessing cash</i>	83
5.2.3	<i>Use of banking facilities to access cash</i>	83
5.2.4	<i>Willingness to use banking facilities to access cash</i>	85
5.3	Paying for everyday items	85
5.3.1	<i>Awareness of banking facilities for paying for everyday items</i>	85
5.3.2	<i>Use of banking facilities to pay for everyday items</i>	86
5.3.3	<i>Willingness to use banking facilities to pay for everyday items</i>	87

5.4	Paying household bills	87
5.4.1	<i>Awareness of banking facilities for bill payment</i>	88
5.4.2	<i>Use of banking facilities for bill payment</i>	88
5.4.3	<i>Willingness to use banking facilities for bill payment</i>	89
5.5	Overview of the use of banking facilities	89
5.6	Total reliance on a cash budget	91
5.7	Use of plastic cards and cash machines	93
5.7.1	<i>Plastic cards</i>	93
5.7.2	<i>Use of plastic cards</i>	95
5.7.3	<i>Willingness to use plastic cards</i>	95
5.8	Attitudes towards and use of cash machines	96
5.8.1	<i>Use of cash machines</i>	97
5.8.2	<i>Willingness to use a cash machine</i>	98
5.8.3	<i>Difficulties using cash machines</i>	99
5.9	Money management and ease of transfer to ACT	99
5.9.1	<i>Group 1 Easy to transfer</i>	100
5.9.2	<i>Groups 2 and 3 Quite easy and potentially difficult to transfer to ACT</i>	100
5.9.3	<i>Group 4 Quite difficult to transfer</i>	102
5.9.4	<i>Group 5 Difficult to transfer to ACT</i>	102
6	Views and experience of ACT	105
6.1	Awareness that they could be paid by ACT	105
6.1.1	<i>How people had first found out about ACT</i>	106
6.2	Proportions with an account they believed could receive ACT payments	108
6.3	People who had thought about changing to ACT	109
6.4	People who had not considered changing their method of payment	110
6.4.1	<i>Problems anticipated with changing benefit payment method</i>	112
6.5	Experience of ACT	114
6.5.1	<i>Previous payment of benefit by ACT</i>	114
6.5.2	<i>Payment of other benefits by ACT</i>	114
6.5.3	<i>Any experience of ACT payments into an account</i>	115
6.6	Views of ACT payment of benefits and pensions	116
6.6.1	<i>The perceived advantages of ACT</i>	116
6.6.2	<i>The perceived disadvantages of ACT</i>	116
6.7	Views of the likely impact of the switch to ACT	117
6.7.1	<i>A concern about the implications of ACT payment of benefit for Post Offices</i>	119
6.7.2	<i>A desire to keep things as they are now</i>	119
6.7.3	<i>A concern about privacy</i>	120
6.7.4	<i>A concern about money management</i>	120
6.7.5	<i>A tendency to see the advantages of ACT payments</i>	120
6.7.6	<i>Overall views</i>	121

6.8	Influences on ease of transfer to ACT	122
6.8.1	Group 1 <i>Easy to transfer</i>	122
6.8.2	Group 2 <i>Quite easy to transfer</i>	124
6.8.3	Group 3 <i>Potentially difficult to transfer</i>	124
6.8.4	Group 4 <i>Quite difficult to transfer</i>	124
6.8.5	Group 5 <i>Difficult to transfer</i>	125
7	The transfer to ACT	127
7.1	Transfer to ACT	127
7.1.1	Group 1 <i>Easy to transfer</i>	128
7.1.2	Group 2 <i>Quite easy to transfer</i>	128
7.1.3	Group 3 <i>Potentially difficult to transfer</i>	128
7.1.4	Group 4 <i>Quite difficult to transfer</i>	128
7.1.5	Group 5 <i>Difficult to transfer</i>	129
7.2	Facilitating the transfer to ACT payment of benefits and pensions	129
7.3	The people for whom the transfer to ACT will be especially difficult	133
7.3.1	<i>People who have an account but are unlikely to be persuaded to have their pension or benefit paid into it</i>	133
7.3.2	<i>People who do not have an account and are very unlikely to open one to receive their benefit or pension</i>	134
7.3.3	<i>What type of payment method would be appropriate for them?</i>	135
7.4	Other issues relating to payment by ACT	136
7.4.1	<i>Encouraging banks to make banking facilities available through Post Offices</i>	136
7.4.2	<i>Reassurance about the reliability of payments</i>	136
7.4.3	<i>Retaining weekly payments</i>	137
7.4.4	<i>Third party collection of benefits and pensions</i>	138
7.4.5	<i>Communicating details of the proposed changes</i>	138
7.5	In conclusion	139
	Appendix – Technical Appendix	141
	References	149
	Other research reports available	151

LIST OF TABLES

Table 2.1	Views of the proposals to pay pensions and benefits by ACT from 2003	19
Table 2.2	Willingness to transfer to ACT, by age grouping, benefit received and views of proposed changes	22
Table 2.3	Choice of method of collecting benefit or pension, by age group, benefit received and willingness to switch to ACT	23
Table 2.4	Ease of transfer by reactions to proposed changes	25
Table 2.5	Ease of transfer by personal characteristics	27
Table 3.1	Reasons for choosing current method of benefit payment	35
Table 3.2	Advantages and disadvantages of different payment methods	37
Table 3.3	Knowledge of the relative costs of different payment methods	39
Table 3.4	Knowledge of the actual costs of different payment methods	40
Table 3.5	Likelihood of changing to ACT once aware of the costs	41
Table 3.6	Length of time people had been claiming their sampled benefit	42
Table 3.7	Receipt of other benefits	44
Table 3.8	Other sources of income	44
Table 3.9	Frequency of benefit payment and collection	47
Table 3.10	Collection of benefits by a third party	49
Table 3.11	Benefit receipt and ease of transfer to ACT	51
Table 4.1	Proportions of people with a bank or building society account and type of account held	56
Table 4.2	Proportions of people with specific types of banking facility	58
Table 4.3	Proportions of people with an account in their own name	59
Table 4.4	Proportions of people using an account now or in the past	61

Table 4.5	Facilities used with accounts	63
Table 4.6	Overall attitudes to banks by benefit received	67
Table 4.7	Knowledge of banking by benefit received	68
Table 4.8	Travel from home to nearest bank or building society branch, cash machine and Post Office	73
Table 4.9	Key banking characteristics by ease of transfer to ACT	75
Table 5.1	Budgeting period and benefit receipt	80
Table 5.2	Relationship between budgeting cycle and frequency of benefit payment	81
Table 5.3	Relationship between budgeting cycle and preferences for benefit payment frequency	82
Table 5.4	Relationship between budgeting cycle and reliance on state benefit as sole source of income	82
Table 5.5	Awareness, use of and willingness to use banking facilities to access cash	84
Table 5.6	Awareness, use of and willingness to use banking facilities to pay for everyday items	86
Table 5.7	Awareness, use of and willingness to use banking facilities for bill payment	88
Table 5.8	Overview of use of banking facilities	90
Table 5.9	Characteristics and circumstances of people who relied on a cash budget	91
Table 5.10	Awareness, use of and willingness to use plastic cards	94
Table 5.11	Attitudes to using cash machines	97
Table 5.12	Use of, willingness to use and difficulties using cash machines	98
Table 5.13	Money management and ease of transfer to ACT	100
Table 6.1	Awareness of ACT payment option for benefits and pensions	106
Table 6.2	Awareness of ACT facility on accounts	108
Table 6.3	Changes to method of benefit payment	110
Table 6.4	Reasons for not having considered changing method of payment	112

Table 6.5	Other experience of ACT	115
Table 6.6	Perceived advantages and disadvantages of ACT payment of benefits or pensions	118
Table 6.7	Views and experience of ACT by ease of transfer	123
Table 1	Exclusions from the universe	142
Table 2	Number of sampled recipients by benefit	143
Table 3	Opt-outs by benefit	143
Table 4	Outcome for all sampled contacts	145
Table 5	Weights by age - Retirement Pension	146
Table 6	Weights by region - Child Benefit	146
Table 7	Weights by region - Incapacity Benefit	147
Table 8	Weights by method of payment - Disability Living Allowance	147
Table 9	Weights by age and children - Income Support	147
Table 10	Weights by region and children - Jobseeker's Allowance	147
Table 11	Weights by benefit for aggregate analysis	148
Table 12	Benefit payment survey - final response analysis by benefit	148

LIST OF FIGURES

Figure 2.1	Explanation given of changes	19
Figure 3.1	Methods of payment available for six sampled benefits	33
Figure 3.2	Frequency of benefit payment for each of the six sampled benefits	46
Figure 7.1	Facilitating the transfer to ACT	130

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THE AUTHORS

Elaine Kempson and Claire Whyley work 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

The Government has announced 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. The fieldwork for this research took place during Summer 2000. Since then there have been a number of developments in the banking industry with the introduction of more basic bank accounts and provisions to extend agency agreements with the Post Office.

Currently about six out of ten of all benefit recipients receive their payments either through an order book or a girocheque. Therefore, the aim of this research was to provide an overview of the characteristics, experiences and attitudes of benefit recipients who are not currently paid by ACT. It was based on a quantitative, face-to-face survey of 4,805 people from across Britain, who were 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).

Awareness 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 from 2003 were quite low. Only four out of ten people interviewed said that they knew anything about them, despite a good deal of (mainly adverse) press coverage at the time of the survey. When they were told the details of the proposed changes four out of ten people were wholly positive about them and a similar number were entirely negative. The remainder were equivocal. Nearly half said that they would be either very or fairly willing to transfer to ACT and a further two in ten said that they would be willing to do so as long as they could continue to collect their money at the Post Office. Even so, about a quarter of the people interviewed said that they would be unwilling to transfer even if they could continue to use the Post Office as now. On the whole, people over the age of retirement were much less enthusiastic about the proposed changes than younger ones.

The people surveyed were assigned to one of five groups using a statistical technique, known as discriminant analysis. This was based on their willingness to transfer to ACT, but took into account other things such as their use and views of ACT generally, their ownership of bank accounts and their personal and economic circumstances. This provided a conceptual framework of the ease with which different groups of people can be transferred to ACT that has been used throughout the report.

Group 1 Easy to transfer was the largest of the five groups (four out of ten). These people were the most positive about ACT. They were by far the youngest, with an average age of 43 and included disproportionate numbers of ChB and JSA recipients. They had few access problems – most had the use of a car and had no limiting disability. Consequently getting to the nearest bank or building society branch was fairly easy.

Group 2 Quite easy to transfer accounted for two out of ten of the people interviewed. Around three quarters of these people said, one way or another, that they would be fairly willing to transfer to ACT but wanted to be able to continue to collect their money at the Post Office. They were, in the main, younger pensioners and had an average age of 64. Relatively few had access problems and they could get to a bank or building society branch with relative ease.

Group 3 Potentially difficult to transfer were a small group – just one in ten of the people interviewed. In many respects they were similar to Group 2, especially in their attachment to the Post Office. Their main distinguishing feature, however, was their high level of access difficulties. They included more young people with disabilities than any other group; more people living in rural areas; and levels of access to a car were low. In fact nine out of ten people in this group had their mobility restricted in one or more of these ways. Consequently nearly half said it was difficult to reach the nearest branch of a bank or building society.

Group 4 Quite difficult to transfer was the smallest of the five groups (less than one in ten) and was very elderly. Their average age was 76 and four out of ten were aged over 80. They had by far the highest levels of disability – three-quarters of them had a disability that limited their daily activities and half of them relied on someone else to collect their pension for them. Their frailty was reflected in the difficulty they had completing the interview. They were, if anything, more positive about ACT than Group 3, so their difficulty of transfer relates more to their disability than to their lack of willingness to be paid by ACT.

Group 5 Difficult to transfer comprised two out of ten of the people interviewed. They were mainly negative about the proposed changes, were unwilling to transfer to ACT, even if they could continue to collect their money at the Post Office and wanted to keep things much as they are now. They were predominantly pensioners and their average age was 69. They had a high level of access problems, but their level of difficulty reaching a bank or building society branch was nothing like as great as Groups 3 or 4.

Benefit receipt The great majority of people interviewed received their benefit payment by order book; the only exception was JSA recipients who were paid by girocheque – which almost all of them cashed at a Post Office.

Half of the people who had opted to be paid by order book or girocheque had done so because they found it convenient to use the Post Office. A further quarter had thought it was the only option open to them. Other reasons mainly related to preferences for cash budgets. Only a minority said it was because they lacked a bank account.

On the whole, people perceived many advantages of their chosen method of payment and correspondingly few disadvantages. People paid by girocheque were, however, more equivocal than those paid by order book. The main (unprompted) advantage of both methods of payment was the convenience of getting to a Post Office (but this was more so for order books than girocheques).

The other main advantage was that people felt they would get a guaranteed payment on a guaranteed day. This was of equal importance for both payment methods. While only a quarter of people paid by order book thought that their method of payment had any disadvantages, almost six out of ten girocheque recipients thought the same. In particular, girocheques were seen as an unreliable method of payment and prone to loss or fraud. Around one in ten of people paid by either order book or girocheque said that they found it *inconvenient* to go to the Post Office.

ACT payment of benefit is a great deal cheaper than payment by order book, and girocheque payments cost most of all. Few of the people interviewed were aware of this. When told the relative costs, about a quarter of people said that it would, or might, make them more inclined to change to ACT payments. This was especially so among people below pension age, a third of whom said that they would, or might change, compared with just one in eight of pensioners.

About half of people were receiving more than one benefit and a similar proportion derived all their income from social security benefits or the state pension. As might be expected, younger people most often had wages coming into their household; while people over retirement age were most likely to have occupational pensions or income from savings or investments. The people most dependent on benefit were, predictably, those receiving either IS or JSA.

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; only JSA recipients paid fortnightly expressed any dissatisfaction and three out of ten of them would have preferred to be paid weekly instead. Most people collected their benefit as soon as it was due; only one in seven 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.

Around one in five people were unable to collect their benefit payment personally and had arranged for someone else (most often a relative) to collect it for them. Predictably this was associated with old age and disability.

These aspects of benefit receipt add to our classification of benefit recipients by their ease of transfer to ACT. *Group 1 Easy to transfer* included the highest proportion of people who were dissatisfied with their current method of payment and were least wedded to collecting their benefit at the Post Office. They were also the only ones likely to be persuaded to change to ACT by the cost saving to the taxpayer. *Group 2 Quite easy* and *Group 3 Potentially difficult* were fairly similar. They particularly liked the convenience of collecting their benefit or pension at the Post Office.

Group 4 Quite difficult to transfer were the most dependent on social security payments as their sole source of income. Their other distinguishing characteristic was that half of them relied on someone else to collect their pension for them – far more than any other group. Finally *Group 5 Difficult to transfer* liked being paid by order book because it suited their pattern of money management; they also valued highly the convenience of collecting their money at the Post Office.

Banking and use of Post Offices

Although they were collecting their benefits and pensions in cash, almost eight out of ten of the people interviewed did have a bank or building society account of some kind in their household. Moreover six in ten had at least one current account and a similar proportion had an account that was in their own name only. People with current accounts, predictably, had a wider range of facilities with them than did savings account-holders.

The types of people who had the lowest levels of account-holding were also the ones who were most likely to have a savings account, if they had one at all. As a result, there were a number of groups of people where fewer than half had a current account. These included: lone parents; tenants; non-householders; black and Asian people and people in inner cities. The lowest levels, however, were among unemployed people; people with household incomes below £100 a week; people reliant on benefits as their sole source of income; and people with learning difficulties. Consequently, only about four in ten IS and JSA recipients had a current account. It is interesting to note, however, that JSA recipients were among the most willing to transfer to ACT even though they were unlikely to have an account.

Around seven out of ten people said that they had either a current or a savings account that was currently in use. A minority (8 per cent) had an account, but had stopped using it; 11 per cent had closed their only account and a further 10 per cent had never had one at all. The level of account usage was highest among RP and ChB recipients, where eight out of ten had an account in use. It was lowest, by far, among non-pensioner recipients of IS and JSA. Half of JSA recipients and four out of ten IS non-pensioners had suspended or closed their accounts, leaving only four in ten of each group with an account they used.

Half of the people who had suspended or closed their account did so because they no longer had any money going into it. Almost all of the people who had never opened an account said it was because either they had no money to put into one or they had no need for one. Taken together this provides further evidence that the payment of benefits and pensions by order book and girocheque is a significant reason why some people remain outside the banking system.

A series of attitude statements allowed people to be categorised according to their views of banks and banking. Around four out of ten were *fairly enthusiastic bank customers*, they held the most positive views of bank staff, were fairly pro-technology-based banking and were quite likely to think that it is essential to have an account. ChB followed by RP recipients were the most over-represented among them. About a quarter were classified as *cautious bank customers* who thought an account was essential and were pro-technology-based banking; but they were also quite inclined to think that banking is not for people on low incomes and to be wary of current accounts. Again these people tended to be ChB and RP recipients. *Reluctant bank customers* were very likely to think that banking is not for people on low incomes and to be wary of current accounts. They were, therefore, drawn to a simple, more traditional way of banking. They accounted for a quarter of the people interviewed and were very likely to be IB recipients. Finally, there was a small group (one in eight of the people interviewed) who were *disengaged from banking*. Their views of banks and banking were generally negative. They believed that banking is not for people on low incomes; did not think an account is essential; were wary of current accounts and anti-technology-based banking; and also held the least positive views of bank staff. They were disproportionately IS recipients.

Levels of banking knowledge were not high, with only a quarter of people correctly able to answer more than half of 18 questions about banks and banking. Non-pensioners, and ChB recipients in particular, had the highest levels of knowledge; least well-informed were pensioners receiving IS.

Almost three in ten people without a bank or building society account said that they might open one by the end of 2002 – with more people

being attracted to the new basic bank accounts than to conventional current accounts. Indeed the facilities they would like with an account tended to be those offered by basic bank accounts, while the ones they wanted least are not. Above all, people without an account wanted to be able to retain close control over their money.

There was strong support for Post Office-based banking – two-thirds of people interviewed thought that it was a good way to increase access to banking and almost nine out of ten thought it would ensure Post Offices stay open. A quarter of the people interviewed had an account with a bank that currently had an agency agreement with the Post Office; and all those without an account could open one that could be used to withdraw money at Post Offices. Levels of awareness of these agency agreements were not high, even among those who could currently use them, indicating a need for greater publicity.

On the whole people lived much nearer to a Post Office than to a bank or building society branch or cash machine. Consequently they found getting to a Post Office much easier. Predictably, the people who faced greatest difficulty were elderly or disabled; did not have access to a car; or lived in rural areas.

Again, there were significant differences in the use of, and attitudes to, banking between the five groups in our classification of ease of transfer to ACT. *Group 1 Easy to transfer* held the most positive views of banks and banking, with half of them being either *fairly enthusiastic* or *cautious bank customers*. They also had least difficulty getting to a branch. They consequently had a high level of use of banking, compared with other groups.

Almost nine out of ten had an account of some kind and three-quarters were using it at the time of the interview. Moreover, just about all of those who lacked an account, expected to have opened one by 2003. The most notable thing about *Group 2 Quite easy to transfer* to ACT was their very positive view about being able to undertake banking transactions at Post Offices. *Group 3 Potentially difficult to transfer* to ACT was similarly positive about this but more striking was the fact that half of them found it difficult to reach the nearest bank or building society branch. *Group 4 Quite difficult to transfer* had fairly tenuous links to banking although they were not especially anti-banking. Even though three-quarters of them had an account of some kind, fewer than half of them had a current account that they used and they tended to make little use of most of the facilities that came with it. They had very low levels of knowledge of banking indeed and displayed the greatest level of concern about using accounts. They also reported the greatest difficulty reaching the nearest bank or building society branch and unlike other groups also included a substantial proportion of people who also found it hard to get to a Post Office. *Group 5 Difficult to transfer* were, without doubt, the most

disengaged from banking; they were least likely to think that an account is essential and most likely to think that banking is not for the poor. A third of them had no bank or building society account of any kind and one in ten had never had one at all. These unbanked people were resistant to opening a new account – even one of the new basic accounts. Fewer than a half had a current account they used and, like the previous group, made little use of the facilities that normally come with an account.

Money management

Two-thirds of people budgeted over a weekly cycle; only one in six operated a monthly budget and less than one in ten budgeted fortnightly. These budgeting cycles were linked to the frequency with which people received their benefit – and especially so for weekly and fortnightly budgeters. Few people said that they had changed their budgeting period when they began to claim benefit, suggesting that they chose the payment method offering a frequency of payment that matched their pattern of budgeting. Most people were happy with their current payment frequency; a minority were paid four-weekly or fortnightly but would have preferred weekly payments.

Patterns of money management could, potentially, have a big impact on the transfer to ACT. People who are well-integrated into banking should have few problems; but the more people rely on cash the greater the problems they will face adapting to ACT.

Eight out of ten relied on collecting their benefit in cash as their main source of ready money; for two-thirds it was their only source of cash. Consequently, only a third regularly withdrew money from a bank or building society account. Likewise only four in ten either used banking facilities to pay for everyday items or paid bills this way. In all three cases most people were aware that banking facilities could be used and more people were willing to use them than actually did so. In fact, many people (and especially those with the lowest incomes) had decided against using banking facilities to give them greater control over their finances.

Age and income seemed to influence people's use of banking facilities. So older people tended to rely more on their benefit as a source of cash than younger people. While people on low incomes seldom used their accounts to pay bills, unlike those who were better off.

In fact more than four in ten people operated wholly cash budgets and did not use banking facilities of any kind. These included almost one in three people with a bank or building society account, as well as those with no account of any kind. There was a strong link with income so the types of people with a high incidence of cash budgets included those who were unemployed; lone parents; people unable to work through long-term sickness or disability; social tenants; non-householders living in residential care or someone else's home; and people who budgeted weekly or fortnightly. Consequently cash budgets were most prevalent among people receiving IS or JSA.

Following the introduction of ACT, many benefit recipients will need to adapt to using plastic cards or cash machines. All basic bank accounts are card-based, and cash machines will also be a key method of getting cash for people who already have an account but their bank does not have an agreement that allows them to use it to cash cheques at a Post Office.

A third of people said that they preferred not to use bank cards and a quarter were anti-plastic of all kinds. Only a third of the people interviewed had a bank card at the time of the survey. Likewise there was a reluctance to use cash machines and people generally held fairly negative views of them. That said, six in ten had actually used one at some time. The great majority of people who had not used one also said that they would be unwilling to do so, even if they were shown how. Their main objection was a dislike and distrust of machines, although a minority was concerned about personal safety. In fact, a third of people, when asked, said that they faced difficulties using a cash machine. One in seven said they could not remember the PIN and a minority said their use was limited by physical impairments: poor eyesight (one in ten); limited use of hands or machines being set too high for wheelchair users (around one in twenty each).

There was a clear link between patterns of money management and ease of transfer to ACT. In general, the less contact that people had with the world of banking and the more antagonistic they were to plastic cards and cash machines, the more difficult it will be to transfer them. So, while the majority of people in *Group 1 Easy to transfer* used banking facilities for some aspects of their household budget, the proportion fell steadily across the five groups.

Consequently, fewer than half of *Groups 4 Quite difficult* and *5 Difficult to transfer* used any banking facilities day-to-day and, instead, operated an entirely cash budget. There was a parallel increase in antagonism both to plastic cards and to cash machines. So, while less than one in five of *Group 1 Easy to transfer* said they preferred not to use plastic cards or that they had neither used a cash machine nor were they willing to do so if shown, over half of people in *Group 5 Difficult to transfer* said the same.

Experience and views of ACT

Although all benefits can be paid by ACT, only half of the people interviewed said they were aware of this at the time they started to claim; a quarter were still unaware when they were interviewed. Levels of awareness were lowest among pensioners and especially pensioners receiving IS. Most people had found out either from Benefits Agency or Jobcentre staff or by word of mouth. Only a minority said they had discovered they could be paid by ACT from printed information produced by the Benefits Agency.

One in ten people had an account but did not realise it could receive payments made by ACT. Again IS pensioners had the lowest level of awareness; while ChB recipients had the highest.

One in ten people had considered switching to ACT payment – most of them in the last six months. Only two per cent had actually decided to change. Two-thirds of the people interviewed had not considered switching because their current method of payment worked well; and four out of ten said that they were happy using the Post Office. Only a third of people said that they anticipated problems if they were to transfer to ACT and the main problem they cited was getting to a bank or building society branch. This was especially the case among people over retirement age; younger people more often anticipated administrative problems, and errors or delays in their payments.

A surprising number of people (four out of ten) had some income being paid into their account by ACT. Among younger people this was usually wages; while people over retirement age most commonly had occupational or private pensions or income from investments paid this way. ChB and RP recipients most often had income paid by ACT, whereas hardly any JSA or IS recipients did.

Views of ACT payment of benefits and pensions were fairly negative, although it should be remembered that the people interviewed were all ones who were not being paid by ACT. Only four out of ten people thought ACT had any advantages, with the main one being the greater convenience and security of being paid this way. In contrast, almost nine out of ten people cited disadvantages; the chief ones being either the inconvenience of getting to a bank or building society branch or the loss of convenience of using the Post Office. A minority of people said that ACT payments did not suit their style of money management; that they were worried about getting or using a bank account; or that they were concerned about possible errors or delays.

All respondents were given a series of statements about ACT and asked how strongly they agreed or disagreed with them. There was widespread and strong agreement with the statements relating to keeping things as they are and concerns about the implication of ACT payments for local Post Offices. There was also some concern about ACT leading to possible disruption to money management and loss of privacy.

There was considerable variation in the use of, and attitudes to, ACT across the five ease of transfer groups. *Group 1 Easy to transfer* was both pro-ACT and also had fairly wide experience of ACT payments into their account. They would not take a great deal of persuading to change; indeed one in five of them had already considered doing so. People in *Group 2 Quite easy to transfer* were notable for their conservatism and attachment to the Post Office. But although they were resistant to having

their state pension or benefit paid by ACT, more than four out of ten of them had other income paid this way. *Group 3 Potentially difficult to transfer* was, if anything, even more anti-ACT than *Group 2 Quite easy to transfer*, despite the fact that four out of ten of them already had other income being paid by ACT. *Group 4 Quite difficult to transfer*, was distinguished by their lack of awareness and experience of ACT rather than their attitudes to it. While *Group 5 Difficult to transfer* were the most antagonistic towards ACT – in just about every respect. They also had the second-lowest level of experience of ACT payments.

The transfer to ACT

Bringing all this analysis together, it is possible to identify not just the ease with which different groups could be transferred to ACT, but also the strategies for that transfer.

Seven out of ten people should be relatively straightforward to transfer. They fall into three broad categories.

- *Will transfer to ACT and are prepared to withdraw money from an existing account at a bank branch or cash machine* – around a third of people. These people were positive about ACT and had bank or building society accounts into which they were happy to have their benefit or pension paid. They also anticipated accessing their money at a bank branch or cash machine.
- *Will transfer to ACT and use an account from which they withdraw cash at a Post Office* – two in ten of people currently paid by order book or girocheque. These people all indicated that they wanted to continue to collect their pension or benefit at a Post Office. And they all had bank accounts with banks that, at the time of the survey, already had an agreement that would allow them to withdraw cash at their local Post Office. With this proviso, about two-thirds of them were quite willing to transfer to ACT; others were more reluctant. The more reluctant ones will need reassurance that being paid by ACT will not affect how or when they collect their pension or benefit.
- *Will transfer but need to open an account from which they can withdraw cash at the Post Office*. About two in ten people did not have a bank or building society account at the time of the survey but either said that they might open one or they were not opposed to ACT. Again about two-thirds of them will be fairly willing to transfer; although a minority will be more resistant. They will need reassurance that basic bank accounts are available that will enable them to keep control over their finances and that being paid by ACT will not affect how or when they collect their pension or benefit.

A fourth group could, potentially be straightforward to transfer.

- *Would transfer to ACT if they could withdraw money from their existing account at a Post Office*. A further two in ten people would transfer to ACT as long as they can continue to collect their money at the Post Office, but they had bank or building society accounts that cannot be

used in that way. Again, around a third of them will transfer fairly willingly; but a third will be more resistant. In the first instance, banks that do not have a Post Office agency agreement need to be encouraged to set them up. Failing that, giving benefit recipients a guarantee that payments will be made on a set date and someone to contact should things go wrong would probably encourage many of these people to transfer.

Finally, there are two relatively small groups of people who will be very resistant when ACT becomes the normal method of payment beginning in 2003.

- *Have an account but are unlikely to be persuaded to have their pension or benefit paid into it.* A small number of people (six per cent) had an account, but were adamant that nothing at all would persuade them to transfer to ACT. Overwhelmingly, they were pensioners, and elderly pensioners at that. Although they had a bank or building society account, four out of ten did not use that account at all. There were three main reasons why these people were so strongly anti-ACT: difficult access to bank and building society branches; a strong preference for operating a cash budget and a deep-seated objection to being paid by ACT. Their average age was 74 and most of those who were under retirement age were unable to work through long-term sickness or disability.
- *People who do not have an account and are very unlikely to open one to receive their benefit or pension.* These people (four per cent of the total) did not have an account, and were also implacably opposed to ACT payment of benefits and pensions. They will be very difficult indeed both to transfer to ACT and to persuade to open an account. Six out of ten of them had never had an account of any kind and a further three in ten had last used an account more than five years ago. Hardly any of them had an account when they started to claim their benefit or pension. Even those who had any experience of banking had often only used a simple savings account. The disengagement of these people from the world of banking lay in the fact that they had lived on very low incomes for considerable periods of time – indeed nine out of ten had relied on benefits as their sole source of income. They also had real mobility problems – six out of ten had an activity-limiting disability and eight out of ten had no access to a car at all. A third had their pension or benefit collected for them by someone else. They were mainly pensioners, but a quarter were unable to work through long-term illness or disability and one in six were lone parents. Few of them were willing to use plastic cards of any kind so the basic bank accounts would not suit their needs unless they could use the card at the counter of a Post Office.

A number of issues arose in relation to the transfer to ACT. First, there is the need to encourage more banks to make their accounts useable at Post Offices. Secondly, people who are reluctant to transfer to ACT

wanted reassurance about the reliability of payments made by ACT. In particular, they wanted someone they could contact if, for some reason, their benefit or pension was not paid into their account; they wanted a guaranteed payment date; and a statement of the money that had been paid into their account. Most people who were paid weekly wanted to continue to receive their benefit and pension with that frequency. ACT would, undoubtedly, become more unpopular if payments were made four-weekly. There are also practicalities that need to be sorted out for people who currently have their benefit or pension collected by someone else.

Finally, publicity for the proposed changes will best be communicated by individual letter and by television advertisements. Those who were most resistant to change were also resistant to all methods of communication other than a personal letter sent separately from order books or girocheques.

I INTRODUCTION

Currently about six out of ten of all benefit recipients receive their payments either through an order book or a girocheque. According to Department of Social Security administrative data, 37 per cent currently have their benefits paid through Automated Credit Transfer (ACT) to a bank or building society account, even though 78 per cent of all benefit recipients do 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 the State Retirement Pension (43 per cent) and Child Benefit (41 per cent). Far fewer recipients of Incapacity Benefit (28 per cent), Jobseeker's Allowance (21 per cent) and Income Support (15 per cent) have their benefits paid in this way. By comparison, 78 per cent of people in work have their wages or salary paid by ACT, and company and personal pensions are also predominantly paid in this way (APACS Payments Market Report, 1999).

There are also wide variations in the take-up of ACT by different types of claimant. For example, it increases steadily with age, from 19 per cent among those aged between 16 and 24, to 40 per cent among the over 65s. And it also increases steeply with income. So, while two-thirds (64 per cent) of people with household incomes in excess of £40,000 a year receive their pension or benefit by ACT, the same is true of only 14 per cent of people whose household income is below £5,000 a year (APACS 1999).

The proportion of benefit recipients being paid by ACT has, however, doubled since 1993, and especially so for universal benefits like Child Benefit and the State Retirement Pension. Currently, 55 per cent of new Child Benefit recipients and 54 per cent of new State Retirement Pension recipients are paid by ACT. In contrast, only 12 per cent of new Income Support recipients elect to be paid in this way.

The Government announced on 24 May 1999 that the Department of Social Security will begin the process of making ACT the normal method of benefit payment from 2003, and the process is due to be completed by 2005. The Government's 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.

It is also seen as an acceleration of an existing trend of increased take-up of ACT.

The overall aim of the research was, therefore, 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 claimants' attitudes to methods of payment of social security benefits.
- To understand why claimants with appropriate bank accounts do not use them for receiving benefits.
- To understand the reasons why those without a bank account do not have one.
- To consider the characteristics of the 'unbanked', and those who do have a bank account but choose not to have their benefit paid by ACT.
- To explore what would increase the acceptability of ACT to claimants.
- 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 claimants who are:
 - unlikely ever to have an account;
 - currently lacking or not using a bank 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, and identify what factors would make them switch to ACT.

The research was based on a quantitative, face-to-face survey of 4,805 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. Full details of the survey are included in the appendix.

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

This report begins, in Chapter 2, by reviewing what people knew of the impending changes and their views of them after they were explained. Chapter 3 describes how the people interviewed chose to collect their pensions or benefit and the reasons for their decisions. We then, in Chapter 4, look at their use of and attitudes to banking services, including banking through the Post Office. Chapter 5 reviews their patterns of money management. In Chapter 6 we analyse people's attitudes to ACT and their experience of having other income paid in this way. Finally, Chapter 7 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.

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

Levels of awareness of the benefit payment method changes due to be introduced from 2003 were really quite low, given the large amount of publicity both before and during the fieldwork. When asked, only four out of ten people (41 per cent) not currently paid by Automated Credit Transfer² said that they knew anything about the changes; the remainder categorically said they did not.

