



# HOUSE OF LORDS



## House of Lords report on people who find it hard to use money services\*

\* Money services are things like banks and loans

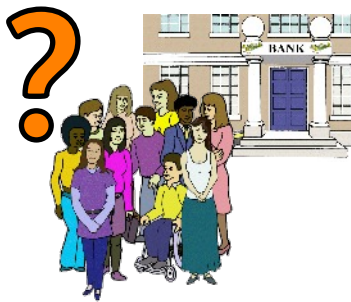


Easy read version of:  
**Tackling financial exclusion: A country that works for everyone?**  
House of Lords Select Committee  
on Financial Exclusion  
Report of Session 2016-17



1. What is this report about?

1



2. Who finds it hard to use money services?

4



3. What can the government do?

9



4. Learning and advice about money

11



5. Money services and vulnerable people

19



6 Making it easier to use money services

27



7 Borrowing money

34



8 Benefit changes and debt

39

Hard words

44



# 1. What is this report about?



The United Kingdom is one of the world leaders for banks and other **money services**. Money services are things like banks and loans. But a lot of people cannot easily:



- get a bank account



- have a **loan** with not too much to pay back



- find a bank open near them



- access internet banking.

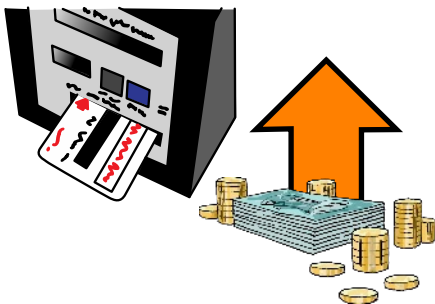


People who do not earn much and people on low benefits find it hardest. So it is mainly people who are poor with this problem, but other groups can have problems too.



When you cannot use **money services** it can cost you more for things. Such as:

- pay-as-you-go mobile phone calls cost more than on a contract



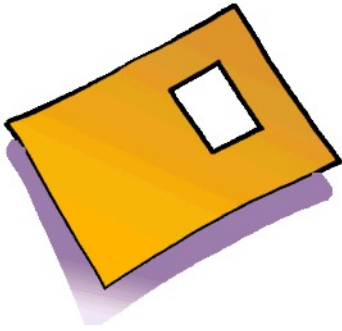
- pre-pay meter costs more than getting a bill.



We are a group in the House of Lords who were asked to think about **money services**. Our job was to find out more information. Then we can say what we think can make life easier for people.



We read a lot about using **money services** and talked with many people.



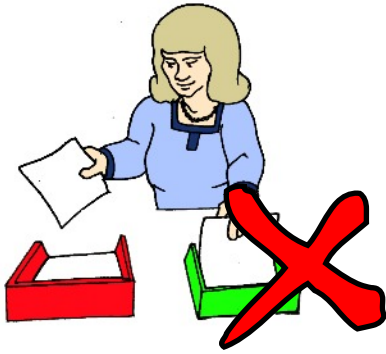
This report is what we found out and what we think needs doing.





## 2. Who finds it hard to use money services?

The people who find it hard to use **money services** can include:



- people who are unemployed for a long time



- people with bad illnesses that last a long time such as cancer



- disabled people who cannot work



- people with learning disabilities



- young people



- older people



- homeless people.



## Bank accounts

There are less than half as many banks in towns as there used to be.





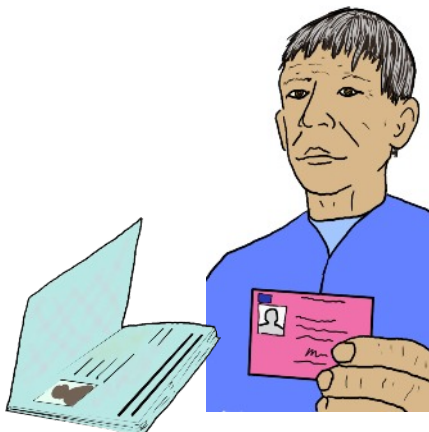
So to open a bank account you have to go on the internet if there is not a bank near your house. The internet is where you can get some good deals for accounts and **loans**.



A lot of people live out in the countryside where it is difficult to get good internet.



Only around half of older people use the internet. And most people over 80 years old do not use the internet for banking.



To open a bank account you need some sort of identification. There is a list of what you can use. It includes a driving licence and passport. Many people without bank accounts do not have these and cannot afford to get them.

