HAND TO MOUTH

THE IMPACT OF POVERTY AND FINANCIAL EXCLUSION ON ADULTS WITH MULTIPLE NEEDS

Ellen Pratt and Sarah Jones

April 2009

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Revolving Doors Agency is an organisation that is concerned with the welfare of adults with multiple needs who are – or have been – in contact with the criminal justice system.

The Research Team

The research work covered in this report was completed by Ellen Pratt (Research Officer) and managed by Sarah Jones (Research Manager).

ELLEN PRATT has worked as a research officer for Revolving Doors Agency since February 2008. She has primarily worked on this piece of research but also assisted with a number of service user groups. Whilst at Revolving Doors Agency she has been volunteering at The Connection at St Martin's in the Field, a charity working with homeless people in central London. Ellen has previously completed research projects for local Government and the homeless charity Crisis.

SARAH JONES has been the Research Manager at Revolving Doors Agency since October 2007. During this time she has worked on various projects, including the current one and another major piece of work focusing on the families and social networks of adults with multiple needs. Her previous roles include Research Officer at the Centre for Criminology, University of Oxford and freelance evaluator and researcher, working mainly in the area of youth justice. From April 2009 Sarah will return to being a freelance researcher and evaluator.

This report can be downloaded from Revolving Doors Agency's website:
www.revolving-doors.org.uk

The views expressed in this report are those of the authors and Revolving Doors Agency, and not necessarily those of the funders of the research study.

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“It’s hand to mouth, literally hand to mouth.”

Tracey, 40 (service user)

Acknowledgments

The creation of this report would not have been possible without the help and support of a number of individuals.

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Lastly, and most importantly, we would like to thank all the service users and practitioners who generously gave their time to help us with this project.

CONTENTS

TERMINOLOGY

Financial exclusion is a term applied to people who have limited access to mainstream financial services (Financial Inclusion Taskforce by BMRB Social Research 2006)

Mainstream financial services are services such as accounts, loans, credit cards etc offered by 'traditional' providers such as banks and building societies (Financial Inclusion Taskforce by BMRB Social Research 2006)

Financial capability refers to people's "knowledge and skills to understand their own financial circumstances, along with the motivation to take action" (HM Treasury, 2009)

Social exclusion is more than just income poverty. It is where people or geographical areas experience a combination of linked problems such as unemployment, poor housing, poor skills and family breakdown. "These problems are linked and mutually reinforcing" (Social Exclusion Task Force, 2009)

Executive summary

Despite sustained efforts, measures to tackle financial exclusion have failed to reach some of the most excluded within our society.

People who have a range of needs including homelessness and mental health and substance use problems, and are involved with the criminal justice system, often live at the margins of our society. Their financial exclusion must be understood within the context of their broader social exclusion. With this research we set out to examine this group's abilities to access financial services, their financial management skills and finally the interplay between key life events, mental health and offending.

The lives of adults with multiple needs, are often **defined by poverty**. This is also a major contributory factor to their financial exclusion. People spoke graphically about the day to day realities of "living poor" – frequently referring to a lack of the bare essentials. One woman described eating commuter leftovers at Euston station when she had no money for food. Poverty also impacts negatively on mental well being. People described their feelings of being excluded from normal society, shame at their failure to provide for their families, and embarrassment about their poor clothing. Most people had few or no savings.

"It's not good when you haven't got your food in the cupboard like today I've got no food in the cupboard ... because I get paid fortnightly I'll go two or three days at the end without a penny."
Catherine, 30 (service user)

A number of barriers were experienced in relation to **accessing financial services**. For mainstream services these included actual barriers such as the need for identification and a permanent address. People who were unable to access mainstream services sometimes borrowed money from family and friends. Often, they used alternative and more expensive sources of credit such as home credit companies, pawnbrokers or illegal money lenders. Choice was identified by our interviewees as especially important; many chose simple financial products such as basic bank accounts or, in extreme cases, chose to use only cash.

"I didn't even think about APR I didn't know nothing about it or anything. They threw money at me and I took it and it was only afterwards I realized what APR and all that was about and then it was basically they're giving £500 and they want £1000 back more or less."
Alan, 32 (service user)

Financial management was a cause of stress for everyone. Those with mental health problems said difficulties with money added to their distress. It was important to people to feel in control of their money and to exercise choice about how they spent it. Despite limited means, many people managed their money well, keeping a tight control on their outgoings and often using creative money management skills. For those who used their money to fund a drug habit, money management was a challenge they were often unable to face.

"Mental health issues, I got to the point where I couldn't open the letters I was just too scared to see what was in them 'cos I got in a bit of a pickle."
Amy, 31 (service user)

Most of the people we spoke to had never sought specialist **financial advice** and the majority had the perception that these services were 'not for people like us'. When seeking help with finances they were more likely to ask a non–specialist but trusted professional such as a housing worker. Non specialist workers told us that they lacked confidence in their own competence to give advice about money management.

The impact of **life events** upon **financial stability** were themes which were returned to throughout the research. Transitions such as entering or leaving prison or becoming homeless often led to both personal and financial crisis. Such transitions are a common experience for adults with multiple needs. With no financial contingency, this group were usually reliant on a benefits system which they experienced as complicated, slow and unhelpful. In extremis some returned to crime as a proven source of income. Unexpected costs, such as fines, led to stress and anxiety and could also precipitate a return to criminal activity.

"This time when I came out I had to wait you know the four and a half months before I even got anything which put me into debt, not bankruptcy, but it put me into debt and worry and obviously put me back into the criminal system because of not having any money."
Jack, 26 (service user)

Everyone we spoke to aspired to a future that included working, supporting family members and contributing positively to society.

Recommendations

Adults with multiple needs require different types of support to enable them to meet their undoubted aspirations for an inclusive future. Interventions to tackle their financial inclusion must take into account the breadth of their need and ensure the services who support them work in partnership with specialist financial advice agencies.

Promoting inclusion

Adults with multiple needs will, by their very definition, span the remit of numerous Government departments. As such, a coordinated cross governmental approach is essential to promoting inclusion. Such an approach needs to mirror the language used by service users and include them in the development of initiatives.

Tackling poverty and disadvantage

Further consideration needs to be given to how the 'poverty premium' affects the daily experiences of adults with multiple needs. The good work that has been undertaken to promote financial inclusion needs to be taken further by the FSA to target this group of adults.

Removing barriers

This research has shown how benefits can operate to the detriment of adults with multiple needs. This includes difficulties with the application process, regularity of payments and the temptations presented by 'lump sum' back payments. These problems need to be addressed. Banks should also be encouraged to work in a way that meets the needs of adults with multiple needs.

Getting help – access to advice

The multitude of uncoordinated funding streams for the provision of financial advice hinders the development of targeted and co-ordinated services. Specialist financial advisors need to develop their awareness of the difficulties facing adults with multiple needs and make their services more accessible. Core training for practitioners who provide more holistic care should include the financial needs of their client group.

Criminal Justice

Involvement with the criminal justice system has been shown to worsen the financial situations of adults with multiple needs. Fines that do not take into account people's incomes are discriminatory and ineffective. Short prison sentences achieve little and do not allow the opportunity for positive interventions with this group of adults. They should be replaced by community sentences. When prison sentences are used, the discharge grant should be increased to enable effective resettlement.


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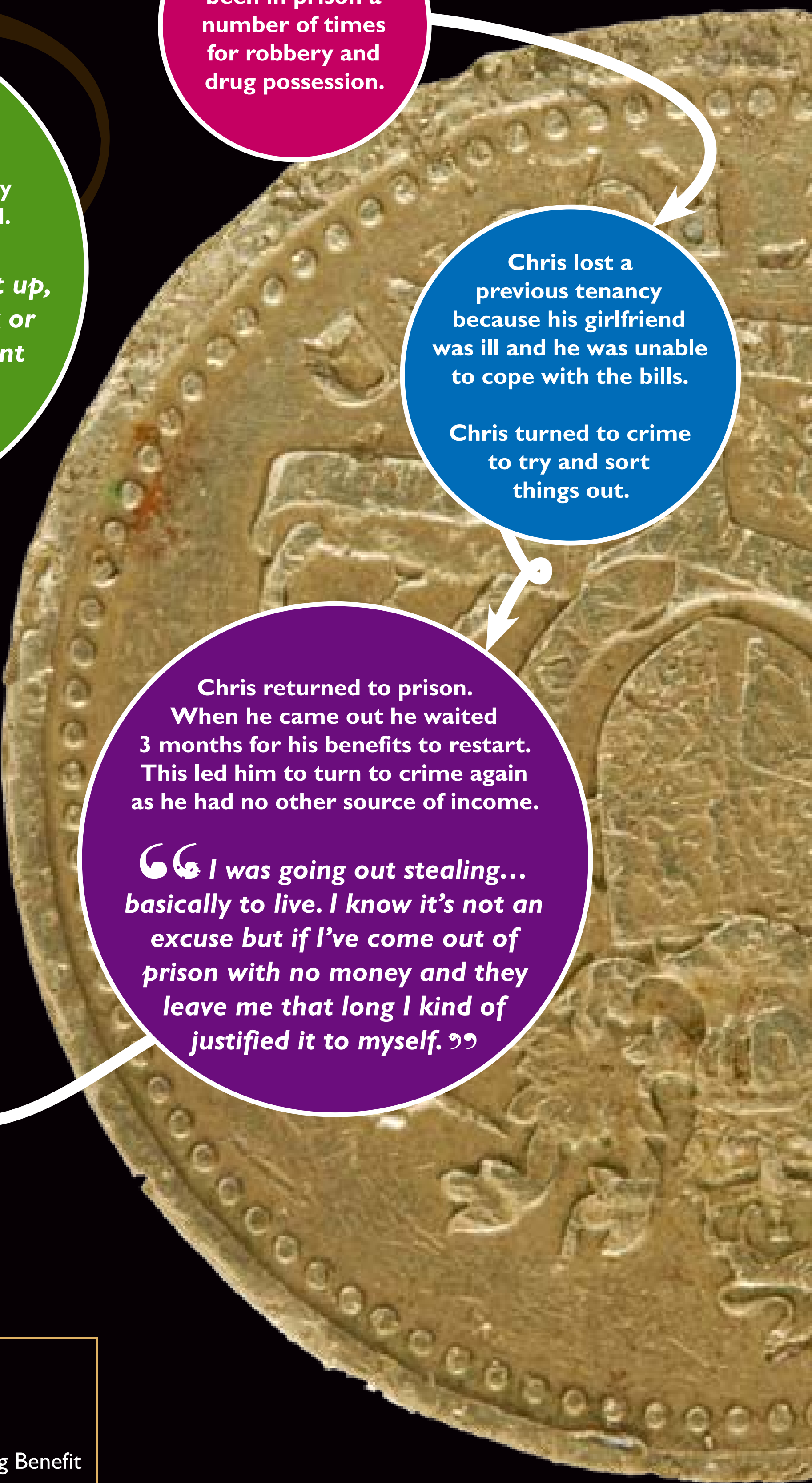
Introduction



Chris has been in prison a number of times for robbery and drug possession.

Chris lost a previous tenancy because his girlfriend was ill and he was unable to cope with the bills.

Chris turned to crime to try and sort things out.

Chris returned to prison. When he came out he waited 3 months for his benefits to restart. This led him to turn to crime again as he had no other source of income.

“I was going out stealing… basically to live. I know it’s not an excuse but if I’ve come out of prison with no money and they leave me that long I kind of justified it to myself.”

Chris has a POCA and a bank account. He intends to use his bank account when he starts work again.

Chris is embarrassed that he can’t provide for his current girlfriend and his son. He feels he should be able to look after them.

Chris doesn’t want to return to prison. He doesn’t think he will this time because he has more to lose. He wants to be able to buy things for his son and girlfriend.

“A normal person they get up, go to work, think about work or their kids ... that’s what I want ... everyday I wake up and I’m thinking, am I gonna go to jail?”

Chris

Age | 34
Accommodation | Private rented
Employment | Unemployed
Benefits | Job Seekers Allowance and Housing Benefit
Dependents | One son who lives with an ex-partner
Additional needs | Drug use

Our previous research and experience with service users has shown that there is a group of people who have common mental health problems and multiple needs who are repeatedly in contact with the criminal justice system.

Their needs often include: homelessness; lack of legitimate income; drug and alcohol use and family breakdown. The interrelation of multiple unmet needs frequently results in a cycle of crisis and crime. Measures to tackle social exclusion often fail to reach this group because of the complexity of their needs and the multiplicity of the agencies and departments involved.

The relatively recent inception of this research project belies the longstanding knowledge held within Revolving Doors Agency (RDA) of the poverty experienced by those with whom we work and a belief that there are causal links between their poverty, mental health problems and involvement with the criminal justice system. This project - with the kind support of the Friends Provident Foundation – has provided us with a valuable opportunity to interrogate those links and to use our emerging understanding to inform both RDA's work and wider policy and practice, alongside and on behalf of adults with multiple needs.

The last ten years has seen a growing body of knowledge and concomitant policy focus on the promotion of financial inclusion and financial capability. From the outset of the research, we recognised the need to locate the experience of adults with multiple needs within this broader context and, to this end, we have been especially fortunate to work in partnership with Citizens Advice, whose knowledge in this area has enriched our collective learning.

The **Citizens Advice** service helps people resolve their money, legal and other problems by providing free advice and information through a network of 426 bureaux working in over 3,000 locations, including in prisons, probation settings and courts. Citizens Advice Bureaux are currently providing advice in 43 prisons and 29 probation settings to help prisoners and ex-offenders to deal with their problems, and a number of bureaux run special projects for people with mental health problems. The Citizens Advice Bureau (CAB) regularly gives advice and help in GP surgeries, health centres, general hospitals, psychiatric care centres and healthy living centres.

Few of those interviewed as part of this research used the language of social exclusion or poverty. Yet their stories provide visceral insights into the lived experience of being poor and the feelings of despair that it evokes. In striving for change, we hope to use that lived experience as we take forward this work through our partnership with our service user forum.

The current financial crisis has undoubtedly led to a wider awareness of and focus on financial issues. For the subjects of this research, interviewed as the global financial crisis unfolded, financial exclusion was a reality long before the crisis, and must, we would argue, be seen within the context of their broader social exclusion. Any response to their financial exclusion must take into account the depth and breadth of their health, housing and social care needs, including the need for support with their finances.

This research project aims to inform and influence policy in order to improve the lives of adults with multiple needs. Specifically, the strategic aims of the project were to:

- Provide an understanding of the impact of financial exclusion on adults with multiple needs;
- Directly inform new and emerging criminal justice policy that could particularly impact on these adults;
- Produce a series of practical and innovative recommendations across the finance, health and social care sectors and the criminal justice system.

"For the subjects of this research, interviewed as the global financial crisis unfolded, financial exclusion was a reality long before the crisis, and must, we would argue, be seen within the context of their broader social exclusion."

The subsequent research focused on issues of access and money management related to adults with multiple needs, specifically:

1. Their ability to access mainstream financial services;
2. Their financial management skills;
3. The impact of life events on the financial exclusion, mental health and offending cycle.

The report details the research findings in relation to these areas, interspersed with a number of illustrative case studies*. These highlight the complex and interrelated challenges faced by adults with multiple needs and make the case for responses that are both individualised and holistic.

Section two of the report describes the methodology used for our research.

Section three examines the existing policy and literature on financial exclusion and its particular impact on our target group. It focuses on the Government's growing emphasis over the past ten years on the promotion of financial inclusion and the concept of financial capability.

Section four details our research findings.

Section five provides a discussion of these findings, coupled with an analysis of their implications for adults with multiple needs.

Section six begins to explore the policy recommendations arising from this work.

Further information on our work in this area can be found on our website: **www.revolving-doors.org.uk**.

* Names have been changed throughout.

TWO

Methodology

The methodology for this research was largely qualitative but also included some secondary analysis of quantitative data.

The research aims included an examination of the following issues:

1. The ability of the RDA target group to access mainstream financial services;
2. The financial management skills of the group;
3. The impact of life events on the financial exclusion, mental health and offending cycle.

The methods adopted to explore and inform these areas of interest are discussed in more detail below. Any limitations of the methodology and subsequent data collected will also be discussed where relevant.

NOTE: Our original proposal stated that the research would look closely at the issuing of Public Notices for Disorder (PNDs) and the implications of these for adults with multiple needs. This stemmed from service users' concerns at the time. However, since then, the guidelines around PNDs in relation to people with mental health problems have become much clearer and they were not raised as a particular issue by those that took part in this research. With this in mind it was decided not to focus on PNDs as a standalone issue. For those who are interested in this subject, appendix one provides more information.

The research was conducted with the help of St Mungos, P3, the Mayday Trust and the Margins project at Union Chapel to correspond with our three case study areas: London Borough of Islington, Milton Keynes and Northamptonshire. These areas were chosen to provide representation from both urban and rural areas and to take advantage of the close links RDA already had with these organisations.