Moreover, even among those purporting to know, the level of knowledge of what the changes will be was not at all high. Only three out of ten (30 per cent) of all state benefit and pension recipients not paid by ACT had any idea of what the changes will involve and there were a number of mistaken beliefs. The most common of these was that the Government intends to close a lot of Post Offices, which was mentioned by seven per cent of the people interviewed. Just as commonly, people said that they had heard that there would be a change, but they did not know what it would involve.

On the whole, pensioners' levels of knowledge were slightly higher than non-pensioners³ (32 per cent knew what the changes will involve, compared with 28 per cent of non-pensioners). At the same time, pensioners were also more likely to have misconceptions. Indeed, one of the adverse effects of the recent publicity was that one in ten pensioners (10 per cent) thought that the Government proposed to close a lot of Post Offices from 2003. There were, however, some interesting differences between groups of pensioners. In particular, levels of knowledge were much lower among the poorer pensioners who were claiming IS. Only two out of ten of them (21 per cent) knew anything about the proposed changes.

Among non-pensioners, it was JSA recipients who knew least – seven out of ten of them (71 per cent) said that they had heard nothing and only two out of ten (19 per cent) knew that their benefit would be paid into a bank account after 2003. It was the non-pensioner DLA recipients who were the best informed – nearly four out of ten of them (38 per cent) knew about the proposed changes.

The spontaneous views of the changes amongst those who had heard of them were overwhelmingly negative. It should, however, be noted that

² Only people who were *not* paid by ACT were included in this study.

³ Throughout the report the term 'pensioner' is used to refer to people over the age of retirement; non-pensioners being below retirement age.

the survey was undertaken at a time when there was considerable media coverage of the changes, much of which was negative, such as the possible closure of Post Offices.

Three-quarters of the people who said that they had heard about the changes (30 out of the 41 per cent) made wholly negative comments, with the most common ones relating to:

- a preference for using the Post Office (14 per cent);
- concerns about loss of financial control if they used a bank account (13 per cent);
- access problems (nine per cent);
- the impact it might have on their community if local Post Offices no longer handled benefit and pension payments (six per cent);
- a principled objection to the payment of benefits and pensions by ACT (five per cent).

Hardly anyone expressed any concerns either about the frequency of payments or about the collection of their benefit or pension by a third party.

Only a minority of people who had heard about the changes (six of the 41 per cent) were entirely positive about the proposals. A similar proportion were either equivocal or, more commonly, they had no opinion on the matter.

Half of the people who were positive about the changes they were aware of (three per cent of all respondents) merely said that they thought it was a good idea to pay pensions and benefits into a bank or building society account. A small number (one per cent) approved because it would cut Government costs and a similar number because it would reduce the incidence of fraud and lost order books and girocheques. A further one per cent gave the proposals a more cautious welcome, saying they were a good idea as long as they could continue to collect their money at the Post Office.

Overall, pensioners were far more negative about what they had heard than were non-pensioners.

2.1 Views of the changes

When the proposed changes were explained (see Figure 2.1 for explanation given), people divided equally into those who were positive and those who were negative about them. A minority (19 per cent) were either equivocal or had no view one way or the other (Table 2.1).

Four out of ten (41 per cent) of all the people interviewed gave wholly positive responses. Again, they mostly thought that they were a good idea or that the proposals were fine as long as they could collect their money at the Post Office.

Figure 2.1 Explanation given of changes

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

Table 2.1 Views of the proposals to pay pensions and benefits by ACT from 2003

	Column percentages												
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	DLA non-pensioner	DLA pensioner	IS	IS non-pensioner	IS pensioner	JSA
Positive views only	41	48	33	33	46	44	43	45	39	43	48	34	56
Negative views only	40	32	48	47	31	35	39	35	50	42	36	52	25
Equivocal	19	20	19	20	22	21	18	20	12	15	17	14	19
Positive views¹													
Good idea	22	30	13	13	32	24	23	28	14	22	29	10	37
Good idea if can use PO	24	22	26	26	20	25	25	23	29	23	22	25	19
Will cut costs	2	3	1	1	3	2	2	2	1	3	4	2	5
Will increase security	2	3	1	1	3	2	3	3	2	2	4	-	5
Negative views¹													
Doesn't like change	21	16	28	27	15	18	24	22	30	21	17	28	8
Likes Post Office	13	10	16	16	10	8	12	11	15	15	12	19	5
Dislike of banks	8	6	11	10	6	5	9	8	12	11	8	15	3
Concerns about access	5	5	4	4	5	6	6	6	6	4	5	2	5
Will increase costs	6	6	7	7	5	5	6	6	6	7	8	5	3
Opposed on principle	4	4	4	4	4	4	4	3	5	3	3	4	4
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

Note: Pensioner is defined in this and subsequent tables as someone over retirement age. The sum of the numbers of pensioners and non-pensioners is less than the total number of people interviewed as some people declined to give their age.

- no respondents

¹ Note some people held more than one view

Where they expressed a more precise view, it was either that it would reduce fraud and lost order books; that it would give people more choice about where to collect their money; or that it would be more convenient (two per cent each).

A similar proportion (39 per cent) of people were entirely negative – with most of these simply saying that they would prefer to keep things as they are or that they just did not like the idea.

Where they were more precise, their comments mainly related to liking to deal with the Post Office (13 of the 39 per cent with wholly negative views). The next most commonly held views were a dislike of dealing with banks (eight per cent), a belief that the changes would *increase* costs (six per cent) and concerns about physical access problems (five per cent). A small number of people voiced a principled objection to the introduction of payment by ACT. Hardly anyone expressed any concerns about bank errors or the risk of losing control over their money.

Pensioners were generally much less positive than non-pensioners and there was also some variation across the six benefits. Overall, only a third (33 per cent) of pensioners were positive about the changes being proposed; while nearly half of them (47 per cent) were negative. This was true regardless of the benefit they were claiming, although pensioners who also received Income Support were slightly more negative. Moreover, where pensioners thought that the changes were a good idea, they usually qualified this by saying that they were in favour as long as they could continue to use the Post Office. Pensioners' negative views mirrored those held generally. But they were particularly resistant to change *per se* and to express a liking for dealing with the Post Office and a dislike of dealing with banks.

In contrast, nearly half of non-pensioners (48 per cent) were positive and a third were negative when told of the proposed changes. In particular far fewer of them said that they just did not want to change the way they collect their benefit. They also included fewer people who expressed a dislike of dealing with banks. The other notable difference was that non-pensioners were much less likely to express strong views about using the Post Office. A smaller proportion of non-pensioners who were negative about the proposals said that they wanted to continue to use the Post Office. Even among those that were positive, far fewer said the proposals were a good idea as long as they could use the Post Office.

Among non-pensioners, JSA recipients were, by far, the most positive – 56 per cent of them gave wholly positive replies and only 25 per cent were completely negative. They were much more likely than any other group of benefit recipients to think that payment of benefit by ACT would cut costs (5 per cent) and be more secure (five per cent). Hardly any of them rejected the proposals *per se*; said they preferred to use the Post Office; or voiced a dislike of banks. While no other non-pensioner group was anything like as positive as the JSA recipients, people receiving ChB or IS were slightly more positive than those in receipt of IB or DLA. They were also less wedded to using the Post Office.

2.2 How willingly will people transfer to ACT?

At the end of the interview, respondents were asked to take into account all the topics that had been discussed and say how willing they will be to transfer to ACT. Nearly half (46 per cent) of them said that they would be either very willing (23 per cent) or fairly willing (23 per cent) to do

so. A further 21 per cent said that they would be willing to switch as long as they could collect their benefit or pension at the Post Office. When the remainder were offered the further option of collecting their money as frequently as now, another three per cent said that they would be either very or fairly willing to switch. However, this still leaves a quarter of the people surveyed who would be 'not very' (nine per cent) or 'not at all willing' (17 per cent) to make the change to ACT, even if they could still get their pension or benefit at the Post Office with the same frequency as they currently collect it (Table 2.2).

People below pension age were generally more willing to switch than were pensioners and there was a strong relationship with age. So the older people were, the more resistance they exhibited with regard to transferring to ACT. So, while 71 per cent of people aged under 20 were either fairly or very willing to change to ACT, this fell steadily with age so that only 24 per cent of people aged over 80 were willing to do so. Indeed, 40 per cent of this age group said that they were either not very or not at all willing to transfer.

There was also considerable variation across the six benefits that was only related in part to age. The greatest willingness to change to ACT was exhibited by people claiming JSA. Child Benefit recipients were the next most willing. Least willing to transfer were people receiving RP, followed by people claiming IB, DLA and IS. However, it should be borne in mind that these last two benefits include considerable numbers of people aged over 65 (DLA 23 per cent and IS 33 per cent). If we separate out the two age groups within DLA and IS it is clear that, in both cases, non-pensioners said they were more willing to transfer than pensioners. Indeed, pensioners who also received Income Support were the least willing of all.

As expected, there was a strong correlation between the views people expressed about the changes and their level of willingness to be paid by ACT from 2003. Even so, there were people who made only positive remarks about the proposals who were, nevertheless, unwilling to be paid by ACT. Similarly there was a group of people who were entirely negative about the proposals but were willing to transfer to ACT. This is the first of several indications that some people's views were more complex than could be captured by a single question.

Table 2.2 Willingness to transfer to ACT, by age grouping, benefit received and views of proposed changes

	Row percentages								
	Very willing	Fairly willing	Willing if can use Post Office	Willing if can use Post Office and collect money as frequently as now	Not very willing	Not at all willing	Don't know	Base (weighted)	Base (unweighted)
All	23	23	21	3	9	17	4	4,806	4,805
All non-pensioners	31	27	18	3	7	12	3	2,490	3,254
All pensioners	15	18	25	3	11	23	5	2,289	1,514
Retirement Pension	14	19	26	3	11	22	4	1,797	1,005
Child Benefit	31	31	16	3	7	9	2	1,048	802
Incapacity Benefit	25	26	20	2	8	16	3	344	755
Disability Living Allowance	25	22	21	3	7	17	5	422	790
DLA non-pensioners	28	22	22	2	7	13	6	282	528
DLA pensioners	18	21	19	4	9	25	3	128	239
Income Support	26	18	20	4	7	20	5	947	782
IS non-pensioners	32	22	18	3	6	16	3	581	525
IS pensioners	17	11	22	5	8	27	9	363	254
Jobseekers' Allowance	37	31	13	3	4	9	3	247	671
Views of proposed changes									
Positive views only	42	31	17	2	3	4	2	1,950	2,098
Negative views only	5	12	25	4	14	34	5	1,912	1,774
Equivocal	21	27	23	2	10	13	4	944	865

2.3 How would people choose to collect their benefit or pension after 2003?

All the people interviewed were also asked which of three options for collecting their benefit or pension they would choose after the Government has replaced 'traditional paper-based methods of paying benefit and pensions, by order book and girocheque, with direct payments into bank or building society accounts'.

Only a minority (13 per cent) said they would 'withdraw their benefit or pension at a bank or building society, rather than at the Post Office'. Four in ten would choose to 'collect their money from the Post Office, from the bank or building society account it had been paid into'. And a similar number agreed

that they would want to be *'paid in some other way that allowed them to collect their money at a Post Office'*, although the question did not specify what this alternative method might be (Table 2.3).

Table 2.3 Choice of method of collecting benefit or pension, by age group, benefit received and willingness to switch to ACT

	Row percentages					
	Go to bank	Bank account at Post Office	Some other way at Post Office	Don't know	Base (weighted)	Base (unweighted)
All	13	39	39	9	4,806	4,805
All non-pensioners	22	39	33	7	2,490	3,254
All pensioners	5	38	47	10	2,289	1,514
Retirement Pension	5	39	46	10	1,797	1,005
Child Benefit	28	36	28	8	1,048	802
Incapacity Benefit	15	39	39	8	344	755
Disability Living Allowance	13	39	41	7	422	790
DLA non-pensioners	16	39	38	7	282	528
DLA pensioners	6	41	48	5	128	239
Income Support	12	39	39	10	947	782
IS non-pensioners	17	44	31	8	581	525
IS pensioners	4	32	52	13	363	254
Jobseeker's Allowance	21	45	28	6	247	671
Willingness to switch to ACT						
Very or fairly willing	27	52	15	6	2,193	2,407
Willing if can use PO	2	44	47	7	1,012	951
Willing if as frequent as now	2	35	52	12	143	133
Not willing	2	16	71	11	1,261	1,129
Don't know	3	16	52	29	178	162

These proportions again varied greatly between pensioners and non-pensioners, across the six benefits. The pattern was broadly the same as it had been for people's willingness to transfer to ACT. So, people receiving ChB or JSA were most likely to say that they would collect their money from a bank and the least likely to say that they wanted to be paid some way other than through a bank account.

All pensioners, regardless of the benefits they received, were reluctant to collect their money from a bank account and wanted to be paid in some other way. But pensioners in receipt of IS were the most reluctant of all.

On the whole, there was a large degree of overlap between people's willingness to transfer to ACT and the method by which they would choose to be paid after order books and girocheques have been replaced (Table 2.3). For example, eight out of ten people who expressed a willingness to transfer to ACT (even without a guarantee that they could

collect their money at the Post Office) said that they would choose to get their money from a bank or building society account. Although most of them would prefer to do so through the Post Office. At the other extreme, seven out of ten of those who were unwilling to change to ACT payments said that they wanted to collect their money at the Post Office by some way other than from a bank account.

There were, however, quite a number of people who gave contradictory replies. For example, 15 per cent of those who said they were very or fairly willing to be paid by ACT later said that they did not want to be paid into a bank account. The same was true of nearly half of the people who said that they were willing to be paid by ACT provided they could use the Post Office to collect their money.

Conversely, 18 per cent of the people who said that they would be unwilling to change to ACT later said that they will opt to collect their pension or benefit from a bank account after 2003. The most commonly given reason for being unwilling to change was a generalised preference for keeping things as they are. This suggests that these people would prefer to keep their current method of payment, but when that is no longer an option, they will collect their money from their account at a bank or building society.

There were similar disjunctures with people's views of ACT, as captured in a series of attitudinal statements.

2.4 A classification of ease of transfer to ACT

Because of these contradictions between people's views and what they said they would do, a statistical technique known as discriminant analysis was used to group people according to their likely response to the introduction of ACT. This was based on their stated willingness to transfer, but also took into account other factors that might be expected to have an effect. These included things like:

- personal characteristics and circumstances;
- ownership of a bank account, use of banking facilities and other aspects of money management;
- access issues, such as ease of getting to a bank branch, mobility problems, access to a car, and whether they had their benefits collected for them; and
- attitudes to banks, the Post Office, and ACT.

This analysis classified people into one of five groups according to their ease of transfer to ACT, with *Group 1* being the easiest and *Group 5* the most difficult.

As can be seen from Table 2.4, there is still a fair degree of overlap between people's stated willingness to transfer to ACT and the group to which they were allocated. So nine out of ten of *Group 1* said that they

were very or fairly willing to switch to ACT; while eight out of ten of *Group 5* were not very or not at all willing to do so. There is a similar overlap with the way that people would choose to collect their pension or benefit after 2003 and their views of the proposed changes after they had them described.

Table 2.4 Ease of transfer by reactions to proposed changes

	Column percentages					
	All	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Stated willingness to transfer						
Very willing	23	56	*	1	16	3
Quite willing	23	33	30	19	18	2
Willing if at PO	21	7	43	35	17	17
Willing if at PO and as often as now	3	1	4	9	3	3
Not very willing	9	1	12	13	10	16
Not at all willing	17	1	9	19	19	53
Don't know	4	1	2	4	16	6
How would choose to get money						
Withdraw at a bank	13	31	4	5	6	1
Withdraw at a Post Office	39	50	46	38	29	15
Some other way at Post Office	39	13	44	50	41	72
Don't know	9	6	6	7	24	12
Views of changes						
Positive views only	41	77	31	25	19	5
Negative views only	40	6	43	64	34	84
Equivocal	18	16	25	10	39	10
Don't know	*	*	*	*	8	*
Positive views						
Good idea	22	48	13	8	13	2
Good idea if can use PO	24	33	31	18	21	8
Will cut costs	2	5	3	*	2	-
Will increase security	2	6	2	-	-	-
Negative views						
Doesn't like change	21	2	21	30	22	51
Likes Post Office	13	3	17	22	9	27
Dislike of banks	8	2	12	16	7	21
Concerns about access	5	*	4	9	4	6
Will increase costs	6	2	8	15	2	11
Opposed on principle	4	*	2	7	5	6
Didn't understand changes	4	1	4	7	10	4
Base (weighted)	4,806	1,749	1,010	583	464	1,002
Base (unweighted)	4,805	1,959	957	614	393	882

* less than 1 per cent

- no respondents

Both the views of the proposed changes and the personal characteristics of the five groups are summarised below. It should, however, be noted that such groups can never be homogeneous, rather they are intended as a conceptual framework to describe the ease with which people can be transferred to ACT and the factors likely to influence their transfer.

2.4.1 Group 1 Easy to transfer to ACT

This group was the largest of the five groups (about four out of ten of all those interviewed) and included people who held predominantly positive views of the changes and were unconditionally willing to transfer to ACT. But even they would, on balance, choose to withdraw the money from their accounts at the Post Office if given the choice (Table 2.4).

They were also by far the youngest of the five groups, with an average age of 43. They included the highest proportion of people aged under 40. Just three out of ten (30 per cent) of them were over pension age and even these people tended to be younger pensioners. Only four per cent were aged over 80, compared with 14 per cent in the sample as a whole (Table 2.5). Almost half of them were families with children – more than any other group.

This age profile was reflected in both the benefits they were receiving and their family circumstances. They included disproportionate numbers of people claiming ChB, JSA and IB. They were also the only group where people receiving a retirement pension were not the largest sub-group.

Almost half of them (48 per cent) were either two-parent or lone parent families with children – the highest proportion of all five groups. Single people living alone were particularly under-represented among them. Almost half of them were women under pension age – by far the highest of all five groups.

They were also the group that had fewest access problems, whichever way that was assessed. Almost half of them had access to a car whenever they needed it and only four out of ten had a disability that limited their daily activities. As a consequence only a small minority said that they would have difficulty getting to the nearest branch of a bank or building society and even fewer had difficulty getting to the nearest Post Office.

Table 2.5 Ease of transfer by personal characteristics

	Column percentages					
	All	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Under pension age	52	70	47	50	33	35
Men	18	23	14	18	15	13
Women	34	47	33	32	18	22
Over pension age	48	30	53	50	67	65
Men	17	13	21	18	21	19
Women	31	17	32	32	46	46
Age						
Average	60	43	64	61	76	69
19 and under	2	4	1	1	2	1
20-29	10	14	10	7	6	5
30-39	17	25	16	15	8	11
40-49	11	14	9	12	8	8
50-59	8	10	7	11	7	7
60-69	17	14	21	22	9	20
70-79	20	15	22	26	16	25
80-89	12	4	12	4	36	20
90 and over	1	*	*	1	6	2
Refused/not stated	1	*	*	1	3	1
Benefit						
Retirement pension	37	25	45	38	44	49
Child Benefit	22	32	19	20	11	13
Incapacity Benefit	7	8	7	8	5	7
Disability Living Allowance	9	9	7	13	9	7
DLA non-pensioner	6	7	5	7	6	4
DLA pensioners	3	2	2	6	3	3
Income Support	20	18	18	18	28	22
IS non-pensioners	12	15	12	12	9	9
IS pensioners	8	3	6	6	19	13
Jobseeker's Allowance	5	8	4	4	3	2
Family circumstances						
Single person, living alone	28	18	28	22	50	39
Couple, no children	25	21	29	31	16	27
Lone parent with dependent children	16	20	18	13	10	12
Couple, with dependent children	18	27	13	19	8	10
Other	13	13	12	16	15	11

Continued

Table 2.5 Continued

	Column percentages					
	All	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Disabilities						
Mobility impairment	36	26	35	41	51	42
Visual impairment	8	5	7	8	16	12
Hearing impairment	6	4	5	5	12	7
Other physical impairment	37	29	36	42	46	44
Mental health problems	12	11	10	12	12	13
Learning difficulties	2	1	2	3	4	2
No disability at all	43	53	44	38	27	35
<i>Ave no: of types of disability (all with a disability)</i>	<i>1.77</i>	<i>1.61</i>	<i>1.70</i>	<i>1.79</i>	<i>1.93</i>	<i>1.85</i>
Access to a car						
Access, whenever needed	38	46	37	40	24	31
Limited access – not whenever needed	10	12	9	11	9	7
No access at all	52	42	54	49	67	62
Disability						
Has disability that limits daily activity	47	38	47	52	64	54
Has non-limiting disability	9	9	9	10	8	10
Has no disability	44	53	44	38	28	36
Who collects benefit						
Has benefit/pension collected for them	19	14	18	13	48	21
Collects benefit/pension personally	81	86	82	87	52	79
Difficulty getting to a bank						
Easy	35	49	34	23	24	24
Fairly easy	32	32	40	24	21	34
Neither easy nor difficult	8	6	10	5	11	10
Fairly difficult	13	9	9	28	16	14
Very difficult	12	4	7	20	28	18
Difficulty getting to a Post Office						
Easy	63	71	66	64	40	56
Fairly easy	22	20	24	18	23	26
Neither easy nor difficult	4	2	3	4	9	4
Fairly difficult	6	4	4	9	9	6
Very difficult	6	2	4	5	19	8
Type of locality lived in						
Inner city	9	9	9	12	8	8
Suburbs/outskirts of city	26	27	23	30	29	24
Central town	8	9	9	9	10	6
Outskirts of town	35	35	40	17	27	44
Village	17	16	16	27	18	14
Other rural	3	3	2	4	3	3
Don't know/not stated	1	1	1	1	5	1

Continued

Table 2.5 Continued

	Column percentages					
Region	All	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Greater London	10	12	9	9	9	7
South East (excl London)	15	13	17	7	26	16
East Anglia	4	3	1	2	4	8
East Midlands	8	8	8	10	8	5
West Midlands	9	10	13	9	5	6
South West	7	8	6	9	7	6
Wales	7	5	7	11	4	7
Yorkshire Humberside	9	10	10	10	9	9
North West	13	12	15	10	10	15
North	7	7	2	12	10	8
Scotland	12	12	12	10	8	13
Base (weighted)	4,806	1,750	1,010	583	462	1,002
Base (unweighted)	4,805	1,959	957	614	393	882

* less than 1 per cent

2.4.2 Group 2 Quite easy to transfer to ACT

This group accounted for a further two out of ten of the people interviewed. They will be less easy to transfer to ACT than the previous group but much easier than any of the others. They were notable for their attachment to the Post Office. Nearly half of them said that they were willing to transfer to ACT as long as they could continue to collect their pension or benefit at the Post Office. Half of them said that, after 2003, they would choose to withdraw their money from their bank account but do so at the Post Office. And a third of them said that the proposals to pay benefits and pensions by ACT were a good idea as long as the money could still be collected at the Post Office (Table 2.4). In fact, three-quarters of people in Group 2 said, one way or another, that they would like to continue to collect their money at the Post Office even if they switch to ACT.

This group was disproportionately made up of younger pensioners (in their 60s and 70s) and especially those who were not claiming either IS or DLA along with their pension. Their average age was 64 (Table 2.5).

Although the overall proportions of men and women were about the average, there was a greater proportion of men over retirement age, and correspondingly fewer younger ones.

Relatively few people in this group had access problems. They had about average levels of both access to a car and the incidence of disabilities that limited their daily activities. They tended to live on the outskirts of towns and in the more urban regions (South East, West Midlands and

the North West). Consequently only a minority of them said it was difficult to get to a bank or building society branch and very few found getting to the Post Office difficult.

2.4.3 Group 3 *Potentially difficult to transfer to ACT*

This was the second-smallest of the five groups and accounted for about one in ten of all those interviewed. They will be more difficult again to transfer to ACT – far fewer of them said that they would be willing to transfer, half of them would choose to be paid by some way other than into an account, and by and large they were fairly negative about the proposed changes. They were the ones who were most concerned about the costs of the switch to ACT, the access problems they would face, and were most likely to object on principle to the proposed changes. Like *Group 2* they demonstrated a fairly strong attachment to the Post Office (Table 2.4). In total, two-thirds of them said at some point in the interview that they were only prepared to transfer to ACT if they could continue to collect their benefit or pension at the Post Office.

Their average age was 61, with the great majority of people (70 per cent) aged in their 40s – 70s. Reflecting this, they were evenly split between pensioners and non-pensioners, most of whom were families with children. About a quarter of them were lone parents – the largest proportion of the five groups – and another one in five were two-parent families.

Two groups of benefit recipients were over-represented among them – people claiming either DLA or IB. Indeed, many of the families with children were in receipt of one of these two benefits. The proportion of people receiving the retirement pension was about average (Table 2.5).

They were the group with the highest proportion of people who said that they found it difficult to get to a bank or building society branch – 48 per cent, but 28 per cent said it was only fairly difficult. This can be attributed to three reasons. First, they had a high level of mobility problems. Secondly, it was related to where they lived. They included the largest proportions of people living in rural areas and in the suburbs. They also lived in the more sparsely populated regions – the North of England, the South West and Wales. Thirdly, given the large proportion of rural dwellers, access to a car was lower than might have been expected.

More detailed analysis showed that, although there was some overlap between rural dwellers and people with disabilities, it was not great. Nor was there a large overlap between the people with no access to a car and those with disabilities. As a consequence nine out of ten people in this group were either disabled, lived in a rural area or had no access to a car.

2.4.4 Group 4 *Quite difficult to transfer to ACT*

This was the smallest of the five groups – about one in ten of the people interviewed. *Group 4* will be quite difficult to transfer to ACT, but as will become clear from later analysis described below and in subsequent

chapters, this is less related to their views than to practical difficulties. They were the ones who found the interview most difficult and, as Table 2.4 shows, frequently answered ‘Don’t know’ to the questions they were asked.

As a group they were very elderly and two-thirds of them were pensioners. Their average age was 76 and four out of ten were aged over 80. Moreover, almost half of them were women over pension age. As might be expected they included the smallest proportion of families with children and of unemployed people receiving JSA (Table 2.5).

They were very likely to be either living alone or living either as a part of someone else’s household or in residential care. And they were drawn from the very poorest pensioners, with disproportionate numbers of people claiming IS or renting their homes from a social landlord.

They had by far the highest overall levels of disability and also the highest incidence of disabilities of all kinds. Three-quarters of them had a disability that limited their daily activities and half of them relied on someone else to collect their benefit for them (more than three times the average).

They had the highest proportion of people saying that they found it *very* difficult to get to a bank branch (28 per cent) and by far the greatest number who said that they also found it very difficult to get to the Post Office (19 per cent). They were also the group with the least access to a car.

In contrast to *Group 3*, however, their access difficulties stemmed predominantly from their level of physical disability rather than where they lived. Indeed, nine in ten of them had a limiting disability, lacked access to a car or relied on someone else to collect their benefit or pension for them.

2.4.5 *Group 5 Difficult to transfer to ACT*

This last group, comprising two in ten of all those interviewed, will be the most difficult to transfer to ACT. They had little that was positive to say about the proposed changes, were very unwilling to transfer and would choose to keep things as they are now (Table 2.4). Almost all (97 per cent) of them either said that they were not at all willing to transfer to direct payments, that they wanted to collect their money at the Post Office rather than access it through a bank account, or they expressed wholly negative views of ACT.

They were overwhelmingly pensioners and only a third of people were under retirement age. Their average age was 69, making them the second-oldest of the five groups. About half of them were aged over 70 and almost half were women over pension age (Table 2.5).

Group 5 had the second highest level of reported access problems of the five groups – including lack of access to a car; incidence of limiting disability; and reliance on others to collect their benefit or pension. Their reported level of difficulty getting to either a bank branch or the Post Office was above average, but was nothing like as high as *Groups 3* and *4*.

2.5 Summary

In summary, at the extremes there are two groups of people – those who are most willing to transfer to ACT and those least willing to do so. Between these extremes, it is possible to identify three further groups, who differ in the factors that will influence their willingness to use ACT. For some it is mostly a matter of reassurance that they can continue to use the Post Office, for some there are physical access problems, and others are very elderly and frail.

In subsequent chapters we add to the descriptions of these five groups, looking at aspects of benefit payment methods, banking, money management, use of the Post Office, and experience of ACT. In the final chapter we give an overview of their key distinguishing characteristics and, through these, identify the barriers that need to be overcome to transfer each of them to ACT.

3 BENEFIT RECEIPT

There are currently three methods by which people can receive benefit and pension payments – direct payments into a bank or building society account (ACT), girocheque, or order book. ACT is available for all social security benefits⁴; the other payment methods are associated with particular ones. All benefit recipients, with the exception of people receiving JSA, can choose between payment by ACT or order book as their usual method of payment. JSA recipients can have their payments made by ACT or by girocheque⁵ (Figure 3.1).

Figure 3.1 Methods of payment available for six sampled benefits

	Method of payment available		
	ACT	Girocheque ⁴	Order book
Retirement Pension	✓	✗	✓
Child Benefit	✓	✗	✓
Incapacity Benefit	✓	✗	✓
Disability Living Allowance	✓	✗	✓
Income Support	✓	✗	✓
Jobseeker's Allowance	✓	✓	✗

Predictably, the methods by which people actually received their benefit payments largely reflected these patterns of availability – where they did not it was because they were also receiving another benefit and the payments were combined. The people who took part in this survey were all selected because they were not having their sampled benefit paid by ACT at the time of the research. The vast majority (94 per cent) received their benefit by order book, rather than by girocheque. The only exception was JSA recipients, all of whom were having their benefit

⁴ Although not necessarily for other types of payment, eg the Social Fund.

⁵ While all benefits *can* be paid by girocheque, only JSA recipients can choose this as their usual method of payment. For other benefits, girocheques are only used in particular circumstances, such as payment of arrears or during a re-calculation of entitlement.

paid by girocheque at the time of the research. Almost all (96 per cent) JSA recipients cashed their girocheques at the Post Office. Only a tiny minority paid them into a bank or building society account or used a cheque-cashing outlet.

3.1 Reasons for choice of current method of payment

People had chosen to be paid by order book or girocheque for a range of reasons (Table 3.1). Some had made a pragmatic decision, others simply illustrated a lack of knowledge and information about the alternatives. In addition, people who had started to receive their sampled benefit before ACT payments became available would not, initially, have had the option of choosing this method of payment, although they would have had the option to change later on.

By far the most commonly cited factor was the convenience of using the Post Office, which was given as a reason by half of people (51 per cent) and was the main reason cited by a third (36 per cent). This was important to everyone who took part in the research, but more so for pensioners (59 per cent) and recipients of DLA (54 per cent).

The only other reason that came anywhere near this level of importance was being unaware that there was a choice of payment method. Over a quarter of people (28 per cent) gave this as a reason, including more than one in ten (12 per cent) who said their current method was the only option given to them by staff when they started to claim. This was the main reason cited by nearly one in four people (23 per cent). Overall, there was little difference between pensioners and non-pensioners in this respect. However, pensioners who were also in receipt of IS (27 per cent) and people claiming IB (30 per cent) were more likely to give this as their main reason than recipients of other benefits. People's knowledge and views of different methods of benefit payment are explored in more detail later in this chapter.

The next most commonly cited reason that people gave for their choice of payment method was that it provided access to an immediate source of cash. This was cited by a fifth (19 per cent) of people overall and by almost one in four (23 per cent) pensioners. It was the main reason given by one in ten (10 per cent) of people but was more often the most important factor for pensioners (12 per cent) and recipients of ChB (12 per cent) than for other groups.

A number of other reasons for choice of payment method were given, although they did not feature as highly, and were less likely to have been the main factor behind people's decision making. These related strongly to budgeting preferences. Almost one in ten people (nine per cent), all of whom were paid by order book, had chosen this method because they wanted to get their money on a weekly basis. It was the main reason, however, for only three per cent of people. Pensioners and non-pensioners were equally likely to cite weekly payments as their main reason for

choice of payment method. The importance of the frequency with which benefit is paid is explored in more detail later on in this chapter. Patterns of money management and their implications for benefit payment are covered in Chapter 5.

Table 3.1 Reasons for choosing current method of benefit payment

	Cell percentages												
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	DLA non-pensioner	DLA pensioner	IS	IS non-pensioner	IS pensioner	JSA
Reasons chose current method¹													
Like dealing with Post Office	51	59	45	58	45	46	54	53	59	50	42	62	41
Didn't know there was a choice	28	29	28	28	25	35	26	26	22	31	28	26	27
Source of immediate cash	19	23	15	27	19	13	11	11	12	11	12	9	11
Like to get money weekly	9	12	7	12	7	6	6	6	5	8	8	9	1
Suits money management	8	8	9	8	12	6	8	7	10	7	8	5	4
No bank/bsoc account	7	5	10	4	7	7	10	11	8	10	12	5	17
Someone else collects benefit	1	1	1	1	*	1	2	2	1	1	1	1	*
Main reason chose current													
Like dealing with Post Office	36	41	32	40	32	32	41	41	42	36	29	48	30
Didn't know there was a choice	23	22	23	22	25	30	21	22	18	25	24	27	23
Source of immediate cash	10	12	8	13	12	6	4	3	6	5	6	4	5
No bank/bsoc account	4	2	6	2	4	3	7	7	5	5	8	1	12
Suits money management	4	2	5	2	7	2	3	4	3	3	4	1	2
Like to get money weekly	3	3	3	3	5	2	2	1	2	2	3	2	0
Someone collects it	1	1	0	1	0	1	1	1	1	1	1	1	0
Other	20	18	23	18	15	24	22	21	24	22	27	15	28
Base (weighted)	4,806	2,288	2,490	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	1,514	3,254	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ Respondents were able to give more than one reason

Other people had chosen their method of payment because it suited their style of money management (eight per cent) and half of these (four per cent) said it was the main reason for their choice. Often this was because they liked to get their benefit in cash and found it easier to manage their payments in this way. As a main reason, this issue was more important to non-pensioners (five per cent), especially those receiving ChB (seven per cent), than it was to pensioners (two per cent).

