Introducing a Time Delay on Access to Credit: Is it just delaying the inevitable?

Drawing on our Responsible Lending and Borrowing research for the Arts and Humanities Research Council (AHRC), we have published a new report entitled 'Introducing a Time Delay on Access to Credit: Is it just delaying the inevitable?' by Lindsey Appleyard, Jodi Gardner and Karen Rowlingson.

High-cost credit, particularly payday lending, has been the focus of considerable policy and media attention in the last couple of years. Major reforms have been (or soon will be) introduced, including a cap on the total cost of credit. But further reforms are also under discussion, including a time delay on accessing credit. This report explores the potential impact of a time delay on access to credit, particularly high cost credit, on consumers. It draws on secondary analysis of in-depth interviews with people who had borrowed from a range of credit sources.

The report can be accessed here.

Attitudes to wealth taxes: new public attitude survey data

The majority of people in the UK support the proposed ‘mansion tax’, according to research published by CHASM in January 2015. But more than half of those surveyed do not think there should be any tax on inheritance. A survey of more than 2,000 adults in the UK, commissioned by CHASM and carried out by TNS, asked respondents how they felt about four potential tax changes: the introduction of a mansion tax; council tax reform; capital gains tax reform; and the re-introduction of a 50% top rate of income tax. They were then asked for their views on inheritance tax before being given the opportunity to give their perceptions of wealth inequality in the UK. The survey found that:

- The mansion tax is the most popular of the proposed reforms, with 53% strongly supporting or tending to support a 1% tax on properties worth more than £2 million. 22% oppose it, with 21% unsure either way.
- Support for a mansion tax is strongest in Scotland, Wales, the North East and Yorkshire/Humberside.
• Less than half the population of London, the South East and the East support a mansion tax.
• A flat council tax rate of 0.6% of the value of a property (as an alternative to a mansion tax) is supported by 40% of people, with 27% unsure either way.
• 45% of people support increasing capital gains tax to 45%, with 23% unsure.
• 44% support the re-introduction of a 50% top rate of income tax, with 19% unsure.
• 52% think no inheritances should be taxed.
• People over 65 were much less likely (41%) to say no inheritances should be taxed.

A copy of the briefing paper by Karen Rowlingson, Andy Lymer and Rajiv Prabhakar can be found here.

Financial Inclusion
On November 25th 2014, Karen Rowlingson gave evidence to the Financial Inclusion Commission on the issue of whether or not people on low incomes should be encouraged to save during an economic down-turn. The Commission’s Chair is Sir Sherard Cowper-Coles KCMG LVO and its President is Sir Brian Pomeroy, formerly Chairman of the Treasury’s Financial Inclusion Taskforce (and current Chair of CHASM’s Advisory Board). You can find out more about the Commission’s work here and read the briefing paper Karen wrote based on her evidence here. Members of the Commission also visited CHASM on 6th February to discuss their initial findings which are due to be released in mid-March.

The role of private insurance products in relation to unemployment and sickness
Karen Rowlingson participated in a New Statesman roundtable event in partnership with Zurich insurance to discuss: How do we fund a sustainable welfare system? The event was held on 8th January 2015 at Portcullis House, Westminster, London, with participants including Steve Webb, MP, Pensions Minister, Lord Hunt of Wirral, Simon Foster – Head of Corporate Life and Pensions, UK & International Savings, Zurich, Huw Evans, Director General, ABI, Matthew Oakley, Head of Financial Services, Which?, Jonathan Portes, Director of NIESR, Teresa Fitz, Member of Financial Services Consumer Panel and Becky Slack, New Statesman (Chair of discussion). The focus of the discussion was on the role of private insurance products, particularly Group and Individual Income Protection policies to help people in case of sickness/disability. Zurich had produced a paper (by Kyla Malcolm) to argue that these had benefits for the state, employers and individuals and so should be given some tax relief to help overcome some of the barriers to their expanded use. Steve Webb began the discussion by saying that this was not a particularly new issue and he was ‘permanently open-minded but sceptical’ about it. He said that there were advantages in the state providing insurance of this kind because such social insurance could be universal (ie the state won’t exclude pre-existing conditions or have time-limited support in the same way that private insurance would). He added that employers already do some of this so why do we need to incentivise more? And who are we most worried about? If it is those
with insecure jobs/incomes then this group will never be well served by private insurers because they are not profitable. The Minister also said that it was important to focus on prevention – picking up problems in the workplace before they lead to incapacity/sickness and so this is where any state money should be directed. A lively discussion ensued.