2.1 Policy and literature review

The research started with an analysis of the current policy and research literature on the topic of financial exclusion and adults with multiple needs – including relevant mental health and criminal justice policy. A systematic review approach was used in order to document both the search terms and sources of information collected.

The aim of the policy review was to understand the Government's focus and work in the area of promoting financial inclusion, and to provide a contextual background to the policy recommendations that might emerge from this study. This section also looked at the work of other organisations such as the Financial Services Authority and the British Banking Association. The scope of the review also included policy from National Offender Management Service (NOMS) and changes to Jobcentre Plus.

The literature review aimed to collate existing literature on how adults with multiple needs both access and perceive the various financial resources they make use of – including mainstream, non-mainstream and illegal sources of money.

Neither the policy nor the literature review aims to be a comprehensive account of the current situation but provides a brief introduction to the subject area. It helps to provide both a contextual backdrop to the current research and to provide additional and validating evidence for the points explored within the main body of the report. These reviews can be found in section three.

2.2 Service user involvement

Revolving Doors has a strong ethos of involving service users in the development of its work. This research involved service users at various stages as follows:

- Service users from each of the participating organisations were interviewed;
- Focus groups were held with service users at their host organisations in order to validate the findings;
- Members of Revolving Doors' National Service User Forum were given training to enable them to co-host the service user focus groups;
- The Service User Forum were consulted again when developing the recommendations.

2.3 Service user interviews

The bulk of the research was conducted through in-depth, semi-structured interviews with service users. The interview schedule mirrored the areas of the three research aims (see appendix two for a copy of the schedule). We asked them about their ability to access mainstream financial services such as banking, credit and insurance. We also wanted to understand their ability to successfully manage their money and this involved discussions on personal budgeting. Finally we investigated how life changes (such as losing accommodation and relationship change) impacted on the finances of adults with multiple needs. The interviews lasted approximately 90 minutes, were conducted either in hostels or at the interviewees' homes or current place of residence and were recorded where consent was given. All participants completed a consent form (see appendix three) which was read out to them to ensure they fully understood the purpose of the interview and that (if agreed) it would be recorded. They also received a £20 gift voucher as a 'thank you' for their participation in the interviews.

2.3.1 Recruitment

The interviewees were recruited through two main partner organisations: St Mungo's, a charity working with homeless people in London and P3, a charity tackling social exclusion nationally. With the help of St Mungo's we recruited participants in Islington and we used our links with P3 in Northamptonshire and Milton Keynes. We also recruited participants through the Mayday Trust in Northamptonshire and the Margins project at Union Chapel in Islington.

To recruit participants through St Mungo's we initially met with two service managers in Islington to explain the project and our requirements. After meeting with the manager of the Islington mental health projects we decided their residents did not fit the criteria for this research because their mental health problems tended to be severe, making them eligible for support from their community mental health team.

We agreed with the service manager for vulnerable adult projects in Islington to attend their staff meeting so that we could explain the project to their front line staff. The staff agreed to promote the research to their clients and to inform us of anyone who wanted to take part. We produced posters to put in the hostel and information sheets for residents to explain the project in more detail. We also attended a social event at one of the hostels in order to speak to some clients directly about the research.

It was difficult to recruit participants in this way because it involved the front line workers having to "sell" the research to the residents. We often had more success when we were able to speak to residents of the hostel directly. We faced difficulties even when interviews were set up, for example, with people not attending at arranged times.

In Milton Keynes and Northamptonshire we worked with P3 link workers to recruit participants. In Northamptonshire we spent two days with the link workers visiting the clients in their homes. In Milton Keynes the link workers made appointments for the interviews with their clients on our behalf. These were conducted in the Milton Keynes Council building which was a familiar place to many of the participants.

One participant is profoundly deaf so we arranged for an interpreter to attend the interview to facilitate his involvement.

2.3.2 Interviews

In total we interviewed 46 service users across all three areas; the table below shows the breakdown by location and gender:

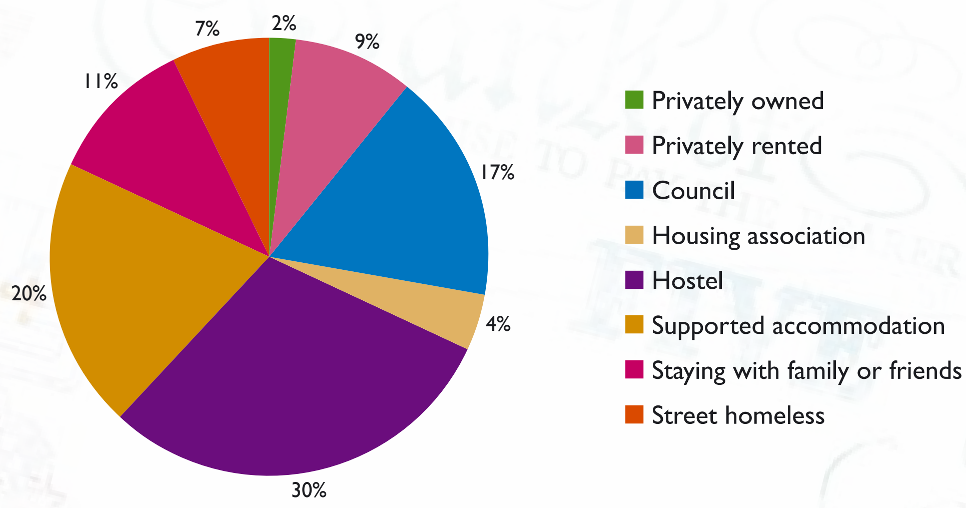
	Islington	Milton Keynes	Northamptonshire	TOTAL
Male	15	2	12	29
Female	7	8	2	17
Total	22	10	14	**46**

The sample spanned a wide age range (as can be seen in the table below). In terms of ethnicity, the majority (87%) of the sample classified themselves as 'white British' or 'white other'. Thirteen percent of the sample classified themselves as being of black or minority ethnic origin.

Age	No of participants
Under 18	1
18-25	7
26-35	**12**
36-45	**15**
46-55	**3**
56-65	**7**
66-75	**1**
Over 76	**0**
TOTAL	46

During the interviews we asked people about their current accommodation. At that time, half of those we spoke to were staying in a hostel or supported housing. A more detailed breakdown can be found in the Figure1, below.

Figure 1: Type of accommodation (n=46)



At the time of the interviews, each of the participants described themselves as being unemployed; this is discussed in more detail in section 4.4.3.

The majority of interviewees had mental health problems, which were mostly 'low level' or undiagnosed. Most of the sample had some experience of the criminal justice system, however for many this meant relatively minor involvement, such as being issued with police fines. We did not specifically ask interviewees if they had a drug or alcohol problem, however two thirds of those we spoke to mentioned substance misuse issues during their interview.

The interview schedule was intentionally designed in a format that could be worked through by the interviewer and interviewee together. It was a colourful spider diagram which had a bubble for each topic, including::

- Background information
- Attitudes to money
- Your money
- Access to financial services
- Using your money
- Managing your finances
- Key events
- Financial penalties
- Solutions and results
- Looking back
- Over to you

During the interview the schedule was normally placed between the interviewer and interviewee and used as a tool to promote and maintain engagement. The schedule was also used before the interview began to explain the topics that would be covered.

The schedule proved to be a useful tool because it broke down the potential barrier between interviewer and interviewee, making it a more interactive experience for the service users. The schedule meant people knew where they would be able to mention certain issues with greatest effect. It also meant that key pieces of information could be noted down so that participants felt they were really being listened to.

This schedule was not suitable for all because some of the participants were not able to read. However, even in these cases people seemed to benefit from having something to look at and engage with. We assessed how the interviewee responded to the schedule and used it accordingly.

2.4 Practitioner interviews

Interviews were also conducted with 21 practitioners working in the three case study areas, the table below shows the breakdown by area:

Islington	Milton Keynes	Northamptonshire
10	5	6

We recruited people through an email that was sent to 43 individuals or organisations in the three case study areas. The initial response rate was low so this was followed up by directly phoning the organisations. The majority (15) of the interviews were completed face to face, where we visited the practitioners at their organisations. The other six interviews were completed over the telephone, either because this was more convenient for the practitioner or because of time constraints.

We interviewed practitioners who worked in the area of financial and debt advice. We spoke to people who worked with adults with multiple needs more generally and assisted people with their money as part of their wider remit of work. We also spoke to those from support services who do not specifically work with the RDA target group. This allowed us to take the learning from their work and assess how it could be applied to adults with multiple needs. A list of the organisations we spoke to can be found in appendix four.

This interview was unstructured and focused on just four broad questions:

- What do you identify as being the key financial issues for your target group?
- What do you do to help your service users with their financial difficulties?
- What are the barriers you face when assisting your service users with their finances?
- What do you think could be done to improve the situation for your target group?

2.5 Service user focus groups

We ran three focus groups with service users, one in each of the three case study areas. These were for service users who had participated in the interviews and anyone else who preferred to contribute in a group setting. We had approximately ten people at each of these three groups.

In Islington we ran the focus group at a St Mungo's hostel that was familiar to all the participants. We promoted the group through posters in various hostels and front line workers. In Northamptonshire the focus group was run at a Mayday Trust supported housing project and was promoted in the same way.

In Milton Keynes we arranged to run our focus group as part of a prearranged weekly lunch meeting that many of the link worker scheme service users already attended.

These groups were co-run by the research officer and a member of Revolving Doors Agency's Service User Forum. The service users received training in running focus groups from the User Involvement Manager. The research officer presented the research findings and the Forum member led the subsequent discussions.

These focus groups provided an opportunity to feed back the early research findings to those who had participated in the interviews. This was a chance to 'reality check' the findings with service users to ensure we were representing their views accurately. The groups highlighted the most important issues to them and developed a list of potential solutions and recommendations.

Again all participants filled out a consent form and received a £20 supermarket voucher as a thank you for taking part.

2.6 Focus groups with Citizens Advice Bureau (CAB) representatives

We ran two focus groups for Citizens Advice Bureau (CAB) regional staff to attend: one in Leeds and another in London. These groups gave us the opportunity to check whether the issues we had found in the small case study areas were similar to those encountered by bureaux across the country. This meant we could 'scale up' our findings to present a national picture. Although adults with multiple needs may not access the services provided by CAB, a number of CAB staff who attended ran outreach sessions in prisons and for people with mental health problems.

The opportunity to take part in one of the focus groups was advertised to bureaux in England and Wales. Those who took part tended to have an interest in working with adults with multiple needs, particularly around offending and mental health issues. The table below details the work location of participants in the two sessions:

Leeds session	London session
Birmingham (x2), West Midlands	Rotherham, South Yorkshire
Barnsley, South Yorkshire	Coventry, West Midlands
Leeds, West Yorkshire	Tonbridge, Kent
Plymouth, Devon	Bury St Edmunds, Suffolk
Conwy, North Wales	Cardiff, South Wales
Keighley, West Yorkshire	Vale of Glamorgan, South Wales
Copeland, West Cumbria	

The research officer explained the context of the research and presented the findings. Participants were then asked to discuss the following questions:

- Does the evidence from the two case study areas mirror the experience in your own area?
- Thinking about Revolving Doors Agency's target group, is there anything the research hasn't covered that might be relevant?
- What do you think would be a good way forward for the Government in the current climate?

2.7 Meeting with Forum members

Revolving Doors Agency's National Service User Forum brings together people with direct experience of the criminal justice system and, in addition, experience of issues such as mental health problems, drug or alcohol problems and homelessness. The members are recruited through a range of partner organisations.

We sent each of the Forum members a copy of the draft report to read. We then invited everyone to a meeting to discuss the report. We presented the main findings at the meeting for anyone who was unable to read the report in advance. During this meeting Forum members were encouraged to give feedback on the draft, and we also got comments from members on what should be the key messages and recommendations.

2.8 Analysis

The interviews and focus groups were transcribed verbatim and analysed with the assistance of the qualitative software package, NVivo. A set of codes were developed and used to aid a thematic analysis of the data. This data is presented within section four of the report.

2.9 Quantitative secondary analysis

With the help of CAB and the Metropolitan Police we were able to complete some basic secondary analysis of existing databases concerned with financial problems and PNDs respectively. This has informed the research at various stages of development.

2.10 International review

In addition to the research methodology outlined above we also commissioned a freelance research consultant to complete an international review with the following aims:

a. To look at the alternatives to police issued financial penalties, and

b. To consider alternative methods of managing the fines for those on low incomes and experiencing social exclusion.

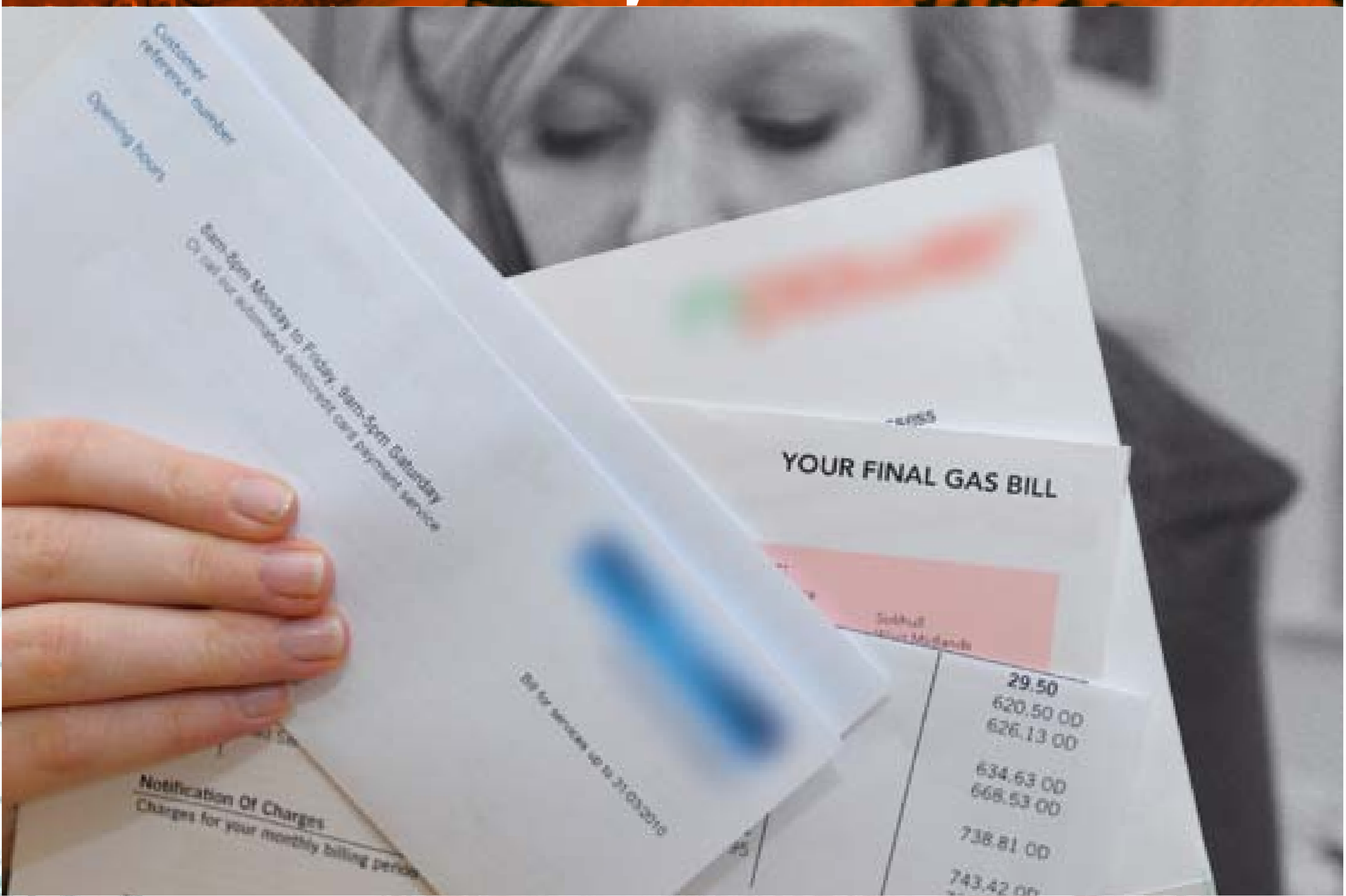
The results from this review can be found in the following sections as relevant. A full copy of the report is available upon request.

2.11 Project reference group

The project was launched in March 2008 at a project initiation meeting which brought together representatives from the finance, mental health and criminal justice sectors. Many members of this group went on to participate in our project reference group, which was created in order to guide the direction of the project and give advice on technical aspects as they arose. This group met quarterly and provided invaluable assistance in the interpretation and contextualisation of the research findings. The individual attendees and agencies can be found in appendix five.