Nearly one in ten people (seven per cent) had had to have their benefit paid by order book or girocheque because they did not have a bank or building society account in which to receive direct payments. Non-pensioners were three times as likely as pensioners to give this as their main reason for choice of payment method. Among them, recipients of JSA (12 per cent) were most likely to have chosen to be paid by girocheque for this reason. They were, in fact, among those least likely to have a current account at the time of the survey. Use of banks and banking products by benefit recipients is further explored in Chapter 4.

Finally, a small minority of people (one per cent) had chosen their payment method because it made it easier for someone else to collect their benefit for them. Not surprisingly, these people were generally pensioners and people with disabilities. While this was given as the main reason by only a small number of people their vulnerability makes this an important issue, particularly in relation to their potential for transfer to payment by ACT. Third party collection of benefit and its implications are covered in more detail later in this chapter and again in Chapter 7.

3.2 Perceived advantages and disadvantages of order books and girocheques

On the whole, people perceived many advantages of their chosen method of payment and correspondingly few disadvantages. People paid by girocheque were, however, more equivocal than those paid by order book.

The majority of people who used them saw real advantages to being paid by order book (96 per cent) or girocheque (87 per cent) (Table 3.2). The main (unprompted) advantage identified for both methods was the convenience of getting to the Post Office. This was cited by more than half (56 per cent) of people paid by order book and a third (35 per cent) of those paid by girocheque.

Also important for users of these payment methods was that they perceived them to be reliable, resulting in a guaranteed payment on a guaranteed day. This was identified as an advantage by nearly one in four users of each method (37 per cent of order book users and 38 per cent of girocheque users). In addition, over a quarter (27 per cent) of order book users and a fifth (19 per cent) of people paid by girocheque cited access to an immediate source of cash as a key advantage of payment by order book or girocheque. A further fifth of people paid by these methods (22 per cent for each) thought that their payment method was just easier and more convenient than other ways of receiving benefits.

Table 3.2 Advantages and disadvantages of different payment methods

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Advantages													
Order book¹													
None	4	6	2	1	5	6	6	7	3	5	5	2	n/a
Convenience of Post Office	56	50	63	63	47	57	59	56	65	54	48	62	n/a
Guaranteed payment day	37	42	33	32	36	45	36	37	34	46	52	37	n/a
Source of immediate cash	27	24	30	32	28	27	19	16	24	18	18	20	n/a
Suits style of money management	26	20	31	33	21	24	19	18	22	21	16	29	n/a
Generally easy/convenient	22	22	21	21	22	24	21	22	19	21	21	21	n/a
Like dealing with the Post Office	10	6	15	16	5	9	9	8	11	7	5	10	n/a
Personal security	8	9	7	5	8	10	8	10	7	11	10	12	n/a
Someone else can collect benefit	2	1	2	2	1	2	2	2	3	2	1	3	n/a
Weekly payments	*	1	*	*	1	*	*	*	0	0	0	0	n/a
Girocheque¹													
None	13	13	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	12
Guaranteed payment day	38	39	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	40
Convenience of Post Office	35	36	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	37
Generally easy/convenient	22	22	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	22
Source of immediate cash	19	19	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	20
Continued													

Table 3.2 Continued

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Disadvantages													
Order book¹													
None	73	63	83	82	58	71	75	70	86	71	65	85	n/a
Personal security	11	16	6	7	18	10	9	10	6	13	18	5	n/a
Post Office inconvenient	10	15	5	5	19	13	10	13	4	8	11	3	n/a
Girocheque¹													
None	42	41	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	41
Unreliable	29	30	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	29
Prone to loss/fraud	12	12	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	12
Post Office inconvenient	12	12	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	12
Personal security	11	11	*	n/a	n/a	*	n/a	n/a	n/a	*	*	*	12
Base (weighted)	4,806	2,490	2,288	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ Respondents could give more than one reason

n/a Payment method not available for this benefit

Only a quarter of people paid by order book (27 per cent) thought that they had any disadvantages, although over half (58 per cent) of girocheque recipients said the same (Table 3.2).

The main (unprompted) disadvantage of order books was the fact that they are easy to lose. This was cited by one in ten (11 per cent) people overall and around one in six (16 per cent) non-pensioners, particularly those getting ChB and IS (18 per cent of each). In addition, a further one in ten people (10 per cent) cited the inconvenience of collecting benefits at the Post Office as a disadvantage of payment by order book. Again, this was more of an issue for non-pensioners (15 per cent), especially ChB recipients (19 per cent), than it was for pensioners (5 per cent).

Girocheques, on the other hand, were seen as unreliable by three out of ten (29 per cent) people that used them because they are prone to arriving late or, in some cases, not at all. This has also been found in qualitative research on recipients' views of different method of payment (Thomas and Pettigrew, 1999). A further one in eight people (12 per cent) thought girocheques were an insecure method of payment because they carry more risk of loss or fraud and a similar proportion (11 per cent) did not feel safe about collecting all their money in cash. Finally, like people using order books, one in eight (12 per cent) of girocheque users found it inconvenient to collect their benefits at the Post Office.

3.3 Awareness of the costs of different 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 fifty times as much as payments by ACT, while girocheques, the most expensive method of payment, cost eighty times as much. Since these amounts differ greatly it might be expected that knowledge of them would play a part in at least some people's willingness to transfer to ACT.

In fact, knowledge of the costs to the taxpayer of payment by different methods was universally poor. Indeed a quarter of people (27 per cent) could not even guess at the relative costs of the three methods and were unable to say either which was the most expensive or which was the least.

Less than a half of people (44 per cent) knew that ACT payments cost the least – indeed nearly one in seven (16 per cent) thought that it was the most expensive payment method. Only a quarter of people (23 per cent) knew that girocheques were the most expensive method of benefit payment while one in ten (10 per cent) thought they were the cheapest method (Table 3.3).

Table 3.3 Knowledge of the relative costs of different payment methods

									Cell percentages	
	Most expensive method				Least expensive method				Base (weighted)	Base (unweighted)
	ACT	OB	GC	D/K	ACT	OB	GC	D/K		
All in sample	16	35	23	27	44	19	10	28	4,806	4,805
All non-pensioners	15	41	25	19	56	14	11	19	2,480	3,254
All pensioners	16	28	20	36	32	23	8	37	2,289	1,514
Retirement Pension	16	31	20	33	34	23	9	34	1,797	1,005
Child Benefit	12	51	20	17	63	11	9	17	1,048	802
Incapacity Benefit	14	36	33	17	56	19	8	17	344	755
Disability Living Allowance	16	32	25	27	43	21	9	27	422	790
DLA non-pensioners	16	34	25	25	48	19	9	24	282	528
DLA pensioners	17	28	25	30	35	24	9	32	128	239
Income Support	18	27	22	33	37	20	9	34	947	782
IS non-pensioners	18	36	26	21	51	16	12	21	581	525
IS pensioners	18	14	18	51	17	25	5	53	363	254
Jobseeker's Allowance	21	23	36	20	45	11	23	21	247	671

Base: All respondents

When asked specifically how much it costs to pay benefits or pensions by the three different methods, consistently half of people said that they had no idea (Table 3.4). In each case, only a handful of people cited a figure to within 10p of the correct amount. This was, however, higher for ACT (18 per cent) than it was for either order books (10 per cent) or girocheques (five per cent). The wide but fairly even distribution of replies across a range of costs suggests that most people really had little idea and were just guessing wildly.

On the whole, non-pensioners had more idea of the relative costs of different methods of payment than pensioners (Table 3.3). They were almost twice as likely to know that ACT was the least costly method (56 per cent, compared with 32 per cent) and slightly more of them picked girocheques as the most expensive method (25 per cent compared with 20 per cent).

But neither group had much idea of the exact amount it cost to pay by ACT, although non-pensioners more commonly *thought* they knew (Table 3.4). It is true that more of them had a broad idea of the costs of ACT – 25 per cent gave an answer that was within 10p of the correct amount – compared with just 10 per cent of pensioners – but this was still only a minority. Neither pensioners nor non-pensioners had any real idea of the costs of the methods by which they were currently being paid.

Table 3.4 Knowledge of the actual costs of different payment methods

Cost	All respondents			All non-pensioners			All pensioners		
	ACT	OB	GC	ACT	OB	GC	ACT	OB	GC
Correct to within 10p	18	10	5	25	12	6	10	8	4
Incorrect	33	40	43	38	50	54	28	30	30
Don't know	49	50	52	37	38	40	62	62	66
Base (weighted)	4,806	4,806	4,806	2,490	2,490	2,490	2,288	2,288	2,288
Base (unweighted)	4,805	4,805	4,805	3,254	3,254	3,254	1,514	1,514	1,514

Base: All respondents

3.3.1 The impact of knowing the costs of different payment methods

At this stage in the interview, people were told exactly how much it currently costs the taxpayer to pay pensions and benefits by each of the three payment methods and then asked whether or not this would affect their willingness to switch to ACT.

Nearly three-quarters (71 per cent) of people were unswayed in their views and said they would not change their payment method. But around one in seven (14 per cent) people said that they would consider changing to ACT now that they knew the costs, and a further one in ten (10 per cent) said they might change (Table 3.5).

Knowledge of the costs of different payment methods had a bigger impact on non-pensioners than pensioners (Table 3.5). People below pensionable age were three times as likely to say they would change once they knew the costs (21 per cent compared with six per cent of pensioners) and nearly twice as likely to say they might change (12 per cent compared with seven per cent). This left four out of five (80 per cent) pensioners who said that they would not change, even though they knew the cost differences, compared with two-thirds (63 per cent) of non-pensioners.

There was also a wide variation across the six benefits, which broadly reflected these age differences (Table 2.5). So the people who were mostly likely to be persuaded to change their method of payment were in receipt of JSA, ChB or IB or they were non-pensioners receiving either IS or DLA. Pensioners who were getting IS as well as the Retirement Pension were least likely to be influenced by knowing about the costs of different payment methods.

Table 3.5 Likelihood of changing to ACT once aware of the costs

	Column percentages												
	All	Non- pensioner	Non- Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Will change	14	21	6	7	21	20	17	21	9	15	21	4	23
Might change	10	12	7	7	13	8	10	10	9	10	12	6	14
Won't change	71	63	80	81	62	69	68	64	77	68	61	79	59
Don't know	5	4	6	5	4	3	5	5	6	7	5	11	5
Base (weighted)	4,806	2,490	2,288	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

3.4 Length of claim

It is plausible that people who had been paid by either order book or girocheque for extended periods of time might be more reluctant to change the way that they are paid than more recent claimants. In actual fact, most of the people who took part in the survey were fairly long-term benefit claimants (Table 3.6). Two-thirds (66 per cent) had been receiving their sampled benefit for more than five years, and just one in ten (10 per cent) had started claiming within the 12 months prior to the survey.

Table 3.6 Length of time people had been claiming their sampled benefit

								Cell percentages
	Length of time since started to receive sampled benefit							
	Up to 6 months	6 -12 months	1-2 years	2-3 years	3-5 years	5+ years	Base (weighted)	Base (unweighted)
All in sample	5	5	6	7	10	66	4,806	4,805
All non-pensioners	6	6	8	8	13	57	2,480	3,254
All pensioners	3	3	4	5	8	75	2,289	1,514
Retirement Pension	3	4	4	5	7	77	1,797	1,005
Child Benefit	2	2	4	5	10	77	1,048	802
Incapacity Benefit	2	5	8	10	16	57	344	755
Disability Living Allowance	2	3	8	9	22	55	422	790
DLA non-pensioners	2	4	9	11	22	51	282	528
DLA pensioners	1	2	5	7	23	63	128	239
Income Support	6	7	10	10	11	55	947	782
IS non-pensioners	8	8	13	11	13	46	581	525
IS pensioners	4	4	6	7	7	69	363	254
Jobseeker's Allowance	31	25	18	10	7	7	247	671

Base: All respondents

Pensioners tended to have been receiving benefit for longer than non-pensioners, with almost three-quarters (75 per cent) of them having started to receive their sampled benefit at least five years ago. There were, however, slightly fewer very long-term claimants among pensioners claiming DLA.

There was a much wider variation among the non-pensioners. ChB recipients included the greatest proportion of long-term claimants; JSA recipients had been claiming for the shortest length of time. In fact, three out of ten (31 per cent) JSA recipients had started their claim within six months of the survey and fewer than one in ten (seven per cent) had been claiming for five years or more.

Although the vast majority of people (98 per cent) were still in receipt of their sampled benefit at the time of the survey, two per cent had ceased to claim during the period between sampling and fieldwork. Nearly all of these were JSA recipients who had moved into work. Around one in six people (16 per cent) who were receiving this benefit at the time of sampling were no longer claiming at the time of the survey.

3.5 Other benefits received

In total, just over half (52 per cent) of people were receiving other benefits in addition to their sampled benefit (Table 3.7). Most people who were receiving additional benefits were claiming IS; one in seven people who were receiving other benefits were also getting IS. In addition, one in ten people were receiving either DLA or RP in addition to their sampled benefit. Non-pensioners were more likely to be receiving additional benefits than pensioners. For the most part, non-pensioners were receiving

IS, ChB or DLA in addition to their sampled benefit, although around one in ten were claiming IB or Family Credit/Working Families' Tax Credit. Where pensioners were receiving other benefits they were most likely to be IS, RP or Attendance Allowance.

The likelihood of people on each of the six benefits being in receipt of other benefits reflected the social security rules and regulations. Recipients of DLA and IS were most likely to be in receipt of other benefits. Among non-pensioners on IS this was largely accounted for by receipt of ChB and, to a lesser extent, DLA and IB. Recipients of DLA who were below pensionable age were most likely to be receiving IS or IB. Those least likely to be getting other benefits in addition to their sampled benefit were recipients of JSA.

3.6 Other sources of income

Half of all the people interviewed (50 per cent) derived all of their income from social security benefits or the state pension. The three most common sources of other income were earnings, private pensions and income from savings (Table 3.8).

Pensioners were less dependent on social security for their income than non-pensioners (45 compared with 55 per cent). As would be expected, where these two groups had some other income, it came from quite different sources. Pensioners tended to have private pensions, while those under pension age had earnings. Moreover, pensioners were much more likely to have income from interest on savings or investments.

The extent of dependence on social security by benefit group, not surprisingly, reflected the benefit rules on means testing. Child Benefit recipients were very likely to have earned incomes – 51 per cent were earning money themselves and 45 per cent had a partner earning. Fewer than three in ten of them (28 per cent) depended entirely on social security.

People receiving RP had the highest level of private pensions, with 43 per cent having one personally and 18 per cent living with a partner who had a private pension. They were also the group that most commonly received income from savings and investments. Just a third of them (35 per cent) relied on their state pension and any linked benefits for their income.

Table 3.7 Receipt of other benefits

	Column percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Receives no													
other benefits	48	43	54	66	51	55	14	17	8	17	20	11	87
Receive any													
other benefits ¹	52	57	46	34	49	45	86	83	92	83	80	89	13
- Income Support	16	17	14	16	25	14	32	38	18	-	-	-	3
- Disability Living Allowance	9	11	7	7	5	30	-	-	-	17	21	11	1
- Retirement Pension	9	*	18	-	1	2	25	*	82	32	1	83	*
- Child Benefit	8	15	*	*	-	12	13	17	1	29	47	*	7
- Attendance Allowance	6	1	13	12	-	1	4	3	6	8	1	20	-
- Incapacity Benefit	5	9	1	1	4	-	21	30	1	9	15	-	*
- Family Credit/Working Families' Tax Credit	4	8	-	-	19	*	2	2	-	*	1	-	*
- Invalid Care Allowance	2	3	1	1	1	2	6	6	2	4	5	2	1
- Other benefit	6	8	4	4	3	14	16	18	12	5	8	2	2
Base (weighted)	4,728	2,425	2,276	1,793	1,047	337	418	281	125	926	560	362	207
Base (unweighted)	4,644	3,113	1,495	1,003	801	737	783	526	235	762	506	253	558

Base: All respondents still in receipt of sampled benefit

Table 3.8 Other sources of income

	Column percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Benefit/pension is sole source of income	50	55	45	35	28	50	64	69	51	89	0	87	88
Has other income	50	45	55	65	72	50	36	31	49	11	10	13	12
Other sources of income													
Own earnings	13	23	1	2	51	1	2	3	-	2	3	-	2
Partner's earnings	15	27	3	3	45	24	14	18	5	3	4	2	8
Own private pension	20	5	36	43	1	20	16	11	29	4	1	8	0
Partner's private pension	8	2	15	18	1	7	8	4	18	*	1	1	1
Own interest from savings/investments	10	5	16	18	9	5	4	3	7	3	1	4	1
Partner's interest from savings/investments	5	4	6	7	8	2	2	2	2	-	-	-	1
Base (weighted)	4,728	2,425	2,276	1,793	1,047	337	418	281	125	926	560	362	207
Base (unweighted)	4,644	3,113	1,495	1,003	801	737	783	526	235	762	506	253	558

Base: All respondents still in receipt of sampled benefit

* less than 1 per cent

- no respondents

¹ some respondents were receiving more than one other benefit

Half of people on IB relied entirely on benefit. A fifth of them (20 per cent) had a private pension personally and a quarter (24 per cent) lived with a partner who was bringing in a wage. People on DLA were similar, except that more of them (64 per cent) derived all their income from social security and correspondingly fewer had a private pension (16 per cent) or a partner who was earning a wage (14 per cent).

The people who were most dependent on social security payments were, predictably, those claiming either IS or JSA.

3.7 Frequency of benefit payment

For the most part, pensions and benefits are paid weekly, fortnightly or every four weeks. There is, however, a wide variation in the frequency by which different benefits can be paid. Moreover, these frequencies can vary by the method of payment (Figure 3.2). Of particular interest is the fact that, at the time of the survey, RP and ChB recipients who were paid weekly could only have been paid four-weekly (or less frequently) if they had, instead, opted for ACT. People who had started to claim IB before 1995 would have been affected in the same way. Opting for ACT would not, however, have involved a change in the frequency of payment for DLA, IS, JSA or post-1995 IB recipients.

In practice, seven out of ten (71 per cent) people said that they received their benefit on a weekly basis, although one in five (18 per cent) had their benefit paid four weekly (Table 3.9). Fortnightly payments were less common, with just one in ten (ten per cent) people paid in this way.

The variation between different benefits was wide, which is not surprising given the different payment arrangements that are available with individual benefits. Moreover, it must be remembered that many people were receiving more than one benefit and may well have been receiving a combined payment. In such cases they might receive their benefit more frequently than they would normally if it were paid separately (Table 3.9).

Just about all RP recipients were paid weekly as were the great majority of people getting IS – regardless of their age. Those who got their money four-weekly tended to be recipients of ChB (59 per cent) and DLA (60 per cent). People receiving JSA made up most of those who were paid on a fortnightly basis, nearly nine in ten of them (87 per cent) received their benefit every two weeks.

Figure 3.2 Frequency of benefit payment for each of the six sampled benefits

	Frequency of payment available							
	Weekly		Fortnightly		Four-weekly		13 or 52-weekly	
	OB/G	ACT	OB/G	ACT	OB	ACT	OB	ACT
Retirement Pension	X					X		X
Child Benefit	X				X	X		
Incapacity Benefit	X		X	X		X		X
Disability Living Allowance					X	X		
Income Support	X	X						
Jobseeker's Allowance			X	X				

3.7.1 Preferred payment frequency

Overall, nearly everyone (94 per cent) was happy with the frequency with which their benefit was paid. Those who received payments on a weekly or four-weekly basis tended to be more satisfied than those who got their benefit every fortnight. Just seven in ten (71 per cent) people who received their benefit fortnightly were happy with the frequency with which their benefit was paid compared with nine in ten (93 per cent) of people paid four-weekly and everyone (98 per cent) who was paid weekly.

Virtually all (99 per cent) pensioners were completely satisfied to be paid weekly and so, presumably, would have been reluctant to change to ACT if it meant being paid every four weeks instead.

Most (about nine out of ten) other benefit recipients also tended to be happy with their current frequency of payment. The exception was JSA recipients – a third of whom (32 per cent) would have preferred a change and virtually all of those who wanted a change (30 of the 32 per cent) said that smaller, more frequent payments was the most attractive alternative. The main reasons people gave for preferring to have their benefits paid over a different frequency – whether they wanted smaller amounts more often, or larger amounts less often – all related to the fact that this would make it easier to budget and manage their money. In view of this, the level of dissatisfaction among JSA recipients is not surprising, as nearly everyone was paid fortnightly, which is a less common period for people to budget by.

Details of people's patterns of budgeting are covered in detail in Chapter 5, where we show that most people budget over the same period as they receive their benefit and, moreover, that the majority of them had not changed this since starting to receive their benefit or pension.

Table 3.9 Frequency of benefit payment and collection⁶

	Column percentages												
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	DLA non-pensioner	DLA pensioner	IS	IS non-pensioner	IS pensioner	JSA
Frequency with which benefit paid¹													
Weekly	71	49	95	99	40	66	34	33	34	87	80	99	12
Fortnightly	10	19	*	*	*	32	6	8	1	13	20	1	87
Four-weekly	18	32	4	*	59	2	60	57	65	-	-	-	*
Happy with frequency of payment?													
Yes	94	90	99	99	93	94	95	93	99	94	91	99	68
Prefer smaller amounts more often	4	8	*	*	4	6	5	7	1	5	7	0	30
Prefer larger amounts less often	1	2	1	1	3	*	*	1	*	1	1	1	2
When collect benefit?													
When it's due	86	86	85	84	74	91	95	95	92	92	95	87	99
Wait for two or more payments	14	14	15	16	26	9	5	5	7	7	5	12	1
Why wait to collect payments²													
Saving up	9	12	6	7	24	5	3	3	4	4	3	5	*
- for bills	4	3	4	4	5	3	1	1	2	3	2	5	*
- for children/grandchildren	3	6	*	0	14	*	*	1	0	1	1	0	0
- for treats	1	2	1	1	4	*	*	*	2	*	*	0	0
- other purposes	1	1	1	1	2	1	*	1	*	*	0	*	*
Don't need it	2	2	2	3	4	1	*	*	1	*	1	*	*
Easier/more convenient	2	2	2	3	3	1	*	1	0	*	*	*	0
Unable to collect it	1	1	2	2	0	2	*	1	2	2	1	5	0
Base (weighted)	4,806	2,490	2,288	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ people receiving more than one benefit may have been receiving a combined payment and in such cases could appear to be receiving their benefit more frequently than is theoretically possible.

² respondents could give more than one reason

⁶ It should be remembered that this is a survey of people who were not being paid by ACT and that the profile of payment differs from that for all benefit and pension recipients, including those paid by ACT.

3.7.2 Frequency of benefit collection

Predictably, the majority of people (86 per cent) collected their benefit or cashed their girocheque as soon as the payment was due rather than let it build up (Table 3.9). People who got their benefits every four weeks were more likely than those paid weekly or fortnightly to let their payments build up before they collected them. This applied to people of all ages, although ChB and RP recipients were noticeably more likely than those claiming means-tested benefits to delay the collection of their money. A quarter (26 per cent) of ChB recipients and 16 per cent of those getting RP waited for two or more payments to mount up before they collected their money, compared with fewer than one in ten of other benefit recipients.

People who let their benefit payment mount up rather than collect it straight away did so for a number of reasons. The main reason was that it helped them to save up for things and one in ten (nine per cent) of people delayed collecting their benefit for this reason.

Most people were saving up money to cover bills or buy things for their children. Saving was most prevalent among ChB recipients, a quarter of whom (24 per cent) delayed their benefit collection for this purpose and most of these (14 per cent) were putting the money by to meet their children's needs. Of course, ChB often represents a smaller proportion of the household budget than other benefits and, consequently, tends to be used to supplement income (Thomas and Pettigrew, 1999). It is also well-established that mothers on low incomes often ring-fence their ChB payments and set them aside to cover bigger items of expenditure for their children (Kempson *et al.*, 1994; Kempson, 1999).

A small number of people, mostly those on the non-means-tested benefits RP or ChB, delayed collecting their benefit either because it was more convenient to do so or because they did not need the money. Finally, a minority of people had no choice but to let their benefit payments mount up because health or mobility problems meant they were unable to collect it. Not surprisingly, this applied mostly to pensioners, especially those on IS, and to people who were claiming disability benefits.

3.8 Collection of benefit by third parties

People who cannot collect their pension or benefit themselves can elect to have it collected on their behalf (known within the Benefits Agency as an 'agency arrangement'). Again, this would have implications for someone contemplating a transfer to ACT. Around one in five people had set up such arrangements and someone else collected their money for them either all of the time (14 per cent) or most of the time (4 per cent). As might be expected, twice as many pensioners had their benefit collected for them as did non-pensioners (27 per cent compared with 12 per cent). There were also striking differences across the six benefits (Table 3.10).

Table 3.10 Collection of benefits by a third party

	Cell percentages												
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	DLA non-pensioner	DLA pensioner	IS	IS non-pensioner	IS pensioner	JSA
Benefit collected by a third party?													
Yes	19	12	27	24	4	24	35	34	38	22	13	37	5
How often do they collect it?													
All the time	14	8	22	20	2	14	25	25	28	17	8	31	2
Most of the time	4	3	4	4	2	8	8	7	9	4	3	5	3
Some of the time	1	1	1	*	*	2	2	2	2	2	2	1	*
Who collects it?													
Relative	15	10	20	19	3	21	29	28	31	17	11	27	5
Friend	1	1	2	2	*	1	1	1	2	1	1	3	*
Carer	2	1	2	2	0	1	4	4	2	3	2	5	*
Why does someone else collect it?¹													
Poor health/mobility	14	8	20	16	1	19	29	26	35	19	11	33	1
Convenience	5	2	7	8	1	5	3	2	4	3	3	3	3
Base (weighted)	4,806	2,490	2,288	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ Respondents could give more than one reason

Not surprisingly it was people claiming benefits related to old age or disability who were most likely to have others collect their benefit for them. DLA recipients and pensioners getting an IS top-up were most likely to do so, and around one in three people on these benefits had set up an agency arrangement. In addition, around a quarter of people on IB or RP had their benefit collected by someone else. Collection of benefit by third parties was extremely rare among recipients of ChB and JSA (four per cent and five per cent respectively).

Most commonly, people relied on relatives to collect their benefits or pensions (15 per cent). Only a very small number of people had their money collected by a carer (two per cent), or a friend (one per cent). Collection by a carer was highest for non-pensioners who were getting either DLA (four per cent) and pensioners receiving an IS top-up (five per cent).

Predictably, the main reason for setting up an arrangement with a third party, given by one in seven people (14 per cent), was poor health or mobility problems that prevented them collecting their benefit in person.

This was particularly likely to be the case for pensioners (20 per cent), especially if they were receiving DLA (35 per cent) or IS (33 per cent).

3.9 Benefit receipt and ease of transfer to ACT

The five groups identified in Chapter 2 differed in a number of key respects with regard to benefit receipt.

3.9.1 Group 1 *Easy to transfer to ACT*⁷

This group were shorter-term and more transient benefit recipients than others. Fewer of them had been claiming their sampled benefit for more than five years and they were the only ones who had moved off benefit since they were interviewed. They were also the group who were least likely to be receiving any other social security benefits and most likely to have income from sources other than their benefit or pension.

They included a much greater proportion of people who expressed dissatisfaction with their current method of payment and a quarter of them (26 per cent) had been unaware of the alternatives to their current payment method when they started to claim.

Those who were paid by order book were practically the only ones who could not see any advantages to being paid this way (eight per cent) and they were most likely to cite the disadvantages (41 per cent). In particular, they said that they found going to the Post Office inconvenient (18 per cent) and thought that collecting the money in cash posed personal security risks (18 per cent). Girocheque recipients were even more negative: 15 per cent of them could see no advantages while 61 per cent said there were disadvantages. In particular they complained about the unreliability of being paid in this way (32 per cent).

It was clear from their reasons for choosing their current method of payment that they were the least wedded to collecting benefits from the Post Office. They were also the ones who were least often paid their benefit weekly – indeed a quarter of them (27 per cent) received it four-weekly.

Most significant of all was the fact that half of them, on being told how much less it cost the taxpayer for them to be paid by ACT, said either that they would change to this method of payment (34 per cent) or that they might possibly do so (14 per cent).

3.9.2 Group 2 *Quite easy* and Group 3 *Potentially difficult to transfer to ACT*

These two groups were fairly similar. Four out of ten of them had chosen their current method of payment because they liked dealing with the Post Office. Almost all were paid by order book and few of them could see any drawbacks to being paid in this way. They particularly liked the convenience of being able to collect their money at the Post Office (59 per cent and 65 per cent respectively), with a further one in four of each group citing the general convenience of being paid by order book. They valued having an immediate source of cash and said that it suited their style of money management.

⁷ Group 1 accounted for four in ten of the people interviewed; Groups 2 and 5 for two in ten; Groups 3 and 4 for one in ten.

Neither group was at all swayed by knowing that it would cost much less to pay them by ACT – they liked their order books and did not want to change.

The differences between these two groups were subtle. On the whole *Group 3* demonstrated an even greater attachment to the Post Office than *Group 2*. In fact they were the group that most often made reference to the Post Office when they described the advantages of being paid by order book:

- 65 per cent liked its convenience;
- 14 per cent said that they liked to visit their local Post Office; and
- 14 per cent said that they liked to collect their money at the Post Office because they also paid their bills there.

The main difference between them was that twice as many people in *Group 3* were paid their pension or benefit four-weekly (23 per cent, compared with 12 per cent in *Group 2*) or fortnightly (11 per cent compared with six per cent in *Group 2*). Almost certainly, this is because more of them received DLA or IB and correspondingly fewer were RP recipients. They were, however, just as content with the frequency of payment.

Table 3.11 Benefit receipt and ease of transfer to ACT

	<i>Cell percentages</i>					
	All	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Current payment method						
Order book	94	91	96	96	97	98
Girocheque	6	9	4	4	3	2
Receive any other benefits	52	49	54	51	59	53
Social security is sole source of income	56	52	56	53	69	61
Length of claim						
Up 12 months	10	14	8	12	6	6
1-3 years	14	15	15	13	9	10
3-5 years	11	11	10	12	10	9
5 years or more	64	59	67	64	72	74
No longer receiving benefit	2	3	*	*	*	*
Main reason chose current method						
Like dealing with Post Office	36	32	37	41	33	41
Didn't know there was a choice	23	26	20	18	31	19

Continued

Table 3.11 Continued

	Cell percentages					
	All	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Advantages of order book¹						
None	4	8	*	*	3	*
Convenience of Post Office	56	49	59	65	48	65
Guaranteed payment day	37	35	41	43	34	37
Source of immediate cash	27	25	29	31	22	27
Suits style of money management	26	20	26	26	23	34
Generally easy/convenient	22	18	26	24	12	25
Like dealing with the Post Office	10	7	12	14	9	12
Pays bills at the Post Office	10	7	11	14	9	13
Disadvantages of order book¹						
None	73	59	78	81	78	83
Personal security	11	18	10	7	5	5
Post Office inconvenient	10	18	6	6	9	4
Knows ACT is the least expensive	44	55	47	44	28	30
Effect of knowledge of costs						
Will change	14	34	3	3	4	2
Might change	10	15	10	6	9	3
Won't change	71	46	85	85	73	92
Don't know	5	5	3	6	13	3
Frequency of payment						
Weekly	71	58	81	65	79	84
Fortnightly	10	14	6	11	10	6
Four weekly	18	27	12	23	11	10
Views about payment frequency						
Happy as things are	94	91	96	95	95	97
Prefer smaller amounts more often	4	6	3	5	3	3
Prefer larger amounts less often	1	2	1	1	2	1
Someone else collects benefit	19	14	18	13	48	21
Base (weighted)	4,806	1,750	1,010	583	462	1,002
Base (unweighted)	4,805	1,959	957	614	393	882

Base: All respondents

* less than 1 per cent

¹ Respondents could give more than one reason

3.9.3 Group 4 Quite difficult to transfer to ACT

These people were more dependent on social security payments as their sole source of income than any other group. They were most likely to be getting other benefits in addition to their sampled benefit, and seven out of ten of them (69 per cent) had no other income at all.

They had the lowest knowledge of the relative costs of the three payment methods of all five groups – only 28 per cent of them were aware that the ACT payment of benefits and pensions cost less than either order books or girocheques. Moreover, on being told the costs, many more of them (13 per cent) did not know whether it would make them more likely to consider changing or not.

But their main distinguishing characteristic was the fact that half of them (48 per cent) relied on someone else to collect their pension or benefit for them – far higher than any other group. Moreover, almost all the difference between them and others could be accounted for by people whose ill-health meant that they could not collect it personally (38 per cent).

3.9.4 Group 5 Difficult to transfer to ACT

This group of people were the ones that most wanted to keep things as they are. Like *Groups 2 and 3* they liked the convenience of collecting their pension or benefit at the Post Office. They were also the ones who most often said that being paid by order book suited their style of money management (34 per cent) and facilitated bill-payment at the Post Office (13 per cent).

Like *Group 4*, they had very little knowledge of the relative costs of different payment methods, but they were totally unaffected by being told what they were. Almost all (92 per cent) of them said, categorically, that knowing how much less ACT payments cost would not persuade them to give up their order books.

