

Briefing Paper

What is the future for financial inclusion?

The Labour government from 1997-2010 placed considerable emphasis on increasing financial inclusion. The progress made here looks set to be stalled or even reversed in the wake of the credit crunch, recession and government cut backs. So what is the Coalition government doing about it? The Financial Inclusion Fund, which supported 500 debt advisers at a cost of £25 million a year, was due to end this month (March 2011) but the government has given it a stay of execution for one more year, given the importance of debt advice at the moment. But the Financial Inclusion Taskforce has not been granted such a stay and it will end this month. So what is the future of financial inclusion following the demise of the Financial Inclusion Taskforce?

The Financial Inclusion Taskforce (FIT) provided a strategic lead on financial inclusion issues and invested a significant amount of funding into a research programme. The work of the FIT has just been reviewed by the Treasury and a meeting, held on 4th March 2011, discussed remaining gaps in knowledge and how these gaps might be filled in the absence of the FIT.

Amongst the gaps in knowledge identified were:

- An understanding of how the Coalition government approaches issues of financial inclusion, including any new ideas and terms
- The role of the Third Sector in relation to financial inclusion
- The effectiveness of money advice, particularly in relation to the national roll-out of Money Guidance
- How low income consumers' interests can be reflected given changes in consumer protection and regulation

- How to make product designers within the financial services industry more aware of the needs of low income consumers

There was much enthusiasm for continuing the work of the FIT, for example through a 'hub' that would host the research carried out by the Taskforce alongside any new research on financial inclusion. There was also support for the creation of an independent panel on financial inclusion to provide a lead for research and policy development in this field. However, there would need to be resources for this work and so support would need to be sought from research councils/charities, the financial services sector and, potentially, government. The size and composition of the panel would also be an issue to resolve.

Chris Hobson from Transact (Toynbee Hall) is already carrying out some work in this field and agreed to lead discussions about the hub and panel. While there are clear challenges ahead in carrying out this work without a secure funding stream financial inclusion is too important an issue, particularly given the current economic situation, to allow to die away. It is now up to academics and members of the Third Sector to ensure that it does not.

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