THREE

Policy and literature review



Daniel did have a job but lost it after getting into trouble with drugs.

When Daniel had a job he used a bank account but he got into debt with the bank charges.

After losing his job Daniel became homeless. He was not receiving any benefits so turned to crime for survival. During this time Daniel deliberately committed crimes so he would be put in prison and could escape the streets.

“I’ve been to prison a couple of times in the period and I’ll admit to you quite plainly I did it to get myself off the streets because I was homeless.”

Daniel moved from the streets to a hostel and has now managed to secure a place in supported accommodation.

Daniel says he struggles with budgeting; all his money has gone by the time he gets paid. He is in rent arrears with his current accommodation.

Daniel now has a POCA account which he prefers because he can’t get charged. Daniel often uses pawnbrokers to sell things to get some extra cash.

His key worker is going to help Daniel start paying off his old court fines.

Daniel wants to find a job but knows that, if he does, he won’t be able to afford his current accommodation because of the rent increase. He is worried how he would cope living independently.

Daniel

Age | 19
Accommodation | Supported housing
Employment | Unemployed
Benefits | Job Seekers Allowance and Housing Benefit
Dependents | None
Additional needs | Drink and drug use

This section provides a brief introduction to the policy and literature surrounding the financial exclusion of adults with multiple needs.

Neither is intended to be a comprehensive account of the topic but will provide a contextual backdrop to the discussion points raised later in the report. The policy review provides background information on how the Government has reacted to various reports documenting the realities of accessing mainstream financial resources in the UK. The literature review provides evidence of how vulnerable adults (especially those with multiple health problems and/or involvement with the criminal justice system) experience mainstream financial services and the related issues they face.

3.1 Policy review

This short review examines the development of various financial initiatives that have emerged over the past ten years, especially those that affect adults with multiple needs. The section below documents the development of financial exclusion as a policy concept. It goes on to explain the creation of Post Office Card Accounts and basic bank accounts to deal specifically with the direct payment of benefits to individuals and to promote financial inclusion amongst low income households. The section then moves on to the establishment of the Financial Inclusion Taskforce, the Growth Fund and the various reports from the Treasury select committee outlining recommendations for the Government to promote financial inclusion, financial capability and banking services. The review concludes by looking at the most recent Government plan to promote a strategy for tackling financial exclusion, with an aim to mainstream this by 2011.

3.1.1 A review of policy from 1997 onwards

Figure 2: Time line: financial inclusion policy developments 1997 to 2008

December 1997 Social Exclusion Unit created – Policy Action Team (PAT) established to review access to financial services.

May 1999 Change in method of benefits payments – benefits now paid either to bank accounts or Post Office Card Account.

November 1999 Access to Financial Services, Report of PAT 14 – HM Treasury

April 2003 Government introduces a basic bank account.

July 2004 Plans to establish Financial Inclusion Taskforce and Financial Inclusion Fund outlined in Spending Review

September 2004 Launch of Illegal Money Lending Project in Glasgow and Birmingham

December 2004 Growth Fund announced in Chancellor's Pre Budget Report.

December 2004 Promoting Financial Inclusion – HM Treasury

February 2005 Launch of Financial Inclusion Taskforce

November 2005 National Reducing Re-offending Delivery Plan – Home Office – outlining NOMS pathway: Finance, benefits and debt.

March 2006 Financial capability in the UK: Delivering Change – FSA – a five year programme building people's financial capability.

April 2006 Changes to the Social Fund announced.

November 2006 Reports on financial inclusion, financial capability and banking services published by Treasury Select Committee.

January 2007 Financial capability: the Government's long-term approach – HM Treasury

February 2007 Now let's talk money – campaign helping people on low incomes to access financial services.

March 2007 Financial inclusion: the way forward – HM Treasury

December 2007 Expansion of Illegal Money Lending Teams

March 2008 British Banking Association – new banking code for people heading towards financial difficulties.

March 2008 Announcement of introduction of the Saving Gateway – a cash saving account for people on low incomes.

March 2008 The Thoresen Review – recommendations for a national approach to money guidance.

April 2008 Banking Partnership Group established to produce guidelines for banks to improve access to services.

July 2008 Joint Action Plan for Financial Capability – FSA and HM Treasury

October 2008 Incapacity Benefit and Income Support replaced by Employments and Support Allowance.

November 2008 The Social Fund: A new approach – DWP

Financial exclusion is a relatively recent term and much of the policy surrounding it has been developed in the last ten years. Following the creation of the Social Exclusion Unit in 1997, Policy Action Team (PAT) 14 was established to report on access to financial services. The policy team published a report in 1999 which used findings from a Joseph Rowntree Foundation report, which estimated that 1.5 million low income households used no mainstream financial services (Kempson & Whyley 1998). As a result of PAT 14's recommendations, a number of measures were put in place to tackle financial exclusion. For example, the Housing Corporation and the Association of British Insurers (ABI) produced guidance on schemes that allow people to pay for insurance with their rent. PAT 14 and the Government's 1999 Credit Union Taskforce brought about changes to credit unions. The regulation of credit unions was modified, with the aim of increasing competitiveness and efficiency. In addition, credit unions were brought under the regulation of the FSA to increase protection for their members.

Credit unions

Credit unions are financial cooperatives that are owned and run by their members. They offer savings and loans and a number also now offer current accounts, benefits direct, ISAs and Child Trust Funds. Credit unions have a 'common bond' which states who can become a member of that particular credit union, for example a geographical area or a place of work (ABCUL, 2009). However the Government has announced new Legislative Reform Change for Credit Unions. Under these changes the 'common bond' will be modified so that credit unions can offer services to a wider range of people (HM Treasury 2008c). It is hoped these changes will happen during 2009 but the Treasury and the Financial Services Authority will need to consult on the proposals before they can be taken forward.

Following another of PAT 14's recommendations, in 2003 the Government worked with banks to introduce the basic bank account for all those people who had difficulties setting up a standard current account. There are now many different types of basic bank account available and features can include withdrawing money from a cash machine and setting up direct debits and standing orders (Financial Inclusion Taskforce by BMRB Social Research 2006). Some also include a 'buffer zone' which allows customers to become overdrawn by a small amount. They do not normally include a cheque book, although some accounts do offer a basic debit card (Financial Inclusion Taskforce by BMRB Social Research 2006).

Post Office Card Account

In 1999 the Government announced that it was changing the way that it would pay benefits and introduced a system of direct electronic payments that would require an individual to have a bank account. For those who were unable or did not want to set up a basic bank account, the Post Office Card Account (POCA) was introduced as an alternative. POCAs have limited facilities as they cannot be used to make payments, deposit cash or cheques or withdraw cash from an ATM (Financial Inclusion Taskforce by BMRB Social Research 2006) but they do allow withdrawal of benefits from a Post Office in small increments and mean that your money is more secure. In 2006 the Government announced it was planning a successor to the POCA and it was put out to tender (DWP, 2008). However, in 2008 the Government cancelled the competitive tender. This decision was taken because the Post Office network relied heavily on the POCA and it was thought that many Post Office branches would be forced to close if it lost the tender. This meant that, as it did not go out to tender, revisions to the POCA did not take place.

In 2004 the Government published 'Promoting Financial Inclusion' (HM Treasury 2004). This report highlighted three key areas in tackling financial exclusion;

1. Access to banking services;
2. Access to affordable credit;
3. Access to free 'face to face' money advice.

In the 2004 Spending Review, the Government outlined its plans to establish a Financial Inclusion Taskforce and a Financial Inclusion Fund of £120 million over three years. The Government and banks agreed to work together to achieve the joint goal of halving the number of adults without a bank account (Transact & The Resolution Foundation 2007). The Government's policy for promoting financial inclusion focused on children, young people and families, and improving adults' basic skills. It did not specifically target adults with multiple needs.

The 2004 Chancellor's Pre-Budget Report announced the development of the 'Growth Fund'. This £36 million fund was set up to increase the availability of affordable loans from third sector lenders (like credit unions) to individuals with low incomes (The Treasury 2004). The Growth Fund has increased further since this initial announcement; total investment in the Fund to date has reached £80 million.

3.1.2 The Treasury Select Committee Reports

In 2006 the Treasury Select Committee produced three reports which outlined the main components of the strategy they wanted to see the Government develop. The three reports were on financial inclusion, financial capability and banking services. The report on financial inclusion identified three main areas for action:

1. The Committee wanted the Government to make the availability of affordable credit a priority. The report stated that the Government must tackle illegal lending, increase competition in the home credit market and support the growth of third sector lenders.
2. The Social Fund must be improved to make it a more effective lender to people on low incomes. Another key priority area was to promote affordable savings and ensure the Savings Gateway is promoted nationwide (see below for further information on the Savings Gateway).
3. Lastly, the report highlighted the need for generic financial advice that is not linked to the sale of a particular financial product (House of Commons 2006b).

The second report focused on banking and found that many people were still facing barriers to opening a bank account – both standard and basic. These difficulties included problems with identification, administrative delays and a lack of access to appropriate information and advice. The Committee found that the banks were not always adhering to the Banking Code. For example, they recommended that banks and utility companies needed to give greater priority to low cost payment methods and not rely on direct debit arrangements as a solution for all (House of Commons 2006a). The report recommended that access to basic bank accounts needed to improve before POCAs were phased out. The Committee advised that a new Post Office account should be introduced with greater functionality than the current POCA (House of Commons 2006a).

The third and final report made recommendations to the Government and the Financial Services Authority (FSA)[1]. The Committee advised the FSA to deliver financial capability work alongside promoting financial inclusion. It advised that the financial services industry needed to make its publications clearer and easier to understand. The report recommended the FSA make a commitment to promoting financial inclusion and to take account of the true costs of financial exclusion when assessing the potential of new schemes (House of Commons 2006c).

1. The Financial Services Authority was established in 1997. It is an independent, non-governmental body that regulates the financial services industry in the UK.

The Committee welcomed the establishment of the Financial Inclusion Taskforce but suggested that savings and insurance be included in its remit. It also called for a longer term strategy to tackle financial exclusion to be published alongside the 2007 Comprehensive Spending Review (CSR) (House of Commons 2006c)

In 2006 the FSA launched a five year, £100 million programme called 'Financial Capability in the UK: Delivering Change' which set a target for reaching 10,000 people by 2011 (Financial Services Authority 2006b). The programme included financial education in schools and the workplace, aiming to target young people and first time parents with advice on managing money (Financial Services Authority 2006b). The document also set out the FSA's plans to develop online tools to help people assess their financial situation and seek help if needed (Financial Services Authority 2006b). It is not clear how successful this approach might be for adults with multiple needs.

3.1.3 Financial Inclusion – the way forward

In 2007 the Government published 'Financial Inclusion – the way forward', its strategy for tackling financial exclusion for the period 2008-11. Following this three year strategic period it is anticipated that consideration of financial inclusion will be mainstreamed across Government. At time of writing it was not clear how this mainstreaming would happen, especially for those departments working with adults with multiple needs. As part of this strategy the Government announced a new Financial Inclusion Fund, this was set at £130 million in the Comprehensive Spending Review (CSR) that followed. The lifespan of the Financial Inclusion task force was also extended. A new ministerial working group was formed to set priorities and to publish an action plan following the CSR.

The resulting action plan stated that the Government would work in partnership with banks to reduce the number of people without a bank account. In addition, funding would continue to support the availability of face-to-face money advice and various schemes to provide more affordable forms of credit. Over the three years between 2008 and 2011, the Government also plans to build on its 'now let's talk money' campaign which aims to help people on low incomes access financial services (HM Treasury 2007b). The action plan also sets out its strategy to increase the availability of insurance. During this period the Financial Inclusion Taskforce will continue to monitor progress and advise on new developments (HM Treasury 2007b). Again, it is unclear how effective this action plan will be for adults with multiple needs and those who are not a Government priority target group.

In 2007 the Government published 'Financial Capability: The Government's long term approach' which set out its strategy to address financial capability. Financial capability refers to people's "knowledge and skills to understand their own financial circumstances, along with the motivation to take action" (HM Treasury, 2009). This strategy recognised the need for a more national approach to the provision of generic advice and for a focus on prevention. The long term aims outlined in the report included: all adults to have access to high quality generic advice, finance education programmes in school and a range of programmes for those people who are most vulnerable to the consequences of poor financial decisions (HM Treasury 2007a).

Following successful pilots in Birmingham and Glasgow it was also announced in 2007 that the Government would extend the coverage of Illegal Money Lending Teams throughout England, Scotland and Wales. Later that year the Government said it would continue to fund these teams until March 2011 (BERR, 2009)

More recently the British Banking Association (BBA) published a new banking code which includes provision to help people who may be heading towards financial difficulties. The code requires banks to proactively contact customers who they believe may be in financial difficulty (British Banking Association 2008)). For example, banks should give customers information on sources of free independent money advice (British Banking Association 2008). Also in 2008 the Banking Partnership Group was established. This is a group of representatives from Government, the third sector and the banking industry which produced a set of guidelines for banks suggesting ways they could reduce the barriers to customers wanting to open an account (Banking Partnership Group 2009).

The Government's drive to increase the number of people with a bank account appears to have made good progress. The proportion of low income households with no bank account has fallen sharply since 2003 when basic accounts were introduced (Joseph Rowntree Foundation 2008). Only one in 20 of the poorest fifth of households do not have an account. However, when the researchers excluded the POCA this rose to one in ten. Further information on the experiences of banking can be found in the literature review.

Saving Gateway

In the 2008 Budget the Government announced that the Saving Gateway would be introduced nationally with the first savings accounts available in 2010 (HM Treasury 2008a). The Saving Gateway is a cash saving account for people on low incomes. It provides an incentive to save because the Government makes a contribution for each pound that people save in the account. The scheme will be open to people receiving certain benefits and tax credits, will be offered by financial institutions such as banks and will run for two years (HM Treasury 2008d).

The Government is now faced with additional challenges as a result of the economic downturn. One response has been to invest in the provision of free, impartial debt advice. The government has pledged £5.85 million until March 2011 for telephone debt advice services and £10 million of funding for Citizens Advice to increase its face to face advice services (HM Treasury 2008b). Again, it is unclear how effective these services will be for adults with multiple needs, especially in light of the evidence in the literature review on how this group feel about and use such services.

In 2008 The Thoresen Review was published, setting out a number of recommendations for the design of a national approach to money guidance. The document also explained the next steps required to make this a reality. The report recommended that the service be independent of the Government and the financial services industry. The service should support the individual to make better financial decisions and be available to all. It should also be 'sales free' and not recommend particular financial products to its users. Finally the report recommends that the service focus on prevention and signposts service users who are experiencing financial crisis (Thoresen 2008).

The FSA and HM Treasury have launched a Joint Action Plan for Financial Capability. This includes plans for a 'one stop shop' financial information service based on the FSA's 'Moneymadeclear' website (Financial Services Authority & HM Treasury 2008). In response to the Thoresen Review, the money guidance pathfinder will be taken forward (Thoresen 2008). This will launch in the North West and North East of England. The action plan also announced a three year programme of personal finance education in schools (Financial Services Authority & HM Treasury 2008).

The Office of Fair Trading (OFT) is currently investigating the issue of unfair bank charges. In 2009 the Court of Appeal ruled that fees for unauthorised overdrafts and bounced cheques should be subject to regulation by the OFT. This means the OFT can set a legal maximum on fees and that people would be able to claim back bank charges they have received in the past. However, the OFT is currently debating the legal standing of bank charges and all related claims have been put on hold (Office of Fair Trading, 2009).

Social Fund

The social fund was introduced in 1987-88 as part of a wider package of reforms to the Social Security system (House of Commons 2007). It includes the Sure Start Maternity Grant, Funeral Payment, Cold Weather Winter Payment and the Winter Fuel Payment. For this report we focused on the discretionary Social Fund. This fund is administered by the Department for Work and Pensions (DWP) and offers a source of money for people on certain benefits*. There are three types available:

1. Community Care Grant – This is a tax free sum of money offered to help people in "special difficulties". The grant can be used in a number of circumstances such as attending a family funeral or when someone leaves prison on a temporary licence. This grant does not need to be repaid.

2. Budgeting Loan – This is a tax and interest free loan that can be used to cover occasional expenditure such as on household goods, clothes and travel.

3. Crisis Loan – This is a tax and interest free loan to be used for something needed immediately, in an emergency or in a disaster.

(Job Centre Plus, 2009)

In 2006 the government announced changes to the Social Fund which included the simplification of the rules around how much can be borrowed, an increase to the maximum amount and a reduction to repayment rates (DWP, 2006).