4 BANKING AND USE OF POST OFFICES

Although they were not having their benefits paid into a bank or building society account, the great majority of people paid by order book or girocheque (78 per cent) did have an account of some kind in their household (Table 4.1). As other surveys have found, this is much lower than the average for the population as a whole – around 94 per cent of whom have an account (Kempson and Whyley, 1998).

The level of account-holding increased steadily with age from 67 per cent of the under 20s to 84 per cent of people in their 70s. It then fell very slightly among people aged over 80. There was also, not unexpectedly, a very steep rise with income. Just two-thirds of people with household incomes below £100 a week had an account, compared with almost everybody (98 per cent) with incomes of £300 a week or more. Certain types of people were particularly likely to lack an account. These included: lone parents; unemployed people; tenants; non-householders; black and Asian people; and people with either mental health problems or learning difficulties (Table 4.1). People living in inner cities had especially low levels of account holding (64 per cent), while those in rural areas had the highest (86 per cent). The most probable explanation for this is that more people in rural areas who had an account had opted to be paid by order book because of the greater convenience of collecting their pension or benefit at their local Post Office.

On the whole, account-holding was much more common among pensioners than it was in the non-pensioner groups and there were quite substantial differences between recipients of the six different benefits. Almost nine out of ten (87 per cent) people receiving RP had some form of bank or building society account. This was a good deal higher than pensioners who were claiming DLA and very much higher than low-income pensioners receiving IS.

Among non-pensioners, ChB recipients were the most likely to have an account, although IB recipients were not too far behind them. The two groups with the lowest level of account-holding were non-pensioners receiving either IS or JSA. Only six out of ten of these two groups had an account of any kind.

4.1 Type of account

A substantial number of people (59 per cent) had at least one current account in their household; only a minority of people (18 per cent) had only a savings account (Table 4.1).

Table 4.1 Proportions of people with a bank or building society account and type of account held

Cell percentages						
Client group and benefit received	Proportion with a bank or building society account				Base (weighted)	Base (unweighted)
	Any account	Current account	Savings account	Doesn't know type		
All in sample	78	59	18	1	4,806	4,805
Groups with low levels of account-holding						
Aged under 20	67	47	20	-	1-4	180
Aged 20-29	69	48	19	2	478	575
Household income <£100 a week	64	39	23	2	1,229	1,341
Lone parents	65	44	20	1	277	314
Unemployed	57	35	20	2	298	607
Social tenant	64	40	22	2	1,948	2,034
Private tenant	69	43	24	2	556	654
Non-householder	69	43	24	2	142	160
Black or Asian	69	43	25	1	295	315
Inner city	64	48	14	2	427	408
Mental health problems	65	42	22	2	549	740
Learning difficulties	63	25	38	-	93	137
Age grouping						
All non-pensioners	74	57	16	1	2,490	3,254
All pensioners	83	61	19	3	2,289	1,514
Benefit received						
Retirement Pension	87	66	18	2	1,797	1,005
Child Benefit	84	72	11	1	1,048	802
Incapacity Benefit	80	61	17	1	344	755
Disability Living Allowance	75	53	20	2	422	790
DLA non-pensioners	74	51	21	1	282	528
DLA pensioners	79	56	19	3	128	239
Income Support	61	36	23	2	947	782
IS non-pensioners	59	37	21	1	581	525
IS pensioners	66	36	27	3	363	254
Jobseeker's Allowance	62	41	20	1	247	671

Base: All respondents

- no respondents

In general, the types of people who had the lowest levels of account-holding were also most likely to have only a savings account. Consequently, there were a number of groups of people where fewer than half had a current account. These included: lone parents; tenants;

non-householders; black and Asian people and people living in inner cities (Table 4.1). Unemployed people and people with household incomes below £100 a week had especially low levels of current account-holding – a third in each case. The small number of people with learning difficulties had the lowest level of current accounts.

Also interesting is the fact that, although the over 80s had high levels of account-holding a quarter of them had only a savings account. Consequently they had below-average levels of current accounts (55 per cent).

Current account-holding by different benefit recipients mirrored this overall picture. Pensioners receiving IS included by far the largest proportion of people with only a savings account and, as a consequence, fewer than four out of ten of them (36 per cent) had a current bank or building society account. Likewise, among non-pensioners, only four out of ten people in receipt of either IS or JSA had a current account

4.1.1 Facilities with the account

Pension and benefit recipients who were paid by order book or girocheque also had lower levels of access to all banking facilities than the average for the population as a whole (Kempson and Whyley, 1998). This was the case, even when allowance was made for their lower level of account-holding in the first place.

The most common facility was a cheque book, followed by a cash machine card, both of which were available to at least half of the people interviewed (Table 4.2). It is interesting to note that almost half of the people interviewed said that they had direct debit and standing order facilities with their accounts, even though they had chosen not to have their benefits or pension paid by ACT.

Table 4.2 Proportions of people with specific types of banking facility

	<i>Cell percentages</i>		
Banking facility	Has facility on any account	Has facility on a current account	Has facility on savings account
Has an account	78	-	-
Has current account	-	59	-
Has savings account	-	-	18
Pass book	29	16	13
Cheque book	56	52	5
Cheque guarantee card	40	38	1
ATM card	50	43	7
Debit card	39	37	2
Standing orders/direct debits	47	42	4
Credit card	20	19	*
Base (weighted)	4,805	4,805	4,805
Base (unweighted)	4,806	4,806	4,806

Base: All respondents
 - no respondents
 * less than 1 per cent

As might be expected, all types of facility were most commonly associated with current accounts, with the single exception of passbooks, which were the only facility that was common with savings accounts.

This analysis provides further evidence that the minority of people who had only savings accounts were much less integrated into the banking system than their peers with a current account.

4.2 Whose name is the account in?

Everyone with an account was asked whose name the main household account was in and if this was also their main personal account. Over half of all the people interviewed (56 per cent) said that they had an account that was solely in their own name; a further one in five (21 per cent) said that they only had an account that was held jointly with a partner. And a tiny number (one per cent) said that the only account in their household was in their partner's name (Table 4.3).

Table 4.3 Proportions of people with an account in their own name

					Row percentages	
Client group and benefit received	Proportion with a bank or building society account				Base (weighted)	Base (unweighted)
	In their own name	Only in joint names	Only in a partner's name	Has no account		
All in sample	56	21	1	22	4,405	4,806
All non-pensioners	53	20	2	26	2,490	3,254
All pensioners	58	24	1	17	2,289	1,514
Retirement Pension	59	27	1	13	1,797	1,005
Child Benefit	57	25	2	16	1,048	802
Incapacity Benefit	47	30	3	20	344	755
Disability Living Allowance	47	25	2	25	422	790
DLA non-pensioners	46	25	2	26	282	528
DLA pensioners	50	27	2	21	128	239
Income Support	54	6	1	39	947	782
IS non-pensioners	52	6	1	41	581	525
IS pensioners	59	7	-	34	363	254
Jobseeker's Allowance	56	6	1	38	247	671

Base: All respondents

- no respondents

Again more pensioners than non-pensioners had an account that was solely in their own name. But this time the differences between benefits were much less marked. This was because most people in the groups with very low levels of account-holding – that is IS and JSA recipients – had an account in their own name only, if they had one at all.

4.3 Level of use of accounts now and in the past

We have already noted several indications that the people opting to have pensions or benefits paid by order book or girocheque were less integrated into the banking system than the British population as a whole. There is more direct evidence of this when we look at the extent to which they had suspended or closed accounts. So, although eight out of ten people actually had an account in their household, only seven out of ten (71 per cent) said it was currently being used (Table 4.4). Even so, the majority of people who had chosen not to have their pensions or benefit paid by ACT did, nevertheless, use an account to manage their money. This picture runs counter to the popular image of people not paid by ACT, who are largely thought to be people with no contact with banking at all.

Overall, eight per cent of people had an account but had stopped using it – a step that other research has shown is often taken when people start to claim benefit as their main source of income (Kempson, 1994; Kempson and Whyley 1998). In addition to these, a further one in ten people (11 per cent) had closed their account(s) down altogether, leaving them entirely without one. Only a small minority (10 per cent) had never had an account at all (Table 4.4). To set this in context, people receiving

benefits or pensions by order book or girocheque were four times as likely to have suspended their accounts, compared with the general population, and three times as likely to have closed them down (Kempson and Whyley, 1998).

The types of people who were particularly likely to have suspended the use of an account were: young people, aged under 30 (and particularly those under 20); unemployed people; lone parents; and non-householders (Table 4.4).

Those who had closed accounts altogether were disproportionately people in their 20s; lone parents; unemployed; social tenants; people with household incomes of less than £100 a week; and people who had either mental health problems or learning difficulties (Table 3.4).

Finally, people who had never had an account at all were concentrated among young people, aged under 20; black Caribbean and African people; people living in inner cities; and people with learning difficulties (Table 4.4).

The level of account use was highest among pensioners, and especially those receiving RP, most of whom (83 per cent) had an account in use, and relatively few of whom had suspended or closed their accounts, or had never had an account of any kind. Again this is far from the popular image of pensioners who are paid by order book.

Use of accounts was lowest, by far, among non-pensioner recipients of IS and JSA. Most of these people would be either lone parents or unemployed people. For example only 36 per cent of people receiving JSA were using a bank or building society account to manage their money; more than half of them had either suspended (26 per cent) or closed their accounts (25 per cent).

Table 4.4 Proportions of people using an account now or in the past

Client group and benefit received	Proportion who...				Row percentages	
	Have an account and use it	Have an account but don't use it	Had an account but closed it	Have never had an account	Base (weighted)	Base (unweighted)
All in sample	71	8	11	10	4,806	4,805
Groups with low levels of account-holding						
Aged under 20	45	22	13	20	104	180
Aged 20-29	53	16	19	12	478	575
Household income <£100 a week	51	13	20	16	1,229	1,341
Lone parents	42	16	26	16	277	314
Unemployed	33	24	26	17	298	607
Social tenant	53	11	18	17	1,948	2,034
Private tenant	56	12	16	15	556	654
Non-householder	50	19	15	16	142	160
Black Caribbean or African	51	12	16	22	295	315
Inner city	55	9	16	20	427	408
Mental health problems	54	10	20	15	549	740
Learning difficulties	53	10	16	21	93	137
Age grouping						
All non-pensioners	64	10	15	11	2,490	3,254
All pensioners	78	5	7	10	2,289	1,514
Benefit received						
Retirement Pension	83	4	6	7	1,797	1,005
Child Benefit	79	5	9	7	1,048	802
Incapacity Benefit	71	9	14	6	344	755
Disability Living Allowance	66	9	11	14	422	790
DLA non-pensioners	65	9	11	14	282	528
DLA pensioners	71	8	9	12	128	239
Income Support	48	13	19	20	947	782
IS non-pensioners	44	15	23	18	581	525
IS pensioners	55	11	12	20	363	254
Jobseeker's Allowance	36	26	25	13	247	671

Base: All respondents

The popular image of people paid by order book being pensioners who have never had an account *does*, however, hold true among poorer pensioners. One in five (20 per cent) of pensioners who received an IS top-up to their pension had never had an account. However, it has to be set in context – this group accounted for only three per cent of all the people being paid one of the six survey benefits by either order book or girocheque.

4.3.1 Degrees of integration into banking services

Almost all (95 per cent) current accounts were being used; whereas a quarter (26 per cent) of savings accounts had been suspended. In contrast, where people had closed their account it was most commonly a current account. Putting all this together we can identify seven distinct levels of engagement with banking:

- Has a current account and uses it (56 per cent of all respondents)
- Has a savings account and uses it (13 per cent)
- Has a current account but stopped using it (three per cent)
- Had a current account but closed it (seven per cent)
- Has a savings account but stopped using it (five per cent)
- Had a savings account but closed it (four per cent)
- Has never had an account of any kind. (ten per cent).

4.3.2 Reasons why people had suspended or closed their account

By far the most common reason for people having suspended or closed their account was that they had no money going into it (four per cent of all people interviewed had suspended their account for this reason; a further four per cent had closed it). The next most common reason was very similar – one per cent of people had suspended their account and two per cent had closed it because they had stopped working. In other words, over half of the people who had disengaged from banking attributed their disengagement to the fact that they no longer had income being paid directly into their account. It is arguable, therefore, that had their benefit or pension been paid directly into their account they would have kept it in use.

As noted above, non-pensioners had much higher levels of disengagement from banking than pensioners. As a consequence more of them said they had suspended or closed their account because they had no money going in (ten per cent compared with five per cent of pensioners) or because they had stopped working (four per cent compared with less than one per cent of pensioners).

4.3.3 Reasons why people had never opened a bank or building society account

Similarly half of people who had never opened an account (five of the ten per cent) said it was because they had no money to put into one; the second most common reason (four per cent) was that they had no need for an account. These proportions applied to pensioners and non-pensioners alike. This is consistent with earlier research that has shown an important impetus to people opening a bank or building society account is the fact that employers insist on one for the payment of wages or salaries (Kempson and Whyley, 1999).

Although one in twenty of all the people interviewed (five per cent) said that they had, at some stage, been refused a bank account, less than one per cent of people said that this was why they did not have an account.

4.3.4 Facilities used with the account

Another measure of disengagement with banking lies in the extent to which account holders did not use the facilities they had with their

accounts (summarised in Table 4.5). So not only did benefit and pension recipients paid by order book or girocheque have fewer facilities with their accounts than the general population but they were also more likely to have facilities they did not use.

Table 4.5 Facilities used with accounts

Banking facility	<i>Cell percentages</i>	
	Has facility	Uses facility
Pass book	29	20
Cheque book	56	44
Cheque guarantee card	40	27
ATM card	50	30
Debit card	39	22
Standing orders/direct debits	47	30
Credit card	20	9
Base (weighted)	4,806	4,806
Base (unweighted)	4,805	4,805

Base: All respondents

Moreover, the types of facilities that were least used were the ones that can easily lead to loss of financial control – debit and cash machine cards, standing orders and direct debits and, above all, credit cards. Again this is consistent with earlier research (Kempson and Whyley 1998; Kempson and Whyley, 1999). Interestingly, three out of ten people used standing order or direct debit facilities.

4.4 Attitudes to banks and banking

During the course of the interview, all respondents were given a self-completion questionnaire, where they indicated how strongly they agreed or disagreed with a range of statements about banks and banking. To make this data more manageable, the results were analysed using a statistical technique, known as principle component analysis, that helps identify a smaller number of underlying attitudes that the specific questions capture. In this way it was possible to reduce 17 questions to just six underlying attitudes:

- A belief that banks and banking are not for people on low incomes.
- Concern about using current accounts.
- A belief that bank accounts are essential.
- A positive attitude to technology-based banking.
- Positive views of bank staff.
- A preference for simple, more traditional banking.

Each of these was ranked on a five point scale, where 1 represents a strong agreement and 5 a strong disagreement. So the lower the average score, the more strongly people agreed with the attitude.

4.4.1 *Banking is not for people on low incomes*

On balance, people in the survey were equivocal on this point (average score 2.95).

Interestingly men more often agreed with this point of view than women (average score 2.87 compared with 2.99). On the whole, though, the types of people who most strongly held this point of view were the ones for whom it would have been borne out by personal experience:

- Lone parents (2.87).
- Unemployed people (2.79).
- People unable to work through long-term illness or disability (2.79).
- Social tenants (2.78).
- People with the lowest household incomes (under £100 a week 2.78).

Question most strongly correlated

Banks are most interested in customers who have well-paid jobs

Average score 2.95

As might be expected, people who did not have a bank or building society account were likely to believe that banking is not for people on low incomes (2.48). But it made no difference whether they had had an account in the past and closed it, or they had never had one at all. And among account-holders, the people who had only a savings account agreed more strongly than those who had a current account (2.85 compared with 3.15)

There was little difference between pensioners and non-pensioners, but people receiving IS, JSA or IB were particularly inclined to this point of view (2.72, 2.85 and 2.83 respectively) and among these people, those without a bank account were most inclined of all. In fact the strongest advocates of this view were IB recipients who had no bank account (2.25).

4.4.2 *Concern about using current accounts*

There was a slight tendency for the people surveyed to agree that they had concerns about using current accounts (average score 2.72).

The types of people who had most concerns were by and large the ones who felt that banks and banking were not for people on low incomes. So men had slightly more concerns than women (2.69 compared with 2.74). And the greatest concern was expressed by unemployed people (2.60); people unable to work through long-term illness or disability (2.65); social tenants (2.59); and people with household incomes of less than £100 a week (2.59).

Question most strongly correlated

A savings account give you far more control than a current account

Average score 2.72

As might be expected, people who only had a savings account were strongly inclined to this point of view (2.48) – in fact just as strongly as those who had no account at all. Again, IS, IB and JSA recipients were most wary of current accounts. And the strongest concerns were expressed by IS recipients who had never had an account at all (2.31) and IB recipients who had closed an account down (2.36).

4.4.3 *A belief that bank accounts are essential*

This was the most weakly held of all the views with an average score of 3.12. And, the types of people who held it were quite different from those who held the two points of view just described. So it tended to be people who were among the better off, that is people:

- in full-time work (2.63);
- with incomes of more than £500 a week (2.67);
- with two earners in the household (2.69);
- who had left full-time education after the age of 20 (2.79);
- who were buying their home on a mortgage (2.85);
- and who had a current account (2.85).

Question most strongly correlated
It isn't possible to manage your money without using a bank or building society account
 Average score 3.12

Consequently, people receiving ChB or RP were the ones who most thought an account was essential, and especially so if they actually had a current account (2.76 and 2.80 respectively).

4.4.4 *A positive attitude to technology-based banking*

On balance people were not especially positive about technology-based banking (average score 2.91).

The types people who were most positive were very similar to those who believed an account was essential. So they were in full-time work (2.51), had two earners in their household (2.52) and had incomes of £500 or more a week (2.44). In other words, they were relatively well-off compared with other benefit and pension recipients. They were also the most highly educated (2.61); were families with children (2.66); and were buying their home with a mortgage (2.69).

Question most strongly correlated
I think the new developments in banking by computer, internet and interactive TV are exciting
 Average score 2.91

The benefit groups who were most pro-technology-based banking were ChB and JSA recipients with a bank account in use (2.56 and 2.54 respectively). It should, however, be noted that 16 per cent of JSA recipients had, in fact, returned to work by the time they were interviewed.

4.4.5 Positive views of bank staff

It is, perhaps, surprising but this was the most strongly held of all the six beliefs, with an average score of 2.39. In other words people's views of bank staff are a good deal more positive than views of either banks as institutions or the services they offer.

Most positive of all were better-off pensioners and people coming up to retirement. That is people who:

- had household incomes of more than £500 a week (2.29);
- owned their homes outright (2.30);
- both had and used a bank account (2.32);
- were couples with no children (2.32);
- were fully retired (2.35).

Question most strongly correlated
Bank staff are knowledgeable
Average score 2.39

The two benefit groups who held the most positive views of bank staff were people receiving RP who used a bank or building society account (2.27) and pensioners in receipt of DLA who used an account (2.19).

Interestingly, people living in rural areas were more positive about bank staff than their urban counterparts (deep rural areas 2.3 compared with 2.49 in inner cities).

4.4.6 A preference for simple, more traditional banking

This was the view that was the second most strongly held (average score 2.67). The people with the strongest preference for a more traditional approach to banking were quite a distinct group of pensioners with modest incomes. They:

- were couples with no children (2.55);
- had an account they used (2.55);
- had household incomes between £200 and £299 a week (2.57);
- were fully retired (2.58);
- rented their homes either from a social landlord (2.76) or a private one (2.76).

Question most strongly correlated
I like to do all my banking face-to-face at a bank or building society branch
Average score 2.67

The benefit group most in favour of traditional banking was, therefore, people receiving RP who had an account they used.

4.4.7 Overall views

As the analysis above shows, there was a fair degree of overlap in types of people holding different views. Further statistical analysis was, therefore, undertaken to classify people according to the range of views they held, using a technique known as cluster analysis.

This analysis identified four main groups of people. First, there was a group of people who were *Fairly enthusiastic bank customers*, who accounted for 38 per cent of the people interviewed. They held the most positive views of bank staff, were fairly pro-technology-based banking and were quite likely to believe that a bank or building society account was essential. They did not agree that banks were not for people on low incomes, nor did they have any concerns about current accounts. ChB recipients were most over-represented among them, followed by people receiving the state pension. They were especially unlikely to be IS recipients (Table 4.6).

Table 4.6 Overall attitudes to banks by benefit received

	Row percentages					
	Fairly enthusiastic customers	Cautious customers	Reluctant customers	Disengaged from banking	Base (weighted)	Base (unweighted)
All in sample	38	26	23	13	4,406	4,805
All non-pensioners	39	25	21	15	2,490	3,254
All pensioners	37	26	26	11	2,289	1,514
Retirement Pension	39	27	25	9	1,797	1,005
Child Benefit	46	29	17	9	1,048	802
Incapacity Benefit	32	23	30	15	344	755
Disability Living Allowance	37	21	24	18	422	790
DLA non-pensioners	38	21	25	17	282	528
DLA pensioners	35	22	23	21	128	239
Income Support	29	21	26	25	947	782
IS non-pensioners	32	20	23	25	581	525
IS pensioners	24	21	33	23	363	254
Jobseeker's Allowance	35	25	24	15	247	671

Base: All respondents

Cautious bank customers were people who most thought that a bank account was essential and were also most pro-technology-based banking. On the other hand, they were really quite inclined to believe that banking is not for people on low incomes and to be wary of current accounts. They accounted for 26 per cent of people interviewed. Again these people tended to be ChB and RP recipients, with IS and IB claimants under-represented among them.

Reluctant bank customers were very likely to agree that banking is not for people on low incomes and to be wary of current accounts. They were particularly drawn to a more simple, traditional way of banking. They were very likely to be IB recipients, while people getting ChB were greatly under-represented. This group included 23 per cent of the people interviewed.

People who were *Disengaged from banking* were the smallest group – just 13 per cent of the people interviewed. They believed that banking was

not for people on low incomes and were very wary of current accounts. They were also the people who least thought that an account is essential, were least pro-technology-based banking and held the least positive views of bank staff. They were disproportionately IS recipients, while RP and ChB recipients were most under-represented among them.

4.5 Knowledge of banking services

Levels of knowledge were not at all high (Table 4.7). Respondents were given a self-completion questionnaire, which contained a series of 18 statements about facilities offered with current accounts or savings accounts, charges made for obtaining cash and conditions regarding access to accounts.

Table 4.7 Knowledge of banking by benefit received

	Row percentages					
	Low	Medium low	Medium high	High	Base (weighted)	Base (unweighted)
All in sample	39	39	21	2	4,806	4,805
All non-pensioners	34	40	23	3	2,490	3,254
All pensioners	47	37	14	1	2,288	1,514
Retirement Pension	42	40	18	1	1,797	1,005
Child Benefit	22	39	34	5	1,048	802
Incapacity Benefit	36	41	22	2	344	755
Disability Living Allowance	45	36	17	1	422	790
DLA non-pensioners	43	35	21	1	282	528
DLA pensioners	50	39	10	*	128	239
Income Support	50	36	13	1	947	782
IS non-pensioners	41	41	17	1	581	525
IS pensioners	68	25	6	1	363	254
Jobseeker's Allowance	36	41	20	2	247	671

Base: All respondents

low = less than a quarter of answers correct; medium low = between a quarter and half of answers correct; medium high = between half and three quarters of answers correct; high = more than three quarters of answers correct.

Only a quarter (23 per cent) of people who filled in the self-completion questionnaire knew the correct answers to more than half of the 18 questions; while four out of ten (39 per cent) got less than half of them right. In fact the most common reply to the majority of questions was 'don't know'. A small minority (four per cent of people) replied 'don't know to more than half of the questions and seven per cent were unable to complete the form at all.

Non-pensioners were better-informed than pensioners and, among them, people receiving ChB knew most of all – four out of ten of them (39 per cent) gave accurate replies to more than half of the questions. The least well-informed were, undoubtedly, pensioners who were also getting IS. Only seven per cent of them were able to answer more than half of the

questions accurately while two-thirds (68 per cent) correctly answered less than a quarter.

4.6 Future banking intentions

As mentioned earlier, one-fifth (22 per cent) of people did not have a bank or building society account. Around one in seven (15 per cent) of them said that they would be likely to open one in the next three years, that is before the end of 2002. This represents just three per cent of all the people surveyed.

To promote the take-up of bank and building society accounts, the Government has been encouraging banks to develop basic bank accounts that address the concerns about traditional current accounts voiced by people who choose not to use them (HM Treasury, 1999; Kempson and Whyley, 1999). All the main high street banks now offer such accounts, with names such as Easycash, Step, Cashmaster and Readycash Accounts. These accounts all share certain basic characteristics. Most important of these is the fact that they cannot be overdrawn. Hence they do not offer a cheque book, but are card-based. They offer Solo or Electron debit cards, where the balance in the account is checked for each transaction and these are only cleared if there is sufficient money in the account to cover them. Most do, however, have a small 'buffer zone' to allow people to withdraw the last few pounds in their account through cash machines that only contain high denomination notes. Because they cannot be overdrawn (and so do not have a credit facility) they do not need to be credit scored, which should widen access. They also permit electronic transfers of money both into and out of the account and would, therefore, be suitable to receive benefit and pension payments by ACT.

These accounts were described to the people interviewed in the survey and they were asked how likely they would be to open one. A quarter (25 per cent) of the people currently lacking a bank or building society account said that they might do so. As might be expected, there was a fair degree of overlap with people who said they would be likely to open an account anyway so that, overall, 27 per cent of the unbanked said that they would open an account of some kind. In other words, offering basic bank accounts will at least double the entry into banking. Recent qualitative research suggests that, with appropriate marketing, basic bank accounts might have an even greater impact (Collard, Kempson and Whyley, 2001).

Basic bank accounts were much more attractive to non-pensioners than they were to people past retirement age. Over a third of the unbanked non-pensioners (36 per cent) said they would be likely to open one, compared with just seven per cent of pensioners without an account. They were particularly attractive to people claiming JSA who lacked an account, 46 per cent of whom said that they might open one, as did 35 per cent of IS non-pensioner claimants who were unbanked.

These figures are important, given the very low penetration of bank accounts among JSA and IS recipients. They were also attractive to nearly half (45 per cent) of the small number of ChB recipients who lacked an account.

People were attracted to basic bank accounts for two main reasons – they would prevent over-spending (15 per cent of the 25 per cent likely to open a basic bank account) and they would help them avoid getting into debt (nine of the 25 per cent). The fact that basic bank accounts are not credit scored, and are potentially available to anyone who wants one, was not a major attraction (one per cent). This is consistent with the reasons why people lacked an account, which were far more concerned with financial control than with restricted access.

The facilities that the people who might open a basic bank account would most like with it included (in order of preference): a monthly statement; a cash machine card; not being able to overdraw accidentally; and some way (other than a statement) of knowing how much was in the account. Facilities that most of these people did not want were a cheque book, a debit card and, above all, an overdraft facility. In other words, the facilities offered by basic bank accounts are just exactly what they want; while few would want the facilities not offered by them.

If they opened a basic bank account two-thirds of these people would want to draw all their money out in one go. Only a third would want to access it in smaller, more frequent amounts and they were about evenly divided between those who would want to draw money out once a week and those who would like to do so two or three times weekly.

Basic bank accounts did not, however, appeal to 65 per cent of the unbanked, with 58 per cent saying that they were very unlikely to open one. The types of people to whom they appealed least were: those receiving RP (83 per cent of RP recipients who lacked a bank account rejected them); pensioners receiving DLA (86 per cent); and pensioners getting IS (87 per cent).

They had a range of reasons for rejecting basic bank accounts:

- 34 per cent of the 65 per cent said they were worried about loss of control over their money.
- 28 per cent said they had nothing to put into an account.
- 16 per cent said they could not get to a bank branch.
- 15 per cent either did not like or did not trust banks.

4.7 Banking at the Post Office

One of the key themes running throughout the replies in this survey was the level of attachment that the people interviewed had to the Post Office. This was borne out by widespread support for the suggestions that ‘using local Post Offices is a good way of extending access to banking’ and that *‘using Post Offices to provide banking is a good way of ensuring that Post Offices stay open’*.

Two-thirds of people (64 per cent) agreed with the first of these statements and less than one in ten (eight per cent) disagreed. Moreover, there was little difference in the level of support either between pensioners and non-pensioners or across the six benefits, except in the strength of their agreement.

Support was even stronger for the suggestion that providing banking facilities would be a good way of keeping Post Offices open. Almost nine out of ten people (85 per cent) agreed with this statement and only three per cent disagreed. Again, there was little difference in the level of agreement by people above and below retirement age or between the six benefits except for the strength of their agreement.

The replies to these two statements were combined to give an overall score of the extent to which people favoured banking services through Post Offices. The average score was 2.04, on a scale where 1 is agree strongly and 5 is disagree strongly. So, on average, people tended to agree with Post Office banking, but not strongly.

Those who were the most positive of all were pensioners receiving RP (1.96), who were rather more enthusiastic than pensioners in receipt of either DLA or IS. They lived in villages (1.92) where Post Offices would be a good deal nearer than bank branches. And they had bank accounts that they used (1.99). There was an increase in the level of support for Post Office banking with income, so that the average score for people with household incomes of £500 a week or more was 1.87.

Just about everyone was in favour of the Post Office offering banking facilities, but those who supported the idea least were people claiming DLA who had never had a bank account (2.45).

At the time of the survey a number of banks did, in fact, have agency agreements with the Post Office that allowed their customers to undertake basic banking transactions (principally withdrawals and deposits) at a local Post Office. Alliance and Leicester Giro has had a long-standing arrangement, that dates from the time when Girobank was owned by the Post Office. The Co-operative Bank has also had an agency arrangement for some time but this only covers England. More recent Post Office agency agreements have been set up by Lloyds TSB (in 1999) and Barclays (in 2000).

A quarter of the people interviewed (26 per cent) had an account with one of the banks that currently have agency arrangements with the Post Office (24 per cent of non-pensioners; 29 per cent of pensioners).

In addition to the banks that have already signed agency agreements with the Post Office a number of others have agreed to their basic bank accounts being accessible through Post Offices, and there is a possibility that the arrangements might be extended to other types of account at a later date. If this does happen, then 73 per cent of people currently paid by order book or girocheque could, potentially, use the Post Office to withdraw

their pension or benefit from an existing bank account.

That would leave just five per cent of people who currently have an account, but would be unable to withdraw their money at the Post Office unless they opened a new one. Almost all of these will be people who have savings accounts with the smaller building societies.

As all those currently without an account could easily open one at the Post Office now, the current negotiations with banks should ensure that just about everyone who wants to bank through the Post Office should be able to do so.

Levels of awareness of the Post Office banking agency arrangements were not at all high, even among the people who currently had access to them. Only a quarter of the people interviewed (23 per cent) were aware that any banks had such arrangements (24 per cent of non-pensioners and 22 per cent of pensioners). Rather fewer (13 per cent) were correctly able to name one or more of the banks that had an agency agreement with the Post Office. There was, however, very little overlap between the people who knew of the agency arrangements and those who could actually make use of them. Indeed, eight out of ten of the people who could use the Post Office for basic transactional banking seemed unaware of the fact. This suggests that it is not sufficient for banks just to make arrangements for transactional banking through Post Offices available. They also need to publicise them.

4.8 Access to banks and Post Offices

On the whole, people lived very much nearer to a Post Office than they did to either a bank or building society branch or a cash machine (Table 4.8). As a consequence, while two-thirds of people could walk to the nearest Post Office, only a third of people said they could walk to their nearest bank or building society branch. Perhaps more significantly many fewer people needed to use public transport to get to a Post Office, compared with getting to a bank or building society branch.

As a consequence, the great majority of people said that it was very easy to reach the nearest Post Office, while only a minority said the same about getting to the nearest bank or building society branch or a cash machine. Looked at another way, a quarter of people said that it was fairly or very difficult to get to a bank or building society branch, double the number who faced difficulty getting to a Post Office.

The degree of difficulty people faced getting to bank or building society branches was clearly linked both to age and to disability. For example, almost half of people aged over 80 said it was fairly (15 per cent) or very difficult (30 per cent) to get to a branch, although only four out of ten (39 per cent) said it was fairly or very difficult to get to a cash machine. Significantly, one in five (19 per cent) of the over 80s did not know how easy either of these journeys would be.

A similar proportion of people with a mobility (43 per cent) or visual impairment (46 per cent) said getting to a branch was fairly or very difficult and, in this case, cash machines were not really easier for them to reach.

Table 4.8 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	21	26	69
½ mile but under 1 mile	21	21	22
1 mile but under 2 miles	21	18	6
2 miles but under 3 miles	16	12	1
3 miles but under 4 miles	9	6	*
More than 4 miles	11	9	*
Don't know	1	17	*
Means of transport ¹			
On foot	34	Not asked	68
Own car or motorcycle	32		20
Public transport	26		5
Lift	10		8
Taxi	5		2
Bike	2		2
Other	2		3
Don't know	1		*
Ease of journey			
Very easy	35	37	64
Fairly easy	33	30	22
Neither easy nor difficult	7	5	2
Fairly difficult	12	10	6
Very difficult	13	11	16
Don't know	*	6	*
Base (weighted)	4,806	4,806	4,806
Base (unweighted)	4,805	4,805	4,805

Base: All respondents

* less than one per cent

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

Consequently, the people who said that it was most difficult to reach the nearest bank or building society branch were pensioners claiming either DLA (47 per cent of whom said it was very or fairly difficult) or IS (54 per cent).

Although most people could reach a Post Office easily, those who could not were concentrated among people for whom journeys to a bank branch were also difficult. In fact, four out of ten of people who had difficulty getting to a branch also had problems getting to a Post Office. Again this was related both to age and to disability. So 30 per cent of the over 80s and 17 per cent of people with either a mobility or visual impairment could not get to Post Office without difficulty, suggesting that for many elderly and disabled people any journey is difficult. Again it was pensioners receiving DLA or IS who had most difficulty reaching a Post Office (28 per cent and 31 per cent respectively).