**Entrepreneurship and Access to Finance for SMEs**
Lindsey Appleyard was invited to present on West Midlands access to finance at the ESRC Seminar Series: Entrepreneurship and Access to Finance for SMEs on 22nd January at the University of Bournemouth. The paper suggested that enterprises have found access to finance increasingly challenging from mainstream banks since the financial crisis and that Community Development Finance Institutions have been able to partially fill the loan finance gap but need additional resources to meet increased demand from enterprises rejected by banks. The next event will be held at Aston University, Birmingham on 7-8th May and more information on the seminar series can be found here.

**CHASM Interns**
We have appointed two CHASM interns for 2015. Zhulieta Dobcheva will be exploring UK credit union development since the financial crisis and Holly Brown will be examining tax avoidance and analysing the Chartered Institute of Taxation Tax for students website.

**Forthcoming events open to all**
Members of this email list may be interested in the following seminars which are open to all:

- 17th March, *Mind the (housing) gap: patterns of family wealth past, present, future*  
  Ricky Joseph, CHASM, Room 111, Business School, 12.30-1.15

- 5th May, *Can lending and borrowing be responsible?*  
  Lindsey Appleyard, CHASM, Room 710, 7th floor, Muirhead Tower, 12.30-1.15

- 7 July, *Public attitudes to wealth taxation*  
  Andy Lymer, CHASM, Room 710, 7th floor, Muirhead Tower, 12.30-1.15

Further information on our events may be found here

If you would like to attend any of these events, please contact Helen Harris to confirm your place h.m.a.harris@bham.ac.uk
New briefing papers

New survey research on public attitudes to wealth taxes
SMART pensions in the UK: salary sacrifice and auto-enrolment
Basic bank accounts in Ireland: Not so much a false start as a faulty start
Should people on low incomes be encouraged to save during an economic downturn?

All our briefing papers are available on the CHASM website

Current Research

Responsible lending and borrowing

We are currently writing up our findings for a range of audiences and attend conferences in social policy, consumer law, and geography. We are in the process of writing journals papers exploring: ‘From ‘social’ protection to ‘personal’ finance: income insecurity, welfare reform and payday lending in the UK’; ‘Responsible Borrowing and High-Cost Credit: when should we save people from their own irresponsible behaviour?’; and ‘Financial geographies of low-income borrowers in the UK’.

We are holding a number of events this year on the project, including a conference on 17th June at the Shard, London. More details will be circulated at a later date.

For more information on this project, please visit.

Leverhulme Trust - Mind the (Housing) Wealth Gap

The Mind the (Housing) Wealth Gap: Intergenerational Justice and Family Welfare research project is now moving into its final phases. The project led by Dr Beverley Searle, combines expertise from the Universities of Dundee, St Andrews, Essex and Birmingham investigates inequalities in society, particularly the uneven distribution of housing wealth within and across generations in the context of an ageing society and the moral dilemma between saving wealth for the welfare and health needs of individuals, against passing wealth on to children to help them achieve educational, marital or housing aspirations. The project also explores related legal concerns about the protection of assets, particularly of vulnerable owners.

One of the key findings from our research is that baby boomers are the most financially well off generation, and it is unlikely that younger generations will ever experience the same level of wealth as enjoyed by the boomers (but it is crucial to remember that there is intra-
generational inequality, and some boomers are facing retirement with debts rather than assets).

On November 20th, Karen Rowlingson gave a paper to the University of Kent’s School of Social Policy, Sociology and Social Research seminar series on: Are the baby-boomers giving something back? Inter-generational transfers, relationships, inequality and justice. A recording of the paper can be viewed here.

Publications


Appleyard, L, Gardner, J and Rowlingson, K (2015), Introducing a time delay on access to credit. Is it just delaying the inevitable?


Feedback

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Best wishes,

The CHASM Team

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