* More information can be found at http://www.jobcentreplus.gov.uk/JCP/Customers/WorkingAgeBenefits/Dev_008613.xml.html

In 2008 the Government launched 'The Social Fund: A New Approach' setting out a number of proposals for changes to the social fund. This included a plan for Credit Unions and other similar third sector organisations to take over the provision of credit for Social Fund customers. A new system of advanced payments of benefits was suggested so that people would receive 75% of their benefits up front and before payments started officially. The rationale for this change was to limit the financial crisis that could be experienced while waiting for benefits to start and to prevent people relying on crisis loans in the intervening period. Changes to the current budgeting and crisis loan schemes were also suggested, introducing a single credit scheme that would be available as soon as benefits begin. It was also suggested that some items currently covered by grants would instead be met by the new loans scheme (Department for Work and Pensions 2008).

These proposals were consulted on and the Government decided to take some of the proposals forward. These will be legislated in the Welfare Reform Bill, and include the plan to make advance benefit payments. However the Government has decided this area now needs further debate so is planning on publishing a formal public consultation on the issue in 2009 (Department for Work and Pensions 2009). It is hoped that this research will inform the consultation.

3.1.4 National Offender Management Service

The recent recognition of the importance of looking at the welfare of individuals in a holistic way has resulted in financial issues being seen as important in other policy areas. For example, financial welfare is seen as a fundamental aspect of resettling ex-offenders and forms an integral part of NOMS' reducing re-offending delivery plan. OASys[2] data from 2004 showed that 23,000 offenders had financial problems linked to their offending (Levitas et al. 2007). NOMS has a number of objectives in delivering this pathway. They aim to address the gap that exists between release from prison and benefit payments starting. Through the 'Fresh Start' initiative, prisoners can now have an interview arranged with a Jobcentre Plus

2. Offender Assessment System (OASys) is a standardised process for the assessment of offenders. It is used by the National Probation Service (NPS) and the Prison Service.

for the day after their release. There will also be more financial advice available to offenders in prison and in the community, which will be delivered through partnership with prisons, probation and the voluntary sector. Prison and probation staff need to be trained to recognise financial problems earlier and to signpost people to services for help and advice. NOMS wants to see financial problems addressed on offenders' induction into prison to prevent these worsening whilst in prison (NOMS 2005). Research has shown that, in London, 26% of offenders had finance, debt or benefits needs linked to their offending. However, as only 9% of these people had an associated intervention identified it can be seen as the largest gap across all of the pathways and local resources to address it are not in place (London OASys 2006).

3.1.5 Department of Work and Pensions

In October 2008 the Incapacity Benefit and Income Support (paid on incapacity grounds) was replaced by the Employment and Support Allowance. This change is only for new claimants, existing claimants will continue to receive Incapacity Benefits. However, there are plans to move everyone to the Employment and Support Allowance in the future. People claiming this benefit "will be expected to take appropriate steps to help prepare for work", including attending work focused interviews (DWP, 2009).

3.1.6 Conclusion

Although the number of people without a bank account has fallen in recent years, there are still people who face barriers to accessing mainstream financial services. A report by the Joseph Rowntree Foundation (2008) suggested that the gap between those who are 'financially included' and those who still face barriers to accessing financial services is likely to widen in the future. It will become even more important for individuals to have a bank account as we move to an increasingly cashless economy. Changes to the financial services industry such as Direct Debit, online banking and text banking serve to benefit those who are already accessing financial services but will result in the gap widening for those who are not. (Mitton 2008).

Adults with multiple needs have a variety of complex problems, which both contribute to, and reflect, their financial exclusion. This client group face a dual disadvantage in that they are excluded from financial services and also often lack the money management skills to deal with their finances effectively. Many of the adults who are the subject of this research also do not have basic numeracy and literacy skills which, when combined with limited financial capability, can make it extremely difficult to navigate the complexities of the financial system.

3.2 Literature Review

This literature review aims to provide a brief overview of some of the issues facing adults with multiple needs in terms of their finances. Section 3.2.1 explores the existing literature around financial exclusion and the capacity for adults with multiple needs to access mainstream services. This includes access to banking (including Post Office Card Accounts), savings, insurance, credit and borrowing[3]. The section ends with a review of the financial consequences of such exclusion for the individual. Section 3.2.3 reviews the evidence of how well adults with multiple needs manage their money and its associated challenges. It also looks at the advice available and at the attitudes towards these avenues of help.

3.2.1 Accessing mainstream financial services

'Financial exclusion' is a term applied to people who have limited access to mainstream financial services (Financial Inclusion Taskforce by BMRB Social Research 2006). It is a key aspect of wider social exclusion, and has been the focus of numerous studies and Government policy in recent years. Promoting financial inclusion is aimed at providing a pathway out of poverty. Financial exclusion can be a barrier to moving on for adults with multiple needs, particularly to getting a job (Wallace, Quilgars, & The University of York 2005).

3. By 'credit' we mean borrowing money, usually to buy goods. 'Borrowing' refers to taking out money loans.

“Financial exclusion is not a unified phenomenon” (House of Commons 2006b). Individuals will experience different barriers to accessing financial services. Some people may be excluded from some financial services and products and not others. For example, many people have easy access to credit but face difficulties when trying to open a bank account. Additionally people may ‘own’ financial products but feel they are paying an excessively high price for them. Kempson and Whyley suggested that people move in and out of being financially excluded during their life as they withdraw from financial services to gain control or are forced out due to financial difficulties (Kempson & Whyley 1999).

Kempson and Whyley have identified a number of dimensions to financial exclusion. These include price exclusion where, quite simply, an individual cannot afford the financial product or the potential charges that could be incurred. Condition exclusion is where people are excluded through conditions that are attached to products making them unsuitable or undesirable. Additionally, individuals may experience marketing exclusion by which financial products are advertised far less to people who own few if any financial products (Kempson & Whyley 1999). In reality the situation is less clear cut, with many financially excluded people experiencing a range of exclusions concurrently.

Research has found that financial exclusion is closely linked with poverty and low income. The proportion of households without a bank account was 6% for the poorest fifth compared to 3% for those on an average income (Joseph Rowntree Foundation 2007). The groups that are most likely to be affected by financial exclusion are the unemployed, retired people, those on benefits, households with low incomes, those lacking qualifications, social housing tenants and those living in deprived areas (Financial Inclusion Taskforce by BMRB Social Research 2006). Research has also suggested that black and minority ethnic groups’ experience of disadvantage has an impact on their ability to access mainstream financial services.

Early research tended to focus on geographical access to financial services, for example the closure of many bank branches, and the lack of financial services located in poorer communities. However, when people were surveyed few gave the lack of financial service outlets in their area as a reason for not owning products. For example, only 1% of those who did not own a current account stated the absence of a local branch as a reason for not having an account (Kempson & Whyley 1999).

Some people actively excluded themselves from financial services, making their own unconstrained and deliberate choice (Kempson & Whyley 1999). Research from the Financial Inclusion Taskforce found that some people preferred to operate on a cash basis because it was more convenient and they could keep a better control of their spending (Financial Inclusion Taskforce by BMRB Social Research 2006). Other people chose not to have a bank account because of past negative experiences of banking, for example, incurring large bank fines. Some research has found that people are mistrustful of banks and financial services and prefer to deal with their finances themselves and borrow money from friends and family (Joseph Rowntree Foundation 2001). Adults with multiple needs may not prioritise becoming ‘financially included’ when they have so many other issues to deal with.

Financial exclusion is closely linked with the kind of poverty and social exclusion experienced by our target group. In addition, their mental health problems, offending behaviour and unstable housing situations mean they are more prone to be financially excluded in both the short and long term.

3.2.1.1 Access to banking

Adults with multiple needs are likely to face numerous barriers to opening a bank account and using banking services. A major barrier highlighted in the literature is the identification needed to open a bank account. Documents may be lost, stolen or sold during periods in unstable accommodation or prison. Replacement passports and driving licences are expensive. Often banks suggest using household bills as proof of identity, but people who are homeless or staying in hostel accommodation are unlikely to have this documentation. Studies have shown that often bank staff do not explain the alternative forms of ID that can be used to open a bank account. One survey found that only 20% of bank staff were able to suggest alternatives (Employers' Forum on Disability 2007).

In a study by the Big Issue it was found that 26% (90) of the vendors interviewed had tried to open a bank account on 139 occasions but only 12% were successful compared to 75% of the general population (Big Issue 2000). Not having a fixed address is another barrier to financial inclusion.

As mentioned above, geographical factors were not hugely significant in determining people's levels of financial inclusion. However, lack of access to free cash machines is a significant cost that affects poorer communities disproportionately. There are two significant issues related to this problem. Firstly, poorer areas are likely to have fewer free cash machines, with the Treasury finding there to be 309 low income areas without a free cash machine within a 1km radius (House of Commons Treasury Committee 2005a). The second issue is that the charges will be disproportionate for people on a low income who tend to withdraw smaller amounts over a number of transactions (House of Commons Treasury Committee 2005b).

People with mental health problems may face difficulties in being "effective consumers" and understanding the terms and implications of credit agreements (Citizens Advice Bureau 2004). Coupled with the fact that many bank staff do not receive adequate mental health training, the experience of visiting a bank branch can be difficult and intimidating. Citizens Advice Bureau recommends more mental health awareness training for bank staff (Citizens Advice Bureau 2004).

People with mental health problems may be more vulnerable to pressurised sales techniques and may purchase financial products that are unsuitable (Citizens Advice Bureau 2004). A report from Citizens Advice found that people with mental health problems were particularly vulnerable to aggressive door step selling (Citizens Advice Bureau 2002). Agreements to change to another utility supplier for example, can result from a consumer not clearly stating a refusal to change and people with mental health problems may not have the confidence to ask questions or to refuse a service being offered to them.

Whilst in prison, people often experience even greater financial exclusion than they encountered in the community, for example, practical issues such as difficulty contacting banks and lenders. Some prisoners have the attitude that they will deal with their finances on release, while those that are more proactive often face barriers when attempting to resolve issues. A report from the Home Office recognised that offenders may have problems accessing mainstream financial services because of their criminal record (Home Office 2007).

3.2.1.2 Access to savings

Research from the Financial Services Authority (FSA) has shown that generally in the UK there is not a culture of saving; the study found that 70% of people did not have a personal provision to enable them to cope with a drop in income (Financial Services Authority 2006a). This report suggested that often people have the money to save but do not choose to use it in this way. However, lower income households may not have any extra money to save. Research has found that two thirds of the poorest households would like to save at least £10 a month but cannot afford to do so (Palmer, MacInnes, & Kenway 2006).

People who are financially excluded often want to save but they prefer to save small amounts over a short period of time (Collard, Kempson, & Dominy 2003). The adults who are the focus of this report will often not have the spare income to be able to save even if they would like to.

3.2.1.3 Access to credit and borrowing

The Financial Inclusion Taskforce identified a group of people who could be defined as 'marginally banked'. This included people without any form of transactional bank account or those who do not use their bank account regularly to manage their money. Despite the fact that they did not actively use a bank account, it was found that 20% of these households had loans or credit agreements (Financial Inclusion Taskforce by BMRB Social Research 2006). People from marginally banked households are likely to face barriers to accessing cheaper, mainstream credit options either because they do not have a bank account or because of a poor credit rating. For these reasons the main sources of credit accessed by marginally banked households were the social fund, home credit companies and hire purchase, as opposed to mainstream sources of credit which were more likely to be used by banked households (Financial Inclusion Taskforce by BMRB Social Research 2006).

The non mainstream credit industry can be divided into two sections: 'non status' and 'alternative'. The non status market offers similar products to the mainstream but they are targeted at people who are unable to access the mainstream markets because of a poor credit rating. The 'alternative' credit industry exists to offer low income products and services that suit the needs of its customers, and which are not offered by the mainstream industry (HM Treasury 2004). This research will mainly focus on alternative sources of credit as opposed to non-status.

The alternative credit market is growing and includes home credit companies, rental purchase outlets, mail order catalogues, cheque cashing services and pawnbrokers. The home credit market has been a prevailing source of credit for many years and looks set to continue to grow in light of the current economic climate. In 2005 it lent about £1.3 billion to around 2.3 million customers. These loans tend to be small; 70% of them are under £500 and are paid back over a period of a year or less. The lenders tend to operate by visiting people's homes to collect repayments; this provides customers with a very personal, convenient service. However, people are paying a premium for such a service with APRs generally around 100% but often exceeding 300%. When compared to the general population, customers of home credit services were more likely to be female, under 35, to have young families and to live in a low income household (Competition Commission 2006).

Mail order catalogues allow customers to buy goods and pay for them in weekly instalments. Despite the fact that they are often interest free, the prices for goods are likely to be 15 to 20 per cent higher than on the high street (Competition Commission 2004).

People on low incomes who cannot afford to buy household items, such as furniture and white goods, may also turn to rental purchase outlets. These allow customers to pay for goods over an extended period of time; APRs are often around 30% but again goods cost considerably more than on the high street (Blake & de Jong 2008)

People who do not have access to an overdraft facility or credit card may also turn to expensive cheque cashing services or pawnbrokers when short of money (Strelitz 2009). Cheque cashers, who normally charge a flat fee plus a percentage of the overall amount, will also be used by people who do not have a bank account and therefore have no other way of accessing their money. Both these services tend to be located in poorer areas.

The alternative credit industry has been successful because it provides a service that meets the needs of low income households who face financial exclusion. This shows that people want quick access to small cash loans, with affordable weekly repayments and the freedom to take occasional breaks from repayment if required. People seem to want to be prompted to pay and for their lender to understand their financial situation (Blake & de Jong 2008)

When people are unable to access credit or borrow from mainstream or sub prime sources they may turn to illegal lenders or 'loan sharks'. It is impossible to know the full extent of illegal lending in the UK (Wallace, Quilgars, & The University of York 2005). However, in one study it was estimated that in

Glasgow alone there were approximately one hundred illegal lenders with around 50,000 customers, and there was also evidence of the use of aggressive techniques to collect payments (Burrows 1999).

A report looking at the extent of illegal lending in the UK estimated that 165,000 households in the UK have used illegal money lenders. However, this is based on 'claimed' level of use and is likely to underestimate the true picture. The research found that users tended to lead chaotic lives; three in ten had drug, alcohol or mental health problems. The report also found that people who used illegal lenders tended to be women aged between 30 and 40 years old with children. The report found that most relationships between illegal lenders and their customers were based on fear and intimidation (Ellison, Collard, & Forster 2006).

3.2.1.4 Access to insurance

Only half of people in the lowest income decimal possess contents insurance compared to 78% of the country as a whole (Office for National Statistics 2005). Poverty often results in people not purchasing their own insurance policies. It is not seen as a priority when people are struggling to pay for basics such as housing, heat and food. In addition to not being able to afford insurance many people also felt they did not need it, or were confused about what policy was suitable for them (Perri, Craig, & Green 2005). Other literature has suggested people do not feel they own anything of sufficient value to warrant paying for insurance or it is unnecessary as the house is rarely unoccupied and therefore felt not to be at risk (Wallace, Quilgars, & The University of York 2005).

Additionally, Strelitz found that people on low incomes are likely to have to pay more for their insurance premiums as they tend to live in areas with higher recorded crime rates. Similarly, insurance companies frequently require people to insure their individual items for more than they are worth (for example, being quoted at the price of a new item while it may actually have been purchased second hand) (Strelitz 2009). Another study found that a quarter of people with mental health problems had been refused insurance (Office of the Deputy Prime Minister 2004).

UNLOCK and Mark Oaten found that when someone posed as an ex-offender with a conviction for assault, five out of the six leading insurance providers refused to provide cover because of their criminal conviction (Eric Allison 2004). Most major insurance firms place a blanket ban on anyone with unspent convictions; this can even affect those they live with. Sometimes insurance companies collect premiums but then refuse to honour a claim when it is made. Insurance is important for ex-offenders, who will need it to secure housing, to allow them to drive (which is vital for many jobs) and to protect their financial situation (Bath 2008).

Little progress has been made in the area of promoting insurance to lower income households; the Joseph Rowntree Foundation found that the number of poorest households without home insurance was the same as ten years ago – just fifty percent in total (Joseph Rowntree Foundation 2008).

3.2.2 Costs to the individual of being financially excluded

The costs of financial exclusion to the individual are varied and far reaching. People who are classified as financially excluded are often further penalised for not being able to access relevant services. For example, energy bills can be £85 per annum higher when an individual pays by cash or cheque and not by Direct Debit (Fuel Poverty Advisory Group 2007). Those who use a pre-pay meter for gas and electricity will pay £145 more than those paying by Direct Debit (Fuel Poverty Advisory Group 2007).

People who cannot access mainstream sources of credit are forced to use more expensive options (Financial Services Authority 2006a) and face potential exploitation by loan sharks and doorstop lenders. Save the Children estimated a £1000 per annum "poverty premium" affecting poor families who pay more for goods and services (Strelitz 2009). This included paying more for utility bills, insurance, credit, borrowing and quick access to money such as cheque cashing services. Low income households are less likely to have a landline or contract phone (Strelitz 2009), therefore their use of more expensive pre-pay mobile phones is higher (Klein et al. 2004b). People often opt for these services because it helps them to control their spending, but there is also a low level of awareness about other services that can help consumers control this (e.g. by limiting the amount of time they can spend on any one call) (Klein et al. 2004a). The unstable nature of people's accommodation means that they cannot set up a landline telephone account which might provide cheaper calls.