Other people who found getting to a bank branch difficult were people without a car (32 per cent) and those living in rural areas (32 per cent). But both these groups could reach a Post Office much more easily.

There was also a link between account ownership and perceptions of the ease of getting to the nearest bank or building society branch. So while 23 per cent of people who had an account said it was difficult to get to the nearest branch, 32 per cent of those without an account said the same. The proportion was higher still for those who had never had an account (36 per cent). We cannot, however, tell whether they did not have an account because it was difficult to get to a branch, or whether there is some other explanation. For example, people who lacked bank accounts had very low levels of car ownership. Only 15 per cent of them had access to a car whenever they needed (compared with 44 per cent of people who had a bank account) and their access difficulties could stem from transport problems. Either way, it would be likely to influence their views on opening an account and being paid by ACT in the future.

4.9 Banking and ease of transfer to ACT

There were some important differences in the patterns of banking between the five groups of benefit recipients identified in Chapter 1. *Group 1* were, without doubt, the most integrated into banking, while *Groups 4* and *5* were the least integrated⁸.

4.9.1 *Group 1 Easy to transfer to ACT*

This group of people held the most positive views of banking of all five groups. They were the ones who were most inclined to think that a bank or building society account is essential and, correspondingly, the least likely to think either that banking is not for the poor or that it is easy to lose control by using a current account. They also held the most positive views of bank staff and about the use of banking technology.

Consequently half of them (49 per cent) were classified as *fairly enthusiastic bank customers* and a further 29 per cent as *cautious customers*.

⁸ *Group 1* accounted for four in ten of the people interviewed; *Groups 2* and *5* for two in ten; *Groups 3* and *4* for one in ten

These attitudes were reflected in their use of banking services. They had the highest level of account holding of all five groups, however that was measured. Overall, 86 per cent of them had an account of some kind and 66 per cent had a current account. Moreover, three quarters of them (77 per cent) were using an account at the time they were interviewed. They also had the greatest knowledge of banking.

The account-holders made more use of banking facilities than their counterparts in any of the other four groups. So, six out of ten of them (59 per cent) used a cash machine card, a half (49 per cent) had standing orders or direct debits from their account and four out of ten (40 per cent) used a debit card. Even so, their levels of use of banking facilities were a good deal lower than the average for the British population as a whole.

Table 4.9 Key banking characteristics by ease of transfer to ACT

	<i>Column percentages</i>					
	All	Group 1	Group 2	Group 3	Group 4	Group 5
Account-holding						
Has account and uses it	70	77	71	71	65	60
Has account, not used	8	9	6	6	9	8
Had account in the past	11	9	13	13	11	14
Never had an account	10	5	9	9	15	18
Has current account	58	66	57	60	49	49
Has savings account	18	18	19	17	19	16
Does not know type	2	1	2	1	5	3
Has no account	22	15	22	22	27	32
Uses a current account	56	62	56	57	46	47
Does not use current account	44	38	44	43	54	53
Banking facilities used by account holders						
Passbook	28	27	28	33	30	29
Cheque book	64	64	65	69	55	65
Cheque guarantee card	39	43	36	41	30	38
ATM card	44	59	39	42	20	29
Debit card	32	40	29	29	20	28
Credit card	13	18	12	11	5	9
Direct debit/standing order	43	49	42	39	31	40
Attitudes to banking						
Fairly enthusiastic customers	37	49	28	30	30	25
Cautious customers	25	29	24	22	24	16
Reluctant customers	24	15	30	39	28	28
Disengaged	14	7	18	9	19	32

Continued

Table 4.9 Continued

	<i>Column percentages</i>					
	All	Group 1	Group 2	Group 3	Group 4	Group 5
Banking knowledge						
Low	40	28	34	40	74	51
Medium low	38	42	43	37	19	34
Medium High	20	27	21	20	7	13
High	2	3	2	3	*	2
Ease of reaching branch						
Easy	35	49	33	23	24	24
Fairly easy	32	32	40	24	21	34
Neither easy nor difficult	8	6	10	5	11	10
Fairly difficult	13	9	9	28	16	14
Very difficult	12	4	8	20	28	18
Ease of reaching Post Office						
Easy	63	71	65	64	40	56
Fairly easy	22	20	24	18	23	26
Neither easy nor difficult	4	2	3	4	9	4
Fairly difficult	6	4	4	9	9	6
Very difficult	6	2	4	5	19	8
Likely to open...						
a current account	14	34	13	8	8	4
a basic bank account	25	55	23	20	12	9
either type	27	58	27	22	12	10
Base (weighted)	4,806	1,750	1,010	583	462	1,002
Base (unweighted)	4,805	1,959	957	614	393	882

Base: All respondents

* less than one per cent

Even the 'unbanked' in this group were fairly integrated into banking. They were twice as likely to have closed an account (9 per cent) as never to have opened one at all (5 per cent). A third of those who lacked an account (34 per cent) said they expected to have opened a current account by the end of 2002 and half (55 per cent) of them said they would be likely to open one of the new basic bank accounts. So, just about all of them (at least 95 per cent) would have, or expect to have, an account by the time ACT payments are introduced in 2003.

Finally, they were the group that reported the greatest ease of reaching the nearest bank or building society branch – only 4 per cent said it was very difficult, while 81 per cent said it was easy or very easy to get there. Almost half (47 per cent) lived within a mile of the nearest branch and a similar proportion (42 per cent) were able to walk to there.

4.9.2 Groups 2 and 3 Quite easy and potentially difficult to transfer to ACT

On the whole, there was nothing remarkable about the views and use of banking of these two groups. In just about all respects they mirrored the average picture for survey respondents as a whole. In other words, they had relatively high levels of use of bank accounts and banking facilities and, while they were not as knowledgeable as *Group 1*, they knew more about banking than either *Group 4* or *Group 5*.

Neither group was terribly enthusiastic as bank customers, *Group 2* had one of the highest levels of people *Disengaged from banking*, and *Group 3* the greatest proportion of Reluctant customers.

They were, however, the most positive about banking facilities being offered through Post Offices. At present only three out of ten of them had accounts they could access at a Post Office, although others with existing accounts might be able to do so in the future. If we add to these the people who currently lack an account, who could easily open one that could be used at a Post Office, then almost all the people in these two groups should, by 2003, be able to bank through the Post Office.

The main difference between these two groups lay in the extent to which they faced difficulties getting to the nearest branch of a bank or building society. So, while *Group 2* had fairly easy access to the nearest branch, this was not the case for *Group 3* – half of whom said it was fairly difficult (28 per cent) or very difficult (20 per cent). Indeed a quarter of them (27 per cent) had to travel three or more miles to get there and 12 per cent had to rely on a lift. This is consistent with the high proportion of *Group 3* who lived in rural areas.

4.9.3 Group 4 Quite difficult to transfer to ACT

These people had fairly tenuous links to banking and were cautious about using banking services. They knew less about banking than any other group, displayed the greatest concern about using bank accounts and were the least positive about bank staff. They were also, interestingly, least in favour of Post Offices offering banking services.

Their levels of knowledge about banking were very low indeed – 71 per cent knew the correct answers to fewer than a quarter of the questions in the self-completion questionnaire. This was mainly because they found this section of the questionnaire difficult. Nearly half (46 per cent) were not able to complete the questionnaire at all and a further nine per cent answered ‘don’t know’ to more than half of the questions.

Although about three-quarters of *Group 4* (74 per cent) had an account of some kind, less than half of them (46 per cent) had a current account they used. Moreover, those who had an account made far less use of all banking facilities, other than a passbook, than any of the other groups. So, for example, only two out of ten had a cash machine card or a debit card and three out of ten used standing orders or direct debits, while just five per cent said that they used a credit card.

They included the second-largest proportion of people who had never had a bank or building society account (15 per cent) – who outnumbered the people who had closed an account (11 per cent). They were not at all interested in basic bank accounts and seven out of ten of the people who currently lacked an account (72 per cent) said that they would be very unlikely to open one.

They also reported the greatest level of difficulty getting to the nearest bank or building society branch – 28 per cent said it was very difficult and a further 16 per cent fairly difficult. But, unlike others, they also included a substantial number of people who also said it was difficult to reach the nearest Post Office – 19 per cent said it was very difficult and nine per cent fairly difficult. A quarter of people were unable to get to a bank or building society branch under their own steam – 14 per cent said that they would have to rely on a lift and a further 10 per cent would have to take a taxi. This is consistent both with their level of disability and the proportion of them relying on someone else to collect their benefits for them.

4.9.4 Group 5 *Difficult to transfer to ACT*

These people were the least integrated into banking. They were least inclined to agree that a bank account is essential and were most likely to think banking is not for people (like them) who live on low incomes. Their levels of knowledge were also very low – only 50 per cent could answer more than a quarter of the questions accurately and almost one in ten (nine per cent) answered ‘don’t know’ to at least half of the questions.

They included the greatest proportion of people who were classified as *Disengaged from banking* (32 per cent) and one of the higher levels of *Reluctant bank customers* as well (28 per cent). In total six out of ten of this group fell into one of these two categories.

A third of them (32 per cent) had no bank or building society account at all; four out of ten (40 per cent) did not use an account of any kind, even if they had one; and over half (53 per cent) did not use a current account. If they had an account, they made little use of plastic cards and relied much more on the use of a cheque book. Although four in ten of the account-holders among them used direct debit or standing order facilities, this was one of the lowest levels of use in the five groups.

They included the largest proportion of people who had never had an account (18 per cent) and, again, they outnumbered the people who had had an account in the past, but closed it (14 per cent). Nor will the unbanked among them willingly open an account. Almost all of those who lacked an account (86 per cent) said that they would definitely not be opening one before the end of 2002 and eight out of ten of them (78 per cent) said that they were very unlikely to open one of the new basic bank accounts.

They had above-average levels of difficulty getting to the nearest bank or building society branch but these were nowhere near as great as *Groups 3* and *4*. Getting to a Post Office, however, was relatively easy.

5 MONEY MANAGEMENT

The way that people on benefit manage their money could, potentially, have important implications for their willingness to transfer to benefit payments by ACT. In particular, the period of time over which people budget; the extent to which they rely on benefit payments as their sole source of income; the ways they use to access cash, buy everyday items and pay bills; and their attitudes to using card-based payment methods and cash machines are all likely to impact on their feelings about having their benefit paid directly into a bank or building society account.

5.1 Household budgeting and benefit receipt

The majority of people on benefit managed their money over fairly short periods of time (Table 5.1). Two-thirds (65 per cent) budgeted on a daily or weekly basis and a further one in ten (nine per cent) operated a fortnightly budget. Just one in six (16 per cent) of benefit recipients budgeted four-weekly or monthly.

Across all six benefits the most common budgeting period was weekly. Weekly budgeting was, however, most prevalent in all groups of pensioners and also among younger people on IS. People on JSA were the ones most likely to run their budget over a two week period (52 per cent). While ChB recipients had the highest incidence of monthly budgeting (40 per cent). Monthly budgets were rare among other benefit recipients, and especially so for those getting JSA (six per cent) or IS (four per cent).

Perhaps not surprisingly, people's budgeting cycles were also related to their ownership and use of bank accounts. Monthly budgeting was most common among those who made active use of a current account (22 per cent). People who had never had an account of any kind were most likely to budget weekly (81 per cent).

5.1.1 Benefit receipt and budgeting cycles

People's budgeting cycles were clearly linked to the period of time over which their benefit was paid (Table 5.2). This was particularly the case for people who budgeted on a weekly basis, four-fifths (85 per cent) of whom also received their benefit each week. The link between budgeting cycle and benefit receipt was weakest among people who budgeted over a monthly period, just half of whom (53 per cent) also received their benefit on a four-weekly basis.

Table 5.1 Budgeting period and benefit receipt

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Current budgeting period													
Day/week	65	56	74	73	49	61	63	61	67	78	74	84	28
Fortnight	9	14	3	3	4	17	7	9	2	11	16	3	52
Month/four weeks	16	22	10	10	40	12	19	18	22	4	4	5	6
Longer than a month	1	1	1	1	1	2	1	2	1	*	0	1	*
Don't know/Don't budget	10	8	12	13	6	8	9	9	8	7	7	7	13
													*
Benefit payment period													
Week	71	49	95	99	40	66	34	33	34	87	80	99	12
Fortnight	10	19	1	*	1	32	6	8	1	13	20	1	87
Four weekly	18	32	4	*	59	1	60	57	65	0	0	0	*
Other	0	*	*	0	*	0	0	0	0	0	0	0	0
Changed since claimed benefit													
	5	7	3	4	6	8	4	5	2	5	6	2	16
Changed from:													
Day/week	3	4	1	1	4	3	2	3	2	2	2	1	10
Fortnight	*	1	*	*	*	1	*	*	0	1	1	0	1
Month/four weeks	2	2	1	2	3	2	1	1	1	2	2	1	4
Other period	*	*	*	*	*	1	*	*	*	0	0	0	*
Changed to:													
Day/week	2	3	2	2	2	3	1	2	0	3	4	2	2
Fortnight	2	3	*	*	1	4	1	1	0	1	2	0	12
Month/four weeks	1	2	*	*	4	*	1	1	2	*	*	0	*
Longer than a month	*	*	*	*	*	*	0	0	0	0	0	0	0
Other change	*	*	1	1	*	1	1	*	1	0	0	0	1
Preferences for benefit payment													
Happy as things are	94	90	99	99	93	94	95	93	99	94	91	99	68
Prefer smaller amounts more often	4	8	*	*	4	5	5	7	1	5	7	0	30
Prefer larger amount less often	1	2	1	1	3	1	1	1	0	1	1	1	2
Benefit is sole source of income¹													
Yes	50	55	45	35	28	50	64	69	51	89	90	87	88
Total (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Total (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ Base = 4,728 respondents still in receipt of sampled benefit.

Table 5.2 Relationship between budgeting cycle and frequency of benefit payment

	Column percentages		
	Budgeting cycle		
	Weekly	Fortnightly	Monthly
Frequency of benefit payment			
Weekly	83	31	43
Fortnightly	4	61	5
Four-weekly	12	8	53
Other	*	1	*
Base (weighted)	3,108	408	773
Base (unweighted)	2,883	685	741

Base: All respondents

* less than 1 per cent

While the existence of this link between budgeting period and benefit payment is not surprising, it is interesting to ascertain the direction in which it works. For example, do people adjust their budgeting period to fit in with the timing of their benefit payments or, conversely, do they choose the benefit payment method that corresponds most closely with their existing patterns of money management? This could be an important issue in determining the frequency of benefit payments. If people's budgeting cycles are driven by the frequency with which they receive their benefit, it is likely that they would adapt to payments made on a four-weekly basis, even if this did not correspond with their current budgeting arrangements.

In fact, only a very small number (five per cent) of benefit recipients had changed their budgeting cycle when they started to claim benefit (Table 5.1). This confirms other research showing that people tend to choose to have their benefits paid by the method that fits most closely with their budgeting cycle (Thomas and Pettigrew, 1999).

The majority of those who had changed had adopted a weekly or fortnightly budget; only one per cent of people had started to operate a monthly budgeting cycle (Table 5.1). The highest incidence of switching, however, was among recipients of JSA, one in eight of whom had changed to a fortnightly budget. Most commonly they had previously budgeted by the week. In many ways it is remarkable that so few JSA recipients had switched as this suggests that 40 per cent of them had always budgeted fortnightly. Either they had mis-remembered or they had claimed JSA previously and not changed their budgeting cycle while in work.

The vast majority of benefit recipients (94 per cent) were happy with the frequency of their benefit payments suggesting that they may be averse to switching to a payment method that also required a change in the frequency of payment (Table 5.1). In fact, people who budgeted weekly or monthly were more likely to be satisfied with the frequency of their benefit payment than those who budgeted fortnightly.

And the vast majority of those who were not happy with their payment frequency expressed a preference for smaller payments made more often, rather than larger amounts paid less frequently (Table 5.3). Consequently, a switch to payment by ACT, if it required four-weekly payments, would be very unpopular among those who currently operate a weekly or fortnightly budget.

Table 5.3 Relationship between budgeting cycle and preferences for benefit payment frequency

	Column percentages		
	Budgeting cycle		
	Weekly	Fortnightly	Monthly
Happy with current payment frequency	97	79	94
Would prefer smaller amounts more often	3	19	3
Would prefer larger amounts less often	1	1	3
Base (weighted)	3,108	408	773
Base (unweighted)	2,883	685	741

Base: All respondents

5.1.2 Reliance on state benefit as the sole source of income

There was a clear link between people's budgeting cycle and the extent to which they relied on state benefit or pension as their only source of income (Table 5.4). People who relied on benefit in this way were much more likely to budget weekly than those who also had some other source of income (73 per cent compared with 57 per cent). Conversely, monthly budgeting was much more common among people with other income (26 per cent compared with six per cent of those reliant on state benefits). As a consequence, a reduction in payment frequency would, potentially, have greater impact on people who have no other income to draw on while they are adapting to the new payment period.

Table 5.4 Relationship between budgeting cycle and reliance on state benefit as sole source of income

	Column percentages	
	Benefit is only source of income	Have income from other sources
Budgeting period		
Weekly	73	57
Fortnightly	12	5
Monthly	6	26
More than monthly	1	1
Other period/don't budget at all	9	11
Base (weighted)	2,410	2,396
Base (unweighted)	2,678	2,127

Base: All respondents

5.2 Use of banking facilities in household money

The extent to which people are accustomed to using banking facilities in the course of their household money management is also likely to influence their willingness to transfer to payments by ACT. People who do not use banking facilities for cash, for everyday spending or bill payment, are likely to be more resistant to ACT and to have difficulty adapting to this method of benefit payment.

5.2.1 Accessing cash

People who received benefits or the state pension by girocheque or order book often relied on this as their main way of getting hold of cash and for a considerable number it was the only way they did. Payment of benefit or pension by ACT will mean that people can still access their benefit or pension in cash, but they will have to use banking facilities of some kind to do so. Consequently, it is important to ascertain levels of awareness of these facilities; the extent to which benefit and pension recipients are currently using them; and their willingness to do so.

5.2.2 Awareness of banking facilities for accessing cash

Levels of awareness that banking facilities can be used to access cash were very high and it was clearly not lack of knowledge that was constraining their use (Table 5.5). Nearly everyone (96 per cent) was aware of the availability of banking facilities for this purpose. Pensioners who were receiving IS had lower levels of awareness than people receiving other benefits but, even so, almost nine in ten (88 per cent) knew of at least one of the banking facilities that can be used to access cash. Predictably the best known methods of getting cash were cashing a cheque at a bank or building society (81 per cent) and using a cash machine (90 per cent).

5.2.3 Use of banking facilities to access cash

Despite high levels of awareness of banking facilities, the majority of people still relied heavily on collecting their benefit or pension by order book or girocheque as their main way of getting cash (Table 5.5). It was the method used most frequently by four-fifths (79 per cent) of people and the only method used by two-thirds (63 per cent) of them. This left just one third (34 per cent) of benefit and pension recipients who were using any banking facilities to access cash and most of these (20 per cent) were using a cash machine. This heavy reliance on benefits as a source of cash was not particularly surprising, given that half of the people interviewed had no income other than their benefit or pension and none of them were having their payments made by ACT. However, it does mean that many benefit and pension recipients will have to change the way they access cash when payment by ACT becomes the norm, unless their bank has an agency agreement with the Post Office.

Table 5.5 Awareness, use of and willingness to use banking facilities to access cash

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Aware of banking facilities to get cash	96	98	94	95	99	99	94	94	96	93	97	88	99
Source of cash													
Collecting benefit/pension is:													
- most frequently used method to get cash	79	67	93	93	37	83	80	77	87	95	94	96	85
- only method used to get cash	63	54	73	71	28	61	64	62	69	83	83	85	77
Use any banking facilities to get cash	34	43	25	27	67	37	34	36	30	15	16	14	20
Use other method to get cash	3	4	2	2	6	3	3	4	2	2	1	2	3
Prefer not to use any banking facilities to get cash	23	17	30	27	9	24	27	23	36	34	25	46	17
Reasons prefer not to use any banking facilities to access cash ¹													
Easier to keep control of money	12	9	15	14	4	13	14	12	17	18	14	25	10
Don't have/want an account	5	4	5	5	2	5	5	4	7	7	7	8	6
Happy with current method	5	3	8	7	2	5	6	4	8	8	5	12	2
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	2,288	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

¹ Respondents could give more than one reason

Use of banking facilities to get cash was higher among people below pension age (43 per cent) than it was among pensioners (25 per cent) and it was especially high among ChB recipients (67 per cent). This is not unexpected given that ChB recipients were more likely than other non-pensioners both to have income from other sources and to be making active use of a bank or building society account.

More surprising, though, is the heavy reliance on drawing pensions in cash using an order book among RP recipients (71 per cent), since they also had fairly high levels of account-holding and other income besides their state pension. Reliance on order books and girocheques as the sole source of cash was, however, highest among IS recipients of all ages (83 per cent) and people getting JSA (77 per cent).

Predictably, people who did not have a bank or building society account relied on their order book or girocheque as their only way of getting cash. Nevertheless, half of people who said they were using an account at the time of the research did not withdraw cash from it.

5.2.4 Willingness to use banking facilities to access cash

Far fewer people were using banking facilities to get cash than said they were willing to do so (34 per cent compared with 77 per cent) (Table 5.5). This suggests that it is the way that benefits and pensions are paid and the need to keep close control of a tight budget that reduces people's use of banking facilities, rather than a deep-seated resistance to using them. This was borne out by the reasons people gave.

There was little variation across benefits in the proportion of people who preferred not to use banking facilities to get cash. Once again, the two main exceptions were ChB recipients, where the level was very low (nine per cent) and pensioners receiving IS, where it was high (46 per cent).

The main reason why people said that they preferred not to use banking facilities to access cash was a fear of losing control of their budget (Table 5.5). One in ten (12 per cent) people gave this as the reason, with pensioners getting IS being most concerned about loss of control (25 per cent).

A small number of people (five per cent) preferred not to use any banking facilities to get cash because they either did not have, or did not want to use, a bank account. Not surprisingly, it was especially high among people who had never had a current account (21 per cent).

Some people (five per cent), and particularly pensioners getting IS (12 per cent), simply felt that they had no reason to use any other method of getting cash because they were happy to rely on cashing their girocheque or order book payments.

5.3 Paying for everyday items

The extent to which people rely on cash to pay for everyday items of expenditure is an important indicator of their integration into banking services and hence their views of being paid by ACT. Even if they were paid by ACT they could, of course, still withdraw their benefit or pension from an account and use cash for everyday spending.

5.3.1 Awareness of banking facilities for paying for everyday items

As with getting cash, a very high proportion of people (95 per cent) were aware of the banking facilities that can be used in everyday expenditure (Table 5.6). There was very little difference between pensioners and non-pensioners or across the six benefit groups.

Writing cheques, or using credit or charge cards were the best known methods and were mentioned by nine in ten (93 per cent) and eight in ten (80 per cent) people respectively. They were followed by debit cards (74 per cent). General stored value cards or 'electronic purses', such as Mondex cards, were much less well-known (36 per cent).

5.3.2 Use of banking facilities to pay for everyday items

Use of banking facilities was less widespread than awareness of them; just over a third (36 per cent) of benefit or pension recipients were, in fact, using them to pay for everyday items at the time of the research. Interestingly, about the same proportion of people used facilities with their bank account to pay for things they bought as withdrew cash from their account (34 per cent) (Table 5.6).

Just a quarter of people interviewed (26 per cent) had paid for something in the previous month using a cheque, and one in five (17 per cent) had used a debit card. Credit and charge cards were even less likely to have been used, with just one in ten (11 per cent) having paid for something this way in the month before the survey. Other non-cash-based payment methods had been used by fewer than one in ten people.

Again, ChB recipients were most likely to be using banking facilities to pay for everyday items (58 per cent), whereas recipients of IS and JSA were most reliant on cash for everyday spending. In fact, only a very small number of people on IS and JSA (13 per cent in each case) had used any banking facilities to pay for everyday items in the previous month.

Interestingly half (51 per cent) of people who said that they were using an account at the time of the research had not used its facilities to pay for day-to-day expenses.

Table 5.6 Awareness, use of and willingness to use banking facilities to pay for everyday items

	Column percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Aware of banking facilities to pay for things	95	96	93	94	98	95	94	92	91	92	95	88	97
Only used cash in last month ¹	55	51	60	55	31	59	63	59	70	73	68	81	74
Use any banking facilities in last month ¹	36	37	36	41	58	33	37	32	26	13	14	12	13
Prefer not to use any banking facilities to pay for things	35	26	44	39	13	35	37	36	52	49	37	66	31
Reasons prefer cash for everyday spending ²													
Easier to keep control of budget	25	18	33	30	8	26	30	25	40	34	25	49	21
Don't want to change	11	6	16	15	3	13	13	10	19	13	8	20	5
Easier/more convenient	10	6	13	13	3	11	13	12	19	10	8	14	7
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	2,288	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

¹ A minority of people had used a combination of cash and other methods such as postal orders, stored value cards for telephones etc

² Respondents could give more than one reason

5.3.3 Willingness to use banking facilities to pay for everyday items

Despite the fact that two-thirds (64 per cent) of people were not using banking facilities to pay for everyday items, only one in three (35 per cent) said that they would prefer not to use any (Table 5.6). This indicates, again, that it is not simply an unwillingness to use banking facilities *per se* that explains people's reliance on cash in day-to-day spending.

The pattern of willingness to use banking facilities to pay for everyday items by different benefit recipients broadly mirrored their actual use of them. So, people receiving ChB were most willing to do so, with just one in ten (13 per cent) saying that they preferred not to use any banking facilities at all. On the other hand two-thirds of pensioners receiving IS (66 per cent) and half of pensioners on DLA (52 per cent) expressed a preference not to use a bank or building society account in this way.

Most people (25 per cent) who preferred only to use cash in their everyday expenditure said that it helped them to keep control of their budget (Table 5.6). It was a particular concern for pensioners (33 per cent), especially those who were also receiving IS (49 per cent).

Some people, however, were simply resistant to change and one in ten people (11 per cent) said they just did not want to change their method of paying for everyday items. Finally, one in ten (10 per cent) people found it easier to manage their money in cash. Both of these reasons were cited more often by pensioners, especially those who were also in receipt of DLA or IS, than non-pensioners.

5.4 Paying household bills

Although having one's benefit or pension paid by ACT would not preclude bill-payment in cash, the extent to which people currently paid their bills using banking facilities does show their level of integration into banking services. In fact, many people on low incomes used cash to pay their bills, either by paying a small regular amount towards them or by buying pre-payment stamps or charging up pre-payment keys or cards. Consequently, they may be unfamiliar with other methods of transferring money, such as ACT. Benefit recipients who pay bills automatically by direct debit or standing order, on the other hand, may be more amenable to the idea of benefit payment by ACT.

In addition, some people combined bill-payment with the collection of their benefit or pension at the Post Office. This link is particularly important for people who pay small amounts towards their bills on a pay-as-you-go basis. A change in the timing and method of their benefit or pension payment, particularly if it means collecting their money from somewhere other than the Post Office, could have an adverse impact on their money management.

Table 5.7 Awareness, use of and willingness to use banking facilities for bill payment

	Column percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Aware of banking facilities for bill payment	98	98	99	99	99	98	96	96	99	97	98	97	97
Bill payment method													
Not responsible for household bills	7	10	4	4	3	6	10	13	3	10	11	8	34
Pay any bills in cash	68	69	67	64	61	73	73	71	77	83	84	82	57
Pay all bills in cash (or cash and direct deduction)	41	42	41	36	31	42	46	44	50	63	62	63	44
Use any banking facilities	43	38	49	55	57	41	35	32	42	16	14	20	12
Use direct debit/standing orders	31	29	33	38	46	31	25	23	30	10	10	9	8
Pay bills at the Post Office	52	43	59	58	38	47	52	49	61	54	50	63	33
Prefer not to use any banking facilities for bill payment	28	22	36	31	13	28	30	25	41	42	32	57	20
Reasons prefer cash for bill payment ¹													
Prefer cash	25	18	33	28	10	24	27	22	38	37	28	52	18
Easier to keep control of budget	8	6	10	9	3	10	10	8	16	9	7	11	6
Know bills are paid	7	5	10	8	3	7	7	6	11	10	6	16	5
Don't want to change	7	5	9	8	3	7	7	5	11	5	7	14	3
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	2,288	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

¹ Respondents could give more than one reason

5.4.1 Awareness of banking facilities for bill payment

Again, levels of awareness of the banking facilities available to pay household bills were very high (Table 5.7). Virtually everyone (98 per cent) knew of at least one of them. On the whole, pensioners had slightly higher levels of awareness than non-pensioners. This was, however, largely because a higher proportion of non-pensioners were not responsible for paying household bills.

5.4.2 Use of banking facilities for bill payment

Despite these high levels of awareness, around two-thirds (68 per cent) of benefit and pension recipients paid at least one of their household bills in cash, and about four in ten (41 per cent) paid all their bills this way (Table 5.7). Only two-fifths of people (43 per cent) were using banking facilities of some kind (including cheques, automated transfers, credit or debit cards) to pay their bills, and just one third (31 per cent) were using either standing orders or direct debits.

Recipients of RP and ChB were most likely to be paying at least some of their bills through a bank account (55 per cent and 57 per cent respectively). They were also the ones that made the most use of direct debits and standing orders (38 per cent and 46 per cent).

Those least likely to use banking facilities to pay household bills were people on IS (16 per cent) or JSA (12 per cent), but for rather different reasons. Six in ten of both pensioners and non-pensioners on IS paid all of their household bills in cash. JSA recipients, on the other hand, included a relatively high proportion of people (34 per cent) with no bills to pay, although those that did pay them tended to do so in cash.

Overall, half of people (52 per cent) paid at least one of their household bills at the Post Office. Pensioners were more likely than non-pensioners to use the Post Office in this way and particularly if they also received DLA or IS.

Again, it was not simply people without accounts who relied on cash to pay household bills. A third of people who had an account, and a quarter of people who were using an account at the time of the research, did not use it to pay any of their household bills.

5.4.3 Willingness to use banking facilities for bill payment

Although four in ten (41 per cent) people paid all of their household bills in cash, only just one in three (28 per cent) said that they would prefer not to use any banking facilities for bill payment (Table 5.7).

Again, pensioners were most likely to say this (36 per cent), especially if they were receiving DLA (41 per cent) or IS (57 per cent). Recipients of ChB were most willing to use banking facilities to pay bills and only around one in ten (13 per cent) said that they preferred not to use any.

The main reason that people gave for preferring not to use any banking facilities for bill payment was that they just preferred to use cash (Table 5.7). This was the case for one in four (25 per cent) people overall, and one in three (33 per cent) pensioners. Other reasons were that people said they found it easier to keep control of their budget if they paid their bills in cash (eight per cent); they preferred the security of knowing that bills were paid (seven per cent); or they simply did not want to change their method of bill payment (seven per cent). All of these factors were more important to pensioners than non-pensioners, and applied especially to pensioners who were receiving IS.

5.5 Overview of the use of banking facilities

Clearly, many more people had an account than used it for any particular purpose (Table 5.8). That said, withdrawal of cash from accounts and use of bank accounts to pay for everyday expenditure were less common than the use of bank facilities to pay household bills. In other words, some people seemed to rely on their benefit or pensions as a means of meeting their day-to-day expenditure in cash. There were, however, some interesting variations between different benefit recipients.

Table 5.8 Overview of use of banking facilities

	Cell percentages					
	Has an account	Gets cash from account	Pays for things using account	Pays bills using account	Base (weighted)	Base (unweighted)
All	78	34	36	43	4,806	4,805
All non-pensioners	74	43	37	38	2,490	3,254
All pensioners	83	25	36	49	2,289	1,514
Retirement Pension	87	27	41	55	1,797	1,005
Child Benefit	84	67	58	57	1,048	802
Incapacity Benefit	80	37	33	41	344	755
Disability Living Allowance	75	34	29	35	422	790
<i>DLA non-pensioners</i>	74	36	31	32	282	528
<i>DLA pensioners</i>	79	30	26	42	128	239
Income Support	61	15	13	16	947	782
<i>IS non-pensioners</i>	59	16	14	14	581	525
<i>IS pensioners</i>	66	14	12	20	363	254
Jobseeker's Allowance	62	20	13	12	247	671

Base: All respondents

People receiving RP and ChB had similarly high levels of account-holding, but used their accounts in quite different ways. Pensioners receiving RP mainly used a bank or building society account to pay bills (55 per cent) but hardly any of them withdrew cash from an account (27 per cent), instead they relied on collecting their pension in cash. In contrast, the majority of ChB recipients (67 per cent) used an account to withdraw cash, while slightly fewer paid bills from an account (57 per cent) or used it to pay for everyday things (58 per cent).

People in receipt of the two disability benefits, IB and DLA, also had similar levels of account-holding and their patterns of use of accounts were broadly the same. In each case, only a minority of people (between three and four in ten) used facilities with a bank or building society account, spread evenly between getting cash, paying for things and paying bills.

Finally, there are the people receiving IS or JSA, who had the lowest incomes and the lowest levels of account-holding. Taking the non-pensioners among them first, we find very low levels of use of banking facilities for all purposes. This is not entirely surprising because they would have little or no other income going into their accounts. In addition, previous research has shown that people on low incomes are wary of using an account because they believe it is too easy to lose financial control (Kempson and Whyley, 1998; Kempson and Whyley, 1999).

Pensioners receiving IS also made very little use of banking facilities. But, in contrast to younger people getting IS or JSA, they were slightly more likely to use them for bill-payment than for other purposes.

