

RUNNYMEDE



European Network Against Racism
Réseau européen contre le racisme
Europäisches Netz gegen Rassismus

Financial inclusion

Comments of the Runnymede Trust and the European Network Against Racism to the European Commission consultation on "Financial inclusion: Ensuring access to a basic bank account"

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The Runnymede Trust is an independent policy research organisation focusing on equality and justice through the promotion of a successful multi-ethnic society.

The Runnymede Trust is based in the UK and is a member organisation of the European Network against Racism (ENAR), a network of some 600 NGOs working to combat racism in all EU Member States. ENAR is determined to fight racism, xenophobia, anti-Semitism and Islamophobia, to promote equality of treatment between EU citizens and third country nationals, and to link local/regional/national and European initiatives.

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Introduction

The Runnymede Trust is a member organisation of the European Network Against Racism (ENAR). Runnymede's mandate is to promote a successful multi-ethnic Britain - a Britain where citizens and communities feel valued, enjoy equal opportunities to develop their talents, lead fulfilling lives and accept collective responsibility, all in the spirit of civic friendship, shared identity and a common sense of belonging. We act as a bridge-builder between various minority ethnic communities and policy-makers. We believe in building effective partnerships and we are continually developing these with the voluntary sector, the government, local authorities and companies in the UK and Europe. We stimulate debate and suggest forward-looking strategies in areas of public policy such as education, the criminal justice system, employment, financial inclusion and citizenship.

Founded in 1968, Runnymede has established and maintained a positive profile on the social and interpersonal benefits of living affirmatively within a society that is both multi-ethnic and culturally diverse; and continues to speak with a thoughtful and independent public voice on these issues today.

This submission is based on Runnymede's financial inclusion research programme, especially our report *Financial Inclusion and Ethnicity: An Agenda for Research and Policy Action*.¹ In that report we noted that further evidence is needed to understand whether and why different minority ethnic groups are more likely to be at risk of financial exclusion. We also recommended a more expansive understanding of the causes and consequences of financial exclusion - particularly in terms of citizenship participation and individual wellbeing. We are currently pursuing some of the report's recommendations, in particular with respect to whether asset-building measures could enhance financial inclusion and people's choices, and to understand if and why different ethnic groups have different levels of savings and different approaches to financial advice.

Our response to this consultation is mainly based on evidence from the United Kingdom. Our initial literature review revealed significant commonalities among various countries, including in other European Union member states. Where we had such information, we referred to it in that report and we have tried to explain that evidence further in this response. But we hope the European Commission will consider further research in this new area to determine whether and why particular groups are more likely to experience financial exclusion, and what kinds of approaches are more likely to increase financial inclusion for everyone.

Consultation questions

Question 1: Do you share the Commission's overall objective to ensure that, by a certain date, every EU citizen or resident has access to a basic bank account? What could constitute the main challenges in meeting this objective?

Our response: Yes.

The Commission rightly notes the importance of bank accounts in providing every EU citizen with access to markets and employment, as well as the societal benefits this can provide to everyone. In our market-based societies, having access to basic financial goods and services may also be viewed as

¹ O. Khan, *Financial Inclusion and Ethnicity: An agenda for research and policy action*. London: Runnymede Trust, 2008: <http://www.runnymedetrust.org/uploads/publications/pdfs/FinancialInclusion-2008.pdf>

a basic requirement for citizenship participation. Basic bank accounts are undoubtedly an important first step to that aim, although further financial products are necessary to achieve financial and social inclusion for all, and for everyone to participate as an equal in society.

A number of challenges confront the Commission's objective of providing every EU resident with a basic bank account (BBA), and these in part derive from the various aims of providing a BBA. In terms of purely market-based considerations, banks in the UK have previously argued that some customers do not allow them to turn a profit, but since the introduction of basic bank accounts they have not voiced that concern and instead highlight the numbers of basic bank customers who take up further 'mainstream' financial products. This suggests that while we must be sensitive to the possibility that banks and other institutions may incur greater costs from BBAs, we should not assume that universal access to banking will undermine profitability.

Another key challenge concerns regulation (see also question 4). While basic bank accounts in the UK were developed in a 'shared agreement' between the government and the banks, this 'soft' model of regulation may not prove feasible or desirable in other countries. This is not to say that 'harder' regulation is likely to be more successful, although we may consider whether countries with greater regulation have had greater success in providing a bank account to everyone compared to the UK. A 'soft' model of regulation implies that access to a bank account is not a 'right', and perhaps suggests that the financial aims of basic bank accounts are more central than more ambitious but equally important goals of social inclusion, civic participation and personal autonomy.

In the UK, there is evidence that the notable decrease in the numbers of unbanked people has stalled. Indeed, statistics indicated a slight increase in the numbers without a bank account to over 2 million for 2006/07, *before* the worst effects of the financial crisis. Furthermore, many customers in the UK have been provided with a Post Office Card Account (POCA), which the government admits does not result in financial inclusion. The British Bankers' Association has announced that 600,000 accounts were opened in 2008, but these notably include POCAs, and they do not provide separate data for basic bank accounts.² The Financial Inclusion Task Force has stressed that these figures cannot be relied upon as an indicator of measuring progress towards the shared goal of reducing the numbers of unbanked by half.³ However 'basic' bank accounts are defined by the Commission, they must go beyond POCAs to realize financial inclusion and other aims. While financial institutions have offered explanations for this setback in BBAs, it suggests that soft regulation may be unable to reduce the numbers of unbanked, and may be even less effective as the economy worsens.

This leads to a further challenge, and one that is recognised in the consultation document, namely the impact of the recession. Whereas the source of the financial crisis is judged to be the extension of financial products and services to higher-risk customers, financial institutions are likely to adapt a much more risk-averse strategy, particularly those that struggle to regain profitability and perhaps even those that have got substantial government support.

Significantly, the UK government does not regard having a Post Office Account as being an indicator of financial inclusion. Rather, it is seen as a stepping stone to inclusion. Basic bank accounts are thought to provide a more reasonable contribution to financial inclusion, but they also have their limitations.⁴ While it is important to implement a common policy on universal banking, it is important

² For 2008 data and the BBA's interpretation of it, see:

<http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=145&a=15542>

³ Financial Inclusion Taskforce, 'Report on progress towards the shared goal' (March 2006):

http://www.iibf.org.in/uploads/Taskforce_report_Mar.06.pdf

⁴ See especially New Economics Foundation, *Basic bank accounts: The case for a universal service obligation*.