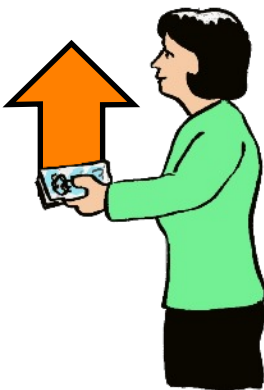
## Loans



It is easier to get a **loan** when you already have saved some money. Nearly 17 million people who work in the UK do not have £100 saved. So it can be hard for them to get a **loan**.



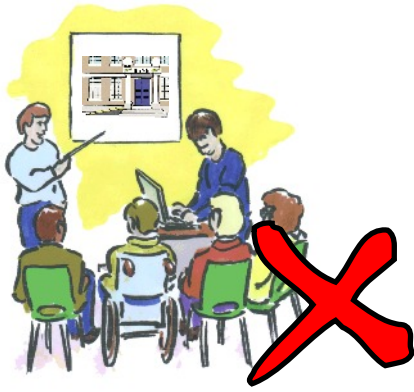
When you have a **loan** you have to pay for borrowing the money. How much you pay is different depending on where you borrow from. Banks do not charge too much but other places can charge you a lot.



When something bad happens like losing your job you may have to go for expensive **loans**. You have to pay a lot of money back when you borrow some.

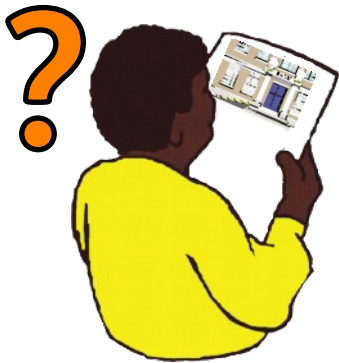


Many people with expensive **loans** use them to pay for food or rent.



## Understanding money services

Some schools in England do not teach children how to use **money services**.



And many people cannot understand the letters from their banks saying how much money they have.



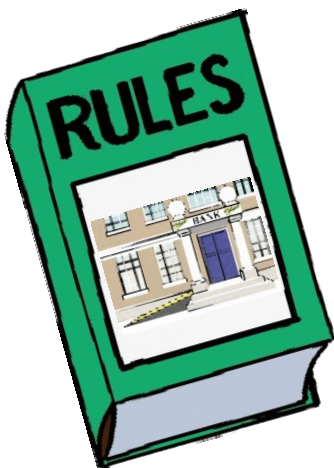
### 3. What can the government do?



Many people told us that knowing about **money services** is important, and that everyone needs to be able to use them. They said the Government needs to make sure everyone knows this.



Money and **money services** are important subjects to teach in schools.



Some rules for banks would be useful. The rules would say banks must be fair with people



Things that need doing to improve **money services** are in different parts of the government. This makes it harder to sort things out. Having 1 person in government who deals with this could sort things out more easily.

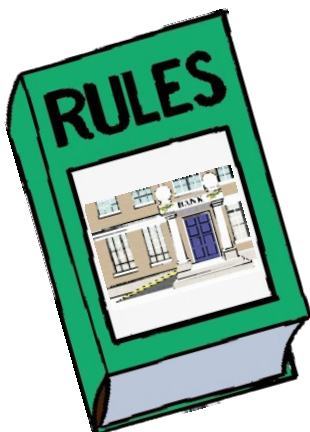


### What needs doing

- 1 person in the government whose job it is to make it easier for everyone to use **money services**.

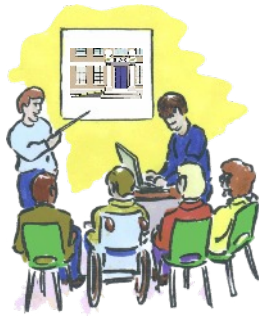


- The government needs to write a plan to make it easier for everyone to use **money services**.

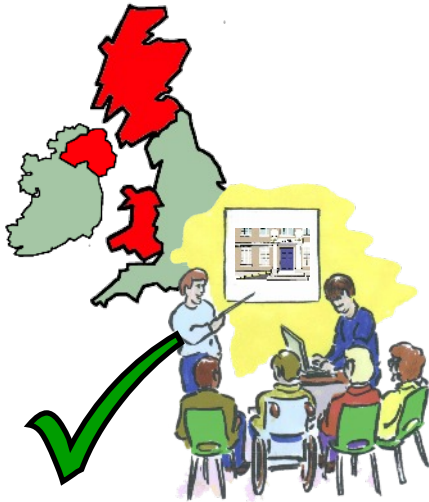


- Rules for banks on being fair with people.





## 4. Learning and advice about money



### Learning about money

Schools in Scotland, Wales and Northern Ireland already teach children about this. They teach children to understand how to manage their money. Many schools in England do not do this.



We think it is important for schools to teach about money.



Inspectors visit schools to check that they are teaching the right things. But they don't check how well they are teaching about money.