It would seem, then, that both age and income played an important part in the way people used accounts. So, people over pension age relied on collecting their pension in cash but used their accounts for bill and other payments. The poorer they were, the less they used their accounts for all purposes. Younger people used the facilities with their accounts about equally for different purposes, regardless of their income although, again, use of accounts generally fell with income.

5.6 Total reliance on a cash budget

There was, in fact, a large degree of overlap in the ways that people managed different aspects of their budget. For example, two-thirds of people who did not use any banking facilities to access cash also only used cash in their everyday spending. Likewise, three quarters of people who only used cash to pay their household bills did not access cash through any banking facilities.

Table 5.9 Characteristics and circumstances of people who relied on a cash budget

	Cell percentages		
	Proportion relying on a cash budget	Base (weighted)	Base (unweighted)
All in sample	43	4,806	4,805
<i>All non-pensioners</i>	46	2,491	2,288
<i>All pensioners</i>	40	2,289	1,514
Benefit received			
Retirement Pension	34	1,797	1,005
Child Benefit	25	1,048	802
Incapacity Benefit	43	345	755
Disability Living Allowance	47	422	790
<i>DLA non-pensioners</i>	48	282	528
<i>DLA pensioners</i>	44	128	239
Income Support	71	947	782
<i>IS non-pensioners</i>	73	581	525
<i>IS pensioners</i>	69	362	254
Jobseeker's Allowance	72	247	671
Household type			
Single person, no children	53	1,345	1,164
Couple, no children	29	1,177	1,132
Lone parent	59	774	763
Couple with children	22	859	920
Other (including non-householders)	55	625	796
Housing tenure			
Outright owner	22	1,249	988
Own with mortgage	16	878	926
Social tenant	64	1,947	2,034
Private tenant/squatter	48	340	372
Other (mainly non-householders)	64	358	442

Continued

Table 5.9 Continued

			<i>Cell percentages</i>
	Proportion relying on a cash budget	Base (weighted)	Base (unweighted)
Disability			
Have limiting disability	49	2,264	2,480
Have non-limiting disability	41	439	391
Have no disability	36	2,046	1,867
Household weekly income			
Less than £100	68	1,228	1,341
£100-£199	49	1,549	1,473
£200-299	21	508	536
£300 or more	8	518	483
Economic activity status			
Full-time work	6	251	227
Part-time work	9	424	357
Unemployed, available for work	73	296	607
Looking after family/home	58	630	541
Fully retired	40	2,167	1,434
Unable to work through disability/illness	55	893	1,422
Sources of income			
Benefit is sole source of income	69	2,411	2,678
Have other sources of income	17	2,396	2,127
Budgeting cycle			
Weekly	50	3,108	2,883
Fortnightly	64	409	685
Monthly	10	773	741
Account ownership			
Have a bank/building society account	28	3,757	3,625
Have an account currently in use	20	3,373	3,129

Base: All respondents

Overall, more than four in ten (43 per cent) of people paid by order book or girocheque operated only in cash and did not use any banking facilities in any aspect of their money management (Table 5.9). In addition to those who lacked a bank or building society account, 28 per cent of people who had an account had chosen to operate a cash budget.

The proportion of people who used no banking facilities and relied on cash rose steeply as household income fell. So, less than one in ten (eight per cent) of people with net household incomes of £300 or more per week budgeted entirely in cash, but the proportion increased to two-thirds (68 per cent) of people with under £100 a week. Similarly, there were wide disparities between people who relied on benefit as their only

source of income (69 per cent) and those who also had income from another source (17 per cent). There was, however, no clear link with age.

Cash budgets were, therefore, heavily concentrated among certain groups of benefit recipients. These include: unemployed people (73 per cent); lone parents (59 per cent); people unable to work through long-term illness or disability (55 per cent); social tenants (64 per cent); non-householders living in residential care or someone else's home (64 per cent); and people who budgeted weekly (50 per cent) or fortnightly (64 per cent).

Consequently cash budgets were most prevalent among people receiving IS (71 per cent) or JSA (72 per cent).

5.7 Use of plastic cards and cash machines

The introduction of benefit payment by ACT has particular implications for recipients' use of, and attitudes towards, two forms of banking facilities – plastic cards and cash machines. First, all the new basic bank accounts are card-based. And secondly, cash machines will be a key means of accessing benefit and pension payments for many people who cannot use their account to withdraw cash at a Post Office. Other research suggests that elderly people and people on low incomes are not comfortable using facilities like plastic cards and cash machines because transactions are less visible, making it harder to keep control of their budget (Whyley *et al.*, 1998; Kempson and Whyley, 1999; Kempson and Jones, 2000).

5.7.1 Plastic cards

Benefit recipients' awareness of plastic cards was, in general, very high (Table 5.10). The majority of people knew of at least one type of bank card. Just one in twenty people (five per cent) were not aware of any bank cards at all and these were most commonly pensioners receiving IS.

Table 5.10 Awareness, use of and willingness to use plastic cards

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Awareness of plastic cards ¹													
Cashpoint cards	90	95	85	87	97	96	89	90	90	86	94	72	96
Credit cards	86	91	80	83	96	90	86	86	87	78	87	64	91
Debit cards	83	91	75	78	96	90	82	84	81	79	85	57	91
Cheque guarantee cards	82	88	77	80	95	87	80	80	82	71	79	57	84
Other types of plastic cards	88	94	81	83	97	92	88	90	95	71	96	83	80
Not aware of any bank cards	5	2	8	7	1	1	6	6	6	9	4	17	1
Not aware of any cards	5	2	7	6	1	1	5	5	4	8	3	14	1
Currently use ¹													
Cashpoint cards	35	49	21	23	65	42	36	40	26	23	31	11	39
Credit cards	17	20	14	16	33	18	13	13	12	5	5	4	7
Debit cards	27	30	25	29	46	27	21	23	18	10	12	8	14
Cheque guarantee cards	32	30	34	39	45	31	26	25	29	13	13	13	12
Other types of plastic card	47	60	34	35	72	45	43	47	34	48	60	2	44
Don't have any bank cards	46	41	51	46	24	42	51	49	54	68	61	78	54
Don't have any plastic cards	27	19	39	35	8	25	32	29	37	39	27	59	30
Plastic cards prefer not to use ¹													
Cashpoint	18	12	24	25	8	17	17	13	25	19	17	12	10
Credit cards	43	47	39	40	48	43	43	45	41	41	48	30	47
Debit cards	26	29	23	23	26	28	28	30	26	29	33	12	33
Cheque guarantee cards	15	18	12	10	15	17	19	20	19	21	23	17	20
Prefer not to use any bank cards	32	41	51	41	10	28	34	29	47	45	31	66	19
Prefer not to use any cards at all	27	19	39	36	6	22	28	24	40	36	22	57	14
Reasons prefer not to use cards ¹													
Prefer to use cash	23	13	35	32	5	20	23	19	33	32	20	50	12
Don't like plastic cards	8	3	12	12	1	6	10	7	17	7	4	11	4
Harder to keep control of budget	6	4	7	7	2	6	9	6	14	6	5	7	3
Total (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Total (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

¹ Respondents could give more than one reason

5.7.2 *Use of plastic cards*

As with other aspects of money management, people's actual use of plastic cards was lower than their awareness of them (Table 5.10). Nearly half (46 per cent) had no bank cards of any kind and over one in four (27 per cent) did not have any plastic cards at all – not even a retailer loyalty card, telephone card or pre-payment fuel meter card.

Cash machine cards were the most widely used of the bank cards, and one-third (35 per cent) of benefit recipients had one at the time of the survey. Around three in ten people had a cheque guarantee card or debit card. The penetration of credit cards, however, was much lower, with only one in six people (17 per cent) owning one.

A familiar pattern emerges across the six benefits, with use of plastic cards influenced by age and income. ChB recipients were most integrated into the use of plastic cards of all kinds. Only a quarter of them (24 per cent) had no bank cards and just eight per cent had no cards at all.

Pensioners receiving RP, on the other hand, had much lower levels of use. Half of them (46 per cent) had no bank cards and a third (35 per cent) had no cards of any kind.

Use of bank cards was lowest of all, however, among benefit recipients on the lowest incomes and claiming either IS or JSA (68 per cent and 54 per cent respectively had no bank cards). And reflecting the dual influence of age and income, pensioners on IS were least integrated into the world of plastic. Eight out of ten of them (78 per cent) had no bank cards and six out of ten (59 per cent) had no plastic cards at all.

5.7.3 *Willingness to use plastic cards*

The proportion of people who said that they preferred not to use plastic cards was, again, lower than the actual number who were not using them at the time of the research (Table 5.10). People were more resistant to using bank cards than they were to plastic cards in general. Just one in four (27 per cent) people said that they preferred not to use any plastic cards, while one in three (32 per cent) were not willing to use bank cards.

Of bank cards, cheque guarantee cards and cashpoint cards generated the least resistance, and more than four in five people were prepared to use them. As other research has illustrated, people were more reluctant to use bank cards with less visible transactions and especially those involving a credit facility (Kempson and Whyley, 1998; Kempson and Whyley, 1999). Consequently, more than two-fifths (43 per cent) of people preferred not to use credit cards.

In all cases, the people who used cards least were also the ones who expressed a preference not to do so (Table 5.10).

By far the most important reason given by people who preferred not to use any cards was a simple preference for using cash (Table 5.10). This was cited by a quarter (23 per cent) of people overall, but was much more prominent among pensioners (35 per cent). It was, however, poorer pensioners, who were receiving IS as well as the state pension, who expressed the strongest preference for cash (50 per cent).

A general dislike of cards and a fear of losing control of the household budget were also cited, although by fewer people (eight per cent and six per cent respectively). Dislike of cards was strongest among pensioners, who were four times as likely to say this as people below pensionable age. Pensioners were also almost twice as likely as non-pensioners to express the fear that using cards would undermine their ability to budget effectively.

5.8 Attitudes towards and use of cash machines

During the interviews, respondents were asked how strongly they agreed or disagreed with the following series of statements about cash machines:

- Cash machines are a convenient way of getting money.
- I would not use a cash machine unless I had to.
- Things often go wrong with cash machines.
- I would rather use a cash machine than get service from a cashier.
- Cash machines are difficult to use.
- Other people can see what you are doing, they are not private enough.

Responses to these questions were analysed using a statistical technique known as principal component analysis, which identifies the key underlying attitudes that are captured by people's responses to particular statements. In fact this analysis identified a single underlying attitude classifying people as pro- or anti-cash machine. Using a five point scale, people were assigned a score of 1 if they were strongly anti-cash machine, rising to a score of 5 if they were strongly pro-cash machine. The mean score for the total sample was 2.8 indicating that, overall, the people interviewed were negative about cash machines (Table 5.11).

Perhaps not surprisingly, pensioners were more likely than non-pensioners to hold anti-cash machine views, with a mean score of 2.3 compared with 3.2 among those below pension age. However, analysis by benefit group shows that it was not age alone that influenced people's views of cash machines but, again, a combination of age and income level. Consequently, the only people who could be said to have been pro-cash machine were those receiving ChB.

Table 5.11 Attitudes to using cash machines

Benefit received	<i>Mean score</i>
	Views of cash machines
All in sample	2.8
All non-pensioners	3.2
All pensioners	2.3
Retirement Pension	2.3
Child Benefit	3.4
Incapacity Benefit	2.8
Disability Living Allowance	2.7
<i>DLA non-pensioners</i>	2.8
<i>DLA pensioners</i>	2.4
Income Support	2.7
<i>IS non-pensioners</i>	3.0
<i>IS pensioners</i>	2.2
Jobseeker's Allowance	2.7

Base: All respondents

5.8.1 Use of cash machines

Despite the generally high level of reluctance to use cash machines, and negative attitudes towards them, the majority of people (61 per cent) had, in fact, used one at some point (Table 5.12).

The differences in the levels of use by pensioners and non-pensioners were quite marked. More than six out of ten pensioners (63 per cent) had never used a cash machine, compared with less than two in ten (16 per cent) people under retirement age. There were also wide variations across the six benefits. Hardly any ChB or JSA recipients (seven and 13 per cent respectively) had never used a cash machine; while the majority of pensioners on IS (76 per cent) had never done so.

People's experience of cash machines was, of course, strongly related to their ownership and use of current accounts. People who were without a current account at the time of the survey were less likely to have used a cash machine than account holders. Even so, a third (37 per cent) of people with a current account had never used a cash machine.

Table 5.12 Use of, willingness to use and difficulties using cash machines

	Cell percentages												
	All	Non-pensioner	Pensioner	RP	ChB	IB	DLA	DLA non-pensioner	DLA pensioner	IS	IS non-pensioner	IS pensioner	JSA
Never used a cash machine	39	16	63	62	7	26	36	28	56	45	25	76	13
Unwilling to use one even if shown how	34	13	56	54	5	19	31	23	50	39	20	70	8
Reasons don't want to use one¹													
Dislike using machines	21	8	39	39	5	13	16	12	26	23	10	44	7
- can't remember a PIN number	5	2	9	9	1	3	4	3	7	5	2	10	1
- fear of errors/problems	4	2	7	7	1	3	2	2	3	4	2	8	2
- worried about queues	2	1	4	4	1	1	1	1	4	2	1	4	1
Fear of being mugged	13	4	23	23	2	6	11	7	21	12	5	23	3
Hard to keep control of money	6	3	9	9	1	4	4	3	6	7	4	12	2
Charges for using cash machines	3	2	4	4	1	3	3	1	6	3	3	4	2
Difficulties using a cash machine¹													
Any difficulties	35	20	51	47	10	36	46	42	59	41	24	69	10
Can't remember PIN	14	9	20	18	7	16	16	15	20	16	9	26	1
Poor eyesight	10	4	16	14	1	8	13	10	20	12	4	25	*
Limited use of hands	5	3	8	7	*	7	12	11	15	7	2	14	*
Can't reach from wheelchair	3	1	4	3	*	3	6	4	9	4	2	7	-
Total (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Total (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ Respondents could give more than one answer

5.8.2 Willingness to use a cash machine

The vast majority of people who had not used a cash machine said that they would not be willing to do so, even if they were shown how (Table 5.12). As we might expect, the people who held the most negative views of cash machines were least willing to learn how to do so. So, pensioners were more than four times as likely as non-pensioners to say they would not be willing to use a cash machine (56 per cent compared with 13 per cent). By far the greatest resistance, however, came from pensioners who were in receipt of IS. Seven in ten said that they were not prepared to use a cash machine even if someone showed them how.

The biggest objection to cash machines among people who were unwilling to use them was simply a dislike of machines (Table 5.12). This included fears about remembering the PIN number, concern about the potential for errors, and a worry that queues would form behind them as they were using a cash machine. One in five people (21 per cent) said this overall, although it rose to two in five people above pension age. Non-pensioners were, overall, less likely to object to using machines, particularly if they were in receipt of ChB or JSA.

Concern about personal security was also high, with more than one in ten people (13 per cent) fearing they would be vulnerable to mugging by people who had watched them withdraw money from a cash machine. Again, this was a great deal higher among pensioners, nearly one in four (23 per cent) of whom said this was why they were unwilling to use a cash machine.

A small proportion of people (six per cent) were worried that using a cash machine would make it harder for them to keep control of their money because they may not be able to work out exactly how much money they had spent or had left in their budget. Pensioners, as a whole, were three times as likely to be concerned about this as non-pensioners and, not surprisingly, it was a particular issue for low-income pensioners receiving IS.

5.8.3 *Difficulties using cash machines*

When asked specifically, around a third of people (35 per cent) identified particular difficulties that they would face in using a cash machine (Table 5.12).

Most common was being unable to remember a PIN number (14 per cent). Small, but significant numbers of people said that their use of cash machines was restricted by physical impairment. One in ten (10 per cent) said poor eyesight restricted their use; five per cent had limited use of their hands; and three per cent said that they could not reach the cash machine from a wheelchair. This last point is interesting as banks and building societies have been re-positioning their cash machines to make them more useable by people in wheelchairs.

Predictably, elderly people and people with disabilities faced the greatest difficulties of all kinds. So that, overall, half of pensioners and half of people receiving DLA said they found it difficult to use a cash machine. Consequently six out of ten pensioners receiving DLA had difficulties.

5.9 *Money management and ease of transfer to ACT*

The different styles and preferences for money management have important implications for the ease with which pension and benefit recipients can be transferred to payment by ACT (Table 5.13).

5.9.1 Group 1 *Easy to transfer*⁹

This group was, by far, the most comfortable with using banking facilities in all aspects of their day-to-day money management. About half of them used banking facilities to get cash (47 per cent); to pay for everyday items (45 per cent) and for bill payment (49 per cent). Moreover, they included the largest proportion of people paying bills by Automated Credit Transfer (direct debits or standing orders).

They were much less likely than people in other groups to say that they preferred not to use banking facilities in any area of money management. Consequently, they included the smallest proportion of people who operated a wholly cash budget (34 per cent).

They were also more pre-disposed towards the use of plastic cards and cash machines than other benefit recipients. They had the widest experience of using plastic cards and two-thirds (68 per cent) were using bank cards at the time of the research. Just one in seven (14 per cent) were not prepared to use plastic cards at all. In addition, they were least likely to have negative views of cash machines, and the majority had experience of using one.

Although more than half (57 per cent) of them operated a weekly budget, they were more likely than any other benefit recipients to budget monthly (22 per cent). In addition, more than half (55 per cent) had income from sources other than collecting their benefit or pension by order book or girocheque.

5.9.2 Groups 2 and 3 *Quite easy and potentially difficult to transfer to ACT*

People in these two groups were similar in that they were fairly well integrated into banking services and showed relatively high levels of willingness to use them in their day-to-day money management. That said, both groups were very reliant on cashing their order book or girocheque as their only way of accessing cash.

Table 5.13 Money management and ease of transfer to ACT

	Cell percentages					
	All	Group 1	Group 2	Group 3	Group 4	Group 5
Budgeting period						
Weekly	65	57	71	64	64	73
Fortnightly	9	10	8	10	8	6
Four-weekly/monthly	16	22	13	18	8	11
Longer than monthly	1	1	1	1	0	1
Don't know/don't budget	10	10	7	8	18	9
Benefit/pension is only source of income	50	45	50	47	62	56

Continued

⁹ Group 1 accounted for four in ten of the people interviewed; Groups 2 and 5 for two in ten; Groups 3 and 4 for one in ten.

Table 5.13 Continued

	Cell percentages					
	All	Group 1	Group 2	Group 3	Group 4	Group 5
Getting access to cash						
Aware of banking facilities for getting cash	96	99	98	96	83	93
Benefit/pension most frequent method	79	68	85	81	86	91
Benefit/pension only method	63	50	66	63	75	78
Use banking facilities	34	47	32	35	20	20
Prefer not to use any banking facilities to get cash	23	10	20	26	40	41
Paying for everyday items						
Aware of banking facilities for paying for everyday items	95	98	96	94	83	94
Only use cash to pay for things	55	46	53	54	71	68
Use banking facilities to pay for things	36	45	36	37	23	26
Prefer not to use any banking facilities for everyday items	35	20	32	38	54	52
Paying household bills						
Aware of banking facilities for bill payment	98	99	99	99	92	99
Pay any bills in cash	68	63	71	69	66	74
Pay all bills in cash (or cash and direct deductions)	41	35	43	45	46	49
Use any banking facilities	43	49	45	44	32	35
Use direct debit/standing orders	31	38	32	33	19	23
Prefer not to use any banking facilities for bill payment	28	16	28	33	37	44
Pay bills at the Post Office	50	44	51	53	49	58
Use no banking facilities at all/relies entirely on cash	43	34	42	42	58	54
Plastic cards						
Aware of any plastic cards	96	99	98	97	80	94
- aware of any bank cards	95	98	98	96	78	93
Use any plastic cards	71	82	76	70	46	61
- use any bank cards	46	68	55	52	32	41
Prefer not to use any plastic cards	27	14	22	30	45	42
- prefer not to use any bank cards	32	18	29	36	49	51
Use of cash machines						
Anti-cash machine mean score	2.8	3.1	2.7	2.6	2.5	2.4
Have ever used a cash machine	61	77	62	61	40	40
Unwilling to use one if shown how	34	16	32	35	54	56
Difficulties using cash machines	35	21	34	38	61	46
Remembering PIN	14	8	16	19	21	17
Poor eyesight	10	6	11	10	16	12
Limited use of hands	6	4	5	6	11	7
Wheelchair access	3	1	2	3	9	3
Total (weighted)	4806	1750	1010	583	462	1002
Total (unweighted)	4805	1959	957	614	393	882

Base: All respondents

Nevertheless, a third of each group used banking facilities of some kind to get cash; around four in ten used them in day-to-day expenditure; and a similar proportion used them to pay household bills. In fact, a third of people in each group paid bills using direct debits or standing orders. Despite this, more than half of each group still paid their bills at the Post Office and four in ten operated an entirely cash budget.

The majority of people in each group used some form of plastic card, half used a bank card and six out of ten had some experience of cash machines. Only a third of people in each group who had not used a cash machine were unwilling to learn how to do so.

5.9.3 Group 4 *Quite difficult to transfer*

People in this group were far less accustomed to using banking facilities in money management than those in other groups. This was, however, as much due to lack of awareness of the services available as high levels of resistance to using them.

Two-thirds (64 per cent) of this group budgeted weekly but, given their age, it is perhaps not surprising that a fifth (18 per cent) of them did not know their budgeting period or said they did not budget at all. In fact, it is likely that as many as one in ten (10 per cent) of this group were not responsible for their own finances and relied on someone else to manage their money for them. In addition, people in *Group 4* were least likely to have any income other than their benefit or pension.

They had much lower levels of awareness of banking facilities than people in other groups and were less likely to use them. Just one in five (20 per cent) used banking facilities to get cash. They were also the most likely to rely on cash to cover everyday expenditure, and least likely to use banking facilities, especially direct debits and standing orders, for bill payment. In fact, six in ten (58 per cent) relied totally on cash in all aspects of their money management – the highest of the five groups.

Group 4 was also least comfortable with the idea of using plastic cards; least likely to actually use them; and had one of the lowest levels of cash machine use. Six in ten (60 per cent) of them had never used a cash machine and more than half (54 per cent) of them were unwilling to use one even if someone were to show them how. This is likely to relate, at least in part, to the fact that six in ten (60 per cent) of *Group 4* said they would have difficulty using a cash machine.

5.9.4 Group 5 *Difficult to transfer to ACT*

This was the group that was most wedded to operating a cash budget and showed the greatest resistance to using banking facilities, despite being relatively well-informed about them. They are, undoubtedly, the people who will be most difficult to persuade to alter their style of money management.

Group 5 was most likely to budget weekly and three in four (73 per cent) did so. Eight in ten of them (78 per cent) relied on collecting their benefit or pension, using an order book or girocheque, as their only source of cash. They also had the second highest level of reliance on cash to pay for everyday items, and were most likely of the five groups to pay all their bills in cash. Over half of them (54 per cent) operated an entirely cash budget. Six in ten of them (58 per cent) used the Post Office for bill payment.

They were the least willing to use bank cards, held the most negative views of cash machines, and were among those least likely to have actually used one. Nearly six out of ten had not used a cash machine and were unwilling to do so, even if they were shown how. In fact, half of them said they would have difficulties of some kind using a cash machine.

6 VIEWS AND EXPERIENCE OF ACT

Several factors might be expected to limit people's use of ACT payments for their state pension or benefit. First of all they may not have been aware that their pension or benefit could be paid that way at the time they started to claim. Secondly, they may not have been aware that their account could receive ACT payments. Thirdly, they might only have become aware that they could be paid by ACT after opting to be paid by order book or girocheque and not considered changing since. Fourthly, they might have tried ACT but decided against it. Finally, they may be mistrustful of ACT payments, either in general or specifically, for the payment of their pension or benefit. Each of these aspects is explored below.

6.1 Awareness that they could be paid by ACT

As seen in Chapter 2, many people said that they had chosen to be paid by order book or girocheque because they were unaware that they had any other option. Only just over half of people knew when they started their claim that it was possible to have benefit payments made by a different method to the one they were using. This was also the conclusion of earlier qualitative research (Thomas and Pettigrew, 1999).

Although payment by ACT is available for both the State Retirement Pension and all benefits this was not universally known. Only half of the people interviewed (47 per cent) had been aware of this at the time they first started their claim, although three-quarters of them (77 per cent) knew at the time of the survey (Table 6.1). In other words, a quarter of the people interviewed were completely unaware of the possibility of being paid by ACT; a quarter had only become aware since starting their claim; and a half of them had known all along.

Awareness of ACT was generally lower among pensioners than non-pensioners. But it was especially low among pensioners who were also in receipt of IS. Only a quarter of IS pensioners (24 per cent) had known that they could be paid by ACT at the time their claim started and just half (50 per cent) of them knew about ACT at the time of the survey. This is likely to relate to their lower levels of engagement with banking services compared with other benefit recipients, and the fact that they were mostly very long-term claimants.

Table 6.1 Awareness of ACT payment option for benefits and pensions

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Knew other methods available when started to claim?													
Yes	53	58	47	50	61	47	55	55	56	46	57	28	68
Aware of ACT when started to claim?													
Yes	47	52	42	45	56	41	49	49	49	41	49	24	62
Aware of ACT now?													
Yes	77	82	71	75	88	78	76	78	73	68	77	50	78
How first found out about ACT?¹													
Told by staff	27	29	26	26	24	27	28	28	26	28	31	25	50
Word of mouth	14	14	15	15	15	10	12	13	11	15	14	18	12
Common knowledge	14	9	19	21	8	11	11	10	13	12	10	16	5
Notes on claim form/pack	11	15	5	5	17	10	14	12	9	11	14	5	18
Notes on order book	7	9	5	5	14	6	5	5	4	5	6	4	2
Read leaflet	6	6	5	5	5	8	9	8	12	6	6	5	6
Saw poster	4	4	4	4	4	6	4	4	5	3	4	3	2
Not aware of ACT	23	18	29	25	12	22	24	22	27	32	23	50	22
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* numbers too small to calculate percentages

¹ % respondents could give more than one reason

At the other extreme, ChB and JSA recipients were most likely to know that they could be paid by ACT. But while people receiving ChB included by far the greatest proportion (88 per cent) who were aware that this payment method was available to them at the time of the survey, JSA recipients were most likely to have known about ACT when they first started receiving benefit (62 per cent). This is probably because there was a far greater proportion of shorter-term JSA claimants, as awareness generally decreased the longer people had been receiving benefit payments.

6.1.1 How people had first found out about ACT

Those who knew that benefit payments could be made by ACT had found out about it in a number of ways (Table 6.1). The biggest group, more than a quarter of people overall (27 per cent), had been told by staff either at the Benefits Agency or the Employment Service. This was a key source of information for both pensioners and non-pensioners, but was especially important among recipients of JSA, half of whom (50 per cent) had found out about ACT in this way.

Word of mouth was also an important source of information. One in seven people (14 per cent) had found out about benefit payments by ACT by talking to friends, relatives or colleagues. Again, this source of information had been used by people of all ages, but those receiving disability benefits were slightly less likely to have found out about ACT in this way. Recipients of these benefits are likely to be more socially isolated and, consequently, less exposed to information by word of mouth than people on other benefits.

Only a minority of people had found out about ACT from printed information produced by the Benefits Agency:

- 11 per cent had read notes on their claim form or information pack;
- seven per cent had found out about ACT from notes on their order book;
- six per cent had read about ACT in leaflets; and
- four per cent had seen posters advertising the availability of this method of payment.

In general, however, non-pensioners were much more likely than pensioners to have found out about ACT from Benefits Agency information. Notes about ACT on claim forms were most often read by JSA and ChB claimants, while ChB claimants had also most often found out about ACT from notes on their order books. (JSA claimants will not have order books, unless they are also claiming another benefit that can be paid in this way). In contrast, pensioners, and especially those receiving IS, were particularly unlikely to have read notes on either claim forms or order books. IS pensioners, in particular, had a fairly high incidence of visual impairment (18 per cent, compared with the average of eight per cent) so it could be that they found it difficult to read printed materials.

People on IB or DLA were, however, more likely than other people to have read about ACT in leaflets. This could be because people are often given information on social security benefits by doctors and other health service professional when they are diagnosed with a limiting medical condition or disability.

Interestingly, one in seven people could not specify how they had found out, believing it to be 'common knowledge'. This, however, applied far more to pensioners (19 per cent) than to younger people (nine per cent). JSA recipients, in particular, were very unlikely to say that the availability of ACT payment was common knowledge (five per cent). This is not surprising given that there is a high turnover of claimants on JSA and they tend to be more transient than other benefit recipients.

6.2 Proportions with an account they believed could receive ACT payments

According to APACS (the bank clearing system) all bank and building society accounts can receive payments made by ACT. That does not mean, however, that everyone would be aware of the fact, and this may have led some people to opt to have their benefit or pension paid by order book or girocheque instead.

There was some evidence to support this, as one in ten of all the people interviewed said that they had an account but either thought that it could not receive ACT payments (four per cent) or they did not know whether it could or not (seven per cent). The great majority of these people (70 per cent of them) had only a savings account.

Table 6.2 Awareness of ACT facility on accounts

Cell percentages					
Client group and Benefit received	Has an account	Awareness of ACT facility		Base (weighted)	Base (unweighted)
		Yes	No/Don't know		
All in sample	78	67	11	4,405	4,806
All non-pensioners	74	67	7	2,490	3,254
All pensioners	83	68	14	2,289	1,514
Retirement Pension	87	69	12	1,797	1,005
Child Benefit	84	81	3	1,048	802
Incapacity Benefit	80	71	9	344	755
Disability Living Allowance	75	62	13	422	790
DLA non-pensioners	74	61	13	282	528
DLA pensioners	79	67	12	128	239
Income Support	61	42	19	947	782
IS non-pensioners	59	48	11	581	525
IS pensioners	66	40	26	363	254
Jobseeker's Allowance	62	56	6	247	671

Base: All respondents

Pensioners were twice as likely to be unaware of ACT facilities with their accounts as non-pensioners. But because more pensioners had an account in the first place there was almost no difference in the proportion of people who had an account that they knew could receive ACT (Table 6.2).

Levels of awareness were particularly low among the low-income pensioners receiving IS. A quarter of them had an account, but did not know that it could receive payments by ACT. This, added to their low level of account-holding, meant that only four out of ten of them had an account they knew could receive ACT.

At the other extreme, ChB recipients had both very high levels of awareness and a high level of account-holding. Consequently, eight out of ten of them both had an account and knew that ACT payments could be made into it.

6.3 People who had thought about changing to ACT

One in ten people (nine per cent) had considered changing from order book or girocheque at some point since their claim began. And just about all of them (nine per cent) had thought about switching to ACT (Table 6.3). Moreover, the majority of those who had thought about changing had done so in the six months prior to the survey. Non-pensioners, particularly those receiving ChB, DLA or IS, were more likely than pensioners both to have considered changing their payment method, and to have thought about switching to ACT.

Despite thinking about changing to ACT, very few people – just two per cent – had actually made the decision to do so. A further two per cent had not yet reached a decision, while the remainder (six per cent) had decided to stick with their current method of payment. Just as non-pensioners were more likely than pensioners to have considered switching their method of payment, more had also decided to actually do so.

Around half of people who had thought about changing their method of benefit payment (four per cent) had done so because they thought it would be easier or more convenient (Table 6.3). This was sometimes related to the fact that people found it inconvenient to visit the Post Office to collect their benefit or cash a girocheque (one per cent).

There were three main reasons why people had decided *against* changing to ACT: the convenience of using the Post Office; concerns about being unable to withdraw small amounts of cash and so gain access to all that was left in their account; and a preference for weekly payments.

Table 6.3 Changes to method of benefit payment

Cell percentages													
	All	Non-	Pensioner	RP	ChB	IB	DLA	DLA non-	DLA	IS	IS non-	IS	JSA
	pensioner							pensioner	pensioner		pensioner	pensioner	
Considered changing to ACT?													
Yes	9	14	5	5	15	11	12	15	4	10	14	3	9
When last considered changing?													
Within last 6 months	7	10	4	4	11	7	8	11	3	8	12	2	7
Longer than 6 months ago	2	4	1	1	4	4	4	4	1	2	3	1	2
Method considered changing to													
Direct payments into an account	9	13	5	5	15	10	11	14	3	9	14	2	7
Girocheque/order book	*	*	-	-	*	*	1	1	1	1	1	1	2
Reasons considered changing ¹													
Easier/more convenient	4	7	2	2	7	5	6	9	1	5	7	1	6
Post Office inconvenient	1	2	1	1	3	1	2	2	*	1	1	*	*
Final decision													
Decided to change	2	2	1	1	3	2	2	2	*	1	1	*	1
Not yet decided	2	3	1	1	4	2	3	4	*	2	3	*	2
Decided not to change	6	8	3	4	8	6	6	8	3	10	10	1	5
Reasons for deciding not to change ¹													
Convenience of Post Office	2	2	1	2	2	1	1	2	1	1	2	0	1
Problems withdrawing small amounts	2	3	1	1	3	2	3	3	1	2	3	1	2
Prefer weekly payments	1	1	1	1	1	1	1	1	0	*	1	0	1
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

¹ respondents could give more than one reason

6.4 People who had not considered changing their method of payment

The vast majority (91 per cent) of people who took part in this survey had neither changed their method of payment, nor had they thought about doing so (Table 6.3). On the whole this was because once people had started to be paid by order book or girocheque they could see no reason to change. Two-thirds (65 per cent) of people said (unprompted)

that they had not considered changing because their current payment method worked well. In addition, two in five people (41 per cent) said that they were happy using the Post Office (Table 6.4). However, pensioners were more likely than non-pensioners, and particularly those in receipt of JSA, DLA or IS, to cite these factors as reasons for not considering change.