London: nef, 2005: <http://www.neweconomics.org/gen/uploads/ilifsj554nyi4i45pk2vpk4521112005154109.pdf>

to be honest about the limited nature of basic bank accounts, and not to oversell their consequences. Basic bank accounts are indeed an important first step and the Commission are to commended for taking up this relatively new area of policy, but we should not pretend that basic bank accounts will provide people with full financial inclusion, much less the additional aims of social inclusion and participation for all.

There are also challenges regarding the diversity of the unbanked population. Policies that apply to everyone seem in principle and in practice to be more likely to ensure everyone gets a bank account. However, there may be groups - such as immigrants - who lack familiarity with existing financial institutions and may work in parts of the labour market where it is not necessary to have a bank account to be paid. Others including the long-term unemployed may need to be targeted in particular ways to ensure their awareness and take-up of basic bank accounts. The more general point is that while we support a universal policy to provide banking to everyone, each member state will need to target that policy at different groups, especially as the various barriers to banking are not all the same.

This difficulty extends to the various characteristics of different EU member states. As the consultation reports, 10% of the population in pre-2004 EU member states is unbanked; this compares to 47% in the 15 post-2004 states. This leads to the final challenge, namely the different institutions and practices in various member states in Europe, and the difficulty of developing a policy framework. In the Appendix 1 to our *Financial Inclusion and Ethnicity* we outlined some of the different policies that various states have adopted in response to the unbanked situation, and in the UK some of these other policies (for example France's anti-exclusion law) were considered and then rejected. In particular, the UK government rejected the idea that people have a 'right' to a (basic) bank account, while other countries have rather affirmed that idea.

It is therefore unclear whether a common policy can be agreed, or indeed whether the various financial institutions in each country will accept that a common policy is acceptable or equitable for each of them. More specifically, existing financial institutions (i.e. banks) in countries with larger unbanked populations may face larger costs than those with smaller unbanked populations; conversely, in some countries the unbanked may be a residualised poor population and so more difficult (or costly) to extend a basic bank account, whereas in countries with unbanked numbers of 50% or more the initial increase in the banked population should prove quite efficient and profitable to banks. The difficulty is not only in getting different government to agree on policy, but to get various financial institutions to agree on whatever costs are implied by that policy.

Question 2: Do you agree with the description of the causes and consequences of financial exclusion? Please provide additional information if available.

Our response: Mainly yes.

The demographic and socio-economic factors that the Commission identifies are widely known and agreed upon, though it is useful to have them set out so clearly in the document. The recognition that other factors including stricter money laundering rules (implemented in response to acts of terrorism) and tighter identity requirements prevent some people from being able to open a basic bank account is less commonly identified. These causes also extend to other aspects of financial exclusion such as credit, savings, insurance and advice.

The Commission also presents a helpful typology of causes of financial exclusion, namely societal, supply and demand factors; the UK government has also noted that supply and demand factors are

distinct. Our main caveat with the table on page 7 is that it may underestimate the extent of some of these causes, particularly demographic changes, income inequalities and risk assessment (see also the Appendix to this document) on the supply side; these are likely to apply in every EU member state. And although supply-side and demand-side causes are worth distinguishing, they are not always so easy to separate; policy may therefore have to respond to a cause - for example language - from both the demand and supply side (by improving accessibility of financial institutions and by enhancing the skills and knowledge of consumers).

Supply-side causes

Here it is worth noting that socio-economic factors impinge on financial inclusion in various ways. First, poorer people are likely to have little or poor credit history; they are also likely to live in areas with higher crime rates and lower property prices; all these factors are likely to make it more difficult for them to get financial products and service - or to pay more for them if they are offered those products and services. In fact, lower income can also be a cause of financial exclusion, in so far as it raises the cost of credit and mortgages.

In terms of banking, there is increasing evidence of wealthier customers being offered extended services and support, and the danger is that the definition of 'basic' banking services will be defined even more narrowly. And to the extent that technology results in less and less provision at bank branches and more over the internet or telephone, that will obviously adversely affect those who do not have access to these technologies, or groups such as the elderly who are not always familiar or comfortable with these technologies.

More indirect socio-economic factors include the impact of differential labour market participation, say by women or minority ethnic people or immigrants. To the extent that people are more likely to work in certain labour market sectors, or more likely to work part-time or in low-wage jobs or in the informal sector, this will obviously directly impact their financial inclusion. Indeed, discrimination here can play an indirect role: certain groups of people may be more likely to live in certain areas or suffer poor educational outcomes, but the reasons for that housing distribution and educational performance may be linked to assumptions about the capacities or competencies of those groups.

Demand-side causes

On the demand side, we need to understand better the extent to which people actually mistrust providers, but it is likely - as the consultation recognises - that people's different preferences impact their view of financial institutions and their likelihood of taking up particular financial products and services. Here, however, we would suggest the difficulties may be deeper. Markets work on the basis of efficiencies, and typically result in those with uncommon preferences paying more for a good or service. That is, demand-side considerations extend beyond problems where a person mistrusts a financial institution or lacks confidence. Some people may choose or prefer a low-consumption lifestyle, or be legitimately unable to work in paid employment and afford additional financial products and services.

We have previously recommended further research into understanding better people's actual choices and risk-assessments,⁵ and generally believe that we need better evidence on demand-side factors for financial exclusion, many of which are based on anecdotal or small surveys. To forestall misinterpretation: we are not saying that these factors are irrelevant or misidentified; rather, we are making a plea for better evidence, particular around vulnerable groups, to understand *why* they may not be accessing financial institutions. And we are also suggesting that we may need to decide how we want to distribute any additional costs that financial institutions actually incur, but for which individuals cannot be held personally responsible.

⁵ In O. Khan, *Financial Inclusion and Ethnicity*.

It is perhaps useful to break down two possible sources for the increased costs that individuals may incur through their preferences or behaviour (what the consultation calls demand side causes). One kind derives from market failures, such as the example in the UK where banks wrongly assumed that ex-prisoners were too risky to extend financial services including bank accounts. This assumption was based on assumptions about people on probation and ultimately on incorrect information. However, there is another kind of increased cost that we cannot so easily sidestep, namely that some people may indeed be more costly for a financial institution to extend a product. In such circumstances we need to decide how we should distribute these additional costs, and consider regulation such that certain sources of additional costs (say a person's disability) are not unfairly borne by the customer.

Another cause that should be mentioned is language. While it is obvious enough that those who do not speak an official language will struggle to access financial products and services including bank accounts, the problem extends to those who speak a language less fluently and even for native speakers. Because financial products involve a technical language and difficult concepts, many people struggle to understand those products and make good financial decisions. Here it is worth considering whether member-states could produce simplified guides for banking and other financial services, or indeed whether the Commission could use its expertise in this area. This discussion of language also reveals how a cause can impact both the supply-side and the demand-side.