We think the inspectors should check if schools are teaching about money.



Young people 16 - 24 years old have to make a lot of decisions about their money. They are old enough to use **money services** that are very difficult to understand.

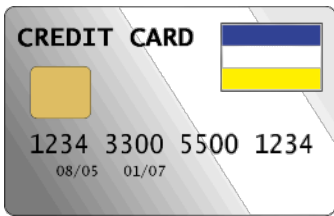


They have to understand:

- how to budget with their wages if they work



- paying tax



- using credit cards



- how much they are charged for **loans**



- how to save.



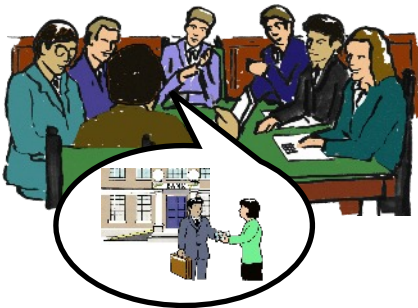
Over half of people aged 18-24 worry about having enough money.



But there is nothing in college to help them understand.



Lloyds Bank have a good course on the internet. It helps young people understand more about coping with money and **money services**.



The government needs to keep learning what helps people understand about money and **money services**. It needs to keep making sure that everyone knows how to help people do this.

## Advice



You need to keep learning about money and **money services** all your life. The Money Advice Service helps you to:



- understand more about money and **money services**



- deal with your own money



- make sure you can get advice when you have **debts**



The government are stopping the Money Advice Service soon. There will be a new advice service, but the government are still deciding what it will be like.

## Debt

People in the UK owe more money than ever before. The **debts** are for things like:



- rent



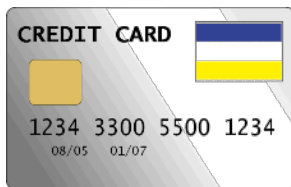
- electricity or gas bills



- phone bills



- council tax



- credit cards



- **loans** to buy things for their houses, like TVs and fridges.



Cut backs mean that many services who give advice about **debt** have closed. So you do not have so many places that can help you with your **debt**.



## Savings

Nearly 17 million people in the UK don't have £100 saved. When something bad happens like losing your job you have no money to help you through.



We do not know what helps you to save money. We need to know more about what makes you want to save.



The government is trying a new way called Help to Save. It is for people on Universal Credit and Working Tax Credit benefits.





You need to save some money every month. The government then gives you half of what you save on top. So if you save £10 a month the government gives you another £5. You have to save this for 2 years.

2018						
SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Help to Save starts in 2018.



### What needs doing

- Primary schools in England need to teach children how to manage money



- School inspectors should check if schools are teaching about money



## 5. Money services and vulnerable people

Some **vulnerable people** find it hard to use **money services**. In particular:



- older people



- people with **mental health problems**



- disabled people.

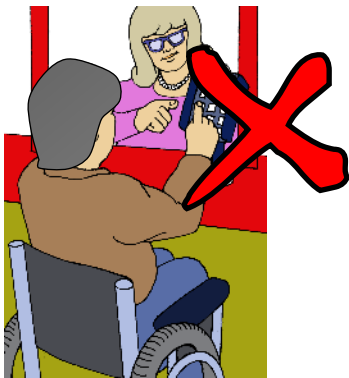


### Older people

More banks are closing in towns. Some older people find it hard to travel far or use the internet.



Older people often like using cash instead of cards to pay for things. And like seeing people they are dealing with rather than talking on the phone.

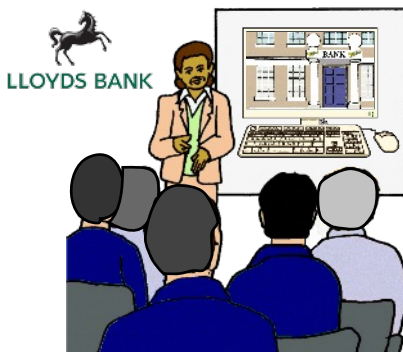


Quite a few older people have never used a cash machine. They are worried they cannot do things quick enough or see well enough to use them.



On the internet you have to use passwords to get on your bank account. You may also need PIN numbers and other information. This makes it even harder for older people who may forget the information or get confused.

 **BARCLAYS**



Barclays and Lloyds banks have projects to teach older people about using the internet for banking.

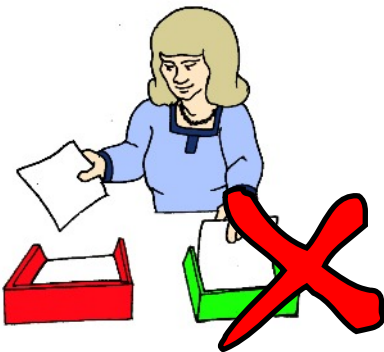


The government and banks need to work together to find other ways to support older people.