In fact, inertia – simply never having thought about using a different payment method – accounted for one in seven people (14 per cent) who had not considered change, and was a more important reason for JSA recipients than for those receiving other benefits. Not having a bank or building society account or having concerns about using one was also an important reason why some people had not thought about changing their method of payment. Overall, nearly one in ten people (nine per cent) gave this as an explanation, but this rose to one in six (16 per cent) of JSA recipients. These figures are, however, appreciably lower than the proportion of people lacking an account.

No other reasons were widely cited. Only a small proportion (four per cent) said that they had not thought about changing their payment method because they were unaware of the alternatives – although, as we saw above, considerably more people were actually unaware that they had a choice. A very small proportion of people (two per cent) said they had not thought about changing from order books or girocheques because they liked getting their benefit weekly and were concerned about waiting longer for payments by ACT. Interestingly, this was not raised disproportionately by RP recipients who, in reality, would have been most likely to face a change from weekly to four weekly payments (see Chapter 4).

Finally, a handful of people (one per cent) said that they had not considered changing their method of payment because they relied on someone else to collect their benefit for them. They thought that this would be made more difficult if their benefit was paid directly into a bank or building society account. Not surprisingly this factor was more influential for pensioners than non-pensioners, but it was pensioners who were also receiving IS for whom this factor was most important. The importance of payment periods and agency agreements in people's views and decisions about ACT are further explored in the final chapter.

Table 6.4 Reasons for not having considered changing method of payment

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Reasons for not considering¹													
Present method works well	65	59	72	72	64	63	56	52	64	61	54	74	53
Happy using Post Office	41	33	49	50	33	43	42	38	50	35	31	41	22
Not thought about changing	14	15	13	13	14	14	13	13	14	15	16	13	19
No account/concerns about accounts	9	10	8	7	6	11	10	13	9	12	11	9	16
Didn't know other methods available	4	4	3	3	3	7	3	3	4	4	3	5	7
Prefer weekly/ longer wait for ACT	2	2	2	2	3	3	2	2	3	1	2	1	2
Someone else collects benefit	1	*	2	1	*	1	1	1	1	1	*	3	*
Expect problems if decided to change?													
Yes	32	30	35	35	21	37	35	34	37	38	39	36	31
Problems expected¹													
Getting to bank/building society	17	10	25	25	5	19	19	16	26	17	13	24	6
Administrative errors/delays	9	11	6	6	9	14	8	9	6	11	14	7	13
Delays in getting benefit	7	10	4	4	8	12	7	9	2	11	15	5	11
Problems using accounts	6	6	7	6	4	8	6	6	6	9	8	12	8
No account/getting an account	5	6	4	3	3	5	7	9	4	8	10	6	7
Prefer weekly payments	1	1	1	1	1	1	1	1	*	*	*	*	0
Someone else collects benefit	1	*	1	1	0	*	1	*	2	1	*	2	*
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* numbers too small to calculate percentages

¹ respondents could give more than one response

6.4.1 Problems anticipated with changing benefit payment method

Everyone who had not considered changing their method of payment was asked if they would expect problems to arise were they to transfer to ACT. Only a third of all people interviewed (32 per cent) said that they would (Table 6.4). Pensioners tended to expect it to be more problematic than non-pensioners (35 per cent compared with 30 per cent). Recipients of ChB were least concerned about problems (21 per cent). There are two possible reasons for their relative lack of concern. First, because ChB usually accounts for only a small proportion of the household budget, and secondly, because they have the most experience of other ACT

payments into their accounts. This last point is explored in more detail below.

The main problem that people foresaw in changing to payments by ACT related to physical access to a bank or building society branch. Nearly one in five (17 per cent) of the people interviewed thought that getting to a bank or building society would be problematic, and this was particularly likely to worry pensioners (25 per cent) and people receiving benefits associated with disability (IB 19 per cent; DLA 19 per cent).

In contrast, non-pensioners were more likely to expect administrative problems (11 per cent) or delays in their benefit payment (10 per cent). ChB and JSA recipients, in particular, were far more exercised by the possibility of errors and delays than they were about getting to a bank or building society to collect their money.

A small number of people expected problems with using (six per cent), or gaining access to (five per cent), a bank or building society account.

The types of problems people anticipated with *using* accounts for benefit payment included:

- concerns about the costs and charges that would be imposed on them for using an account;
- fears that they would not be able to withdraw small amounts of money and so gain access to all that was left in their account; and
- worries that ACT payments of benefit into an account would be ‘eaten up’ in repaying an overdraft, leaving recipients with nothing to live on.

Problems of this sort were most likely (12 per cent) to be anticipated by pensioners who were receiving an IS top-up to their state pensions. Not only were they worse off financially than other pensioners, but they were much less likely to use a bank or building society account for financial transactions.

In fact, rather more people might have been expected to say that they would have difficulty opening an account as, overall, 22 per cent of people lacked one. In particular, JSA and IS recipients might reasonably be expected to have this concern as, in both cases, three out of ten of them did not have an account with either a bank or building society at the time they were interviewed.

The fact that they were not concerned about this is almost certainly because more people have decided not to use an account, than have had an application for one turned down (See Chapter 4).

Finally, a small proportion of people (one per cent) anticipated problems associated with moving from weekly to four-weekly benefit payments if they switched to ACT payments. In addition, one per cent of people, mostly pensioners on DLA or IS, could foresee problems with ACT because they relied on someone else to collect their benefit for them.

6.5 Experience of ACT

A surprising number of people (42 per cent) did have some experience of ACT – although usually not for the receipt of benefit. Only a handful of people had previously had their benefit or pension paid by ACT but had since switched to payment by order book or girocheque. Slightly more had other benefits that were paid by ACT, but these too were few in number. On the whole, those with income paid directly into an account had either wages or a personal pension paid in this way.

6.5.1 *Previous payment of benefit by ACT*

The great majority of people (96 per cent) had not changed their method of benefit or pension payment since they had started to claim, and only two per cent had switched from ACT payments into a bank or building society account to some other method. Those most likely to have been paid by ACT in the past were recipients of ChB and JSA but even here it only applied to a tiny number of people (Table 6.5).

6.5.2 *Payment of other benefits by ACT*

Similarly, although half of the people interviewed (46 per cent) were receiving more than one benefit, most of them (37 per cent) had all their benefits paid the same way. Only five per cent had other benefits paid by ACT (Table 6.5). The other benefits that were most commonly received by ACT were DLA (two per cent of all survey respondents) and Working Families' Tax Credit/Family Credit (also two per cent). Again, most people said they had not been aware that they had a choice of payment method when they had started to claim.

There was some variation across the six benefits in the proportion of people with other benefits paid by ACT, but it was not great. In most instances it was between six and eight per cent of people; but it was especially low for JSA (one per cent) and pensioners receiving IS (three per cent).

Table 6.5 Other experience of ACT

	Column percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Payment of sampled benefit by ACT													
Has had benefit paid by ACT	2	2	1	1	3	1	*	1	*	*	1	-	2
Has considered being paid by ACT	9	13	5	3	15	11	11	14	3	9	14	2	7
Has neither had nor considered ACT	89	85	94	94	82	88	88	85	96	90	85	96	91
Payment of other benefits by ACT													
Yes	5	7	4	4	8	8	7	7	6	6	8	3	1
No	95	93	96	96	92	92	93	93	94	94	92	97	99
Whether has had any income paid by ACT													
Yes, currently	42	40	45	52	64	41	32	29	39	13	12	14	9
Yes, but only in the past	14	20	7	7	12	24	13	15	9	18	25	6	44
No	44	40	48	40	24	35	55	56	52	70	63	80	47
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

* less than 1 per cent

- no respondents

6.5.3 Any experience of ACT payments into an account

Many more people had some experience of ACT – 42 per cent of all the people interviewed had other income paid by ACT at the time of the survey and a further 14 per cent had had such payments made into their account in the past (Table 6.5).

The most common ACT payments were an occupational or private pension (20 per cent of all people had such payments currently) or wages (15 per cent). As noted above, only five per cent had other benefits paid directly into the account. The great majority of these people (28 of the 42 per cent who had some income paid by ACT) said that they had had no choice in the matter – the person paying them the money had decided to pay it by ACT.

There were, however, very wide variations across the six benefits. The greatest experience of ACT payments was among ChB recipients. Two-thirds (64 per cent) of them had income (predominantly wages) paid directly into a bank account, and a further one in eight (12 per cent) had had money paid in the past. Pensioners receiving RP had the second-highest level of experience; half of them (52 per cent) currently had

ACT payments into their account (in this case, mostly occupational or private pensions) and another seven per cent had prior experience – mostly of wages being paid into their account. In both cases, it was their economic circumstances rather than the benefit they claimed that meant they had the greatest levels of experience of ACT.

Hardly any JSA recipients (nine per cent), on the other hand, had any income paid by ACT and levels of use by IS recipients were also low (12 per cent IS non-pensioners; 14 per cent IS pensioners). This is not entirely surprising as both benefits are means tested and, as we saw in Chapter 3, most people claiming either IS or JSA relied on benefits as their sole source of income. They were also the two groups that were least likely to be using a bank or building society account currently. People receiving JSA had, however, had fairly high levels of experience of ACT in the past (44 per cent – most of which was wages).

6.6 Views of ACT payment of benefits and pensions

Views of ACT payment of benefits and pensions were fairly negative, although it should be remembered that the people interviewed were all ones who had opted not to be paid by ACT. When asked, six out of ten people (61 per cent) could see no advantages to it at all, while nine out of ten (88 per cent) went on to list its disadvantages. This is in marked contrast to the views of order books and girocheques described in Chapter 3, and is surprising given the level of use of ACT for other payments.

6.6.1 The perceived advantages of ACT

Non-pensioners were much more likely than pensioners to perceive *some* advantages to payment of benefits and pensions by ACT (52 per cent compared with 25 per cent) (Table 6.6). And among non-pensioners, it was people receiving ChB and JSA who were most likely to have positive views of payment by ACT.

The main (unprompted) advantage of ACT that people identified was its greater security than other payment methods. There were two aspects to this: payments could not get lost and recipients are not required to go and collect their benefit in cash. One in ten people (10 per cent) overall cited this as an advantage. In addition, around one in fourteen (seven per cent) people thought payment by ACT was generally easier and more convenient because they could choose when to go and collect their money. Finally, a small number of people (five per cent) saw ACT as a more reliable method of payment because it gave them a guaranteed payment on a specified date. All of these factors, however, were most likely to be cited by non-pensioners, particularly those claiming JSA (Table 6.6).

6.6.2 The perceived disadvantages of ACT

The great majority, 88 per cent of all those interviewed, said they thought that ACT payment of benefits and pensions had disadvantages, with pensioners holding more negative views than non-pensioners (Table 6.6).

The main perceived disadvantage, cited by over a quarter of people (28 per cent), was the inconvenience of getting to a bank or building society. This was because either they did not have a local branch or they had

other difficulties travelling to a bank or building society. Not surprisingly, pensioners were particularly likely to cite access problems (36 per cent) as were people claiming the disability benefits DLA and IB. JSA and ChB recipients were least concerned about this.

Related to this was the fact that a quarter (24 per cent) of people thought that they would lose the convenience of collecting their pension or benefit at the Post Office. Again, this was particularly so for pensioners and people on DLA or IB, but it was much less of an issue for people claiming JSA and ChB.

In fact, these problems should not materialise for many people as a number of the main banks have, or will be setting up, agency agreements with the Post Office. These are not, however, well-known, as was shown in Chapter 4.

Other perceived disadvantages of ACT related to the practicalities of receiving benefits into a bank or building society account and this was especially likely to be the case among non-pensioners. A fifth (20 per cent) of them felt that it would not suit their style of money management compared with just one in seven (14 per cent) pensioners. Child Benefit recipients, in particular, were most likely to be wary of ACT for this reason, one in three (31 per cent) of whom identified this as a disadvantage.

Again a minority (14 per cent) of people were worried about the need for a bank or building society account. Half of these (seven per cent) were worried because they did not have such an account, the others were not comfortable with the idea of having their benefit paid into an account. While being without an account was equally common among the two age groups, concerns about using one were more likely to be identified as a disadvantage of ACT by non-pensioners (nine per cent) than by pensioners (five per cent). In fact, concern about using an account was greatest among recipients of JSA, one in five (20 per cent) of whom saw it as a disadvantage of ACT.

A small number of people (10 per cent overall) were concerned that payment by ACT could be prone to errors or delays in their payments. Four times as many non-pensioners (16 per cent) as pensioners (four per cent) thought that this would be a problem and it was particularly common among recipients of JSA, a fifth (22 per cent) of whom identified this as a disadvantage of ACT.

Surprisingly few people were worried about having to switch from weekly payments (three per cent) or about difficulties arising from the fact that they relied on someone else to collect their benefit (three per cent).

6.7 Views of the likely impact of the switch to ACT

Towards the end of the interview, all respondents were read out a series of statements about ACT and asked how strongly they agreed or disagreed with them. To make this data more manageable, the results were again

analysed using a statistical technique known as principal component analysis. This identified five underlying attitudes, which were scored on a five point scale, with 1 being agree strongly and 5 disagree strongly, so the lower the average score, the more strongly people agreed with the attitude. The average scores for all the people interviewed were:

- a concern about the implications of ACT payment of benefit for Post Offices (average score 1.65);
- a desire to keep things as they are now (average score 1.68);
- a concern about privacy (average score 2.12);
- a concern about disruption to money management (average score 2.38, that is, most people agreed with this concern);
- a tendency to see the advantages of ACT payments (average score 3.06, showing that, on the whole, people were equivocal about ACT).

There was, therefore, widespread concern about the implications for Post Offices when pensions and benefits are paid directly into accounts and also a strong desire to keep things as they are. There was slightly less concern about privacy and possible disruption to money management although both were things that, on balance, people worried about. There was, however, a degree of equivocation about the advantages of ACT – the average score suggests that there were roughly equal numbers of people who agreed and disagreed with this point of view.

Table 6.6 Perceived advantages and disadvantages of ACT payment of benefits or pensions

	Cell percentages												
	All	Non- pensioner	Pensioner	RP	ChB	IB	DLA	DLA non- pensioner	DLA pensioner	IS	IS non- pensioner	IS pensioner	JSA
Advantages¹													
None	61	48	75	75	40	61	63	56	77	61	53	73	43
Personal security	10	14	6	7	14	10	11	13	6	12	16	5	17
Generally easy/convenient	7	11	3	2	13	9	7	8	3	7	9	4	12
Guaranteed payment day	5	7	2	2	7	4	4	6	1	5	6	2	11
Disadvantages¹													
None	12	15	9	9	15	13	16	17	14	12	15	6	19
Banks/building societies inconvenient	28	20	36	37	17	27	29	26	38	25	22	30	16
Convenience of Post Office	24	20	29	28	16	28	26	24	32	26	23	31	12
Doesn't suit money management	17	20	14	16	31	11	10	11	9	11	12	9	11
Prone to errors/delays	10	16	4	4	14	13	12	15	6	14	21	3	22
Don't have an account	7	7	6	5	5	6	8	10	5	11	11	11	10
Don't want to use an account	7	9	5	6	6	9	6	6	5	8	10	4	20
Someone else collects benefit	3	1	5	5	1	3	4	4	3	4	1	8	0
Prefer weekly payments	3	3	3	4	4	3	3	2	3	2	2	1	1
Base (weighted)	4,806	2,490	2,289	1,797	1,048	344	422	282	128	947	581	363	247
Base (unweighted)	4,805	3,254	1,514	1,005	802	755	790	528	239	782	525	254	671

Base: All respondents

¹ Respondents could give more than one reason

6.7.1 *A concern about the implications of ACT payment of benefit for Post Offices*

This was a fairly universal concern among all those interviewed, and reflected two points of view: a concern that Post Offices might close, and a wish to continue collecting benefits and pensions at the Post Office.

Like other attitudes, a concern for the Post Office increased with age (average score 1.36 for the over 80s but 2.27 for the under 20s).

Question most strongly correlated
I would be worried about the Post Office losing business and closing down
Average score 1.65

People who were most concerned:

- used the Post Office for paying bills (1.43)
- found it difficult to get to a bank (fairly difficult 1.47; very difficult 1.34)
- lived in rural areas (villages 1.49; other rural areas 1.43)
- had disabilities that limited their daily activity (1.54)

Those most strongly wedded to the Post Office were pensioners receiving RP (1.36), more even than pensioners getting IS (1.39). JSA recipients were the least enthusiastic (2.15), but even they could hardly be described as anti-Post Office.

6.7.2 *A desire to keep things as they are now*

As noted above, there was a very strong conservatism among benefit recipient not paid by ACT, and most people agreed that they would prefer to keep things as they are. They wanted to be paid as frequently as now and to be able to get all their money in one go. Consequently they agreed with the suggestion that the Government should introduce an alternative method of payment for people who could not be paid by ACT. The actual method was not, however, specified.

The desire to keep things the same, again, increased with age (the average score for everyone aged over 70 was 1.58). It was also high for people:

- who had never had an account (1.46)
- who operated cash budgets (1.59)
- wholly dependent on social security (1.60)

Question most strongly correlated
The government should introduce alternatives for those who cannot have their benefit or pension paid into an account
Average score 1.68

This conservatism was widespread, with only very small differences between different benefit groups. Again people getting ChB were the ones least wedded to the status quo (1.84); while pensioners (1.59) and especially those receiving IS were the most conservative (1.52).

6.7.3 A concern about privacy

This view was based on a single attitude statement *I would want to be reassured that information about the money in my account would not be disclosed to the Benefits Agency*. While this might not have been a spontaneous concern (it did not get mentioned in any of the open-ended questions soliciting views on ACT), just about everyone, regardless of their circumstances or the benefit they received, shared this sentiment with little variation in the extent to which they did so (average score 2.12).

6.7.4 A concern about money management

People who held this point of view said they would be worried about knowing how much money had been paid into their account and when it had gone in, and they were concerned that errors would occur during the changeover.

Concern about money management increased with age (average score for the over 80s was 2.09, compared with 2.50 among all those aged under 30).

It was also particularly important for people:

- who had never had a bank account (1.88)
- with no experience of ACT (2.12)
- who operated cash budgets (2.17)
- wholly dependent on social security (2.20)
- who budgeted weekly (2.23).

Question most strongly correlated

I would be worried about not knowing how much money had gone into my account or when it went in

Average score 2.38

There was no single benefit group that really disagreed with this point of view, but ChB recipients were the least concerned (2.75). As might be expected, pensioners receiving IS were most worried about the loss of financial control (1.97).

6.7.5 A tendency to see the advantages of ACT payments

People who tended to see the advantages of ACT thought that having their benefit or pension paid by ACT would be safer, cheaper, give them a wider choice of where they could collect their money and mean they would be less inclined to spend the money. They also said that they had no particular concerns about having their benefit paid this way.

There was a strong link with age and the younger people were the more they were in favour of ACT (the average score for under 20s was 2.57 rising to 3.40 for the over 80s).

Question most strongly correlated

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

Average score 3.06

As might be expected the people who most held this point of view:

- had a bank account in use (2.97); and
- had other income paid by ACT (2.94).

Although, no single group of benefit recipients was particularly pro-ACT, those with the most positive views were in receipt of JSA (average score 2.71) or ChB (2.79). People receiving the state pension were the most negative (3.29) and especially so if they also received IS (3.39).

6.7.6 Overall views

As there was a good deal of overlap between these attitudes, further statistical analysis (cluster analysis) was undertaken to classify people by their range of views of ACT. Broadly speaking, people could best be divided into six groups.

Two groups of people were generally negative about ACT. Neither of them agreed that payment of benefit by ACT had many advantages; they were the ones most worried about disruption to their finances, and about the implications for Post Offices. Consequently, they were the people who were most inclined to say that they wanted to keep things pretty much as they are now.

Where these two groups differed, however, was in their concern about privacy. One group was very concerned indeed that information about the money in their account would be disclosed to the Benefits Agency; the other had the lowest level of concern of the five groups. These two groups respectively accounted for 15 per cent and 21 per cent of all those interviewed. Both of them were disproportionately older people and likely to be receiving the state pension either alone or, more particularly, in combination with IS.

A third group was, on the whole, in favour of ACT payments. They accounted for 13 per cent of people in the survey. They were very inclined to see the advantages of ACT and had fewest concerns either about possible disruption to their finances or the implications for Post Offices. They had some misgivings about privacy but were by no means the most concerned. They were the youngest of the six groups. Unemployed people getting JSA and ChB recipients were greatly over-represented among them.

The remaining three groups of people could best be described as ambivalent towards ACT. They were all fairly aware of the advantages that ACT payments might offer, but the three groups had slightly different concerns.

One of these three groups (comprising 13 per cent of people interviewed) was particularly worried about the impact the proposed switch to ACT would have on Post Offices and wanted to keep things as they are now.

These people were not drawn disproportionately from any one benefit group, but poorer pensioners, receiving IS, were under-represented among them.

Another group was both worried about the impact on Post Offices and also about privacy (15 per cent). They too wanted to keep things the same. They included a slightly higher proportion of ChB and JSA recipients than the previous group.

And the last of these three groups (24 per cent) shared the others' concerns but they were, in addition, worried about possible disruption to their finances. People over-represented among them were non-pensioners claiming IS, JSA and DLA.

6.8 Influences on ease of transfer to ACT

The various aspects of ACT discussed above help us refine further the five groups of benefit recipients identified in Chapter 2 and begin to identify the hurdles that will need to be overcome to smooth their transition to being paid by ACT.

6.8.1 Group 1 *Easy to transfer*¹⁰

This group was both pro-ACT and also had fairly wide experience of ACT payments into their account.

They held the most positive views of ACT, with six out of ten of them (61 per cent) citing its advantages and only a quarter (25 per cent) its disadvantages. In particular, they spontaneously said they thought that ACT payments:

- offered greater security than either order books or girocheques (18 per cent);
- were a more convenient way of being paid (14 per cent); and
- would ensure that their benefit or pension arrived on time (eight per cent) (Table 6.7).

No other group was anything like this positive about ACT – indeed they were the only ones with a *tendency to see the advantages of ACT*.

They were also the ones with the greatest experience of ACT payments into a bank account – 49 per cent of them currently had some income paid this way, and a further 17 per cent had had them in the past. Perhaps based on this experience, very few of them (17 per cent) anticipated any problems if they changed to ACT payment of their benefit or pension (Table 6.7).

They would not take a great deal of persuading to transfer to ACT, indeed 19 per cent of them had already considered changing (Table 6.7). In almost all cases, they had recently considered this and three per cent had already decided to transfer. And, as noted in Chapter 3, a significant

¹⁰ Group 1 accounted for four in ten of the people interviewed; Groups 2 and 5 for two in ten; Groups 3 and 4 for one in ten

proportion of them (34 per cent) said that they would be more likely to switch having found out how much less it would cost if they were paid by ACT.

Table 6.7 Views and experience of ACT by ease of transfer

	Column percentages					
	All	Group 1	Group 2	Group 3	Group 4	Group 5
Aware of ACT when started claim						
Yes	47	51	50	55	26	44
No	53	49	50	45	74	56
Advantages¹						
None	61	39	67	73	69	83
Personal security	10	18	11	7	3	2
Generally easy/convenient	7	14	3	3	3	1
Guaranteed payment day	5	8	3	2	2	2
Disadvantages¹						
None	12	25	6	5	8	3
Banks/building societies inconvenient	28	20	30	33	23	38
Convenience of Post Office	24	19	26	29	21	30
Doesn't suit money management	17	16	21	17	16	16
Prone to errors/delays	10	12	11	11	7	8
Don't have an account	7	4	6	8	9	11
Don't want to use an account	7	5	8	9	4	9
Someone else collects benefit	3	2	4	3	6	4
Prefer weekly payments	3	3	4	4	2	3
Has other income paid by ACT						
Yes	42	49	43	40	32	35
No	58	51	57	60	68	65
Awareness of ACT facility on account						
Has account and aware of facility	64	76	64	65	49	53
Has account and <i>not</i> aware of facility	14	10	14	13	24	16
Has no account	22	14	22	22	27	31
Has considered switching to ACT						
Yes	9	19	5	4	5	*
No	91	81	95	96	95	100
Reasons for not considering ACT¹						
No reason to do so	65	54	67	68	69	77
Likes Post Office	41	30	49	50	37	47
No account/doesn't like using one	9	6	9	12	19	11
Someone else collects benefit	1	*	1	1	3	1
Expects problems if switches to ACT						
Yes	32	17	41	44	30	45
No	68	83	59	56	70	55
Pro-ACT²	3.06	2.25	3.09	3.52	3.13	4.13
Base (weighted)	4,806	1,750	1,010	583	462	1,002
Base (unweighted)	4,805	1,959	957	614	393	882

Base: All respondents

* less than one per cent

¹ Some people gave more than one response, so percentages do not total 100 per cent

² Average scores out of 5, where 1=very pro-ACT and 5=very anti-ACT

They were the group where the greatest proportion of people (76 per cent) said that they had a bank or building society account that they knew could receive ACT payments. However, a quarter of them either did not have an account at all (14 per cent) or they had one that they did not realise could receive ACT payments (10 per cent).

6.8.2 Group 2 *Quite easy to transfer*

This group was distinguished by their conservatism and attachment to the Post Office.

They could see very few advantages to ACT – only a third of them (33 per cent) could find anything positive to say. The key disadvantages, as far as they were concerned, were that they would lose the convenience of using the Post Office (26 per cent) and find getting to a bank inconvenient (30 per cent) (Table 6.7). They also had a strong concern about the implications of ACT payment of benefit for Post Offices.

Hardly any of them (five per cent) had considered changing the way that their pension or benefit was paid (Table 6.7). Two-thirds of them (67 per cent) said that they had not considered changing because they had no reason to do so – they liked things the way they were. In addition, a half of them said that they had not considered changing because they liked to collect their money at the Post Office. They were one of three groups that were most likely to expect problems if they switched to ACT (41 per cent) (Table 6.7).

All that said, they had the second-highest level of use of ACT payments – as Table 6.7 indicates, 43 per cent of them had other income paid directly into their account, and a further 14 per cent had had similar payments in the past. Moreover, two-thirds of them (64 per cent) had an account that they knew could receive ACT (Table 6.7).

6.8.3 Group 3 *Potentially difficult to transfer*

In most respects this group was very similar to *Group 2* and exhibited all of their conservatism and preference for the Post Office. If anything they were even more inclined to these points of view.

So, three quarters of them (73 per cent) could see no advantages to being paid by ACT and they were even more likely to cite as disadvantages the loss of convenience of using the Post Office (29 per cent) and the inconvenience of getting to a bank (33 per cent) (Table 6.7). This is consistent with their greater difficulty of access to banks, described in Chapter 4.

The main thing that distinguished them from *Group 2* was that they were even less inclined to see the advantages of being paid by ACT – indeed they were the second most negative group in this respect.

6.8.4 Group 4 *Quite difficult to transfer*

This group was distinguished from the other four by their lack of awareness of ACT, rather than by their attitudes to it.

Only a quarter of them (26 per cent) had been aware that their benefit or pension could be paid by ACT when they started to receive it, and a quarter (24 per cent) had an account but did not know whether it could receive ACT payments or not (Table 6.7). (And, as we saw in Chapter 3, they were also the ones with the smallest proportion of people knowing that payment by ACT is the least expensive of the three payment options).

They also had the lowest level of experience of other ACT payments – six out of ten of them (59 per cent) had never had any income paid this way and two-thirds (68 per cent) had none at present (Table 6.7). This is, of course, consistent with their tenuous link to banking, identified in Chapter 4. Indeed, it is interesting that a fifth of them (19 per cent) said that they had not considered being paid by ACT because they did not have, or like using, an account (Table 6.7). This is much higher than any of the other four groups.

6.8.5 Group 5 *Difficult to transfer*

Without doubt, this group was the most antagonistic towards ACT – in just about every respect.

In the attitude statements they were the ones that were least inclined to agree with the advantages of ACT. And, when asked, only 17 per cent of them said they could see any advantages to ACT at all, which is much lower than any other group. Practically all of them (97 per cent) cited its disadvantages. They were even more concerned than *Groups 2 and 3* about losing the convenience of collecting their benefit or pension at the Post Office (30 per cent) and about the inconvenience of getting to a bank or building society branch (38 per cent) (Table 6.7).

Three-quarters of this group (77 per cent) had not considered changing to ACT because they could see no reason for doing so (Table 6.7). And almost half (45 per cent) said that they would expect to experience problems if they switched to ACT – the highest of the five groups (Table 6.7). They were also the ones who were most worried about losing control of their finances if they transferred to ACT.

In contrast to *Groups 2 and 3*, however, they had much less experience of ACT. Over half of them (54 per cent) had never had any income paid by ACT – the second highest of the five groups – and they included the greatest proportion of people (65 per cent) who had no other income paid by ACT currently (Table 6.7).

7 THE TRANSFER TO ACT

Earlier chapters have shown that a clear majority of people who are currently paid by order book or girocheque could, in practical terms, be paid by ACT as they have an account with a bank or building society. Indeed, four out of ten already had other income paid in this way. In most instances this was either wages or a personal pension and these people typically said that they had no choice in the matter.

Moreover, about half of the people interviewed said they were willing to be paid by ACT, with one in ten actively considering doing so. A further two in ten said that they were willing to be paid by ACT as long as they could continue to collect their benefit or pension at the Post Office. Throughout the survey a substantial number of people stressed how important it was to them that they should be able to use the Post Office in this way. Around a third of the people interviewed currently had an account with a bank that had an arrangement with the Post Office that would allow its customers to withdraw cash at local Post Offices.

Some of the people who were willing to transfer, however, lacked a bank account, although at least half of these said that they anticipated opening one by the end of 2002. In many instances this would be one of the new basic bank accounts being offered by the high street banks. Such accounts would give people the financial control they require if they live on a low income, as they cannot be overdrawn. They would also be very accessible. They are not credit scored and so are available to just about anyone able to provide adequate proof of identity. Just as importantly all of them will be accessible at the Post Office.

At the same time, many of the people who said that they were unwilling to transfer to ACT did have a bank account and three out of ten of them had one that they could access through the Post Office. Even among this group some were more persuadable than others.

Across earlier chapters of this report we have built up a picture that categorises people into one of five groups that take such complexities into account and relate to the ease with which they can be transferred to ACT. The particular value of this categorisation is that it helps to identify the issues and potential problems that will need to be addressed before ACT payment of benefits and pensions is phased in from 2003.

7.1 Transfer to ACT The broad characteristics of these five groups are summarised.

7.1.1 Group 1 *Easy to transfer*

These people were by far the youngest in the survey, with an average age of 43. They said that they were willing to transfer to ACT and almost all of them already had an account or were willing to open one. They were well integrated into the banking system and many already had income paid into their accounts by ACT. They were also the only ones who held positive views about the payment of benefits and pensions by ACT, or were swayed by the knowledge of how much the taxpayer would save if they were paid by ACT. Many of them were already thinking of switching to ACT payment of their benefit or pension. They were the largest group – four in ten of people interviewed.

7.1.2 Group 2 *Quite easy to transfer*

This group was mainly younger pensioners or people just below retirement age. Their average age was 64. They said that they were willing to have their pension or benefit paid by ACT as long as they could collect their money at the Post Office. They were fairly integrated into banking and had a high level of account holding. Three out of ten of them had accounts with banks that had arrangements allowing them to withdraw cash at a Post Office, although more of them might be able to do so in the future. They were typically rather conservative, they liked their order books and were attached to collecting their money at the Post Office. They could see few advantages of having their pension or benefit paid by ACT, even though quite a number of them already had other money paid this way. They represented two in ten of people interviewed.

7.1.3 Group 3 *Potentially difficult to transfer*

These were mainly people in their middle age or early retirement years, with an average age of 61. They, too, were fairly willing to transfer to ACT, provided they could continue to collect their benefit or pension at the Post Office. Most of them had a bank or building society account and three out of ten of them could withdraw cash from it at a Post Office. Again more of them could, potentially, gain access to an account through the Post Office in the future. They were even more conservative and wedded to using the Post Office than *Group 2*. They were quite negative about ACT payments, citing the inconvenience it would cause them and stressing how much they liked their order books. Most of them had mobility difficulties of one kind or another and it was these, coupled with their views of ACT, that would make them potentially difficult to transfer. Either they had disabilities that restricted their mobility or they lived in rural areas, with some of them restricted in both ways. Consequently they found it difficult to get to the nearest bank branch. They did not really have any problems getting to a Post Office, however. They accounted for just one in ten of people interviewed.

7.1.4 Group 4 *Quite difficult to transfer*

This was a very elderly group of people who were quite infirm. Their average age was 76 and they had a high degree of disability. They found it difficult to get to the nearest bank branch and a considerable number had similar levels of difficulty getting to their Post Office. Indeed half of them had their pension or benefit collected by someone else. They had

fairly tenuous links to banking, and knew little about ACT. Although many of them had bank or building society accounts, these were commonly either savings accounts or current accounts used only to hold money until it was withdrawn in cash. It was clear that they found the interview difficult – half of them felt unable to fill in the short self-completion questionnaire and they repeatedly replied ‘don’t know’ to the questions they were asked. In other words many were frail as well as disabled. They were not especially unwilling to transfer to ACT, their difficulties stemmed instead from their level of frailty and lack of understanding of banking. They were one in ten of people interviewed.