Financial and non-financial consequences

It is particularly satisfactory that the Commission outlines the *non-financial* consequences of lacking access to a bank account on page 8. The concern that financial exclusion is likely to lead to social exclusion and reduce a person's quality of life is one that we have pursued in our report *Financial Inclusion and Ethnicity*, and we endorse that interpretation. This is not to say that financial costs - including the noted premium to pay utility bills for those without a bank account - are not important, especially as these involve such a wide range of areas of a person's life - from their access to the labour market to their access to credit to their overall wellbeing as they have less disposable income.

We would only expand this thought to how these consequences affect a person's autonomy, that is their ability to make effective choices. Lacking a bank account - or indeed other financial products and services - constrains a person's options in our market-based societies. Here we would again emphasize that basic bank accounts are merely a stepping stone to financial and social inclusion.

Question 3: Do you think that one can reconcile financial service providers' legitimate need to make profit with any social obligation they may have vis-à-vis excluded groups? Should financial service providers play a stronger 'social' role in the society, in particular in combating financial exclusion?

Our response: Yes.

There is some evidence from the UK that providing basic bank accounts has not cost financial institutions much money; in any case, they have not declared that they have lost money. This suggests that making profit and recognizing social obligations are not mutually exclusive. We have seen a draft of the Social Platform's response that provides further evidence of financial institutions making profit while still fulfilling social obligations in Belgium, Slovakia, France and Spain, and we agree with them that these cases should be studied further. Furthermore, as with our response to Question 2 above, we need to distinguish situations where market failures result in reduced access for disadvantaged groups from cases where certain individuals are indeed more costly for financial

institutions, in which case the question of distributing those costs becomes an important question for everyone.

The idea that financial services have a 'social' role is likely to be interpreted in different ways. Although the concept is not always precisely defined, the notion of corporate social responsibility is more likely to drive private sector commitments. While this suggests that companies should ensure that their investments and practices result in socially responsible outcomes, this is not typically viewed as an obligation, and is often emphasized as being good business. However defined, corporate social responsibility can be interpreted as requiring BBAs.

For the public sector the notion of a 'social' role is somewhat different. Democracies require that they treat citizens as equals in order to retain their legitimacy, but effective and just democracies also require that citizens have the capacity to participate in public debate and decision-making. That is, democratic states have an *obligation* to ensure that everyone has the opportunity to participate as an equal.

The question then arises: is the 'social' aspect of financial products and services better understood from the point of view of corporate social responsibility, or from the point of view of citizenship participation? At least two distinctions may be relevant in answering this question: first, whether it matters that a profit-making institution is providing a financial product or service as opposed to a public institution (say the Post Office network in the UK). While it makes sense to say that private sector institutions have less social responsibilities than the public sector, it obviously doesn't follow that private financial providers have no such obligations. And if we then adopt different policy requirements for private and public institutions, that will create confusion among customers and potential competition inefficiencies; it may also confuse the reasons why financial inclusion matters. The issue is further complicated by the fact that institutions such as credit unions are neither wholly private nor public and so may have different social obligations from either kind of institution.

The second (and perhaps more promising for policy) distinction is between those financial products and services that are in fact necessary for equal citizenship participation and those that are not. That is, banking may be more central to social inclusion and citizenship participation than is insurance or credit. Without a bank account it is almost impossible to get paid employment, much less access further financial products and services, and those who lack such an account are likely to experience reduced self-esteem from their reduced opportunities in market institutions. If this is true, basic bank accounts could be argued to be a right, and therefore even private institutions may be required to provide them for everyone.

The above discussion has taken on renewed relevance in the context of the financial crisis. While some have blamed the financial crisis on the personal vices of individuals - according to Alan Greenspan, people got too 'greedy' - others have noted that regulation was too loose or that financial practices had eroded basic social trust. For a butcher's self-interest to be at stake when he sells us meat, we should be able to disadvantage him financially and reputationally for providing us with rancid meat; this opportunity vanishes if we are a tourist and know few of the town's residents, or if we will never shop in that town again.

Effective markets require social trust and confidence in the stability of important social institutions. Private companies benefit from social institutions and interaction for which they are not responsible, but which are necessary to ensure their stability and efficiency. But while the financial crisis and recession has raised the issue of greater regulation and increased social responsibility within the financial sector and in markets more generally, the decision regarding how private institutions should discharge their obligations to support social institutions and trust is one that needs to be made democratically. But however that is decided, as long as bank accounts are fundamental to

participation in market societies they should be considered as a financial product whose social role extends beyond solely financial matters.

Question 4: In your experience, where voluntary codes of conduct are in place, are they well applied?

Our response: It depends - on the purported aims of providing bank accounts, and on the 'sticks' that governments can wield.

In the UK the 'shared agreement' on basic bank accounts means that they are not a government policy that is enforced on financial institutions. While basic bank accounts are not wholly 'voluntary', banks do not always do a good job of advertising them (especially to those who might need them; they do not publicize basic bank accounts in disadvantaged areas, for example), and many people are rejected for failing to fulfil identity requirements, particularly, though not exclusively, among migrants. Whether or not this means that existing practices are well applied probably depends on one's interpretation of the aims of basic bank account policy in the UK. The banks particularly emphasize the 'shared goal' of reducing the unbanked by 50%, but that is obviously far short of the more expansive aims identified in the EC's consultation document. Furthermore, the relatively the 'shared goal' was not to *eliminate* the numbers of unbanked, but to reduce their number by half from 2.8 million.

It is likely that the banks in the UK agreed the 'shared goal' of reducing the unbanked by 50% because the government was able to suggest that further regulation - and so further costs for the banks - was the alternative. In essence this meant that the UK government had an effective 'stick'. For a few years following the shared goal the numbers of unbanked decreased continually and significantly. However, recent data from 2006 suggest that the numbers of unbanked have failed to decrease further recently, a trend that is unlikely to change for 2007 and 2008 given the worsening state of the UK economy for that period.

