Helping private tenants achieve financial inclusion

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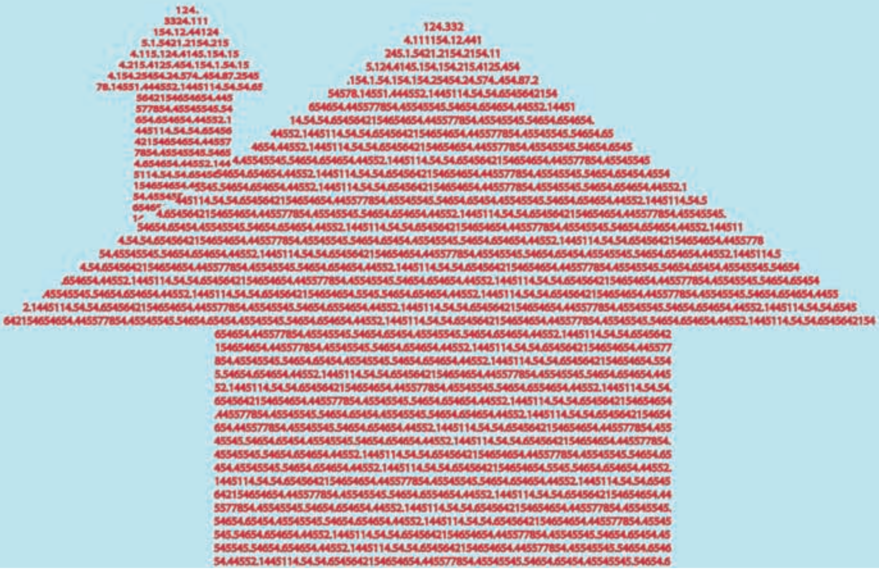
Summary

Private tenants are being left behind in progress towards financial inclusion. Although significant progress has been made since the early 2000s in increasing access to transactional banking, overall, financially excluded private tenants – being harder to identify and to reach – have rarely been targeted with help and support. As a result, the proportion of private tenants without bank accounts has remained fairly constant, in contrast with declining numbers of unbanked homeowners and social tenants. Being a private tenant has become a bigger indicator of the likelihood of an adult living in an unbanked household than being a social tenant. Heavy targeting of financial inclusion initiatives towards social tenants, who are easier to reach, has left private tenants trapped in something of a policy vacuum, and reduced opportunities for learning about how to reach this group with interventions and services that might benefit them.

This project addresses the 'policy silence' around private tenants and financial inclusion.



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Key findings

- One in ten private tenants – an estimated 0.65m people – was without a transaction bank account in 2009-10.
- The likelihood of being unbanked is particularly high among private tenants on the lowest household incomes; with high material deprivation scores; without any formal qualifications; unable to work due to illness of disability; and in receipt of income-replacement benefits.
- The youngest and oldest private tenants face increased risk of being unbanked compared with others; as do single pensioners; people living in Northern Ireland; those born outside of the UK; people with an Indian, Pakistani or Bangladeshi background; and those with a long-standing limiting illness.
- Unbanked private tenants fall into three main 'clusters':
    - deprived and (economically) inactive;
    - 'better-off' 20 and 30-somethings in couples;
    - young, single adults.
- Financially excluded private tenants face additional constraints in their choice of housing, exacerbated by their lack of transactional banking facilities and/or the fact that they receive social security benefits; often live in very poor quality housing and find it extremely difficult to get their landlords to carry out repairs; feel trapped in unsatisfactory properties by high moving costs.
- Financially excluded private tenants believe that nobody is interested in their needs or looking after their interests.
- Financial exclusion among private tenants is similar to that of other social groups, featuring deeply entrenched disengagement from financial services; some negative past experiences; a belief that providers are '*not interested in people like us*'; and a feeling of anxiety at the very mention of financial services.
- Financially excluded private tenants experience a number of adverse impacts, including the 'poverty premium' associated with paying for goods and services in cash; increasing difficulties in operating wholly in cash; restricted access to goods and services; constraints on money management; difficulties securing employment; and low self-esteem.
- Financial exclusion compounds many of the vulnerabilities associated with living in the private rented sector and, conversely, being a private tenant can exacerbate the impact of being financially excluded.
- Barriers to financial inclusion for private tenants include application refusal; conditions attached to basic bank accounts that reduce their perceived utility; fears about the risk of exposure to fees, penalty charges and indebtedness as a result of becoming banked. Financially excluded private tenants also believe that banks are not interested in serving them.

Project aims and objectives

The overall aim of this project was to understand the number and characteristics of financially excluded private tenants; explore the specific barriers they face in accessing and using financial services; and develop effective solutions to reduce exclusion among this hard-to-reach group.