7.1.5 Group 5 *Difficult to transfer*

These people were also elderly with an average age of 69. They had fairly high levels of disability and reliance on others to collect their pension or benefit but these were not as great as the previous group. They were the poorest of the five groups and most of them relied on social security payments for all their income. They operated weekly cash budgets and were really quite disengaged from banking. A high proportion of them did not have a bank or building society account in use at the time of the survey, and even those that did made little use of it. Only half of them had a current account in use at the time of the survey. They were the most antagonistic of all towards ACT: they could see absolutely no advantages at all and very many disadvantages. Consequently they had a strong desire to keep the arrangements for collecting their pension or benefit exactly as they are. Two in ten of people interviewed were classified in this group.

7.2 Facilitating the transfer to ACT payment of benefits and pensions

So far, we have only considered the factors that will determine the ease of transfer to ACT. We now turn to the practicalities of doing so. This analysis draws on whether people have an account and, if not, how likely they are to open one. As the desire to continue using the Post Office to gain access to benefits and pensions was so strong among some of the groups, we have also taken this into account. Where relevant we have checked to see how many of them can use their accounts through the Post Office now, or might be able to do so in the future. Figure 7.1 summarises the outcome and indicates the ease with which people in each category will be transferred. So, for example, eight out of ten of those who will transfer and use an account at a bank branch are drawn from Group 1, who were judged to be easy to transfer to ACT.

Figure 7.1 Facilitating the transfer to ACT

Transfer category	Percent of sample	Group 1 Easy	Group 2 Quite easy	Group 3 Potentially difficult	Group 4 Quite difficult	Group 5 Difficult
Will transfer and use account at a bank branch	35	••••••••	•		•	
Will transfer and use account at a Post Office	20	•	••••	••	•	••
Need to open an account before can transfer	18	•••	•••	•	•	••
Will transfer if can use account at a Post Office	18	•	••••	••	•	••
Will resist transfer...						
have an account but opposed to ACT payments	6				••	••••••••
have no account and will not open one	4				••	••••••••
All respondents	100	••••	••	•	•	••

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

In fact, as things stand at present, it should not be too difficult to facilitate the transfer to ACT of seven out of ten of the people currently paid by order book or girocheque. These people fall into one of three broad categories.

- *Will transfer to ACT and are prepared to withdraw money from an existing account at a bank branch or cash machine*

A third (35 per cent) of people currently paid by order book or girocheque can reasonably be expected to transfer to ACT payment with no real difficulty at all. They all had accounts and were either very willing to have their benefit or pension paid into it or they said that they were fairly willing and they would collect their money at a bank branch from 2003.

Almost all of these people were from *Group 1 Easy to transfer*, with a small number of the more willing people from *Group 2 Quite easy to transfer* (Figure 7.1). In addition a minority were drawn from *Group 4 Quite difficult*, where there was a heavy reliance on someone else collecting their pension or benefit – we return to this point later.

Many of the people in this category had not been aware that their benefit or pension could be paid by ACT when they first started their claim. They could see the advantages, and especially the convenience, of being paid by ACT.

Just as importantly they were also aware of the disadvantages and inconvenience of being paid by either order book or girocheque. Indeed, many of them were already thinking of switching to ACT. As a group, these people would be encouraged to transfer to ACT by having the advantages and the cost saving to the taxpayer of ACT pointed out to them.

- *Will transfer to ACT and use an account from which they would withdraw cash at a Post Office*

Two in ten people (20 per cent) said that being able to collect their benefit or pension at a Post Office would make them more prepared to transfer to ACT and they had an account that would allow them to do.

Most (13 per cent) said that they were willing to switch to ACT as long as they could use the Post Office. Most of these were from *Groups 2 and 3 Quite easy and potentially difficult to transfer* (Figure 7.1). Telling them that they can use their accounts at the Post Office should be sufficient to persuade them to switch.

The remainder (seven per cent) said that they were unwilling to transfer, but that being able to use the Post Office might make a difference. The majority of these were drawn from *Group 4 Quite difficult* and *Group 5 Difficult to transfer* (Figure 7.1). These people will take rather more persuading than the rest. They will not be swayed by arguments of greater convenience or cost saving. Rather they will want reassurance that the changes to ACT payment will not affect how and when they collect their pension or benefit. These points are discussed below.

- *Will transfer to ACT but need to open an account from which they can withdraw cash at a Post Office*

Around two out of ten (18 per cent) of people currently paid by order book or girocheque did not have an account but could be expected to open one¹¹. Most probably this would be one of the new basic bank accounts, all of which will have arrangements for people to withdraw money at Post Offices. If all of them could be persuaded to open an account, this would make a significant impact on levels of financial exclusion.

The majority of these people were drawn from *Groups 1 to 3* (the three easiest groups to transfer) and expressed a willingness to transfer to ACT either unconditionally or if they could continue to collect their pension or benefit from the Post Office (Figure 7.1). Post Office staff would, therefore, be in a good position to tell them and reassure them about these accounts.

But a significant minority were from the two most difficult groups to transfer, *Groups 4 and 5*, and will probably need more persuasion to open an account. They will need more reassurance about the design of basic bank accounts allowing them to retain control over their money and also about being able to withdraw all their pension or benefit in one go at the

¹¹ They were people who currently lacked an account, but either said that they might open one or they were not opposed to ACT.

Post Office. Again, Post Office staff would be the best people to do this, given the strong attachment to the Post Office that these people expressed.

The remaining three out of ten people will, potentially, be rather more difficult to transfer. They too, fall into three categories. While it may be possible to transfer the majority of these to ACT, around one in ten of all the people currently paid by order book or girocheque could prove very difficult indeed.

- *Would transfer to ACT if they could withdraw money from their existing account at a Post Office*

Around two in ten (18 per cent) of all those currently paid by order book or girocheque, would probably be prepared to switch to ACT if they could continue to collect their pension or benefit at the Post Office. But the bank they had an account with currently has no arrangement for them to withdraw cash from it at their local Post Office.

Again they split into two sub-groups, depending on their willingness to transfer. The slightly larger group (10 per cent) were people who were willing to transfer if they could collect their money at the Post Office. Most of these were drawn from *Groups 2 and 3 Quite easy and potentially difficult to transfer* (Table 7.1).

The smaller group (eight per cent) said that they were not willing to transfer but that being able to use the Post Office might make a difference. These were drawn disproportionately from *Groups 4 and 5* (the two most difficult to transfer). Like their counterparts who currently had an account they could use at the Post Office, they will take rather more persuading than the rest. And especially if they cannot use the Post Office.

The Post Office has reached agreement with the main banks and building societies to enable people who have a basic bank account to withdraw cash at the Post Office. If these banks and building societies were to extend the arrangements to all their accounts, then almost all of the people who wish to use the Post Office to collect their benefit or pension from an existing account would be covered.

Should the current negotiations not be extended to all accounts there are other policy options that might persuade these people to transfer. These are discussed below.

- *Have an account but are unlikely to be persuaded to have their pension or benefit paid into it*

A small number of people (six per cent) had an account but they were adamant that nothing at all would persuade them to transfer to ACT – not even a financial incentive. The clear majority of these were from *Group 5 Difficult to transfer*, with a minority from *Group 4 Quite difficult to transfer* (Figure 7.1). They are discussed more fully below.

- *Have no account and are very unlikely to open one to receive their benefit or pension*

A slightly smaller number (four per cent) had no account, and were both unlikely to open one and totally opposed to ACT. Again most of them were from Group 5, but a small number were drawn from Group 4 (Figure 6.1). They, too, are discussed below.

7.3 The people for whom the transfer to ACT will be especially difficult

The analysis above shows that there are two groups of people who will be very difficult to accommodate when ACT becomes the normal way of paying pensions and benefits:

- People who have an account but are unlikely to be persuaded to have their pension or benefit paid into it (around six per cent of all who are currently paid by order book or girocheque).
- People who do not have an account and are very unlikely to open one (around four per cent).

7.3.1 *People who have an account but are unlikely to be persuaded to have their pension or benefit paid into it*

Overwhelmingly this group of people were pensioners, and elderly pensioners at that. Three-quarters of them (73 per cent) were over pension age and their average age was 74; three out of ten (29 per cent) were aged over 80 and a further quarter (25 per cent) were in their seventies. The majority (66 per cent) were women.

Those who were not over pension age were, for the most part, unable to work through sickness or disability (13 per cent) or they were lone parents (eight per cent). There were hardly any unemployed people in their ranks although a small number were in either full-time (four per cent) or part-time (six per cent) work.

They were, however, no more likely than the average either to be claiming Income Support or to rely on social security for their all income. Most of those with additional income had an occupational pension (32 per cent) although some (13 per cent) had wages coming into the household. On the other hand they were not particularly well-off – eight out of ten (79 per cent) had incomes below £200 a week.

Although they all had accounts, only just over half of them (58 per cent) had a current account that they used. The remainder mostly had savings accounts, many of which were not currently being used. Moreover, it was clear that they largely operated cash budgets. Two-thirds of them only paid for the things they bought with cash (67 per cent) and a similar proportion (64 per cent) paid all or some of their household bills in cash.

That said, a significant proportion of them had other income paid into their accounts by ACT. This included just about all of the 32 per cent of people who received an occupational pension and the majority of younger people that had wages coming into their household (11 of the 13 per cent). Despite this they held very negative views of ACT. On a scale

where 1 was strongly pro-ACT and 5 was strongly anti-ACT, they had an average score of 4.1.

Access problems were very commonplace and much more widespread than the average for people paid by order book or girocheque. Six out of ten people in this group had no car at all (62 per cent) and fewer than three in ten (28 per cent) had access to a car whenever they needed it. They also had relatively high levels of disability: six out of ten (56 per cent) said that they had a disability that limited their daily activities. And people living in rural areas were slightly over-represented. Consequently over four in ten (44 per cent) said it was difficult to get to the nearest branch or building society and nearly two in ten (18 per cent) had problems getting to the Post Office. In fact, a quarter (26 per cent) had their pension or benefit collected by someone else.

Pulling the above analysis together, there seemed to be three main reasons why these people were so resistant to having their benefit or pension paid by ACT: access problems, a strong preference for operating a cash budget without a current account, and a deep-seated objection to ACT.

Despite their apparent opposition it might still be possible to persuade some of them to have their pension or benefit paid by ACT. Almost half (44 per cent) already had income paid into their account by ACT and in just about all cases they had been given no choice in the matter. On the other hand, almost as many again did not have a bank or building society account that they used for day-to-day money management.

If, however, their pensions and benefits were to be paid by some means other than ACT they would almost certainly prefer it to be paper-based and appear as much like the current arrangements as possible. Half of them (48 per cent) did not want to use any form of plastic card – not even loyalty cards or fuel meter cards. So a card-based payment mechanism would almost certainly be resisted as much as ACT.

7.3.2 People who do not have an account and are very unlikely to open one to receive their benefit or pension

There is little doubt that these people will be very difficult indeed to persuade. Six out of ten of them (64 per cent) had never had an account; three out of ten (28 per cent) last had an account more than five years ago. Only a small number (four per cent of them) had used one in the past three years.

These people were already disengaged from banking when they started to receive their pension or benefit – nine out of ten (94 per cent) did not have an account at that time. In fact it is true to say that even the people who had any experience of banking had only limited experience. They divided equally into those who had only ever had a savings account and those who had had a current account, but one where they only used a cheque book and no other facilities.

One important reason for their disengagement from banking lay in their very low incomes. Almost all of them (91 per cent) had no income other than their social security benefits and six out of ten (61 per cent) were claiming Income Support either alone or in combination with other benefits. They almost all operated weekly cash budgets.

Their average age was 67, which is eight years older than the average for the sample as a whole but not really elderly. Compared with the generality of people paid by order book or girocheque, they included more pensioners and, in particular, more very elderly people. So a quarter (25 per cent) were aged over 80 – double the proportion overall.

Those under retirement age were predominantly people unable to work as a result of illness or disability (24 per cent) but also included lone parents caring for children (16 per cent). Hardly any of them were unemployed and claiming JSA (just three per cent). Nor did they include ChB recipients, other than those also claiming IS. None of them was in full-time work although a handful (three per cent), who were lone parents, had part-time jobs.

They also had real mobility problems. Six out of ten (60 per cent) had a disability that limited their daily activity and eight out of ten (78 per cent) had no access to a car at all. Consequently half of them (51 per cent) said it was difficult to get to the nearest bank branch and a further four per cent did not even know how far away it was. In fact two out of ten (23 per cent) also faced difficulties getting to the Post Office and three out of ten (33 per cent) currently had their pension or benefit collected for them.

7.3.3 What type of payment method would be appropriate for them?

Few of them were at all willing to use plastic cards of any kind. Eight out of ten (80 per cent) said that they were unwilling to use any form of bank card; so the card-based basic bank accounts would certainly not be attractive to them, unless these accounts could be used to collect their benefit over the counter at the Post Office.

Most of them were, in fact, anti-plastic of all kinds. Nearly seven in ten (68 per cent) said that they would not be willing to have any form of plastic card – including supermarket loyalty cards, fuel meter cards and stored value telephone cards. Only three out of ten of them (28 per cent) had any of these non-bank cards: the most common were fuel meter cards, followed by loyalty cards and telephone cards. Hardly anybody had more than one plastic card.

Consequently, they would want some form of paper-based method of payment for their pension or benefit.

7.4 Other issues relating to payment by ACT

In the course of the interviews, a number of other issues arose in relation to the transfer to ACT payment of benefits and pensions. These included: the need for more people to be able to withdraw cash from their existing bank accounts at a Post Office than is the case at present; the importance of reassuring benefit recipients about the reliability of payments made by ACT; the frequency of payments; and making arrangements for people who have their benefit or pension collected by a third party. Finally, there is the question of how best to communicate details of the proposed changes to the people they will affect.

7.4.1 *Encouraging banks to make banking facilities available through Post Offices*

There is little doubt that being able to collect their benefit or pension at the Post Office would have a far greater effect on people's willingness to transfer to ACT than any other policy initiative. When asked directly what effect it would have, three-quarters of people interviewed, other than those who were already very willing to transfer, said it would make ACT payment of their benefit or pension more acceptable.

As noted above, one in five people in the survey would like to be able to continue collecting their benefit or pension through a Post Office and already have an account that would allow them to do so. In addition, people who choose to open one of the new basic bank accounts will be able to use it to withdraw cash at a Post Office.

A further one in five people who are currently paid by order book or girocheque could probably be persuaded to transfer to ACT if they could access their existing bank account at the Post Office. As things stand at present, they will be unable to do so unless their bank is encouraged to set up an agency agreement with the Post Office for all their current accounts. This will be especially important for the people who cannot get to a bank branch without difficulty but presently have accounts where they are unable to withdraw cash at the Post Office. An alternative strategy is for cash machines to be made available at Post Offices – a development that Post Office Counters Limited is actively pursuing. This, alone, however, would not be enough.

Elderly people, who would most need the facility, were very anti-cash machine. And cash machines are unlikely to be installed in all rural Post Offices, which is where they would be most needed.

7.4.2 *Reassurance about the reliability of payments*

It was clear from the survey that many people who currently collect their pension or benefit in cash at the Post Office will need reassurance about the reliability of payment by ACT before they will be willing to change. People who live on low incomes prefer a cash budget for the control it gives them over their finances. When the pennies count, they like actual pennies they *can* count. And, when every penny is earmarked even before it is received, they want to be certain that they will get their money on a guaranteed date. They would also want someone to contact in case of payment errors or delays.

Everyone, except those who would be very willing to transfer to ACT, was presented with a range of policy options that could, potentially, be introduced by the DSS to smooth the transition to payment by ACT. The most popular option by far was being able to collect their money at the Post Office. After this the next most popular ones were:

- having someone to contact (69 per cent of everyone except those who were very willing to transfer);
- a guaranteed payment date (61 per cent); and
- a statement of the money that has gone into their account (61 per cent).

Other options were rather less popular and included a statement of future payments (52 per cent) and a financial incentive (51 per cent).

While these incentives will be important for most people, they will be especially so for the people who would like to withdraw their benefit or pension at the Post Office but cannot do so because their bank has not set up an agency agreement with the Post Office. The two most practicable options, as well as those attracting most support, were a guaranteed payment date and a person to contact for help should something go wrong. If both these were available, then eight in ten of the people who would have preferred to collect their money at the Post Office would be more amenable to being paid by ACT even if they had to collect their money at a bank or building society branch because their account could not be used at a Post Office.

7.4.3 Retaining weekly payments

Most people wanted to continue to collect their money as often as they did now. Only a small number wanted to be paid more frequently and most of these were people getting their benefit fortnightly or four weekly. Hardly anyone wanted to switch to four-weekly payments.

Just about everyone who was paid weekly also budgeted by the week, and had done so even before they started to receive their benefit or pension. Most of them did not seem to equate ACT with four-weekly payments, even though that is the normal frequency for benefits and pensions currently paid this way. Certainly when they were asked about the disadvantages of ACT hardly anyone mentioned the frequency of payment.

If we set aside the people who will transfer to ACT and use an existing account at a bank branch, half of the remaining people said that being paid weekly would make ACT more acceptable to them. Most of these were, in fact, already paid weekly and were merely expressing a desire to keep things the same. However, there was a small group of people – five per cent of all who are currently paid by order book or girocheque – who would find ACT payment of their benefit or pension more acceptable if it were made weekly instead of the fortnightly or four-weekly payments they currently had.

7.4.4 *Third party collection of benefits and pensions*

Around one in five (19 per cent) of the people interviewed had their pension or benefit collected by someone else. A minority (six per cent) of these already had a bank account that could be used at the Post Office. Some arrangement would need to be made for the third party to cash cheques but otherwise there should be no real barriers to overcome.

Even so, that leaves 13 per cent of people currently paid by order book or girocheque, who had their benefit collected but did not have a bank or building society account that can be used at the Post Office. The majority (eight per cent) did actually have an account and, in these cases, their agent would need to be persuaded to go to the bank for them instead of to the Post Office. However, the remainder (five per cent of all the people interviewed) had their benefit collected by someone else and did not have an account. And most of these (three per cent) had never had one. Many of these people will, in all probability, be difficult to transfer to ACT. Half of them were aged over 70 and six out of ten were in one of the two most difficult groups to transfer to ACT.

7.4.5 *Communicating details of the proposed changes*

Everyone who took part in the survey was asked *What are the best ways for the Government to tell you about the proposed changes to the way that benefits and pensions are going to be paid?* and given a range of options to choose from.

The most popular options were:

- television advertisements (52 per cent);
- a letter sent with their order book or girocheque (50 per cent);
- a letter sent separately from their order book or girocheque (47 per cent);
- leaflets at the Post Office (43 per cent); and
- posters at the Post Office (40 per cent).

There was little enthusiasm for leaflets or posters at Benefits Agency offices or Jobcentres, nor were people keen on being mailed leaflets.

In general, the people who were most prepared to transfer identified a wider range of communication channels than those who were most resistant.

The people who will transfer to ACT and withdraw money from an existing account at a bank branch were especially keen on television advertisements (59 per cent) and letters sent either with their order books or girocheques (50 per cent) or separate from them (48 per cent).

Similar choices were made by the people who will transfer if they can withdraw their money at the Post Office, although they put them in a slightly different order of priority. Their preferred option was a letter sent with their order book or girocheque (52 per cent), followed by

television advertisements (51 per cent) and a separate letter (48 per cent).

Those who lacked an account but will open one had very similar priorities. They, too, would prefer a letter sent with their order book or girocheque (54 per cent), followed by television advertisements (52 per cent) and a separate letter (46 per cent).

However, the two groups that will be most difficult to transfer to ACT were resistant to all methods of communication except a letter sent separately from their order book or girocheque. Nearly half (47 per cent) of those who had an account but are unlikely to be persuaded to have their pension or benefit paid into it said that this was the best way for the Government to communicate with them. So, too, did four out of ten (43 per cent) of people who did not have an account and would be very unlikely to open one. No other option came anywhere near this level of popularity.

7.5 In conclusion

The evidence from this survey suggests that the majority of people who are not currently paid by ACT can be encouraged to transfer to ACT fairly easily – especially if the Post Office is successful in agreeing agency arrangements with the majority of banks. Some people will take more persuading to use or to open accounts than others and personal letters, plus information from Post Office staff, seem to be the best way of achieving this.

Many younger people will take little persuading to transfer to ACT, particularly if they receive either ChB or JSA. Letters pointing out the advantages and cost savings of ACT will often be all that is needed.

Such messages will, however, carry little weight with most pensioners or people claiming Income Support. They will want to be reassured that changing to ACT will not disrupt their established pattern of money management.

They will want to be told that they can continue to collect their money at the Post Office, that their money will be paid in on a guaranteed date and that, should anything go wrong, they can contact someone who will be able to sort things out.

A minority of people – one in ten of those currently paid by order book or girocheque (or around seven per cent of all recipients of benefits and pensions) – will be much more resistant to the change. These are mostly either elderly people who make little use of the accounts they already have or they are people who have no account and are very disengaged from banking. They will almost certainly want a paper-based method of payment for their pension or benefit or, if it is based on a plastic card, they will need help with using it.

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Further information regarding the content of the above may be obtained from:

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Study universe To meet the objectives of the study, the requirement was for a nationally (i.e. Great Britain) 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).

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 the disabled). The sample size for each was set at 800 so as to maximise within-benefit statistical reliability.

Sample design Following on from the above, six independent samples were required, one for each of the benefits. As with many national samples, a certain degree of clustering was required to maximise fieldwork efficiency. It was decided to implement a multi-stage sampling approach within benefit, with postcode sectors as the primary sampling unit. The sample for each benefit was spread across 100 postcode sectors. These were selected with a probability proportional to size (pps) in such a way as to be representative of the appropriate benefit population across Great Britain. The second stage of the sampling could then select the same number of recipients in each postcode sector, and so provide a self-weighting sample of individuals.

In order to select the six independent sets of 100 sectors, the DSS provided BGL (a geo-demographic bureau commissioned to carry out the sampling) with counts of the number of (non-ACT) benefit recipients by postcode sector. There was a certain amount of tidying up required:

- Postcodes that no longer existed in the Postcode Address File were matched to new postcodes where possible – these typically related to longer term benefit recipients where their postcode had been rationalised by the Post Office
- There were still sectors that could not be recognised – these were removed.
- Likewise, overseas residents were removed from the counts.
- All those living north of the Caledonian Canal were removed, on the grounds of fieldwork efficiency.

- Sectors with very few recipients were also removed, given the need to sample at least 16 recipients for each benefit in order to meet the required interview totals having allowed for anticipated opt-out and non-response rates; the threshold for Retirement Pension was set at 24 as there were concerns about the reliability of the DSS payment data for this group.

In spite of these various exclusions from the universe, the net effect was a loss of only 1.03 per cent of the universe, as shown in the table below:

Table 1 Exclusions from the universe

	Original Totals from DSS	Totals for 'usable' sectors	Totals north of CC	Totals in sectors with < 16 (or 24)	Final totals	Total Lost	% loss
RP	6,135,147	6,112,253	25,609	1,859	6,084,785	50,362	0.82
ChB	3,598,938	3,567,377	14,461	1,082	3,551,834	47,104	1.31
IB	1,179,896	1,177,743	4,116	4,689	1,168,938	10,958	0.93
DLA	1,446,386	1,441,435	4,468	3,636	1,433,331	13,055	0.90
IS	3,242,449	3,225,588	11,473	1,704	3,212,411	30,038	0.93
JSA	855,510	854,046	4,306	11,434	838,306	17,204	2.01
Total	16,458,326	16,378,442	64,433	24,404	16,289,605	168,721	1.03

Thus the tidying up of the sampling frame improved its quality and helped maximise fieldwork efficiency, for very little loss of coverage.

Having tidied the sampling frame, 100 postcode sectors were picked by BGL for each benefit according to the following procedure:

- All remaining sectors were allocated to Government Standard Region, and the number of sectors required within Region was derived based on its share of the universe.
- Three equal strata were created within each Region based on population density (PAF households/hectare).
- Each sector was allocated to a stratum – this primary stratifier ensured the correct distribution of sample sectors by type of area (as measured by household density).
- All sectors within each stratum were then stratified by postcode sector – albeit a secondary stratifier, this helped ensure a broadly representative geographic spread of sampled sectors.
- The required number of sectors within each Region was then selected with a probability proportional to size (measured by the number of recipients in the universe).

The DSS was responsible for the sampling of individuals in the selected sectors. This required 16 (24 in the case of RP) current non-ACT recipients to be sampled in each sector. The following steps were followed for each benefit:

- All recipients in the universe were stratified by payment method – to ensure the correct mix of contacts by payment type.
- The required sampling fraction was calculated and a random start point selected – this ‘1 in n’ approach ensured a random sample of recipients.
- A few cases were removed where it was felt appropriate – for example, where a child was known to have died but where the parent was still shown as in receipt of ChB; likewise, all ChB recipients with adopted children were removed.

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

Table 2 Number of sampled recipients by benefit

	Sampled recipients
RP	2,387
ChB	1,552
IB	1,584
DLA	1,594
IS	1,600
JSA	1,600
Total	10,317

Opt-out letter All 10,317 sampled contacts were subsequently sent an ‘opt-out’ letter, to comply with the data protection regulations governing samples drawn from DSS records. This letter 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, there were 2,400 opt-outs (23 per cent of all those sampled) – the number and percentage for each benefit is shown below:

Table 3 Opt-outs by benefit

	Sampled recipients	Opt-outs	% opt-outs
RP	2,387	868	36%
ChB	1,552	238	15%
IB	1,584	414	26%
DLA	1,594	392	25%
IS	1,600	321	20%
JSA	1,600	167	10%
Total	10,317	2,400	23%

The proportion of opt-outs was higher than had been expected which, combined with the availability of profile data on all sampled contacts, lead the weighting framework to incorporate correction for the opt-out, as well as for non-response (as would normally be done). Full details of the weighting framework are given below.

Questionnaire development

The same questionnaire was used for recipients of all six benefits.

The questionnaire was developed by researchers at the pfrc, working in close collaboration with colleagues from ASD. The draft questionnaire was piloted by interviewers from Public Attitude Surveys Limited (PAS), the survey research company contracted to carry out the fieldwork and data processing elements of the project. Seven interviewers worked on the pilot, five in Great Britain and two in Northern Ireland. Pilot fieldwork took place during the middle of March 2000 with each interviewer doing 15 interviews, 105 in total. Interviewers were allocated to particular types of area 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, after which final changes were made to the questionnaire.

Main fieldwork procedures

Given the large number of interviewers needed to cover the 600 sampling points, it was not felt cost-effective to hold personal briefings. Rather, all PAS Regional Managers and Supervisors were briefed face-to-face by pfrc researchers and staff from ASD. 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 their interviewers. In particular, all interviewers were required to carry out a 'dummy interview' before starting work on their sample. Their Manager/Supervisor checked the dummy interview and so the briefing with the Managers and Supervisors covered the questionnaire in detail, explaining particular questions to look for when checking dummy interviews.

All interviewers were provided with detailed written instructions about the conduct of the survey.

The briefing took place on 17th May 2000; interviewing began thereafter, and was completed by 20th August 2000.

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

Table 4 Outcome for all sampled contacts

Outcome	No	%
Start sample	10,317	100.00
Opt out	2,400	23.26
Issued to field	7,917	
Address ineligible	229	2.22
Respondent ineligible	295	2.86
In hospital	33	0.32
Ill/incapacitated	60	0.58
Potential interviews	7,300	
Interviews	4,805	46.57
Non contact	1,111	10.77
Personal refusal	507	4.91
Proxy refusal	138	1.34
Office refusal	49	0.47
Broken appointment	108	1.05
Inadequate English	36	0.35
Other	496	4.81
Not stated/lost contact sheet	50	0.48
Total	10,317	100.00

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 = 47 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 = 66 per cent.

The gross response rate was affected by the higher than expected 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: 42 per cent (JSA) to 52 per cent (ChB).
- Interviewer response rate: 53 per cent (JSA) to 72 per cent (DLA).

Quality control Quality control checks were carried out on the fieldwork, in line with the requirements of the Interviewer Quality Control Scheme (IQCS), to which PAS belongs.

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 in and 10 per cent 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 higher than expected level 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. The result was a set of weights for each benefit which identified the primary characteristics explaining non-participation and hence the required weights.

These are shown in the tables below :

Table 5 Weights by age - Retirement Pension

Age Group	Density	Interviews		Universe		Weight
60-69 / DK	Any	329	32.7%	651	27.3%	0.83
70-79	Low/Med	325	32.3%	706	29.6%	0.91
70-79	High	140	13.9%	362	15.2%	1.09
80+	Any	211	21.0%	668	28.0%	1.33
		1,005	100.0%	2,387	100.0%	

Table 6 Weights by region - Child Benefit

Region	Density	Interviews		Universe		Weight
E. Anglia/Scotland	Any	153	19.1%	240	15.5%	0.81
E.Mids/S. East/ S. West/Wales/						
W. Mids/Yorks	Low	169	21.1%	288	18.6%	0.88
E.Mids/S. East/ S. West/Wales/						
W. Mids/Yorks	Med/High	305	38.0%	608	39.2%	1.03
Greater London/ North/ N. West	Any	175	21.8%	416	26.8%	1.23
		802	100.0%	1,552	100.0%	

Table 7 Weights by region - Incapacity Benefit

Region	Density	Interviews		Universe		Weight
All other regions	Low/Med	459	60.8%	848	53.5%	0.88
All other regions	High	208	27.5%	464	29.3%	1.06
Greater London/ North	Any	88	11.7%	272	17.2%	1.47
		755	100.0%	1,584	100.0%	

Table 8 Weights by method of payment - Disability Living Allowance

Method of payment	Interviews		Universe		Weight
Combined payment/giro	178	22.5%	402	25.2%	1.12
Order Book	612	77.5%	1,192	74.8%	0.97
	790	100.0%	1,594	100.0%	

Table 9 Weights by age and children - Income Support

Age group	Children	Interviews		Universe		Weight
Up to 75	No	317	40.5%	678	42.4%	1.05
Up to 75	Yes	321	41.0%	541	33.8%	0.82
75 or more	Any	144	18.4%	381	23.8%	1.29
		782	100.0%	1,600	100.0%	

Table 10 Weights by region and children - Jobseeker's Allowance

Children	Region	Density	Interviews		Universe		Weight
Any	E. Anglia/ Scotland						
	/Yorkshire	Any	224	33.4%	416	26.0%	0.78
No	E.Mids/North/N. West/ S. West/W.Midlands/Wales	Any	259	38.6%	672	42.0%	1.09
Yes	E.Mids/North/N. West /S. West/W.Midlands/Wales	Any	71	10.6%	112	7.0%	0.66
Any	Greater London/S. East	Low	21	3.1%	96	6.0%	1.92
Any	Greater London/S. East	Med	44	6.6%	112	7.0%	1.07
Any	Greater London/S. East	High	52	7.7%	192	12.0%	1.55
			671	100.0%	1,600	100.0%	

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:

Table 11 Weights by benefit for aggregate analysis

Benefit	Universe	Proportion	4805	Actual	Weight
Retirement Pension	6,084,785	37.35	1,795	1,005	1.7859
Child Benefit	3,551,834	21.80	1,048	802	1.3064
Incapacity Benefit	1,168,938	7.18	345	755	0.4567
Disability Living Allowance	1,433,331	8.80	423	790	0.5352
Income Support	3,212,411	19.72	948	782	1.2117
Jobseeker's Allowance	838,306	5.15	247	671	0.3685
Total	16,289,605	100	4,805	4,805	

Table 12 Benefit payment survey – final response analysis by benefit

Outcome	RP		ChB		IB		DLA		IS		JSA		Total	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Start sample	2,387	100.00	1,552	100.00	1,584	100.00	1,594	100.00	1,600	100.00	1,600	100.00	10,317	100.00
Opt out	868	36.36	238	15.34	414	26.14	392	24.59	321	20.06	167	10.44	2400	23.26
Issued to field	1,519		1,314		1,170		1,202		1,279		1,433		7,917	
Address ineligible	30	1.26	48	3.09	20	1.26	22	1.38	35	2.19	74	4.63	229	2.22
Respondent ineligible	19	0.80	22	1.42	55	3.47	75	4.71	23	1.44	101	6.31	295	2.86
In hospital	17	0.71	0	0.00	4	0.25	5	0.31	6	0.38	1	0.06	33	0.32
Ill/incapacitated	24	1.01	2	0.13	10	0.63	9	0.56	15	0.94	0	0.00	60	0.58
Potential interviews	1,429		1,242		1,081		1,091		1,200		1,257		7,300	
Interviews	1,005	42.10	802	51.68	755	47.66	790	49.56	782	48.88	671	41.94	4,805	46.57
Non contact	126	5.28	183	11.79	153	9.66	112	7.03	202	12.63	335	20.94	1,111	10.77
Personal refusal	155	6.49	100	6.44	62	3.91	53	3.32	68	4.25	69	4.31	507	4.91
Proxy refusal	40	1.68	12	0.77	15	0.95	27	1.69	25	1.56	19	1.19	138	1.34
Office refusal	9	0.38	12	0.77	7	0.44	10	0.63	5	0.31	6	0.38	49	0.47
Broken appointment	12	0.50	33	2.13	9	0.57	13	0.82	15	0.94	26	1.63	108	1.05
Inadequate English	4	0.17	12	0.77	2	0.13	3	0.19	10	0.63	5	0.31	36	0.35
Other	76	3.18	78	5.03	71	4.48	75	4.71	84	5.25	112	7.00	496	4.81
Not stated/lost contact sheet	2	0.08	10	0.64	7	0.44	8	0.50	9	0.56	14	0.88	50	0.48
Total	2,387	100.00	1,552	100.00	1,584	100.00	1,594	100.00	1,600	100.00	1,600	100.00	10,317	100.00
Gross response rate*		42.10		51.68		47.66		49.56		48.88		41.94		46.57
Interviewer response rate#		70.33		64.57		69.84		72.41		65.17		53.38		65.82

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

based on potential interviews - a measure of interviewer performance

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