The British Bankers' Association prominently notes the numbers of new bank accounts opened on its website. We have already noted that these figures are not a good estimate for whether or not the shared goal is being realized, though it is important to recognize that the BBA does seem to recognise the social importance of bank account. In sum, in the UK financial institutions there is not agreement on whether the voluntary approach has worked. Organizations including Toynbee Hall and the New Economics Foundation (nef) have questioned whether the voluntary approach has been effective:

The banking industry's commitment to halve the number of unbanked individuals is limited by a number of barriers. A report by the National Consumer Council, *Basic Banking: Getting the First Step Right*, concurs with this view. The report notes ongoing criticism of the banks, both in their failure to promote basic bank accounts, and, at times, outright discouragement of applicants. The experience of community organisations that assist low income individuals indicates that uninformed, or even hostile, bank staff continue to resist more flexible identification methods. Bank staff is clearly poorly trained in the basic account product. As such, banks regularly deny customers on the basis of poor credit history, despite the account's purposeful lack of an overdraft. Instead of opening a basic bank account, low income consumers have opted overwhelmingly for the more restrictive post office card account. This simply allows cash withdrawal of benefits. This preference raises further

questions about the suitability of basic bank accounts for low income consumers' cash flow patterns.⁶

Our interpretation of the comparative European data is that codes of conduct (in Germany, France, Italy, Spain and the Netherlands) do not provide a precise definition, and nor do they fully guarantee access to a basic bank account. If the aim is actually to provide a bank account for everyone, existing procedures do not seem to have fully worked where they have been implemented, though in all cases the numbers of banked does seem to have increased. Whether or not these codes of conduct have been effectively applied therefore depends on one's understanding of the aims of providing a basic bank account, as well as whether there are effective means of monitoring and enforcement.

Question 5: Should all providers be obliged to offer basic bank accounts to all citizens throughout the EU?

Our response: Yes, perhaps with the exception of very small local financial institutions such as credit unions.

It is important that basic bank accounts are not stigmatising, especially given the importance of bank accounts in participating in our market economies. Furthermore, individuals should have sufficient choice in opening a basic bank account, and not be forced to bank with a particular institution.

In general, all main banks, building societies and credit unions should be required to provide a basic bank account. There may be cases in some countries where a financial institution is very small and quite informal and may be unable to ensure the protections required for a basic bank account holder. However, we expect these cases to be very few (if any), and only suggest this possibility to explain the importance of bank accounts for everyone. An alternative is that member state governments could assist smaller institutions to provide basic bank accounts, perhaps including compensation for greater administration costs if necessary.

There are also competition concerns if only some providers are required or allowed to offer basic bank accounts, particularly in countries where there are large numbers of unbanked. We therefore believe that all providers should be obliged to offer basic bank accounts to everyone.

Our only other concern is the reference to 'citizens' in this question. We believe that non-citizens who are legally resident in an EU member state should also benefit from basic bank accounts. Particularly given the increasing focus on 'integration' and labour market participation, it is both unfair and inefficient not to extend basic bank accounts to immigrants too.

⁶ Nef, *Basic bank accounts*. The report further argues: 'It is clear that under a voluntary commitment, for-profit banks have no incentive to dedicate costly resources to develop and market financial products for low income individuals. Bank shareholders are not interested in subsidising a social obligation that reduces the profit margin. Innovation, evident in other areas of the banks' activities, is remarkably absent in this area. The long-term benefit of attracting new customers, who will inevitably access additional financial services, has not motivated banks to act at an institutional level. Despite the expertise present in the retail banking sector – making it one of the most profitable industries in the UK – it has not yet produced well-designed solutions to meet the needs of the excluded. Under the current voluntary system, there is no transparent method to assess nor enforce compliance. Banks report basic figures on the number of accounts to the British Bankers' Association, which aggregates this information. Further detail on account usage and breakdown by bank is not available. Comparability and transparency is limited. While the Financial Inclusion Task Force may attempt to address this, at the moment, there is no means to track performance, nor rate the banks' outcomes. Strictly speaking, there is no obligation for banks to comply in the first instance'.

Question 6: Should basic bank accounts be provided on a commercial or not-for-profit basis; i.e. should they be free of charge? In case you favour the latter option, who should bear the costs?

Our response: Yes, they should be free of charge.

Basic bank accounts should be provided free of charge. Nef has recommended that this be done through a 'universal service obligation'. Another option would be to provide accounts via credit unions or the Post Office or another public or third sector institution, including some sort of 'Social Investment Bank'.

However, even private institutions can and should offer basic bank accounts free of charge. Although the current financial crisis has clearly dented banks' bottom line, financial institutions generally make money from their customers. While some banks in the UK initially objected to basic bank accounts on the grounds that they would lose money, this objection is rarely heard today.

Before addressing this question, however, banks should demonstrate the additional costs of providing basic bank accounts, and there would have to be agreement on what administrative costs were truly necessary, and where customers really were 'loss-making'. Evidence suggests the losses may not be as large as thought, particularly where the government is paying benefits into accounts directly, and particularly because some account holders upgrade their accounts and take out additional financial products.

Our inclination is for the financial institutions to foot any charges for basic bank accounts. As we argued above, bank accounts are not an unnecessary option or luxury for people in market economies, and banks and other financial institutions clearly benefit from their existing clients. It may be argued that some proportion of the unbanked will not be profitable for financial institutions, but this will be of limited relevance in countries where the proportion of unbanked is currently over 50%. That is to say, even if there is a population that banks will struggle to gain a profit from, this is likely to be a very small minority, and in most European member states the benefits of extending bank accounts to hundreds of thousands if not millions of new customers will clearly outweigh any costs.

One genuine concern is that some banks may take on more customers with basic bank accounts than others. Alternatively, public or third sector institutions might find themselves with a disproportionate market share of disadvantaged and costly or high-risk customers. Here the government could tax those who don't offer an account to a proportionate number of customers, or alternatively offer incentives and rebates to those who open more than their proportionate share of bank accounts. For any such government incentives, basic bank accounts must provide more than POCAs in the UK.

Four other sources of funding could also be considered. First would be a tax or levy on financial institutions. Alternatively, if BBAs are a 'right', the cost could be paid for through national insurance or social security taxes. These should only be considered once banks establish the net costs and benefits of basic bank accounts. A third potential source - other customers - is bound to be controversial, and likely to be unfair. But although all financial institutions leverage the assets of some customers (i.e. their savings) to extend products (i.e. credit and mortgages) to other customers, if bank accounts are indeed a right, it then seems unfair to require some people to pay for other people to exert that right, particularly where financial institutions make profits on every other financial product and service.

A fourth alternative source for funding basic bank accounts is the unclaimed assets in dormant accounts, which in the UK are estimated to be at least £500 million. Banks could use these funds to support basic bank accounts. Alternatively, unclaimed assets could be used to establish a fund or even a new institution that was required to offer banking to everyone. In the UK, the Commission on Unclaimed Assets suggested establishing a Social Investment Bank to develop the third sector,⁷ but a similar institution could also be created to provide bank accounts for everyone.