## People with mental health problems

People have different sorts of **mental health problems** that may mean they have problems with money. They:



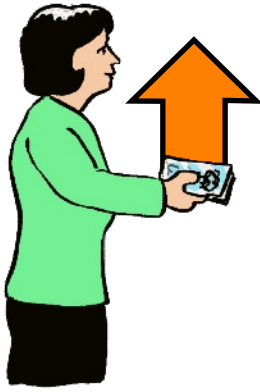
- are more likely not to have a job



- may find it hard to make choices in **money services**



- sometimes tell themselves they do not have any money problems when they do



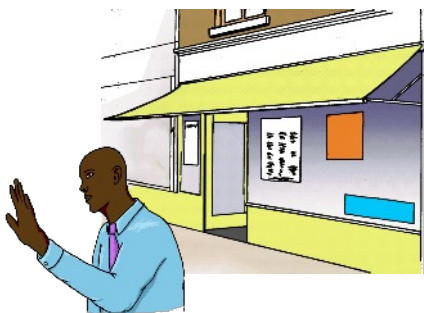
- may not understand how much they are spending. They spend a lot of money and then have big **debts**



People told us that having a control on their bank accounts would be good. You choose the control when you are well. The control may:



- stop you spending more than a certain amount

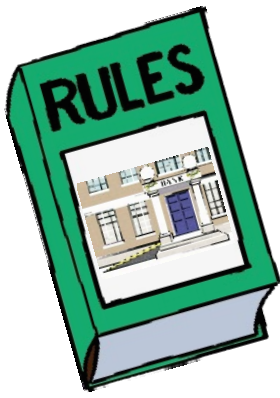


- not let you spend money in certain places



- bring in your family or someone when you are spending a lot at once.



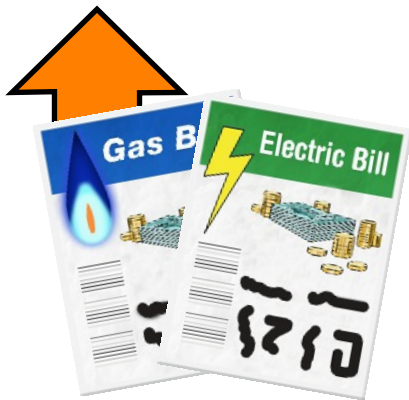


We need to change some bank rules for this to happen.

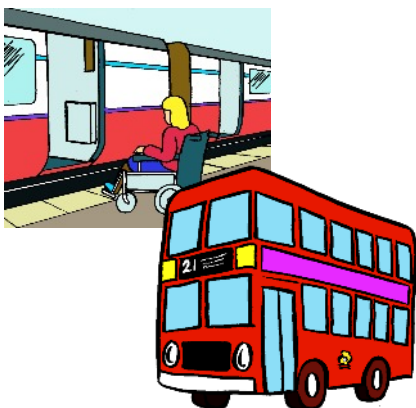


## Disabled people

A disabled person may have to pay an extra £550 a month to live because:

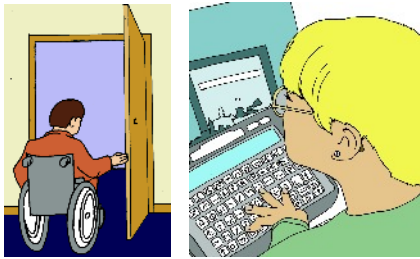


- they may need to spend more on gas and electricity. So they can keep their home very warm as they cannot move around much



- often buses and trains are not **accessible**. So disabled people may need to use taxis to get round

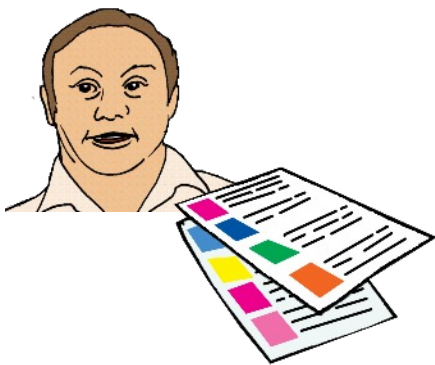




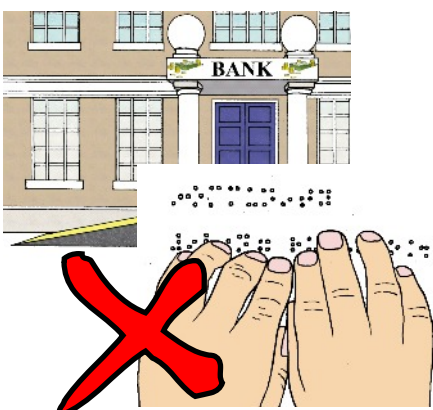
- they may need accessible rooms or special equipment so they can do things. These can be expensive.



