

Homelessness and Financial Exclusion

Research Summary

Financial exclusion, as a key aspect of social exclusion, has attracted significant policy attention in recent years. However, few studies have investigated the financial exclusion of homeless people, and how this can be best addressed through the development of appropriate interventions. In 2005, the *Friends Provident Foundation* and the *London Housing Foundation* commissioned the Centre for Housing Policy, University of York and Research as Evidence to conduct a literature review and user-consultation exercise on homeless people's experiences of financial exclusion and effective models to address this.

These key findings formed the basis of discussion at a Stakeholder Event, involving financial inclusion and homelessness agencies, from which the final recommendations of this project have arisen.

Low-income households can be excluded through a combination of a mismatch between their needs and the marketing or structure of the products or services provided, as well as negative perceptions of financial service provision.

Homeless people experience exclusion as other low-income households but many are less well equipped to manage their cash, debt or banking alone. Like many low income households, homeless people are likely to use cash, but in addition for homeless people, money issues are likely to be accompanied by experiences of violence or aggression.

The direct payment of benefits into bank accounts has brought some positive experiences. However more needs to be done to overcome challenges to opening bank accounts for homeless people, and increasing financial literacy.

Many agencies are active in promoting financial inclusion, with community organisations acting as intermediaries between government, the financial services industry and marginalised individuals or households. Homeless agencies provide support and banking provision for their clients but agencies should consider further the link between these client focused schemes and wider community-based initiatives.

Homeless people expressed a high level of trust in, and preference for, key workers and peer education schemes, to deliver financial inclusion schemes. However, they did appreciate personal links with financial institutions where they knew staff at the local level.

The timing of the delivery of effective support regarding financial issues for homeless people was highlighted in the review and user consultation. Sustainable support is required throughout the transitions to employment and housing, but also beyond to ensure that financial inclusion acts as a protection against returning to homelessness.

The State of Knowledge

The literature review included an examination of published and internet-based resources in the area of both general financial inclusion, and the delivery of homelessness services. Key representatives of agencies active in this area were also contacted by email.

The review found that knowledge is less well developed in the area of financial inclusion for homeless people, compared to financial exclusion more generally. In addition, the evidence base of 'what works' in terms of interventions is very poorly developed.

Financial exclusion and low income households

Financial inclusion is currently a key policy concern within the context of tackling social exclusion and the promotion of asset based welfare. Access to banking and allied products has the potential to smooth irregular income and expenditure, give access to cheaper services for poorer households and assist people to accumulate their own assets. People may be excluded on the grounds of the price, the unfavourable conditions that may be attached to products or are excluded as providers do not market services to them. In addition marginal households may be excluded by their own negative perceptions of the financial services products or providers.

Low income households often prefer to budget with cash but bank accounts that allow customers to retain control are welcome. Access to affordable credit, though problematic, is considered unavoidable by low-income households, yet mainstream financial services do not cater for their needs. Although people may save, it is often informal, with small amounts, over a short period of time for specific purposes. Financial literacy is poor in the general population but low income households stand to gain the most from money advice.

Homeless people's experiences of financial exclusion

Homeless people often operate a cash economy where money issues are accompanied by narratives of violence or aggression. Financial exclusion can be stigmatising and the inability to access banking can represent a barrier to moving on, especially into employment. Homeless people may hold bank accounts, often opened prior to becoming homeless, but identity checks continue to be problematic in securing new accounts. Debt is an important issue and may be bound up with the life events that prompted or are part of their homeless experience. Many lack the confidence and financial literacy skills to resolve the situation.

Homeless people may not prioritise financial exclusion due to more pressing issues, but moving on to housing or employment increases their interest. Mistrust of providers may mean who delivers financial inclusion activities is important.

Interventions to promote financial inclusion

Many government initiatives exist that co-ordinate the activities of private sector financial service providers and third sector housing or community organisations to provide basic bank accounts, affordable credit, face-to-face money advice, encourage savings and provide capital to enterprises in disadvantaged locations. Housing associations are active as intermediaries in some areas introducing such services to marginalised individuals or communities but reaching only the housed. Homeless organisations offer money advice and budgeting as part of life skills training and some agencies have arrangements with banking providers. There appears to be little cross fertilisation of financial inclusion activities between projects targeted at homeless people and the wider community.

The Views of Homeless People

A total of 39 homeless people took part in individual interviews and focus groups across three homeless organisations (Centrepoint; The Passage Day Centre; and Thames Reach Bondway).