Finally, it should be noted that the public sector could provide basic banking services to disadvantaged people. In the UK the post office operates in part as a universal bank, and received £180 million from financial institutions to support its banking facilities between 2000 and 2005. However, post offices are closing throughout the UK, and as we have already mentioned they do not offer full banking facilities, much less financial inclusion. More recently it has been suggested that the post office network could be turned into a 'people's bank' and provide banking to everyone. This is supported by Peter Mandelson, the Business Secretary, and over 100 Labour MPs. Though the proposed bank does not seem to have been fully costed, Royal Mail turned a profit of over £250 million in 2008, suggesting that it would be able to cover whatever cost universal banking would incur.

Question 7: Could the role of alternative commercial and not-for-profit financial services providers in addressing financial exclusion be enhanced? What could be done to encourage more such providers to help with access to basic bank accounts?

Our response: Yes, although the institutions are likely to vary by member state.

In general, all providers should provide BBAs, so that there is choice, competition and to ensure they are not stigmatizing. We have already explained how public and third sector institutions might provide a basic bank account, particularly for members of disadvantaged groups, in Question 6 above.

The UK has a relatively weaker credit union sector than other countries. Runnymede is therefore not in a position to evaluate their potential in offering basic banking services on the same terms as for-profit financial institutions. Member states with developed credit union sectors should certainly consider this option, though they must also evaluate whether or not some basic bank account customers are in fact likely to cost more than any benefits they bring in.

If these institutions demonstrate no major costs, this should also put pressure on for-profit institutions. However, even if BBA holders are not loss-making, they may be *relatively* less profitable. In this situation, institutions with fewer basic bank account holders will be more profitable than those with more BBA holders. This raises the problem of competition addressed above, but it could again be tackled by issuing a levy or tax on for-profit institutions related to the gap between their proportionate market share and their proportion of basic bank account holders.

If credit unions and not-for-profit institutions cannot afford to provide basic bank accounts, the government could also consider subsidising those institutions, perhaps through any tax or levy on for-profit institutions. Alternatively, they could use the unclaimed assets in dormant accounts

⁷ The Commission on Unclaimed Assets, *The Social Investment Bank: Its organisation and role in driving development of the third sector* (London, March 2007):

http://www.unclaimedassets.org.uk/downloads/CUA_report_FINAL.pdf

referenced above. Furthermore, if such institutions are allowed to expand into other areas - say credit, savings and insurance - they might be able to fund their basic bank accounts out of the profits of those other products.

Question 8: Should regulators be required to consider the impact of regulation on financially excluded groups?

Our response: Yes.

While we have suggested that bank accounts have wider effects and that they therefore may be a basic requirement of citizenship, we are sensitive to the possible distorting effects of regulation. In particular, it is possible that regulation that requires institutions to provide accounts may lead to worse products for financially excluded groups, or result in them getting accounts at less mainstream institutions. Furthermore, some regulations - for example identity requirements - are already known to impact disproportionately on some excluded groups, particularly migrants.

Nevertheless, regulation is likely to lead to greater financial inclusion for currently excluded groups if it is well targeted and designed. Here we suggest that local agencies may be in a good position to evaluate the particular needs of different kinds of people, to recommend which kinds of regulation are likely to work, and also to monitor for compliance. We agree with the Social Platform's response that the American Community Reinvestment Act is a potentially useful comparator, especially its intermediary role between the big banking networks and the clients with modest revenues.

Rather than elaborate further on how the financially excluded could be better served, and how their resources and potential markets might be tapped, bringing further welfare to everyone, we again endorse the Social Platform's discussion on the question, including their recommendation for developing a tool for evaluating actual risk and making banking practices publicly known. This will ensure that regulation is robust enough to ensure that financial institutions extend their products and services to everyone, and flexible enough for financially excluded people to benefit.

The following italicised paragraphs are pasted from the Social Platform's response:

The development of such a tool in Europe should follow the following four stages:

- 1. determining appropriate quantitative and qualitative indicators to assess the services*
- 2. periodical supply of information by all operators*
- 3. information audit by an independent organisation according to clear procedures*
- 4. periodical assessment of the sector's action and each operator separately*

Such a development seems to fall in line with the wish expressed by the European Parliament to prepare a list of criteria for enterprises to comply with if they claim to be responsible, and to shift emphasis from 'processes' to 'outcome', leading to a measurable and transparent contribution from the business in the fight against social exclusion (European Parliament, 2007). Moreover, this system would also be a way to encourage pro-active financial institutions.

Finally, governments can implement a compensatory financing system to ensure that financial institutions doing Corporate Social Responsibility to combat financial exclusion are not disadvantaged compared to the other institutions who do not get involved. In such a system, CSR policies could be remunerated depending on the assessment of the way each financial institution has assumed its social responsibility (assessments being carried out through the use of indicators described above).

Such compensation system can be implemented by governments in the context of services of general economic interest, SGEI on which public authorities are allowed to impose specific public-service obligations (Article 86 of the EC Treaty, formerly Article 90). Considering that access to a certain type of financial services (transaction banking) at affordable prices for everyone is of general economic interest, some banks may be commissioned by governments to provide ‘general interest economic services’ and thus a compensation could be paid to them to remunerate this service.

Positive decisions have been adopted by the Commission in the past relating to compensations aimed at encouraging banking inclusion for people from an extremely modest background and thereby fighting banking exclusion. These decisions concerned the United Kingdom in particular. Services of general economic interest to ensure geographic accessibility to banking counters in rural areas, for example, were also accepted, in particular for postal banks in the United Kingdom (Colson J.-L., 2006). In doing so, enhanced social responsibility assumed by certain operators would be economically cancelled out, which would avoid distorting competition among operators.⁸

[Note: above italicized paragraphs copied from Social Platform response]

Question 9: What is the most effective role public authorities can play in combating financial exclusion - e.g. providing an understanding of the problem; assessing the efficiency of policy measures implemented and their impact on financial inclusion; promoting and supporting market initiatives; contributing to the provision of financial services; raising awareness; intervening in cases of exclusion (e.g. via tax incentives, subsidies or regulatory penalties); introducing legislation?

Our response: see below.

Public authorities have a responsibility to ensure access to basic bank account given their wider importance in social inclusion and participation. They can exert significant moral pressure on financial institutions, and may also levy taxes, subsidize products, or even issue legislation such as making bank accounts a ‘right’ for everyone. All of these kinds of measures have been pursued by the UK government, and not just in terms of providing bank accounts: the Saving Gateway offers a ‘matched’ rate of savings while the Baby Bond is initiated by the Treasury when a child is born in the UK, and the various products are regulated by the Financial Services Authority (FSA).

Another role for public authorities is to support further research and monitoring of financial inclusion policies. In many ways this is the role of the independent Financial Inclusion Task Force, established by the UK government, but that works closely with the Treasury in evaluating existing policy and considering possible alternatives. Another important initiative in the UK was the Thoresen Review, which considered the delivery of generic financial advice, and reported in 2008. (We consider the role of financial advice further in Question 12, and think the Commission should consider that area further.)