Financial exclusion can also contribute to wider social exclusion (House of Commons 2004). For example, most employers require workers to have a bank account for wage payment. This means that people who do not have a suitable account either cannot work legally or risk exploitation in the informal labour market (House of Commons 2006b).

Under half of low income households own home contents insurance compared to over 80% of those on an average income (Association of British Insurers 2007). Households without home contents insurance are more than three times as likely to get burgled than those with insurance (Joseph Rowntree Foundation 2008). In addition, it is difficult for people to save money as a substitute for insurance or as a financial safety net more generally. This will put them at greater risk of financial crisis if their personal situation changes.

Various security problems arise when people do not store their money in a bank account but instead carry it with them, making them vulnerable to loss or theft, often accompanied by violence and aggression (House of Commons 2006b). People who are homeless might be even more at risk due to the likelihood that they will operate in cash, making them vulnerable to mugging and theft. A study of Big Issue vendors found that all those interviewed in the study had been mugged at least once (Wallace, Quilgars, & The University of York 2005).

3.2.3 Ability to manage finances

In 2006 the FSA attempted to establish the general financial capability of UK citizens, in other words how well equipped people were to manage their money over both the short and long term. The research involved surveying 5,300 adults across the UK and the findings were mixed. They found that the majority of people consistently managed to 'make ends meet', however, some bridged shortfalls by using various forms of credit (Financial Services Authority 2006a). The research looked at the problem of 'over-indebtedness'. There is no generally accepted definition of this term but it is usually thought to refer to those who are struggling to make payments and as a result are suffering some level of financial hardship (BERR 2007). The FSA's study found that the problem of over-indebtedness was not too significant when looked at as a percentage of the population over all. It was found, however, that within the total population of the UK, 500,000 people had fallen behind with many bills and payments, an additional one million had fallen behind with some, and a further two million households found it difficult to keep up with commitments (Financial Services Authority 2006a). The definitions for 'some' and 'many' were not given in this report.

The FSA also found that four million people said they always run out of money at the end of the week or month, even though many of these people earned average or above average wages (Financial Services Authority 2006a). The research looked at differences in over-indebtedness between various groups. For example, people under 40 years old were less able to make ends meet even when they earned the same amount of money as the older group. The research also looked at people's ability to keep track of their finances and found that people on lower incomes were more aware of their financial situation at any one time. Therefore, lone parents, unemployed people and people without current accounts all performed better than average in terms of keeping track of their finances. This is because they do not have much disposable income and need to monitor spending closely to ensure they do not get into financial difficulties. There is also a physical reminder for many because they operate in cash.

When people do not have the financial safety net provided by disposable income and savings they are more vulnerable to financial shocks such as unemployment, unexpected costs (such as the washing machine breaking) and relationship change.

When people struggle to manage their money they can easily slide into debt. This often occurs because they borrow money to tide them over a gap in their benefits or a period of unemployment, for example (Wallace, Quilgars, & The University of York 2005). This is particularly true for adults with multiple needs because they are unlikely to have the security provided by savings.

Debt problems tend to be triggered by a combination of events, for example loss of employment, illness or relationship breakdown (Legal Services Research Centre & Leg 2007). One report found there to be three main causes of debt: changing circumstances, poor money management and creditor behaviour (Legal Services Research Centre & Leg 2007). Debt may include borrowing from an illegal lender or from accruing debt to drug dealers. In these areas, failure to meet repayments may result in serious repercussions, including violence, for the borrower, meaning people are more likely to prioritise this type of debt before other more traditional 'priority' debts (for example, rent and utilities). Because of the possible negative consequences, people may also be less willing to disclose these debts to financial or debt advisors, even though they are often the most pressing issue.

There are currently no guidelines regarding the suspension of interest charges on loans when someone is in prison (Citizens Advice Bureau 2007). For this reason the debt situation of over a third of prisoners worsens while they are serving a custodial sentence (HM Government 2005).

3.2.4 Mental health and finances

There is a recognised reciprocal relationship between mental health problems and debt (Employers' Forum on Disability 2007). There is evidence to suggest that mental health problems can lead to debt but also that debt issues can exacerbate mental health problems (Plumpton & Bostock 2003). This link was highlighted in research conducted by the charity Mind; 85% of people said their mental health problems had made their debt and financial problems worse while 91% of respondents said that their financial problems had exacerbated their mental health problems (Mind 2008).

People with mental health problems are three times as likely to be in debt and twice as likely to have problems managing money as the general population (Social Exclusion Unit 2004). The Mind report found that over 50% of respondents were in problem debt, defined as being behind with two or more consecutive payments with at least one bill (Mind 2006). The reasons people cited for being in debt were living on a low income, mental health problems and difficulties in managing money (Mind 2008). People often ran out of money and had to borrow to pay for everyday items (Mind 2008). Many people spoke about having to miss out on certain things because of a lack of money, for example 56% of respondents had gone without food. Socialising was the main area that people cut back on when in financial difficulties; this could lead to people feeling increasingly isolated and lonely.

Debt and money worries can lead to depression and other common mental health problems. Payne found that the likelihood of depression is greater for people who have been in debt with one or more utilities and services in the last year (Payne 2008). A report from the Citizens Advice recommended that healthcare professionals understand the importance of addressing debt issues when helping people with their mental health problems. People who have debt problems that could be affecting their mental health should be referred to a debt advice service (Citizens Advice Bureau 2004).

3.2.5 Offending and finances

There is a strong link between poverty and offending. Research found that 72% of prisoners were in receipt of benefits prior to imprisonment (Home Office 2001b). Financial crisis can lead an individual to turn to crime and, equally, time in prison and a criminal record can lead to further financial exclusion.

A report from the Social Exclusion Unit 'Reducing re-offending by ex-prisoners' states that even when people are released from prison their financial situation often does not improve. On release 81% of ex-prisoners claim benefits. Prisoners can claim for certain benefits up to three months prior to release (for example, Housing Benefit and Income Support). However, the report showed that many prison staff were not aware of this and when prisoners tried to apply they were discouraged or faced barriers which prevented them from applying (for example, some claims require an address on release (Social Exclusion Unit 2002)). This can result in a significant gap between being released and benefit payments starting. The target benefit claim processing time is 11 to 18 days (Citizens Advice Bureau 2007), however this can be much longer for discharged prisoners and those released at short notice.

The target group's pattern of offending often leads to numerous short term stays in prison. This can make the management of finances, accessing benefits and using financial services even more problematic.

Prisoners are given a discharge grant upon release which is supposed to cover their costs in their first week out of prison. However, this payment has remained fixed at £46.75 since 1997 and is obviously insufficient to cover a week's expenses (Citizens Advice Bureau 2007). Worsening debt and problems with claiming benefits can lead ex-prisoners to re-offend on release. One study found that re-offending rates were lower among probationers who had received debt advice (Samuel 2001).

Short term prisoners will experience many of the same financial problems that the rest of the prison population experiences on release. For example, they will have to restart their benefits and may not have been able to deal with their finances successfully whilst in prison. However, as short term prisoners they will face additional problems. They may not receive a discharge grant on release as one condition for this is that you must have served a sentence of longer than 15 days (Nacro 2003). Also short term prisoners may not be in prison long enough to attend financial capability courses or to receive help from money advice agencies that may be working in the prison. They will also not have the support of a probation officer on release if their sentence was under 12 months.

In addition to difficulties accessing financial services, offenders may also have low levels of financial capability (Home Office 2007). Jones published a report in 2006 assessing the impact of a financial capability project delivered by North Liverpool Citizens Advice Bureau to inmates at HMP Liverpool. The report found that prisoners generally had low levels of basic skills and financial literacy. Although some prisoners did have knowledge of money management, this knowledge was limited and often incorrect. (Jones 2006).

3.2.6 Financial advice and help for people to manage their money

Debt is closely linked with poverty but people on lower incomes are less likely to seek financial advice. Those on lower incomes potentially stand to gain more from good quality independent debt advice but while 87% of the population have an annual income of £30,000 or less, they only made up half of those people who sought financial and debt advice (HM Treasury 2007a). A survey by the Money Advice Trust found that three out of five people experiencing financial difficulty did not seek relevant advice (Money Advice Trust, 2008).

People are unlikely to seek debt advice until they are in a crisis situation (Citizens Advice Bureau 2003). Adults with multiple needs might not prioritise speaking to someone about their financial situation if they are concentrating their efforts on trying to secure housing for example. However, as previously discussed, financial difficulties are often inextricably linked to an individual's wider needs.

Mind's research found that two thirds of people surveyed had sought advice for their money problems in the previous twelve months (Mind 2008). The majority of respondents went to free advice services like Citizens Advice Bureau. Adults with multiple needs are likely to lead more chaotic lives and may have difficulty accessing these free advice services. The main reason people gave for not seeking advice was feeling embarrassed about the situation they were in (Mind 2008).

Research has shown that financial advice is best delivered through community based organisations as people are generally mistrustful of mainstream financial services (Collard, Kempson, & Dominy 2003). According to the research that Mind conducted, few people tended to talk to mental health professionals about their financial problems; over 60% had used mental health services in the last month, but of those interviewed only 23% had spoken to them about their financial situation. Health professionals may also avoid getting involved because it is such a complicated area, which is perceived to be beyond their area of expertise and/or remit (Mind 2008).

3.3 Summary of implications for adults with multiple needs

Financial inclusion policy has been a massive growth area in the last ten years. There has been considerable progress made on many aspects of it, such as the number of individuals with a bank account. However the policy has tended to target the 'low hanging fruit'; those whose financial exclusion is easiest to tackle. More work is needed to target those that are harder to reach, including adults with multiple needs. The literature review has demonstrated the barriers individuals can experience when accessing mainstream financial services and the 'poverty premium' which can result from financial exclusion. Mental health problems and offending behaviour have been shown to make negotiating highly complex financial systems even more challenging. The importance of good quality, independent advice has been emphasised throughout, but what the research also highlights are the challenges faced by adults with multiple needs to access this advice.

Lisa has a history of drug use. She spoke about the time when all her life consisted of was committing crime to fund her habit.

“It’s rubbish, and then you’ve just got to find money elsewhere. Then you do more crime. It’s a vicious cycle”.

She was arrested a number of times for shoplifting and has served a number of short prison sentences.

When she became pregnant she used a “shark” to help pay her rent.

These experiences made her depression worse.

Lisa is currently unable to work because of health problems related to her drug taking.

She has a basic bank account but she doesn’t use it. She gives her money to her mum who then takes her shopping. She does this so she can’t spend her money on drugs.

Lisa needs a new bed and is considering using a home credit company. She knows this is more expensive but she feels it is her only option.

Lisa is not looking to work at the moment.

She desperately wants to be able to live with and support her son.

Lisa

Age | 32
Accommodation | Semi-independent accommodation
Employment | Unemployed
Benefits | Incapacity Benefit, Income Support and Housing Benefit and she is currently paying off a crisis loan
Dependents | Has a son who is living with her mum
Additional needs | Depression and drug use

FOUR

Research findings

The interviews with service users and practitioners provided a rich source of evidence with which to assess the financial situation of adults with multiple needs – both in terms of access to financial services (mainstream, non-mainstream and illegal) and the methods that this group use to manage their finances.

The research findings follow the format of that provided within the literature and policy review in order that comparisons can be made. Case studies are provided to illustrate the personal impact of financial exclusion on adults with multiple needs.

4.1 Defined by poverty

There are a number of measures of poverty but one that is widely recognised, and used as a government indicator, is the measure of relative poverty. This refers to the number of individuals whose household income is below 60 percent of that of the median individual (the person in the middle of the overall income distribution). In the UK in 2006/07 there were 13.2 million individuals living in relative poverty (from a total population of just under 61 million). From 1997 to 2004 relative poverty declined. However, since 2005 and in the two subsequent years, relative poverty has increased by 0.6% after housing costs are taken into account (Brewer et al. 2008).

Measures such as relative poverty can provide a useful picture of the overall financial health of a country. However, the numbers sometimes fail to represent the reality of what it means to be living in poverty in the UK. A study from the Joseph Rowntree Foundation described poverty in terms of what people could not afford. In this survey 9.5 million people in the UK could not afford adequate housing conditions, ie they could not adequately heat their house, keep it free from damp or in a good state of repair. About 8 million people in the UK could not afford one or more 'essential' items ('essential' as perceived by the majority of the population). These items included fridge, telephone and carpets for the living area.

In general, means tested benefits will only cover basic utility purchases and low cost food. They are not sufficient to cover items that society expects people to have such as clothes, shoes, children's school trips and replacing household goods. These unmet needs are not one off emergencies but are "more persistent and regular". Research has shown that managing on benefits can feel like you are 'living' but not 'having a life'. Literature has shown the many ways that people 'get by' such as cutting back on what they spend on food and clothes and restricting consumption of gas and electricity. People also prioritise their spending, for example not paying a bill one month so they can afford to buy school uniforms for their children. Many people also cut back on participating in social activities due to lack of income (Legge et al. 2006).

Poverty emerged as a key theme from our research. The majority of our interviewees were living in poverty, unable to afford the basics deemed necessary for living. Poverty undermined their ability to access financial services and manage their money successfully.

The interviewees demonstrated a high level of awareness of their situation and many people 'felt' poor. This was particularly acute for people who had been relatively well off and whose circumstances had changed. One woman said that always struggling to afford food and tobacco "makes you realise oh my God I'm really living really poor". In many of the interviews people said poverty affected their mood; they felt depressed when they had no money. This emotional aspect of poverty then had an impact on people's ability to manage their finances. Many felt that their situation was hopeless and therefore struggled to generate the motivation to try and make their money last. Many people also felt they did not have enough money to make budgeting relevant to their lives, which were all about day to day survival.

Many of the interviews were dominated by people explaining what they missed out on because they were unable to afford it. Some people did not have enough money to be able to eat, often running out of food before they got paid again. A number of practitioners said that when people had bills to be paid food tended to be the thing that they cut back on and new clothes were completely forgotten. For others it was that their "quality of life had gone down" because they had to make difficult choices and sacrifices. Quite a few people said they could not afford to look after themselves properly, for example by buying good quality food. Others missed out on socialising with friends which could lead to feelings of isolation and being excluded from 'normal' society.

This view of poverty was described by many in terms of a lack of choice. People had no choice about how to spend their money because once they had bought essential items such as food and accommodation there was simply no money left for anything else. People also spoke about a lack of choice in terms of what they could buy. In the Milton Keynes service user focus groups this idea of choice arose often. One man spoke about how he felt demoralised knowing he would always have to buy the basic or value range at the supermarket. While others argued that the basic range was good value and quality, for him the important thing was he had no choice and had to buy the cheapest products.

Many people's relationship with money was closely associated with feelings of shame and embarrassment. For some this was because they felt they were unable to fulfil their role as parent or partner. This was particularly apparent in interviews with men who felt ashamed that they were not able to fill their perceived role as a provider, as demonstrated by this quote:

"It looks embarrassing. She [girlfriend] understands you know. She like assures me she ain't come to go out with me for money ... Back home it's the man that goes and do the work, while the woman who stay and look after the house. Times have changed from that, but it's how you're being brought up to be the one that brings the money in. It looks bad man."

Dean, 26 (service user)

Other people were embarrassed about the visible signs of their poverty, for instance wearing old clothes or filling their shopping basket with 'value' products. Here one participant explains his shame at having to buy old clothes:

"In the winter sometimes you know I will be really poorly clothed for the climate or I'll be wearing a jacket that's a couple of years old and I'll just feel like a mug. I don't even want to walk through the town centre and see anyone that I used to know when I felt more normal because it's embarrassing. It just makes you want to shut yourself away really."

Simon, 26 (service user)

Being poor also meant that people ended up paying more for basics like accommodation. One practitioner explained how a number of their clients would pay around £20 to stay on someone's sofa for a night. Their desperation for a safe night's sleep off the streets meant they spent half their weekly money in one night.

4.2 Access to financial services

The first aim of the research was to look at the ability of adults with multiple needs to access mainstream financial services. Mainstream financial services are those offered by providers such as banks and buildings societies (Financial Inclusion Taskforce by BMRB Social Research 2006). People experienced difficulties in accessing financial services for a number of reasons which are explored in this section. When people were unable to access mainstream services they turned to alternative sources – either legal non-mainstream or illegal avenues of help, the associated issues of which are also explored in this section.