Specifically, the project was designed to:

- provide a robust evidence base to illustrate the circumstances, characteristics and vulnerability factors associated with being a private tenant;
- identify the sub-groups within the private tenant population that are vulnerable to being financially excluded;
- explore needs, experiences and attitudes to financial services among vulnerable private tenants and identify the barriers they face in accessing and using them;
- explore the design and delivery factors that would increase the likely success of interventions to increase access to financial services among private tenants and identify opportunities to extend and adapt existing initiatives to reach private tenants;
- involve key stakeholders in financial inclusion and housing policy to raise awareness of the needs of private tenants, develop strategies to increase their access to financial services, and identify appropriate indicators of success.

Research Methods

The project used a combination of quantitative, qualitative and consultative methods to deliver these objectives, including:

- Bi-variate and multi-variate analysis of the Family Resources Survey and the Wealth and Assets Survey to identify key sub groups within the private tenant population that are vulnerable to financial exclusion and the factors that influence the likelihood of financial exclusion.
- Focus group research with vulnerable private tenants to provide a detailed understanding of the attitudes, needs and experiences of private tenants in relation to financial services; the dynamics associated with access to financial services among them; needs and aspirations for financial inclusion; and overlaps in contact points with other financially excluded groups which may provide efficient points at which interventions could be adapted and targeted for private tenants.
- A programme of stakeholder engagement and consultation to maximise awareness and influence, and ensure that the project is informed by existing knowledge and expertise.

Policy recommendations

The project indicates an urgent or growing need for policy change to address four key problems.

1. **continuing barriers to the achievement of meaningful and sustained financial inclusion for all of those who need or want financial products and services;**
2. **the difficulties associated with delivering help with financial inclusion to private tenants;**
3. **the invisibility of vulnerable private tenants in policymaking;**
4. **the on-going vulnerability of many of the people living in private rented housing.**

Policy recommendations to address each of these problems are outlined overleaf.

❶ Meeting financial inclusion needs

The Government – in particular, HM Treasury (HMT) – and the new regulator, the Financial Conduct Authority (FCA), have a responsibility to 'lead the charge' in relation to financial inclusion. They should:

- set out a vision for financial inclusion and clarity on the standards that financial services providers are expected to meet to fulfil their obligations to consumers who find it difficult to access financial services.
- stimulate a renewed debate on financial inclusion to identify the outcomes that financial inclusion is expected to deliver to those who gain access to financial services.
- confirm an on-going commitment to the importance of basic banking services and the need to design, deliver and promote basic bank accounts in a way that makes users, and prospective users, of these accounts feel welcome and valued as customers.
- require basic bank account providers to make market share data publicly available, showing the number of basic bank accounts they hold and the number of new basic bank accounts they are opening.

The FCA should:

- resume the regular mystery shopping exercise formerly conducted by the Banking Code Standards Board, to ensure that basic bank accounts are appropriately marketed and promoted at branch level.

The British Bankers Association (BBA) and the current market leaders in basic bank account provision should:

- commit to the provision of minimum standards in basic banking, relating to availability, product features and marketing/promotion, so that people who want to access banking services can be confident about the service they can expect.
- achieve a sustained improvement in standards of training at branch level, to remove unnecessary barriers to financial inclusion relating to Identification and Verification requirements and to the promotion of basic bank accounts.

The Payments Council should:

- lead the payments services industry in innovation around electronic payments to develop and promote alternatives to direct debits, which offer security to payment originators and are more closely aligned to the needs of consumers on low or unstable incomes.

❷ Delivering support with financial inclusion to private tenants

Government, in particular, DWP and HMT, and funders of initiatives aimed at supporting people to access and use financial services should:

- ensure that private tenants are not structurally excluded from existing and future financial inclusion/financial capability initiatives.

Government – in particular, the Department for Work and Pensions (DWP), and HMT – should:

- make it clear that the financial inclusion needs of private tenants must be recognised and addressed, and prioritise efforts to reach and deliver services to this group.
- ensure that opportunities to learn from the huge investment, to date, in delivering financial inclusion initiatives are maximised and applied to private tenants.
- ensure that initiatives to encourage and support people into banking focus on the incentives and benefits to becoming banked, so that those who open accounts perceive themselves to be 'banked' and gain meaningful benefits from having an account.
- ensure that the roll-out of information and support in relation to Universal Credit and other aspects of welfare reform outlined in Chapter 1 successfully reaches private tenants who will be affected.

❸ Promoting the visibility of private tenants

Government, led by the department for Communities and Local Government (CLG):

- should acknowledge the degree of vulnerability among private tenants and ensure that this is recognised more explicitly in policy and practice.

CLG, the housing policy sector and potential funders should:

- promote the development of a national organisation specifically for private tenants, to represent and advocate on their behalf, and provide high quality advice and support to them.

❹ Reducing vulnerability among private sector tenants

Considerably more attention must be given to making private renting a more secure and comfortable long-term housing option in the UK, with particular focus given to the protection of more vulnerable people from the worst aspects of the sector. The work of Shelter, Crisis and other similar organisations is essential in achieving this, and we hope that the evidence generated by this project helps to inform and shape on-going debate and action in this area.