Both the Task Force and the Thoresen Review have played an important role in increasing awareness, and the European Commission and other member states should consider similar initiatives. But in general more could be done to raise awareness, and banks in the UK have been criticised for failing to publicise basic bank accounts. Furthermore, if the recommendations of the Thoresen review regarding financial advice are to be fully realised, we must first understand how and where people

⁸ European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, Unit E2, FINANCIAL SERVICES PROVISION AND PREVENTION OF FINANCIAL EXCLUSION – VC/2006/0183 - 2008

currently access financial advice so that we target those institutions effectively. One other development is worth noting in this context, namely that financial education is now a part of the National Curriculum, and the education system should be seen as a very good means for raising awareness more generally.

As we have already discussed the relative advantages and disadvantages of regulation, including the potential consequences on competition, we will highlight a few other levers that public authorities may use. First, public authorities are the largest employer. They therefore already pay large sums of money into accounts in every member state, but also typically offer pensions and other financial products. This may allow them to influence the delivery of financial products and services.

With respect to taxation and subsidies, we are open to their use to support financial inclusion measures including for basic bank accounts. Although we do not endorse any particular policy, like all such taxation, they must transparent, effective and fair. In particular, any fiscal incentives should try to ensure that BBAs are universally available, non-stigmatising, and that some financial institutions are not disadvantaged by taking on a disproportionate share.

For an example of subsidies, the Treasury and banks have agreed to install over 500 non-fee-charging cash machines (ATMs) in deprived areas. This was in response to the increase in fee-charging cash machines, which resulted in people paying more to access cash. While the banks have only installed these machines on the basis of subsidies being provided by government, they have also pointed out that some local authorities have rejected their application for installing cash machines, perhaps indicating where regulations could be loosened to encourage financial inclusion.

It is also worth noting that the threat of further regulation can be effective. Even if regulation is 'soft', the possibility that public authorities might pass tighter regulation probably makes financial institutions more likely to comply with those regulations. It is particularly important that whatever regulations exist, these are effectively monitored and enforced.

Finally, public authorities should discuss with financial institutions their risk-scoring practices. Because of the complexity of this issue, we have discussed in an annex at the end of this document, but the assessment of risk - and the distribution of the consequences of differential risk - should be considered more fully by democratic decision-making bodies, even if financial institutions may always need to discriminate on grounds of risk in terms of pricing. The discussion on risk-scoring should, therefore, not assume that financial institutions are using improper procedures, but rather be based on an open and honest discussion of how they think their practices could be improved, whether they might be more transparent, and how public authorities could assist them in explaining these complicated matters to the wider public.

Question 10: Should financial inclusion be addressed at EU level? How could the responsibilities and competences between the national and EU level be shared? What could/should be the Commission's role?

Our response: Yes, but the European Commission must be sensitive.

We are pleased to see that the Commission is addressing the question of financial exclusion. In particular, we are satisfied with the *non-financial* causes and consequences identified in the Commission's consultation document, and the link between financial exclusion and other important goals such as individual wellbeing and social inclusion. The Commission could do more to raise the importance of this issue across different member states and investigate further how and why

different people currently lack access to financial products and services. This would include commissioning research as well as spreading knowledge of best practice and findings from particular member states.

Given that member states are sensitive on a number of the issues that financial exclusion raise - and in particular their responsibility for taxation and their regulatory environment - the Commission should probably avoid recommending explicit policies. However, this still allows the Commission to contribute in terms of the *framing* of the issue, and in terms of the sorts of considerations that member states should consider in adopting policy in this important area.

Here the Commission should continue to emphasise (as they have in this consultation document) that a basic bank account is only a stepping stone to financial inclusion. As in this document, the Commission could further explain the aim is for everyone to have a bank account in order to access financial goods and products, but also for social inclusion and participation.

More concretely, the Commission could also develop a definition of a basic bank account. This would be less controversial and definitely worthwhile. It could also share best practice and monitor and report on member states' progress. Perhaps more controversially, it could determine whether 'soft' or 'hard' regulation has been more successful in actually reducing the numbers of unbanked.

Finally, the Commission should insist that whatever policies are implemented apply to all (legal) residents in the EU, and *not* only to citizens. If migrants are expected to contribute their fair share, to participate in the labour market, and to integrate into 'mainstream' social and political institutions, they must have equal access to the most fundamental product in market-based economies, namely a bank account.

Question 11: What could the Commission do to address the potential difficulties in opening basic bank accounts cross-border?

Our response: see below.

We do not have anything to add to the response from the Social Platform, which strikes us as practical and principled. We therefore have pasted it below:

The answer to this question is divided in two sections:

- *cross-border access to a bank account: the proof of identity*
 - based on the fact that the only legal requirement to open a bank account is the identity proof, the Commission should tackle the various situation where identity proof is impossible for a legal EU resident or citizen in some EU member states;
 - because a large range of documents exists to prove identity and because they are not standardised from an EU country to an other, the Commission should invite stakeholders to more broadly accept the existing documents;
- *cross-border access to a basic bank account*

Here, we have to consider at least two options:

 - a) *a basic bank account is a minimum standard that all bank accounts proposed have to fulfil in the EU internal market. In this case, there is no particular action to implement except for the previous one regarding identity proof.*

b) a basic bank account is a specific bank account proposed with restricted conditions: if such an option is taken, this may lead to many issues. For example, in some countries, access to a “social bank account” is proposed under conditions that may be difficult to fulfil for a cross-border consumer: that is to prove minimum income, to prove bank exclusion (not having any other bank account...)... Since there are these potential issues, we recommend to define BBA as a minimum standard for bank account provision.

[Note this answer is pasted in full from the Social Platform response to this consultation]

Question 12: Should the concept of financial inclusion cover financial services other than the provision of basic bank accounts?

Our response: Yes. Credit, Savings, Insurance and Financial Advice are all important.

As we have emphasised throughout this response, and as recognised in the consultation document, having a basic bank account does not mean that a person is financially included; it is merely a first step towards financial inclusion. The study ‘Financial services provision and prevention of financial exclusion’ highlights four areas of financial inclusion on which we agree; we further agree with the UK Treasury that financial advice is also necessary. If financial inclusion is about accessing financial services and products ‘to lead a normal social life in the society’, this obviously extends beyond bank accounts and requires people to be able to make informed decisions about financial matters more generally and to have access to other financial products and services including credit, savings and insurance.

Banking: As we have explained that a basic bank account is only a first step to financial inclusion throughout this document, we simply re-emphasise that access to banking is a prerequisite for financial inclusion and that basic bank accounts cannot provide that aim by themselves.