We begin by looking at the type of account people used and the reasons behind this decision (section 4.2.1). The next section looks at banking more generally, in particular the difficulties many people faced when trying to open an account (section 4.2.1.1). We then focus on the Post Office Card Account and the perceived problems and benefits associated with this account type (section 4.2.1.2). We also discuss respondents' levels of savings and their use of mainstream or alternative methods of saving (section 4.2.2).

The section then moves on to the subject of credit and borrowing (section 4.2.3), beginning with mainstream sources such as bank loans, credit cards and mortgages (section 4.2.3.1). The focus then turns to the many and varied non mainstream or alternative sources of credit that people may access when they cannot, or do not want to, access mainstream services (section 4.2.3.2).

Other sources of money considered are the social fund (section 4.2.4) and private borrowing (section 4.2.5). The following section focuses on insurance, another mainstream financial service that many people face difficulties accessing (section 4.2.6). Finally, although benefits are not a mainstream financial service, we have included them within this section because many of the problems around accessing benefits are similar to those posed by financial institutions more generally (section 4.2.7). For the majority of people this was also their main source of income, so problems with benefits had a huge impact on people's financial situation.

4.2.1 Access to banks and post office card accounts

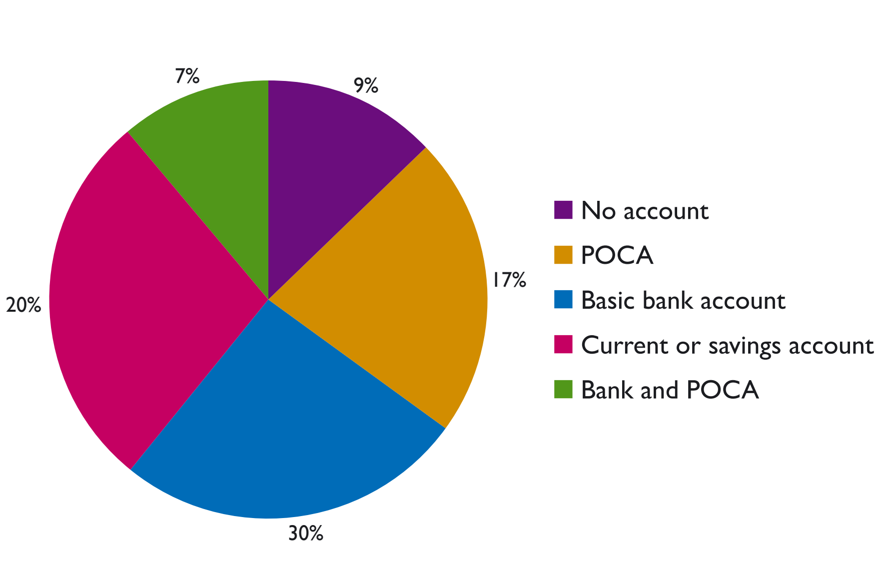
As explained in section three, by 2005 the Government intended that benefits payments and state pensions would be delivered to people via a direct payments system (House of Commons 2008). This would usually be either through a basic bank account or a Post Office Card Account.

Figure 3, below, shows the breakdown of account type used by the members of our sample. There were six people who had no account of any type; these people either received their benefits by GIRO or were not receiving any form of income at all. Some of the reasons for this will be discussed later in this section. More than half of the people interviewed had a bank account; out of the sample of 46 people, 12 had a basic bank account and 13 had another type of account. It was difficult to gauge exactly what type of account people used because they were often unsure themselves. None of the participants had a prepaid bank card[4]. Five of the interviewees had both a bank account and a Post Office Card Account (POCA); some of them used both and would transfer their money between them.

"It's like you can't go overdrawn basically, what goes in your (Post Office Card) account is what you can spend. You can only take what's in there out. You can't use it in a shop or nothing, just use it to get your money which is quite good."

David, 21 (service user)

Figure 3: Type of bank account (n=46)



4. Prepaid cards allow customers to 'preload' money onto the card before making purchases. They are available to people with poor credit ratings. They ensure the customer cannot get into debt but do charge a monthly fee.

In total eight people had previously had a bank account but no longer used it. These people had either moved to a POCA or had no account. There were various reasons for this, sometimes it was because of the bank's actions, for example, accounts closed due to debt, while some people had lost their bank cards or details after periods in prison or without accommodation. Other respondents stopped using their account because of bad experiences with banking such as incurring bank charges and getting into debt.

Two interviewees had switched from a current account to a basic bank account; the quote below demonstrates one man's reason for this:

"I just had a debit card. I found a few times I just got overdrawn with that and it costs a fortune. So I gave that back so I've just got a hole in the wall card. That's all I need until I'm working again. I'm just going to stay and keep it simple."
Kevin, 42 (service user)

Another interviewee had had two or three bank accounts but following periods of debt he now has a POCA.

The next section looks in more detail at the different types of account people used.

4.2.1.1 Banking

This section will focus on access to mainstream banking and the barriers some people faced when attempting to open a bank account. It will also look at the interviewees' experiences of using banks and the implications for them of not having a bank account.

In total 30 people had some kind of account although the type varied (see Figure 1, page 14, for a breakdown). Use of the accounts also varied; some people did not actively use their bank account, some people planned to use it again in the future (for instance when they had found employment), and others no longer used the account because they had got into financial difficulties with it.

Despite the Government introducing basic bank accounts in 2003 to promote use of banks amongst socially and financially excluded people, many of the interviewees had still faced barriers to opening such an account, the main one being the lack of appropriate identification. Adults with multiple needs are likely to have experienced periods of homelessness and imprisonment where forms of identification may be lost, sold or stolen. There are a large number of accepted forms of identification other than the standard passport and driving licence; for example, a benefits letter or a letter from a hostel manager confirming residence can be used (SAFE at Toynbee Hall 2008). However, bank staff rarely told the interviewees about these other acceptable forms of ID. Service users often had more success with accessing bank services when accompanied by a support worker, even when they took the same forms of identification.

In the practitioner interviews, the problems associated with opening bank accounts for their clients was highlighted as a major theme. Even when workers went with their client or wrote a letter of recommendation, they often still did not manage to open an account. Practitioners said it was important to build up a good relationship with the local bank branch in order to have more success when opening bank accounts on behalf of clients. However, if the branch manager leaves, practitioners often have to begin building the relationship again. This makes it important that high level policy is changed within banks so practitioners are not reliant on the understanding of an individual branch manager and a more consistent approach is applied. Adults with multiple needs may also face problems if they move and cannot use the bank branch that their key worker has made links with.

"I didn't have any photo ID and because I was homeless. I slept rough on and off for seven years. I lost everything, I lost every kind of identification I had."
David, 21 (service user)

Some of the interviewees found going to a bank an intimidating experience and felt that bank staff looked down on the way they dressed or acted:

"[When] I dressed smart I wore a suit and they treated me totally differently."
Sue, 29 (service user)

Other interviewees had received a good service from their bank, however, and were satisfied with the bank account they had. Generally those who had a basic bank account were content with the facilities it offered. People liked the fact they could only spend the money they actually had, as this participant explained:

"Yeah, I mean it's helpful for me, it means that I can keep control of my money and it helps me to save."
Rodney, 46 (service user)

Basic bank accounts normally offer the facility of setting up direct debits, however, some people said they were unable to do this. Respondents believed this was because of their poor credit rating. Although we have no other evidence to confirm this, it is true that some basic bank accounts may be closed if a direct debit is refused three times (Moneymadeclear Guide 2008)

Many practitioners spoke about the difficulties that arose when people did not have a bank account, for example it can be a major barrier to work, as this practitioner notes:

"We have actually had people who have left jobs because they couldn't get bank accounts."
Martin (practitioner)

When people did not have a bank account they often used an expensive cheque cashing service instead. However, some practitioners felt that many people did not want a bank account because they were not in work. Some people did not want to open a bank account because they feared their creditors would catch up with them if they did – the consequences of this eventuality being far worse than those of having no bank account.

Bank charges

Bank charges were a big problem for many of the interviewees. Many people had received charges for going into their overdraft or for not having enough money to pay a direct debit. These charges further exacerbated their situation because they then needed to find additional money to pay them. This is illustrated by the quote below:

"I was paying the charges, then I was being charged for being overdrawn then my money used to go in then I used to be overdrawn again because I used to take that amount of money out. It was like a vicious cycle."
Warren, 19 (service user)

Those who did not have an overdraft facility and were not able to incur bank charges seemed generally happy with the arrangement. People liked to feel in control of their money and took comfort in knowing they could only spend what they had. A number of people had gone into their overdraft and got charged even when they thought they had an account where this was not possible.

As mentioned in section three, people should be able to claim back bank charges but whilst a few people were aware of this no one appeared to have put in a claim. This opportunity to claim back charges is currently on hold, however, which will probably mean that those who could most benefit from it will not be able to claim what they are entitled to. One man explained how he was constantly "playing catch up" with the bank charges placed on him every month. He would receive his benefits but because of additional bank charges he would go into his overdraft and get charged again. One week he received £70 in charges so contacted his bank and said that would leave him "with £20 to live on for 2 weeks"; the bank were understanding and refunded his charges. However, many of the adults with multiple needs may not have the confidence to contact a bank directly and make such a complaint.

4.2.1.2 Post Office Card Account (POCA)

Fifteen of those interviewed had a POCA; this includes the people who had a bank account in addition to their POCA. Many people were satisfied with the facilities the POCA offered, particularly the fact they could only spend the money they actually had. It made people feel they could "keep control" of their money more easily. Some people highlighted the limitations of the card account, particularly around accessing their money. Card holders can only withdraw money by going to a Post Office branch during its limited opening hours. Some people had difficulty travelling to their nearest branch, others talked about the issue of having to wait in a long queue. These problems led people to withdraw all of their benefits for the week or fortnight at once and then not use their account again until their next payment date. When people withdrew all their money like this it posed additional challenges in terms of successful budgeting. This is demonstrated by the quote below:

"... you have to queue up and it takes so long and you have to make all the effort of going down to Post Office, you tend to take all of the money out at the same time."
Peter, 36 (service user)

The POCA does not have a cash card and some people wanted to be able to withdraw their money from a cash machine or bank. However, other people liked not having anything to do with banks and felt more comfortable dealing with the Post Office as opposed to other financial institutions.

Practitioners had mixed opinions on the POCA. Some explained its limitations while others thought it was an appropriate product for their clients, especially as most did not need facilities such as direct debits. The POCA does not allow you to pay in cheques, which caused problems when practitioners had fundraised for money on behalf of a client, but had no method of paying the money raised into their account. Practitioners said it was a problem that people could only access their money in a Post Office, particularly for people with mental health problems who may feel anxious waiting in long queues. Practitioners were concerned that people may feel unable to wait and leave without collecting their money. The problems of accessibility have been further exacerbated by the closure of many small Post Offices. Practitioners did agree, however, that the POCA helped people feel safe about their money.

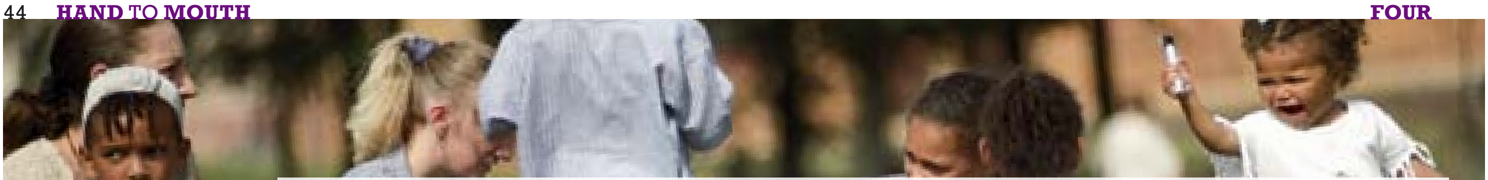
4.2.2 Savings

This section looks at the extent of respondents' existing savings and their attitudes towards saving more generally. This includes both formal and informal saving and the use of mainstream and alternative saving options.

Around two thirds (30 people) of those interviewed had no savings, which they believed made them vulnerable to financial problems because they lacked the safety net that savings can provide.

Many people felt they did not receive enough money to make saving an option; once all the essential items had been paid for there was no money left. Many people agreed it was not possible to save when on benefits. There were also often things that were a higher priority than saving, such as paying off debts.

Practitioners explained the difficulty of encouraging saving among low income groups. When people can only save very small amounts it takes a long time before anything of value can be purchased. This means there is little incentive to put money away, particularly when there are so many other more immediate and pressing demands on their money. Practitioners found it difficult to get service users to think long term and see the future benefits that could come from saving. One service user described living such a "hand to mouth" existence that the idea of saving for the future was a foreign concept.



For the other third (16 people) who did have savings, the amount and form this took varied widely. Some people had a traditional savings account and saved a specific amount every week or month, while others had a more informal arrangement. One man saved the change he received from selling the Big Issue; in this way he had successfully accrued £4,000 in his bank account.

Saving appeared to be influenced by age, it being more of a priority to the older people we interviewed, who were more successful at putting money aside than the younger interviewees.

People often tended to save for a specific event or person; this appeared to provide the necessary motivation to put some money aside. Dependents were an important reason why many people saved, with one person putting money into the Child Trust Fund and another into a child bond. One respondent put money aside around Christmas or her son's birthday so she could afford to buy him gifts. Many others aspired to save so they would be able to support their child in the future. Saving was something people felt they would be able to do when they began work. In this quote a participant explained how he hoped that in the future he would have saved some money so that when his son said he wanted to be able to go on holiday he could give him the money. For this participant it was important that in the future he could fulfil his role as a father and provide for his son's financial needs:

"Or dad I wanna go on holiday and I need to pay for it I could say yeah I pay for your travel."
Dean, 26 (service user)

Another popular reason for saving was to visit family; one participant sent any money she saved to her family so that she could afford to visit. Caron's case study provides an example of this motive saving.

Some people said they regretted not saving in the past when they had been in a better financial situation. Others whose financial situation had not changed dramatically still calculated the benefits that would have come from putting some money aside.

Some participants used alternative saving schemes, as demonstrated in Caron's case study. However, often the money invested in such schemes is unprotected so that if anything goes wrong people can lose all the money they have saved.

CARON WANTS TO GO TO JAMAICA TO VISIT HER FAMILY.
To fund her trip Caron is saving into a Jamaican 'partner' saving scheme. Every week she puts £20 into the scheme; by the end of the scheme she will have saved £1,350 and will get £20 'extra' on her investment.

Caron is worried because she is due to have her benefits reduced, meaning she will be unable to continue paying into the scheme. Her money is not protected and even a single instance of non-payment means that she will not be able to get back any of the money she has paid in.

Caron chose this saving scheme because she cannot access the money once it has been invested. This is particularly helpful to her because she has a drug problem and finds it very difficult to save. She explains her reasons for using the scheme in the quote opposite.

"Because if I save in the bank I'm not a good saver and if I did open a bank account and I put the money in the bank I'd go and take it out but with this lady I can't just go and take it."

Caron
Age 44 (service user, Islington)

4.2.3 Credit and borrowing

This section of the report examines access to credit and borrowing from mainstream sources. It also looks at the use of alternative forms of credit and the reasons behind people's choices. In addition to issues around access, this section focuses on people's attitudes towards credit.

"I had a stack of catalogues. I think I managed that alright. It's one way of getting things for your place, if you can't afford, if you're on benefits ... And then I got rid of them all because I wasn't managing so well (laughs) I made a little bonfire."
Tracey, 40 (service user)

In terms of people's attitudes there appeared to be four distinct groups comprising people who:

1. Avoid all forms of credit;
2. Reluctantly use a type of credit because they feel it is their only option;
3. Take credit without fully understanding the terms;
4. Are satisfied with the credit they use.

Firstly, a large number of participants deliberately avoided all forms of credit. The reasons people gave for this varied widely. Some people had taken credit in the past and had got into financial difficulties as a result. Many people had a high level of self awareness about how they would deal with available credit such as a credit card and as this quote shows, some actively excluded themselves from the temptation and potential risk:

"I'd be too tempted to spend, spend, spend on it. If you've got a credit card I would probably go mad and buy the most expensive things."
Steve, 59 (service user)

Many people's perceptions of credit were based on their friends' and families' experiences. When people had seen someone get into trouble with their credit arrangement it often deterred others from doing something similar. This was also the case for people living in a hostel or supported housing who had seen their peers get into debt.

The second group of people reluctantly used credit because they felt it was the only option available to them at the time. These people fully understood the service they were using or the credit agreement they were signing and were aware of the terms that applied, for example a high APR. However, at the time they desperately needed the money or product and were willing to pay a premium for it.