Banks closing in towns can also make life more difficult. Nearly half of disabled people like to see a person rather than use phone or email. Also some banks are still not accessible.



People with learning disabilities can have problems with information needed to get into bank accounts. And may need easy read to understand **money services** information.



Some banks contact deaf people by phone. They send written PIN numbers to blind people not in braille.



All of this says that banks are not supporting disabled people to use their services.



The **Equalities Act** 2010 says services must communicate with disabled people in the way best for them. The banks are not doing this.



We are unhappy that banks do not make their services fair for disabled people. They need to change their attitude and start being fair.

### What needs doing



- The government and banks need to work together to find other ways to support older people. It needs to be easier to get to your internet bank account but still safe.



- We need to change bank rules to be able to set controls on bank accounts. This will help some people with **mental health problems**.



- Banks must follow the law. The **Equalities Act 2010** says services must make it easy for disabled people to use them. We need a check to find out what is being done. Then we can share when banks are doing this well so that others can learn.

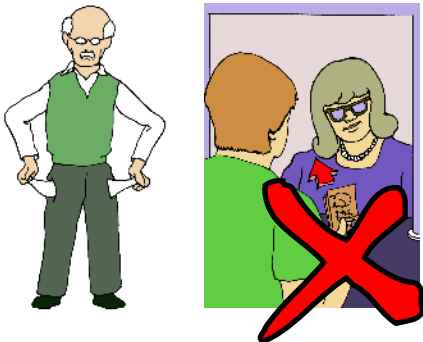


## 6. Making it easier to use money services



Many people do not use **money services** because it is too difficult for many reasons.

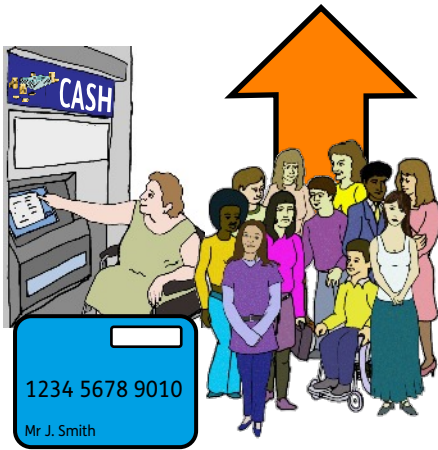
### Bank accounts



Many poor people cannot get a bank account. They do not have enough money coming in to please the banks. They may go **overdrawn** because they do not have enough money.



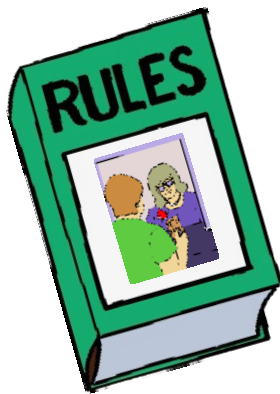
A basic bank account has a bank card and you can use cash machines. But you cannot go **overdrawn** so banks cannot charge you.



Many companies now have these basic bank accounts. Many people now have one of them who could not get a bank account before.

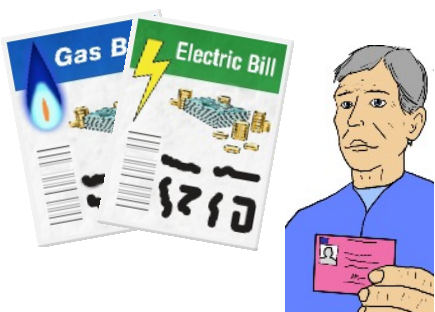


They are not well advertised. Sometimes the bank staff do not know about them. The banks need to advertise them so more people can have one.



## Identity

There are rules that say what you have to do to open a bank account. These rules are to stop people using fake names and committing crimes.



You need something to show who you are and where you live. There is a list of what you can use. It includes a driving licence and gas or electricity bill.