Credit: The issue of credit is perhaps the most controversial element in financial inclusion. Particularly in the context of the current financial crisis (in part based on assets that became ‘toxic’ because people couldn’t afford to repay their loans), the notion that people should have a ‘right’ to credit (as suggested by the Nobel-prize winning Muhammad Yunus) seems inadvisable. To the extent that some people will be unable to repay their loans, they should arguably cut back on their consumption rather than stretch themselves financially and risk greater debt.

However, credit not only fuels our existing economies (and allows people to own their homes), it is often unavoidable even for the most prudent individual. The question in the UK has therefore turned to how to provide *affordable* credit, although it has also been suggested that low interest government loans as provided by the Social Fund should be extended for low-income people, especially where they need to buy a basic good such as a boiler or washing machine.⁹ This recommendation becomes understandable in the UK where 7.8 million low-income people are paying £129 a month (or 11% of their income) on servicing high-cost borrowing.¹⁰ Other EU member states may have lower levels of borrowing, but they are also likely to face the difficulty of providing affordable credit to disadvantaged households.

Many people have to pay more for credit because they either have a poor credit score or because they have a ‘thin’ file. In the Annex to this document we explore the benefits but also the pitfalls of

⁹ For further discussion and citation, see section 2.2 of O. Khan, *Financial Inclusion and Ethnicity*.

¹⁰ Based on National Consumer Council data, cited in O. Khan, *Financial Inclusion and Ethnicity*, p. 26.

statistical scoring, but the important point is that many of the people who have to pay more for credit are often among those least able to afford it. Given the importance and widespread use of credit in our market economies - whether in terms of home ownership or for stimulating entrepreneurial activity - it is unrealistic to prevent certain people from accessing credit. On the other hand, member state governments may want to consider providing low-income citizens with benefits, grants or public loans to ensure that they don't end up paying such large sums on servicing borrowing.

Savings: Savings are important for rainy day expenditures. In the form of assets or wealth, savings also provide stability for families, and allow families to ensure that their children have extra opportunities and are able to make choices that others are unable to pursue. In all countries in the world, wealth is much more unevenly distributed than income, in part because of life cycle effects and in part because it is much less taxed than income.

Many people lack savings, including migrants but also those who have not been able to earn incomes or those self-employed in volatile industries (e.g. in restaurants). Those who lack savings are not only financially excluded, but are more likely to turn to non-mainstream credit and even loan sharks. Their children also experience less social mobility. If everyone were to have a significant level of savings, or more radically a 'citizen's income' or 'citizen's stake',¹¹ they would be able to consider alternative opportunities and not simply take the first paid job on offer; this would enhance people's personal freedom and also citizenship participation.

In the UK, government policy recognises some of these wider benefits of savings, although they have focused mainly on financial benefits and less on equal opportunities or citizenship participation. Nevertheless, the Saving Gateway - in which the Government will match the savings of lower-income households over the course of a year - is explicitly targeted at those on lower income who are less likely to have significant savings. The Child Trust Fund is more obviously aimed to increase people's options, and is based on an initial government grant and further 'top-ups' and interest that every resident can decide how to use at age 18 when the fund matures. A similar policy has been adopted in Catalonia in Spain.¹²

The question of savings is important for financial inclusion, but this discussion has also indicated why the various aims of financial inclusion are important to distinguish: we should emphasise the important financial consequences of lack of access to financial products and services, but also understand how financial exclusion inhibits people from making free choices and participating as an equal citizen, both of which require that people cannot become destitute, or always take the first job on offer. Savings are crucial to these aims.

In terms of policy, it is also worth noting that all member state governments offer tax incentives for particular kinds of savings products. Although these incentives and products vary, they are all likely to promote great financial participation for those who are already included, and the Commission could perhaps consider whether more could be done to incentivise savings for those who are more at risk of financial exclusion.

¹¹ The BIEN network is a good European resource for this idea: <http://www.basicincome.org/bien/>. The idea of a 'basic' or 'citizen's' income is given a sophisticated defence in Philippe Van Parijs in *Real Freedom for All: What (if Anything) Can Justify Capitalism?* (Oxford: Oxford University Press, 1995).

¹² Monica Clua Losada. 2006. "Basic Income on the agenda: the Catalan experience" Available at: http://works.bepress.com/monica_clua_losada/2

Insurance: The issue of insurance again raises the issue of statistical scoring in risk assessment, issues we explain further in the Annex. The question of the fair distribution of costs, and whether certain characteristics can incur greater costs (i.e. insurance premiums) has already been raised at a European level in the case of car insurance and gender. In the UK, the situation where gay and lesbian people were previously paying more for travel insurance based on a purported risk of higher sexual activity has been reversed, but older people have not been able to persuade insurers to do the same. This is another area where the Commission could encourage public debate on how we want to distribute these sorts of costs, including admitting that people may have to pay more for a fairer system. That is, we all may have to accept higher travel insurance premiums when we are young so that we pay less when we are older.

Financial advice: Without adequate financial literacy people cannot make good financial decisions. The UK government has recognised this requirement both in terms of the Thoresen review on generic financial advice and by including financial education in the National Curriculum. It is also worth distinguishing debt advice (where people are already likely to be financially excluded) from generic financial advice, which is more preventative in nature. We would recommend that the Commission emphasises the importance of 'financial literacy', including simple language that will help migrants and indeed everyone understand basic money issues. Financial questions are too often viewed as difficult technical questions that individual citizens cannot understand, and we must try to demystify the idea that 'high finance' is an area that only economists or bankers can understand. Given that the financial crisis was in part caused by an improper assessment of the risk of various financial instruments, and that democratic decision-makers failed to intervene until the crisis extended to the whole economy, greater financial literacy and public discussion of financial matters will benefit everyone and each member state as a whole.

Appendix: Understanding the limits, benefits and pitfalls of credit scoring

Evidence suggests that postcodes and other factors including ethnicity would be effective predictors of risk on existing scoring methods, though almost all countries place limits on which individual characteristics may legitimately be used in risk scoring. According to Schreiner: 'Among the most predictive characteristics for scoring in microfinance are gender, marital status, age, place of residence, and ethnicity'.¹³ If it is assumed that existing credit scoring doesn't take into account ethnicity or postcode because doing so would be unjust, it is obvious that citizenship or social justice considerations have implicitly trumped market operation.¹⁴ The question then becomes why some evaluations are unjust enough to trump market mechanisms and credit scoring, whether such evaluations should be extended more widely, and whether alternative models of risk-pooling could fill in this gap. (For an example of how risk-scoring was used to justify 'redlining' in the US and Netherlands, see Appendix 4 of *Financial Inclusion and Ethnicity*.)