The third identified group had taken credit without fully understanding the terms of the agreement. It was not until later that they fully understood what they had signed up to and often realised they could not afford to repay the required amount. This is demonstrated by the quote below, where a man describes how he took a loan without understanding exactly what he would have to pay back:

"I didn't even think about APR I didn't know nothing about it or anything. They threw money at me and I took it and it was only afterwards I realized what APR and all that was about and then it was basically they're giving £500 and they want £1,000 back more or less."
Alan, 32 (service user)

The fourth group of people were satisfied with the credit services they used and believed them it to be appropriate and helpful to them in their current situation. These were often alternative sources of credit, which helped people afford goods that would otherwise be too expensive, or helped them with their budgeting. Although these forms of credit are less conventional it is important to consider the reasons why people may prefer some aspects

"If you want to go out ... or if you need money for electric you got to go to people. It's quite demoralising. I'm 32 this year I should be able to do it myself."
Alan, 32 (service user)

of these services. It is also imperative that people have access to information about the different credit options available so they can make informed choices about the best option for them.

Some people said they were surprised at how easy it was to access credit and borrow money. People were offered loans and credit cards even if they were already in financial difficulties. One respondent explained how his bank had given him a credit card and a loan even though there had been no money in his account for two years. Some interviewees spoke of the way that banks "throw money" at them. Other respondents, who had a poor credit rating, faced the opposite problem and struggled to secure credit from a mainstream financial service. This led them to turn to alternative sources.

4.2.3.1 Mainstream options

Many people had experience of accessing credit in the past but no longer used these services. A number of people had had credit cards when they were employed or had a mortgage for example. Of those we interviewed, eleven people had previously had a credit card but no longer had access to it, usually because they had got into financial difficulties with it. Many people said they would not use a credit card again because of the debt and associated problems experienced previously. Some said they would consider it if they were working and felt they could manage to keep up with payments.

At present, only six of the interviewees had a credit card that they were actively using. Half of these rarely used it or had it for emergency use only while the other half had accrued debts of at least £2000 each by using them. Practitioners also commented that many of their clients were able to get a credit card easily, even when banks knew that they were on benefits or had had problems in the past.

Interviewees accessed other mainstream forms of credit in addition to cards, for instance eight people had taken a bank loan. Often people took a bank loan after they were already in debt, in this case a man took a bank loan to cover the debts he had accrued through credit cards and using his full overdraft facility:

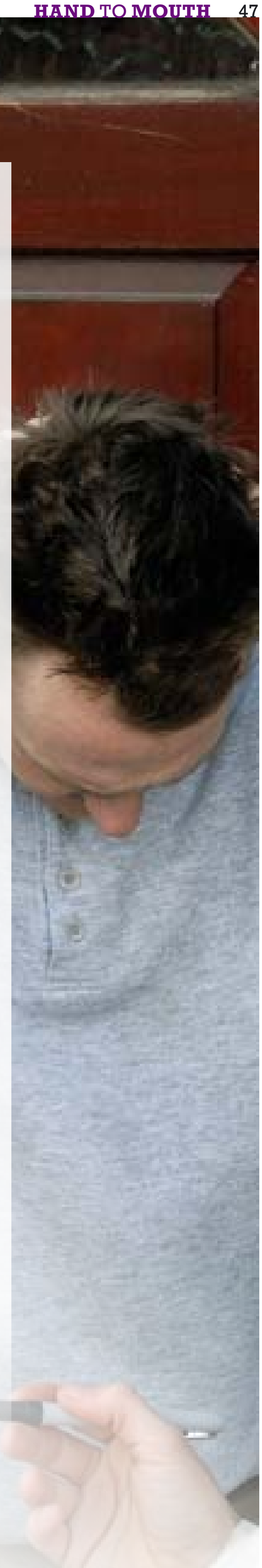
"I amassed debts of four thousand pounds and the problem was it was £70 - £80 a week interest, which was just like throwing it away. So I took out a four year loan with NatWest and so I pay off £120 ... a month over four years so yeah I've got a lot of debt because there's interest on that its £6,000 on £4,000."
Simon, 26 (service user)

Four people had contributed towards a mortgage in the past, but only one person still had one.

Hire purchase and finance agreements

A hire purchase agreement means the customer is technically hiring the item acquired, until they have paid the final instalment. This is different to a more traditional credit sale when the customer is the legal owner of the product as soon as the contract is signed. In hire purchase agreements, the customer buys the product at its cash price and pays it off in instalments. The customer usually has to pay interest but some companies offer interest free credit. Finance agreements are where a shop organises a loan with a finance company for a customer, to cover a specific purchase (Citizens Advice, 2009).

Nine people out of the 46 interviewed had bought something on a finance agreement or hire purchase. Only one respondent currently had a finance agreement, in all other cases these had occurred in the past when people had bought cars, furniture or musical equipment.



Shop accounts

Shop accounts are a sort of credit card and there are commonly two different types. The first is a monthly account where interest is charged at the end of the month if the goods have not been paid for in full. The second type is a budget account where people pay a regular amount in to cover the cost of goods they might need in the future (Citizens Advice, 2009).

Only six people had an account with a shop, and no one appeared to have got into financial difficulties through using one. One woman said she found it hard to make the payments and although she did manage to get the item paid off eventually, she said she would not use a shop account again in the future.

Practitioners had mixed opinions on people's use of mainstream credit, although this tended to vary according to the client group they worked with. Some practitioners thought their clients had "overextended themselves with credit" and, in the absence of "credible advice or information", they had got into serious financial difficulties. These practitioners tended to be working with clients on a higher income, for example for housing advice organisations. However, those practitioners working with more vulnerable groups, such as the homeless, said that their clients' use of credit was for survival, as explained in this quote:

"It's not reasonable to say… they overextend themselves in fact its stupid. All they do is just get by on a day to day basis; they couldn't overextend themselves if they tried."
Kate (practitioner)

They saw people buying food on credit cards just to be able to afford to eat. Even where they did use credit to buy something like a television some practitioners argued this would often be people's only form of entertainment.

4.2.3.2 Non-mainstream options

The respondents had a high use of non-mainstream sources of credit, so for the purposes of this report we have focused on 'alternative' sources. The alternative market exists to serve needs which are not met through mainstream services (HM Treasury 2004). These alternative sources of credit include mail order catalogues, pawnbrokers and rental purchase outlets. There were two main reasons for the high use of alternative credit. Firstly, many people were excluded from mainstream sources because of a bad credit score. Those who could not access mainstream sources had to resort to alternative sources of credit and were then forced to pay the premiums they charge. The alternative credit industry target low income households by locating their operations in deprived areas.

The second reason people used alternative credit was that the services provided were more appealing and seen as being more appropriate to their individual circumstances. For example people on low incomes often use small, cash loans to help manage their day to day spending. As mainstream credit does not offer this type of loan, these customers will turn to alternative lenders (HM Treasury 2004).

Rental purchase outlets

Rental purchase outlets are high street shop versions of mail order catalogues, which allow customers to pay for goods in monthly instalments and over an extended period of time (HM Treasury 2004).

None of the participants had used a rental purchase outlet, however, a number of people said they would use one in the future. This was particularly true for people who were currently staying in supported housing but were planning to move into independent accommodation. One woman spoke about her plans to use BrightHouse[5] to purchase a new bed:

"I'd rather not. I'd rather have the money to get it but that's the only way. I've saved money for my son's birthday and I've saved money to go to Ireland. So I can save but at this moment in time because of saving for them I can't save for the bed as well."

Sue, 29 (service user)

Mail order catalogues

Mail order catalogues allow customers to pay for goods in instalments and are usually interest free. However, the goods are often more expensive than on the high street and there can be hidden costs, such as fees for returning unwanted items (Citizens Advice, 2009).

In total, 13 people had used a mail order catalogue where they could pay for their goods in instalments or where they had a budget account which they paid into on a monthly basis to cover the cost of goods purchased throughout the year. Some people who paid into a catalogue on a regular basis used it as an alternative means of saving money. By paying in a small amount regularly they saved enough to ensure that, if they needed something urgently, the money would be there. One man we interviewed had amassed £700 of credit on his catalogue which he was saving for Christmas. As explained in the quote below the use of catalogues provided a safety net in case of unexpected costs:

"Now I've got a catalogue that I pay in every couple of weeks so if I need anything I know I've got that there, if I need in an emergency and that's it really."

Nick, 42 (service user)

For many people they were a "handy" service that allowed them to pay a manageable amount of money for goods. One woman spoke about using a catalogue to buy clothes for her children. She was glad she had an option that allowed her to pay for items gradually. For her it was much easier to find £5 a week for a pair of trainers than afford a one off payment of £50. Mail order catalogues are not a 'conventional' way of managing daily expenditures, however, for many of the people that used them they provided a means of budgeting and paying for goods that would otherwise be out of reach.

A small number of interviewees had run into difficulties because other people had used their catalogue to buy items but had not then given them the money to pay for the goods. Other people had managed their catalogue successfully for a time before getting behind with payments and incurring hefty charges. One lady was faced with £400 in charges in addition to the money she owed for the products she had purchased.

Pawnbrokers

Pawnbrokers offer loans against the value of an item given to them. The pawnbroker will agree to keep the item for a period of time, but the customer can get it back within this time by paying off the loan, plus interest. The contract can be extended if the customer pays the interest and re-pledges the pawned item (Citizens Advice, 2009).

5. BrightHouse is an example of a high-street rental purchase outlet. It provides household goods to customers who can pay for them through weekly payments. They particularly target and serve customers who may be refused credit elsewhere.

Pawnbrokers were used by nine of the interviewees and they saw them as an important means of getting cash quickly and simply. Some people pawned items such as jewellery for just a short period of time, others pawned them for longer or never managed to get the money together to get their items back.

Some people spoke about pawning stolen items to fund a drug habit, however the rule changes around identification meant that people were less likely to do this for fear of being tracked down by the police. Instead, people sold stolen items wherever they could, targeting vulnerable street users such as sex workers.

One man explained his own method of accessing large amounts of cash quickly. He buys a product on credit, for example a television, and then pawns it to get an instant lump sum of money. He then pays the credit company back for the television over a long period of time. This method costs the individual much more than borrowing from a bank. It is likely the APR on the television will be high and the pawnbroker will also charge interest.

Home credit and licensed money lenders

Home credit companies and licensed money lenders offer small loans, often at high interest rates. Money lenders must have a licence to operate and in this section we are talking about these licensed lenders (Citizens Advice, 2009). We will move on to discuss illegal money lenders ('loan sharks' as they are commonly known) in the section below. Home credit companies and licensed money lenders will normally visit customers in their homes to offer them money and collect the repayments.

Five people had used a home credit company or licensed money lender, although many others had been approached and had considered taking a loan. For these people they provided a convenient service as a source of quickly accessed small loans. The lenders offer the service direct to people in their homes, meaning that people could avoid entering potentially intimidating financial institutions. Many people were familiar with the representative from the home credit company or licensed lender and knew many people who had used their services. Often people had recommended the service to friends or had it suggested to them. As the following quote shows, many people had a fairly close relationship with their money lender:

"They're quite good like they'll come to your door if you haven't got the money they'll come back the next week... I know the bloke that runs it, I'm quite good mates with him."

David, 21 (service user)

Thirteen respondents said they avoided using such services because of the higher interest rates or the fact that the lender knows exactly where you live. As one woman explained, she took a loan from a home credit company and did not understand exactly how much she would be paying. However, she said that even if she had known she probably would have still taken out the loan because at the time she really needed the money:

"I don't think I understood at the time… that I would be paying £50 interest. I don't think I was clear on that. But then saying that if it had have been made clear that I would have been paying back £50 interest I think I would have still taken the voucher out of desperation for Christmas ...You don't worry about the commission until afterwards."

Tracey, 40 (service user)

For some people their loan became a big burden and a constant source of stress as demonstrated in this quote:

"The man that comes at the door, yeah we're trying to pay off him at the moment. That was bad I'll never do that again. It's double the money you have to pay back basically. So you borrow £500 and pay back £1000. It's a lot and he's knocking at that door every week for £20 ... I wasn't there and then she (wife) was upset you know so then that made me feel ... guilty, guilty first for getting the money out and then guilty again because of the hassle."
Joe, 40 (service user)

Participants at the service user focus groups discussed the issues around using home credit companies and licensed money lenders. For instance, when they had nearly paid off a loan to a doorstep lender they would be provided with details about a new loan. One man explained how he had taken a loan for £500 at 97% APR; he was later told if he took an additional loan of £500 they would reduce the APR on both loans to 57%.

Illegal money lenders ('loan sharks')

Illegal money lenders, or 'loan sharks' as they are commonly known, lend money without a credit license. They target the most vulnerable people in society and their relationships with their customers are often based on fear and intimidation (BERR, 2009) (Ellison, Collard, & Forster 2006).

Although women only made up a quarter of the people interviewed, the three people who had used an illegal lender were all women. For two women the reason they used an illegal lender was because of the dependents they were supporting. One woman used a 'shark' when she was pregnant to supplement a grant from the social fund in order to pay her rent. Another borrowed from one to pay for things for her children. One woman spoke about feeling intimidated by her money lender:

"Years ago somebody came round ... I found them quite bullying afterwards so I just paid it as quick as possible. I was paying it properly but they wanted more."
Amy, 31 (service user)

Other sources

Cheque cashing services

Cheque cashing services allow the immediate cashing of a cheque rather than waiting for it to clear in a bank. They normally charge a flat fee and a percentage of the total amount (Strelitz 2009).

Cheque cashing services were frequently used by participants; 18 people had used them at least once. Some people had used their services because they did not have a bank account or only had a POCA, so did not have the ability to pay in a cheque. Other people used it to get their money more quickly. Almost everyone knew they were losing some of their money in fees but decided it was worth it to get their money immediately.

4.2.4 Social Fund

This section focuses on the Discretionary Social Fund, although we refer to it as the social fund (section three provides more information about this fund). The social fund offers money to people on certain benefits through three types of payment: the crisis loan, community care grant and budgeting loan.

The majority of interviewees (30) had received money from the social fund, crisis loans being particularly prevalent. It was not uncommon for people to have accessed money from the social fund on numerous occasions; a 19 year old who we interviewed had received eleven crisis loans for amounts varying from £30 to £100. People did not view a social fund loan as a high priority for repayment, often paying back other debts first:

"I'm one of these people that I don't like to get in debt, I know social fund but I don't really care about that because they can't really do nothing, but I don't like being in debt with people."
Pete, 24 (service user)

Some people had experienced difficulties accessing the fund, for instance many people owed too much money to borrow any more. Others had problems accessing the fund because they did not have suitable ID. There were also more practical problems with applying to the fund. One man we interviewed wanted a loan for a new cooker. However, he had to pay for British Gas to come and 'condemn' his old cooker before he could apply for a loan, and at the time he did not have the money to pay them to visit. One respondent explained how he took a budgeting loan out every year at Christmas and paid it off during the following year.

4.2.5 Private borrowing

Borrowing from friends or family was also a popular option when people were faced with financial hardship. For many people, however, this was seen as a last resort:

"Not unless it's really necessary. Not unless I'm really starving".
Steve, 59 (service user)

Some people spoke about feeling ashamed to borrow from their family because they felt they should be able to cope independently or had previously not paid them back. In the focus group some people admitted stealing from family members in the past and they discussed their embarrassment about resorting to this option. It was also mentioned that lots of people who are the focus of this report may not have friends or family to turn to for money.

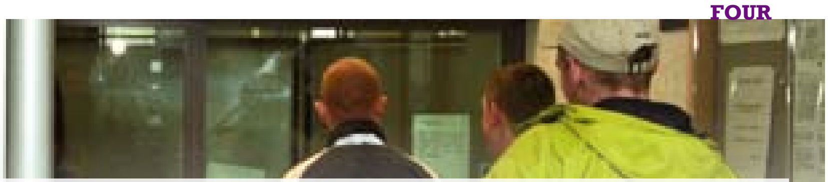
There appeared to be a fair amount of informal lending which took place between residents in hostels or supported housing. Practitioners also described the lending that goes on within hostels and the difficulties that can arise as a result. People often ranked debts to friends and family as a high priority and endeavoured to pay them back as quickly as possible, sometimes to the detriment of paying rent or bills.

When participants discussed how they might deal with an unexpected cost, accessing the social fund or borrowing from friends and family were the most common responses.

4.2.6 Insurance

The vast majority of those we interviewed did not have any insurance; only five people had any kind of active policy. Of these, three had contents insurance, one had car insurance and another had insurance for his mobile phone. Three people had had policies in the past. Most people did not want insurance, not seeing it as a priority when they were struggling to afford basics like accommodation. Some people would have liked to take out a policy but faced barriers relating to their mental health problems or past convictions:

"Household insurance I can't get and it's ridiculous because my offences were against a person not fraud or deception or anything like that so I don't understand why but apparently now its just a blanket thing with all insurance companies and apparently nobody will touch me for up to ten years."
Malcolm, 57 (service user)



PAYMENTS

This respondent and his key worker had phoned round numerous insurance brokers and been unable to secure household insurance. It is possible for many people with convictions to get insurance, however not everyone is aware of the (limited) options. This particular respondent was linked into the service provided by UNLOCK[6] which recommends specialist brokers to people with past convictions.