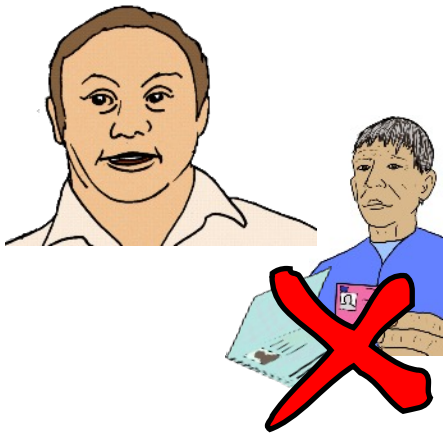


This is difficult for:

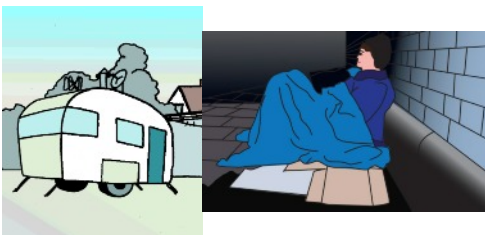
- young people leaving care



- people who are leaving their family or a partner who abused them. They may not be able to take all their belongings

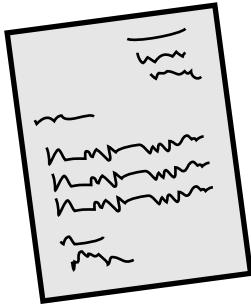


- people with learning disabilities or **mental health problems**. They may not have a passport or driving licence



- gypsy and traveller communities may not have proof of an address. The same for homeless people.





The government has worked with banks on this. Soon you can use your benefit letter to show who you are and where you live.

## Using banks

### Banks in towns



Many banks in towns have closed. We have looked at how this is a big problem for:



- people who live out in the countryside



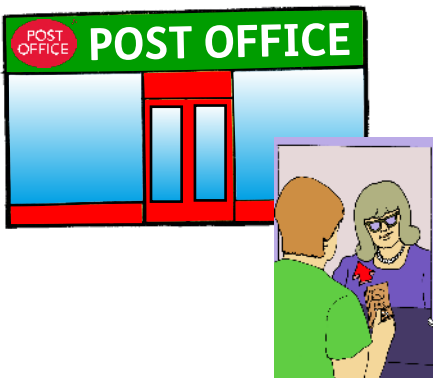
- older people



- people with learning disabilities



- people with **mental health problems.**



You can usually find a Post Office in a town. You can use the Post Office for some things for your bank account. Such as putting money into your account.



Not enough people know the Post Office does things for banks. This needs to be advertised more.

## Using the internet



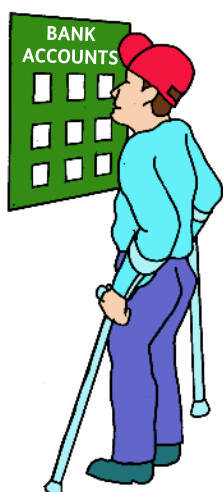
It is cheaper to use the internet for all your **money services**. All the good deals on your bank account are there. Such as getting money back when you pay bills on the internet.



The government also wants everyone to claim benefits by using the internet.

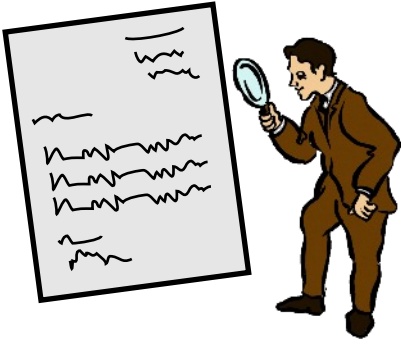


We have already seen how **vulnerable people** often do not use the internet. And not everyone can afford or use a **smartphone**.



## What needs doing

- The government must tell the banks to advertise their basic bank account.



- Checks need doing to make sure banks are accepting benefit letters to open a bank account.



- The government and banks need to work together to advertise what Post Offices do. Post Office staff need training so they can help people use **money services**.



- The government needs to make sure you can still get benefits without using the internet. You need meetings with staff and free phone helplines.



## 7. Borrowing money



You may need to borrow money for a lot of reasons. You have to pay money to the company you borrow from. When you are poor you often have to borrow money from expensive places.

When you are not too badly off you can:

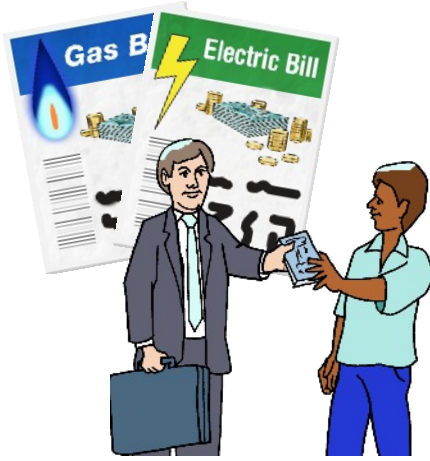


- arrange a **loan** with your bank. This is one of the cheaper ways to borrow money. Your bank will tell you how much you have to pay back. This is difficult when you do not have a bank account. Or maybe the bank will not give you a **loan**



- ask the bank for an **overdraft**. This is when you spend more money than you have in your bank account. It can cost more than a **loan** but when the bank know before you start, it is not too bad.





