

Financial Inclusion

(UK)

November 2018

Older consumers should have safe, convenient and affordable access to financial services. They should be able to expect appropriate protection and fair treatment.



Key statistics

25%

of households over pension age have no savings
(DWP 2016/17)

2,961

bank branches closed in the last four years (Which? 2018)

30%

of people aged 65+ use online banking (ONS 2017)

3.7 million

people aged 65+ have never used the internet

2.7 million

people rely on cash (UK Cash services 2017)

Key Issues

Older people are being excluded from essential financial services as a result of poor product and service design and direct age discrimination. The Financial Conduct Authority (FCA) highlighted that “There are risks that older consumers’ financial services needs are not being fully met, resulting in exclusion, poor customer outcomes and potential harm”ⁱ. The Equality Act has a broad exception for financial services, but Age UK believes that access to financial services should be based on individual circumstances, not on arbitrary age limits.

Access to banking

Despite significant concerns expressed by MPs, media and individuals the bank branch network has continued to shrink with at least 2,961 bank branches closing in the last 4 years.ⁱⁱ Many communities have lost all their bank branches, requiring personal and business customers to travel considerable distances to visit a branch of their own bank. The Access to Banking Standard, supervised by the

Lending Standards Board, does nothing to ensure access, but rather aims to minimise the impact of closures. It appears that the ATM network is also under threat with worrying levels of closures. In any case, these changes are leaving older people and some other vulnerable consumers behind, removing access to essential services. The FCA's recent report into third party access shows clearly that current options for those who need help to manage their finances are not working for many people, leaving both those who need help and their carers at increased risk.ⁱⁱⁱ

The role of the Post Office

The Post Office offers a vital service through the Post Office Card Account and the transactional banking services it offers on behalf of the retail banks. The Post Office is one potential solution to the reduction of the bank branch network, however changes to the Post Office network may limit the extent to which it is a viable alternative (for example where the Post Office branch is merged with newsagents or other premises). Post Offices are unlikely to replace the need for a bank branch or innovative alternative as information provider and problem solver.

Age discrimination and the need for inclusive design

The challenges go beyond access to essential transactional banking. Later life is changing: we are living longer, have increasing expectations and are also expected to provide more for ourselves. Older people therefore need a financial services industry which innovates to provide products and services which meet the needs of people in later life at fair and transparent prices. Three-quarters of pensioners have some savings, but for the majority the amount is small, and small savers tend to get poor value from financial providers. Cash savings are a good example of a market where regulatory intervention is needed to ensure that loyal customers are treated fairly. The Financial Conduct Authority's 2015 study of the cash savings market found that £175 billion was being held in easy access and cash ISA accounts at interest rates of 0.5 per cent or less.^{iv} Despite a focus on cash savings over a number of years there has been relatively little change and the Financial Conduct Authority is considering further rules to ensure fair pricing.

Financial Capability

Life in retirement can present new demands on our financial capability. From managing money day to day and staying up to date with changing ways to bank and stay safe from scams to major new financial decisions such as downsizing and paying for care many people will benefit from free, impartial, quality money advice. The complexity of some of these decisions means that holistic support is especially important.^v It is vital that the needs of people in retirement are well understood and adequately funded. The Money Advice Service and the Pensions Advisory Service will merge in 2018 to form a new single financial guidance body which offers the potential for a better joined up money advice service.

Public Policy Proposals

- Banking is an essential service, like water, power and communications. Government should ensure that all consumers and the businesses and organisations on which they depend have convenient, safe and affordable ways to receive, store and make payments.
- Banks should not close the 'last bank in town' without ensuring that a suitable alternative is available, is properly designed and has the year-round capacity to handle demand. Banks should consider sharing branches in rural locations and other areas where the viability of their networks is at risk.
- Free access to cash is vital to many older people and must remain with excellent geographic coverage for the foreseeable future.
- If access to banking in later life remains a problem, a universal service obligation should be placed on banks to provide core banking services required by older people. Government should also encourage diversity in the market, for example through credit unions and other innovations.
- Key regulators including the Financial Conduct Authority and the Payment Systems Regulator must demonstrate that they are focused on the interests of consumers and must hold the industry to account for meeting the needs of all consumers, including older people.
- Banks should ensure powers of attorney are dealt with correctly, swiftly and sensitively; that customers who want to can safely and easily get help from family and friends to access their accounts and that current accounts offer second cards with separate PINs.
- The broad exception for financial services in the Equality Act is unjustified and should be reconsidered. Age UK believes that access to financial services should be based on individual circumstances, not on arbitrary age limits.
- Financial services firms and the regulator must be realistic about the level of responsibility a consumer can take in this complex market. Products and services should be as transparent as possible and terms and conditions and prices should be fair.
- Financial services firms should embrace principles of inclusive design, taking into account accessibility, adaptability, fairness, useable information and minimising hazards. Their employees should be trained to respond to the needs of older consumers. Older customers should have a suitable choice of channels through which to access their bank and safe methods of accessing cash if mobility is limited. Government, Post Office and retailers should require inclusive design in procurement.

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- The new Single Financial Guidance Body must ensure that the financial capability needs of older people – both those still working and those who have retired from paid work – are well understood and adequately funded.
- Regulators should act to help small savers get reasonable returns from saving, by requiring minimum interest rates in ‘downgraded’ accounts and monitoring switching rates.

Want to find out more?

Age UK has agreed policy positions on a wide range of public policy issues. Our policies cover money matters, health and wellbeing, care and support, housing and communities. There are also some crosscutting themes, such as age equality and human rights, age-friendly government and information and advice

Further information

You can read our policy positions here;
www.ageuk.org.uk/our-impact/policy-research/policypositions/
Individuals can contact us for information or advice here;
www.ageuk.org.uk/informationadvice/
call us on 0800 169 8787

Further information

ⁱ FCA Ageing Population Occasional Paper 2017

ⁱⁱ Which? accessed 1/10/2018 <https://www.which.co.uk/money/banking/switching-your-bank/bank-branch-closures-is-your-local-bank-closing-a28n44c8z0h5>

ⁱⁱⁱ FCA Coping Mechanisms Report 2017

^{iv} FCA, *Cash savings market study report*, January 2015, pp 90-91.

^v Financial Resilience in Later Life, Age UK, 2018