Views on money and financial services

Most homeless people had very similar views and experiences of financial institutions. However, people sleeping rough were the most likely to highlight particular problems with accessing even the most basic of financial services and products. Younger age groups also exhibited higher levels of cynicism and antipathy towards financial institutions. There was general agreement that identification requirements for banks present a particular challenge for homeless people.

Experiences of financial exclusion

The majority of respondents felt excluded from standard financial services and products. A significant minority had experienced some difficulties opening basic bank accounts. Whilst for some, these still remained unresolved, this exclusion was felt to be most relevant when people needed to conduct particular activities – receive salaries by BACS transfer, or receive payments other than benefits on simple post office accounts. Only then do experiences of financial exclusion become explicit for some homeless people.

Banking activities of homeless people

Experience of banking services whilst homeless was extremely limited. Accounts, where held, were either a legacy of banking services received prior to homelessness, or had been set up subsequently and limited to basic bank accounts. Use of direct debit and standing order features were being utilised by a minority, mostly older age groups and people in supported housing. Savings activity was very limited. A significant number of respondents had been approached with offers for credit cards, though none had secured credit.

Support and advice

Financial advice had most commonly been received, and were most highly valued, via key workers, peer educators, or limited advice from benefits agency staff. Appropriate support was thought to include a range of literacy, numeracy, communication, and financial skills, particularly needed at certain key transition points. Whilst respondents did not feel they were dealt with by banks any differently because of their housing status, further work was clearly needed by the main clearing banks to ensure much wider accessibility to basic bank accounts. No respondents felt that finance advice or support should be made compulsory for homeless clients.

Key challenges

The key challenges will continue to be access issues to basic banking services. The identity requirements of banking and financial institutions present a set of difficulties to homeless people that they find hard to overcome in any sustainable or systematic way. Service users particularly supported the delivery of services through key workers and peer education schemes, however the research suggests that an improved understanding in both the homeless and banking sectors about how each works is also needed. Ongoing support for homeless people is required as they move toward more formal and sustained housing solutions to ensure that financial inclusion acts as a protection against returning to homelessness.

Learning Points and Recommendations

A number of issues arose from the research were discussed as part of the Stakeholder Event, at which representatives of homelessness and financial inclusion agencies were present. Learning points and recommendations include:

Homeless people do not always place a priority upon financial exclusion, rather at key transition points surrounding employment and housing the barriers presented by having inadequate confidence in their financial literacy skills or access to specific financial services become more acute. Consideration should be given to personal money and debt advice at key stages and *sustainable* sources of financial advice and support beyond the episode of homelessness.

Access to banking services is very important for homeless people and is a top priority over problems relating to access to affordable credit and other financial services. The issue of unresolved debt prior to and as a consequence of homelessness is something that requires further work to establish its role as a barrier to moving on and sustaining housing and/or employment.

It remains unclear whether the continuing problematic experiences of proving identity when opening bank accounts is a product of money regulations directly, the banks' interpretation of the guidance, or a result of a lack of training amongst front-line bank staff or indeed active discouragement of the Basic Bank Accounts in some branches. There is a debate as to the sustainability of access to banking projects under Corporate Social Responsibility programmes, whether a business case for banking amongst marginal households actually exists or whether government legislation is required to commit banks to providing these services more widely. A suggestion was made that the government or Financial Inclusion Task Force could usefully look into bank performance incentive structures or subsidising the cost of opening accounts to aid take up.

Intermediaries are important conduits for delivering financial services to homeless people but there is uncertainty as to whether this should be the homeless agency alone or whether there is scope for these agencies to engage with the financial inclusion sector - Community Development Finance Initiatives (CDFIs) and Credit Unions - or housing associations who are creating partnerships to deliver a greater range of services to low-income households usually to geographic specific communities. It is recommended that homeless agencies explore any synergies between their own financial inclusion aims and these community wide services. Pan-London services are developing but the extent to which homeless agencies can link to a number of initiatives across many London Boroughs needs to be explored further.

It is likely that different service configurations and issues will exist outside London and between urban and rural areas; this needs to be taken into account in service development.

Further information can be obtained from the full reports of each stage of the project:

Wallace, A. and Quilgars, D. (2005) *Homelessness and Financial Exclusion: A Literature Review*. London: Friends Provident/London Housing Foundation.

Tanner, S. (2005) *Financial Inclusion for the Homeless: A Report on User-Consultation*. London: Friends Provident/London Housing Foundation.

Both reports can be found on: www.friendsprovidentfoundation.org and www.lhf.org.uk/Publications.