When you do not have much money it is more difficult to get a **loan**. You often use other **loans** when you cannot pay for important things in any other way. Things such as rent or gas. They cost you a lot more.



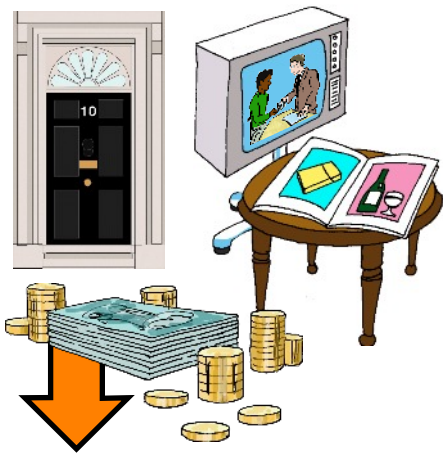
**Taking an overdraft without asking the bank.** The bank will charge you a lot for this. Often this overdraft is when things like the electricity bill are paid monthly. There is not enough money to pay, so the bank pays it with an overdraft. You may not realise you have gone into your overdraft. We think some banks charge too much for this sort of overdraft.

## Payday loans



These are from companies who advertise a lot on TV. You can get these over the phone or on the internet. They are very expensive. Young people use these a lot as they are fairly easy to get. They may not understand how much they will cost. You are expected to pay it back quickly.





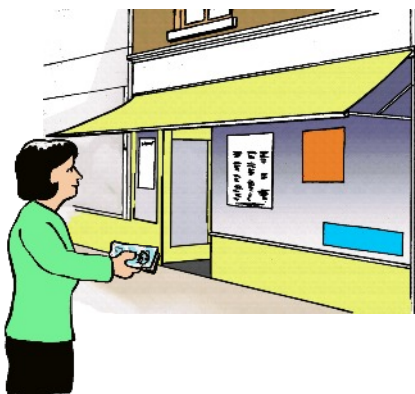
The government has tried to make payday loans less expensive.

### Door step lender



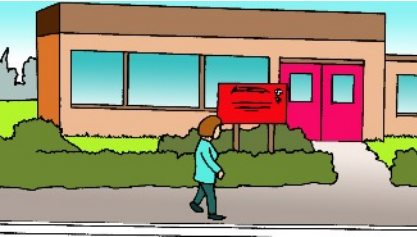
This is where someone comes to your home every week to collect the money you owe. These can be very expensive, because a person has to come to your house to get the money.

### Rent-to-own



These are where you buy things for your house, like a fridge, from a shop on the high street. The shop lends you the money to buy the fridge. You do not own the fridge until you have paid all the money you owe. If you do not pay the shop will take the fridge back. The fridge can end up costing you 3 times more than buying in an ordinary shop. So if the fridge price is £100 you may end up paying £300. It is a very expensive way to buy something.

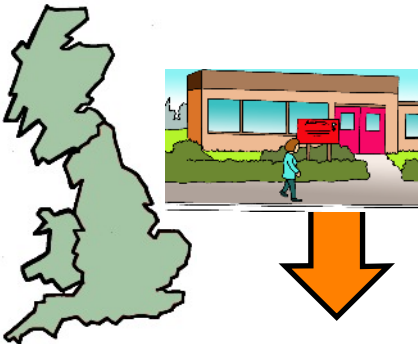
## Credit Unions



Credit unions give small **loans** at a low cost. They are based in a community and only lend money to members.



Members must save money with the credit union before they can have a **loan**.

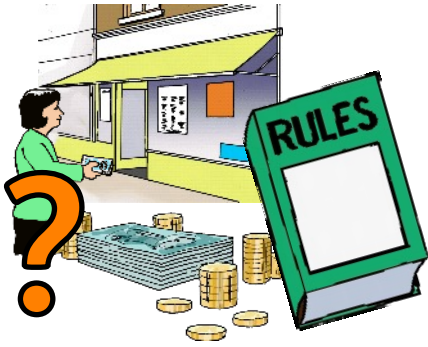


There are not many of them in Britain. We think they are a very good idea. When you do not have much money you can borrow from a credit union. It does not cost much and can help to stop you owing more and more money.