There is, however a prior question about the purpose of and possibilities of risk assessment. In the first place, risk assessment is only necessary because of imperfect information, some of which is knowable but either difficult or unethical to collect, whereas some of it is simply unknowable but nevertheless relevant on idealised theories of the market. If, for example, we could accurately predict whose goods would be stolen, or at what age a person would die, or whether or not a person would actually make their credit repayments, there would simply be no need for credit scoring or indeed for insurance or interest rates above an administratively viable level.

This sort of point is obviously of limited applicability in the real world, but it is not wholly irrelevant in actual credit scoring for the following reason. Say a person is known to be of extremely *low* risk for defaulting, as they have never missed a payment, nor had interest charged on a credit card nor indeed have they taken on large loans; they also have significant savings. Such a person may not, however, be a good customer for financial institutions in the sense that they are unlikely to secure a significant profit. That is, credit-scoring is not mainly - or at least not only - about assessing risk for an objective purpose or for determining market rates, but for turning a profit for financial institutions. And if a financial institution decides that a very low risk person is also someone unlikely to generate much profit for them, they may reject them on those grounds.

Credit scoring is not only about risk assessments, but in any case there is some concern about its efficacy or accuracy in doing so. This is because however sophisticated actuarial tables, they necessarily involve assumptions about behaviour that are tied to social profiles that can only ever partially describe all the individuals believed to be of a certain 'type'. In fact, different agencies employ different criteria in credit-scoring, suggesting that such figures are at best rough approximations and certainly not comprehensively accurate - although they are likely to be probabilistic. More fundamentally, credit-scoring makes uncritical assumptions about the stability of preferences and behaviour over time, assumptions that may not always bear out in the real world:

'Scoring is the use of the knowledge of the performance and characteristics of past loans to predict the performance of future loans.'¹⁵

Schreiner identifies 11 benefits of credit-scoring, but also 13 'pitfalls', many of which relate to social justice considerations we discuss below, but some also derived from the necessarily probabilistic

¹³ Schreiner 2004, referencing his earlier research in Schreiner, 2000b.

¹⁴ This point is made differently by Finkelstein, who terms it a 'political economy' consideration; i.e. that political considerations militate against a straightforward application of market principles.

¹⁵ Schreiner, 2004, p. 64.

nature of credit-scoring, however statistically rigorous. We have reproduced these in Table 1 and recommend that article for an excellent overview of this understudied area.

Table 1. Benefits and pitfalls of statistical credit-scoring

<i>Benefits</i>	<i>Pitfalls</i>
Statistical scoring quantifies risk as a probability	Statistical scoring requires data on many loans
Is consistent	Requires a lot of data on each loan
Is explicit	Requires high-quality data
Accounts for a wide range of risk factors	Requires a consultant
Can be tested before use	Depends on integration with the management-information system (MIS)
Reveals trade-offs	Seems to fix what ain't broke
Reveals the links between risk and the characteristics of the borrower, the loan, and the lender	Can reject applications, but it cannot approve or modify them
Does not require changes in the current evaluation process before the credit committee	Does not approve, it can only reject
Reduces time spent in collections	Assumes that a large share of risk is linked with quantified characteristics in the data base
Affects profits, and the first-round effect can be estimated	Assumes the future will be like the past
Beats the 'automatic' grade	Works in probabilities, not certainties
	Is susceptible to abuse
	May use illegal or immoral predictors

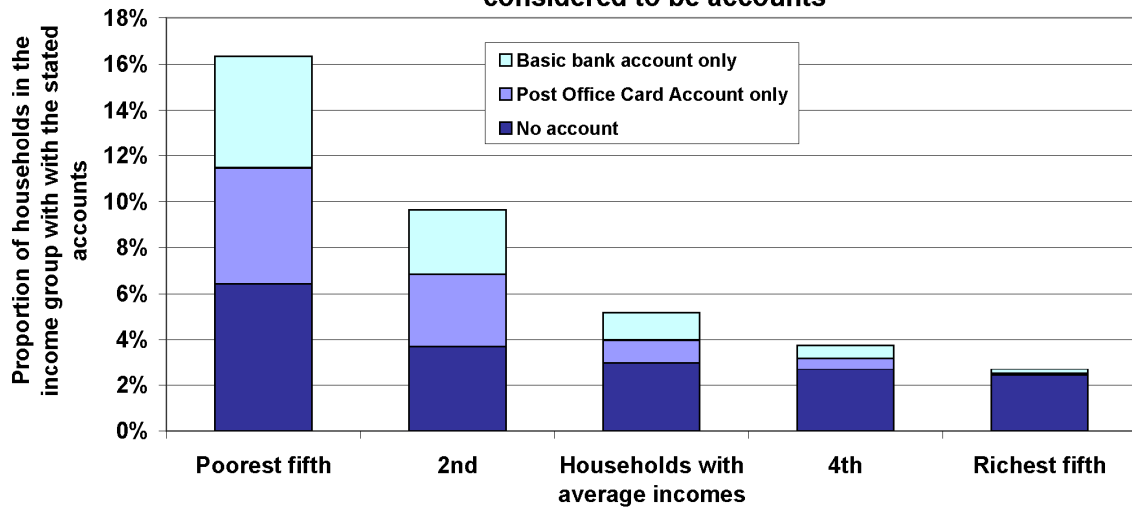
Source: compiled from Schreiner, 2004.

In sum, financial institutions make wide generalisations in their application of risk models. While the models are increasingly sophisticated, one's credit score may be lowered if too many people in one's risk group start to behave in financially irresponsible ways or if they simply become poorer. According to one researcher, financial institutions 'assume that members of certain groups are, on average, less able to fulfil their financial commitments' but he notes that their methods of quantification and credit scoring are not invulnerable to criticism.¹⁶ The key point is that in order to increase the inclusion of certain groups, risk evaluations will either need amending or the implications of being in a 'risky' group cannot have such bad effects that people are unable to access important financial goods and services. Where markets could potentially be made more efficient by responding crudely to group-based characteristics in a way that may be unethical - including of course ethnicity - we have to decide collectively how we can and should respond to those findings.

Another area that deserves much further research is the flipside of risk, namely how individuals differentially evaluate risk. In particular, we need further evidence on whether and how behavioural risk assessments can enhance the financial exclusion of certain groups.

¹⁶ Aalbers, 2005.

Whilst only 6% of the poorest fifth of households now have no account, this rises to 11% if Post Office Card Accounts are not considered to be accounts



Household income quintile

Source: Family Resources Survey, DWP; the data is the average for 2005/06 and 2006/07; UK; updated Dec 2008