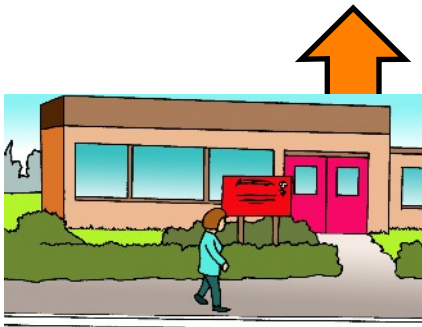


### What needs doing

- rules are needed on how much banks can charge when you take an overdraft without asking them.



- rules are needed for how much rent-to-own companies charge.



- the government needs to make it easier for credit unions to do more.

## 8. Benefit changes and debt



There have been a lot of changes to benefits. Many people told us when you are on benefits it is harder to use **money services**.

### Universal Credit



Universal Credit is paid at least a month after you claim it then once a month. Housing benefit is paid as part of this. The money for your housing is all paid to you not to your landlord as it used to be.



You need to get Universal Credit by going on the internet. It can be difficult to fill in the forms. It is difficult to do over the phone.



**UC** Universal Credit

Sometimes you do not get your first Universal Credit payment for 6 weeks or longer. This is very difficult when you do not have a job and have to pay rent. It means you have to borrow money in some way. So you owe money very quickly.



It can be very difficult to make money last a month when you do not have much. You have to budget very carefully. Many people find it easier to make a little money last a week.



Most people who went on Universal Credit for the first time owed their rent by the time they got their money. Most of them had never owed rent before.



It is possible to get the rent paid straight to the landlord. But it can be difficult to get this agreed.

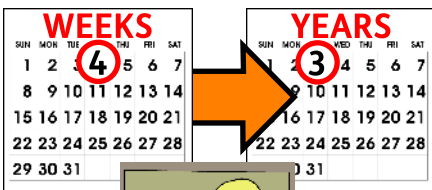


## Benefit sanctions

Sanctions are when you do not do something the benefits people want you to do. Then you lose some of your benefits for a while.



For example, they may write to you telling you to go to a meeting. Some people do not read so they cannot understand the letter. They are given a sanction for not going to the meeting.



You can lose your benefits for 4 weeks and up to 3 years. It is very frightening for people.



For people with **mental health problems** this worry can make their problems worse.





The government needs to do more work to understand what sanctions do to people. They need to do more research to find out what helps people to get a job, and to find out if sanctions help people to go out and get a job.

## Help from local authorities



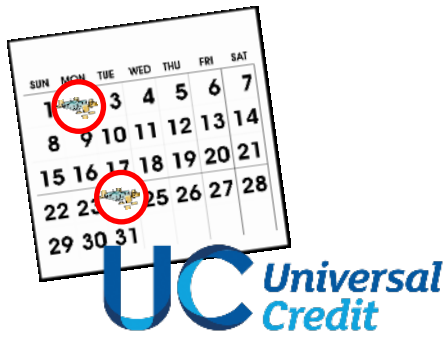
There used to be Community Care Grants. This was money for people who needed help to live independently. For example young people leaving care or people leaving their family or a partner who abused them.



This was stopped by the government in 2012. At first they gave money to local authorities to carry on giving some money. But that is stopping soon.



Wales, Northern Ireland and Scotland have rules to make sure councils help in the same ways. In England it is up to each council.



## What needs doing

- The government needs to make sure Universal Credit is paid twice a month where this is needed.



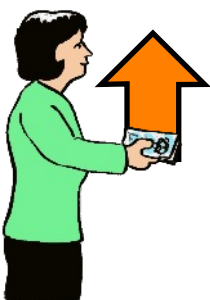
- People need to decide for themselves who gets their rent as part of Universal Credit. It helps some people to have it paid straight to their landlords.



- The government needs to find out how all the different changes to benefits have affected people. They need to find out if the changes to benefits:



- have made it more difficult to use **money services**



- make people owe more money.

## Hard words

**Accessible** is something that is easy to use for people with disabilities. Such as:

- ramps to get into a building
- information in easy read or braille
- sign language interpreters.

**Budget** is a plan that shows how much money you have and how you will spend it.

**Debt** is when you owe money.

The **Equality Act** says everyone has the same right to:

- be treated fairly
- have the same chances as others.

**Loan** is when you borrow money.

**Mental health problems** When you have mental health problems you feel you are no good and are unhappy. You may show this by:

- being nasty and bad tempered
- hurting other people
- being very quiet and not wanting to talk to anyone
- hurting yourself
- panicking or rushing to do things and making bad decisions.

**Money services** are things like banks and loans

**Overdrawn** is when you spend more money than you have in your bank account. Banks charge you for doing this. It can add up to a lot of money.

A **smartphone** is a mobile phone that can use the internet. It costs more than an ordinary mobile phone to buy and use.

**Vulnerable people** are people who might be more at risk from abuse because, for example, they have a learning disability or are older.



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