4.2.7 Benefits

Although the benefits system is not a financial service in the same way that banks and credit companies are, it has been included in this section because people faced similar problems when trying to access benefits as they did accessing mainstream credit. Only three of the service user participants were not receiving benefits and, of these, two were waiting for their benefit claim to be processed and the third had had his benefits stopped because he had missed an appointment. Tax credits are not covered in this section as they were not applicable to any of the participants at time of interview.

Most people found benefits a highly complex system to negotiate. People were particularly confused about their entitlements. In the service user focus groups 'confusing benefits system' came out as one of the most important issues for participants.

Practitioners also felt that the benefits system was very complicated and that, even as professionals, they found it difficult to fill in the forms and follow the relevant procedures. Service users often required a great deal of support around making claims and without this help few would receive their entitlements. Practitioners explained that, because some of their service users had short attention spans, they would complete application forms in "bite sized chunks", which meant it could take over two weeks to fill in a Disability Living Allowance (DLA) form. Only a few of the participants in our focus groups were aware of the help they could get with form filling through Job Centre Plus.

Due to the chaotic nature of many service users' lifestyles, benefits appointments were often missed, with the consequence that the whole procedure would need to restart. Often people on benefits are written to annually and asked to reply in order for their benefits to continue. They are also required to send supporting evidence. However, if people are leading chaotic lives and/or have mental health problems they may not reply in time. Practitioners felt that two weeks to get evidence together and respond was not enough.

> **“Sometimes them forms ... you have to be a blooming rocket scientist to fill 'em in.”**
>
> **Matt, 20 (service user)**

> **“The process of claiming benefits is in itself complex and all the different paperwork that people have to supply. It can be a minefield particularly for clients that we see who have vulnerability for all sorts of reasons, especially mental health.”**
>
> **Rachael (practitioner)**

Some practitioners also felt that it was often hard for service users to attend medical examinations due to difficulties with travel. If people did not attend these appointments their benefits were stopped and it took a long time to get them restarted.

Many of our interviewees had had problems with their benefits payments, such as delays and breaks in payments. It was often difficult to ascertain whether these were due to administrative errors on the part of the Department for Work and Pensions (DWP), or because the service users had not completed the forms or attended meetings. Many practitioners argued that, even when they had done everything possible on behalf of their clients, they still experienced problems with their benefits. One frequent difficulty related to restarting benefits after a break, such as time in prison or hospital. During these gaps in benefits people would have no other source of income and would rely on crisis loans, borrowing from friends and family, or – for some – returning to crime.

Often peopled received the backdated payment of benefits they were owed in one lump sum. This made it difficult for people to budget and would often be spent quickly. Some people said they would rather have received it in staggered

6. UNLOCK - the National Association of Reformed Offenders. www.unlock.org.uk

payments. People also said they would normally spend the money repaying friends who had supported them when they were not receiving any benefits. Practitioners said it was often difficult to get clients to prioritise paying their rent arrears when they also owed money to many different people.

Practitioners all agreed that back dated payments were particularly problematic when there was an addiction involved. Also, backdated payments were often not given automatically but needed chasing, and if people did not have the support of practitioners they might very easily miss out on money they were owed.

When people go into prison or are admitted to hospital it is their responsibility to tell the benefits agency. Practitioners gave many examples of service users who had not realised they needed to do this so continued to receive benefits during their time away. Later they had to pay this money back and sometimes these weekly repayments were set so high that people could not afford them. Service users would not necessarily know how to work with the system to make it work for them.

4.3 Financial management

This section focuses on the financial management skills of the respondents. We asked interviewees to tell us about their expenditure by working through a pre-prepared expenditure list (see appendix six). The aim of the exercise was to help participants think about their spending habits. The expenditure list had the following sections:

- Basic living – food, household shopping and clothes;
- In your home – rent, utilities, phone, etc;
- Transport – public and private;
- Financial services and products – loan repayments, bank charges, insurance, etc;
- Socialising and recreation – sports and hobbies, drugs, alcohol, holidays, newspaper, gambling, etc.
- Family – costs related to dependents such as school uniform and toys;
- Other expenses – looking after other family, pets and health costs;
- Anything else significant – opportunity for participants to detail anything else missed off the sheet.

We asked participants to discuss how they spent their money. We were not too concerned with exact amounts spent, instead we wanted to know about the attitudes and motivations behind their spending patterns. We then asked questions about managing money, including how well people felt they did this, and the reasons why they were either struggling or successful, as relevant. We also asked people to tell us about any methods they used for budgeting the money they had available to them.

4.3.1 Budgeting

This section looks at the area of budgeting, by which we mean the day to day balancing of personal income and expenditure.

For many people the constant effort of having to watch what they spent was a strain. People found it particularly hard because this position was unlikely to change in the foreseeable future. As this woman explains, many were desperate for a respite from always having to count the pennies:

"I get really frustrated because I always feel skint even when I get my money, I feel skint because you've got to watch every penny. There's no kind of breather where you can feel a little bit flush for a couple of days or how I used to. It's always 'oh I can't spend that I can't spend that'..."

Catherine, 30 (service user)

"I'm absolutely no good with money. I'd like more money but then I'm no good with it once I get it….As soon as it's in my pocket I want to spend it. I'm not comfortable having money in my pocket."

Roger, 23 (service user)

Some people avoided trying to budget because they said they felt worse when they made attempts but were unsuccessful at sticking to their plan. Other people relished the challenge of trying to keep to a tight budget and felt empowered when they did so.

Interviewees varied in their ability to successfully manage their money and there were a variety of factors that affected this. The biggest challenge they faced was simply the amount they received. For them, money management was irrelevant – it was simply a question of survival, and many argued that if they received more money they would be able to budget more successfully. Some practitioners echoed this view, saying that when people ran out of money it was often not due to irrational spending but because they only had a very small amount to live on in the first place. Service users also pointed out that their low income meant they could not buy food and toiletries in large quantities and thus benefit from the associated savings. Those who were single said they could not benefit from 'buy one get one free' offers because it was too much food for one person.

Many people said they were "no good with money" and struggled with budgeting. People said they would spend their money quickly, impulsively and without much thought. When the money was all gone some people said they often could not remember what they had spent it on. This was a major theme of the focus group with young people, where the participants were almost admiring of an older member of the group who was able to budget successfully, and questioned him on how he did it.

Practitioners agreed that there were additional challenges when working on budgeting with younger people. There were so many extra demands on their money, such as clothing and music, that practitioners found it difficult to encourage them to prioritise items such as rent and food.

Although many of the interviewees found budgeting difficult, many were acutely aware of how much they spent on certain things such as food shopping, tobacco and clothes. Sixteen of those we interviewed did actively budget, although the form this took varied widely. Some people used a formal budget plan, drawn up with the help of a key worker, whilst others had more informal arrangements. However, it was clear that many knew very well how little money they had and exactly what they could spend it on. Interviewees said they tried to get their essentials paid for first, with many paying rent as soon as they received their

NICK IS ON INCOME BASED JOB SEEKERS' ALLOWANCE, RECEIVING £60.50 A WEEK. The table opposite shows how he spends his money on a weekly basis. Nick spends more than he gets each week and constantly has to think about ways to bridge the gap between payments.

Nick has a son living in Scotland and occasionally visits him and buys him gifts. He is paying £1.20 a week to a catalogue for a computer he bought for his son. He says he struggles to pay for train tickets because he can't afford to take advantage of the cost savings available from buying in advance. He often misses rent payments for a few weeks at a time so that he can afford the train fare to Scotland.

Expenditure	Amount per week
Rent	£8
Food	£30
Transport	£5
TV Licence	£5
Mobile phone credit	£10
Newspaper (every day)	£3.50
Catalogue	£1.20
Gambling	£5
Total	**£66.50**

Nick

Age 42

money and/ or going out immediately to get their shopping for the week. In the interviews people explained that they did this so that they knew how much they had left to spend on other things. Others said that, while they always attempted to buy essential items first, in reality this did not always happen.

During the focus group discussion in Milton Keynes, the service users had a lengthy discussion about budgeting. Many people agreed that a big part of successful budgeting is becoming used to the amount of money you have to live on. For those who had previously been employed, adjusting to the reality of their current financial situation often took some time.

Drug and alcohol problems made budgeting particularly problematic. Drugs and alcohol are expensive and were purchases that people would often prioritise. A number of people spoke about times in the past when substance misuse issues were more of a problem and reflected on the impact this had had on their financial situation. For many people, life had revolved around committing crimes to fund their habit and constantly living in poverty. They spoke of having had a very different relationship with money then; it being simply a means to buy more drugs and/or alcohol. Practitioners also spoke about the difficulty of working on budgeting with someone who had a drug or alcohol problem. Often this meant simply trying to encourage people to spend a little more money on other things such as food.

Practitioners generally found it hard to engage service users on budgeting:

"For a lot of those people they're living very chaotic lives and they've got so many other pressing issues that in the grand scheme of things debt and financial capability aren't seen as that important."
Jane (practitioner)

Some practitioners took an active role in helping their clients budget, taking them shopping when they got paid and showing them how to cook cheaply. This was particularly challenging when someone was experiencing a problem with their benefits and were unsure when they would get paid. Some practitioners wanted to book a date with clients as soon as they received their money so they could ensure they spent some of it on food, but this was not possible when benefits were delayed.

4.3.2 Coping strategies

Interviewees demonstrated a high level of awareness about their own difficulties in relation to money and had developed a range of innovative and creative coping strategies for dealing with their finances. These ranged from finding ways of maximising their income through to appropriate budgeting techniques.

Some of those we spoke to had developed their own ways of spending less on essential items such as food. For instance, one man only ate frankfurter sausages and white bread to keep his costs down. This is quite an extreme solution but many people chose their shopping carefully to save money, sometimes going to different supermarkets for different products. Some people did a weekly shop and had learnt how to cook to save money rather than going out to buy a takeaway when they were hungry. This was something that practitioners attempted to help people with, showing clients how to 'cook on a budget' and how cooking from scratch can be cheaper than buying prepackaged food or takeaways. Older people in the sample were generally more concerned about what they were eating and tended to buy the ingredients to cook for themselves.

Many respondents said they stocked up on food quickly so that, even when their money ran out, they knew they would have food in their cupboards. Others who simply could not afford to buy food found out where they could eat for free, for example at soup kitchens. One woman spoke of waiting in the food court at Euston to finish off the food people left when they ran for a train.

"Coping strategies, I don't really have any I just find coping hard."
Simon, 26 (service user)

Some people saved money by changing the products they bought or the places they shopped. For example, by buying tobacco rather than cigarettes or going to charity shops for clothes.

Another coping strategy involved a change in life style, for instance spending more time at home to save money, walking rather than taking the bus, or eating in rather than going to restaurants.

"I've learnt to sort of like rather than me and my girlfriend going out anywhere. We'll sit in have a meal and have a bottle of wine with it, instead, and we just say right, let's pretend we're sat on, sat in a café somewhere like London with the window open, we've got the breeze. We can pretend we're there like sort of thing."
Ryan, 38 (service user)

Many participants coped with living on a low income by closely monitoring their spending. For some this involved keeping all of their receipts so they had a record of their spending. Some people also looked at past receipts to see where they could cut down on what they spent and make some savings. Respondents also explained how they would use a calculator when shopping to ensure that they did not over spend in the supermarket. One woman explained that she uses the calculator on her mobile phone when shopping but then, when she forgot it on one shopping trip "actually panicked". This again seems to be linked to people's desire to feel in control of their money.

Some people had developed imaginative ways of accessing cash, such as buying items on credit and pawning them to get an instant 'lump sum'. One man used his phone as a form of currency; if he owed something he would give his phone in payment to a friend. He would then buy a new phone when he needed to make another call. He got through a huge number of phones over a short period of time, but it meant he always had a means of getting some money even when he was "skint again".

Borrowing from friends and family was a frequent way that people used to deal with unforeseen expenditure. Some people had developed specific arrangements, for example one interviewee had a borrowing system set up with a friend who was also on benefits but who got paid on an alternate week.

ANDY LIVES WITH HIS WIFE AND THEIR THREE CHILDREN.
Even when he was working and receiving benefits, Andy felt he was not earning enough to be able to "see a future for us as a family."

He felt there were only four options available to him; "there's steal it, earn it, win it or inherit it." He was not managing to earn enough, there was no chance of inheriting, he did not want to turn to crime, so he decided gambling was the only option. Andy also started drinking to try and escape the situation.

This led Andy to get into debt and financial difficulties. Now his parents have taken full control of his bank account and manage all of his finances. They pay the bills, set aside money to save and provide Andy and his wife with money for shopping and a weekly allowance for their personal use. Andy says this is "demoralising" and he "feels like a child" because of the lack of freedom he has around how he spends his money.

Andy
Age 40

Some people deliberately chose not to use their bank account and instead gave their money to friends or family members. If their money was in a bank it could be accessed too easily and they would spend the money too quickly (and sometimes on the 'wrong' things). For example, one woman gave all her money to her mum to look after to prevent her from spending it on drugs. Her mum would then take her shopping to get everything she needed.

Other people had different strategies to prevent themselves from spending all their money too quickly. One interviewee put her money for the week into envelopes, one for each day of the week. This system helped her to budget and not spend more than her allotted amount each day. However, one consequence of this was that she could not benefit from the cost savings of buying in bulk.

Working in the informal economy was an important source of supplementary income for some people, such as occasional work for a friend. Other people worked less than 16 hours a week to get some extra money without it affecting their benefits.

For many people crime was the coping strategy that was easiest and most familiar to them. People often turned to crime when more legitimate methods had failed, or as a result of delays in benefits payments. In a sense this provided people with justification for their actions because the system had failed them and this was the way they knew they could get the money they needed in a short amount of time. This is demonstrated in the following quote, from a man who was experiencing problems with his benefits:

"I had to stop a claim and I've got to start a new one…I know I ain't gonna get no money before Christmas I know that. So I know it's better for me to go out and sell some drugs because I'm gonna make more money, a higher profit than waiting six weeks for a bit of cash to get my kid's Christmas presents!"

James, age unknown (service user)

People who knew they could get money easily by returning to crime spoke about fighting the urge to repeat this familiar pattern of behaviour, which was a constant source of temptation, especially when people felt they had few alternatives:

"I mean like you wanna do something to get money and like basically the only way you know how is to do something illegal. You find that kind of temptation and (think) nah I don't wanna go down that road."

Dean, 26 (service user)

People also focused on their "goals and incentives" and ways of achieving them without resorting to the familiar option of crime. One respondent described it as a complete "behavioural change"; he had to get used to not having everything he needed and living on the amount of money he was entitled to.

However, when people had a drug or alcohol problem to fund, crime was often turned to as a source of income. Some respondents reflected on a time when their life has been a continual cycle of crime and drug taking;

"I've got a drug problem as well so I had no money I just go out there robbing people for nothing, even a pound. If I robbed ten people in one day then I'd get anything between £50 to £200, £300 all I'd do is spend it on drink or drugs the next day I'd have about £10 if that on me so it wasn't really worth it."

Pete, 24 (service user)

4.3.3 Managing existing debt

Thirty-eight of the people we interviewed were in some sort of debt, although the amount and type varied widely – as described in section 4.2.3. Some people had 'racked up' multiple debts from a variety of sources totalling thousands of pounds. For instance one man had accrued £10,000 worth of debt through rent arrears, store cards, door step lender loans and owing money to his family. Other people had more 'informal' debts, owing small sums of money (£50-£100) to friends or family.

The most common form of debt discussed was rent arrears; this was seen across the private rented sector, social housing, hostels and supported housing. Four people had lost their accommodation due to rent arrears. People who were in hostels or supported accommodation tended not to have significant amounts of housing related debt as key workers encouraged them to pay rent regularly. In one of the focus groups participants said they were glad that their key worker "harassed" them for rent because it meant they did not get too far behind with their payments. For those not in hostels it was more difficult for practitioners to provide help and preventative work.

Practitioners expressed the difficulty of getting service users to prioritise rent over other expenses, despite the fact that some had become homeless through accruing rent arrears in the past.

Twenty-seven people also had debts relating to household bills such as council tax, water and TV licence as well as with banks, credit cards, shop accounts, doorstep lenders and catalogues. Many respondents had used an overdraft facility, though not everyone was aware they were using their overdraft until they had been charged. A number of people owed money to the social fund, however, most were not too worried about this since the money came out of their benefits automatically. It only became an issue when they were refused further loans because they had been granted so many in the past.

As already noted, owing money to family or friends was very common, in total 17 people owed money to people they knew. People often felt guilty about this kind of debt and would prioritise their repayment. Some wanted to re-pay their peers quickly so that they could rely on them as a future source of money.

Some people were in debt to drug dealers, another form of debt that they tended to prioritise, although this time because it was associated with intimidation and violence:

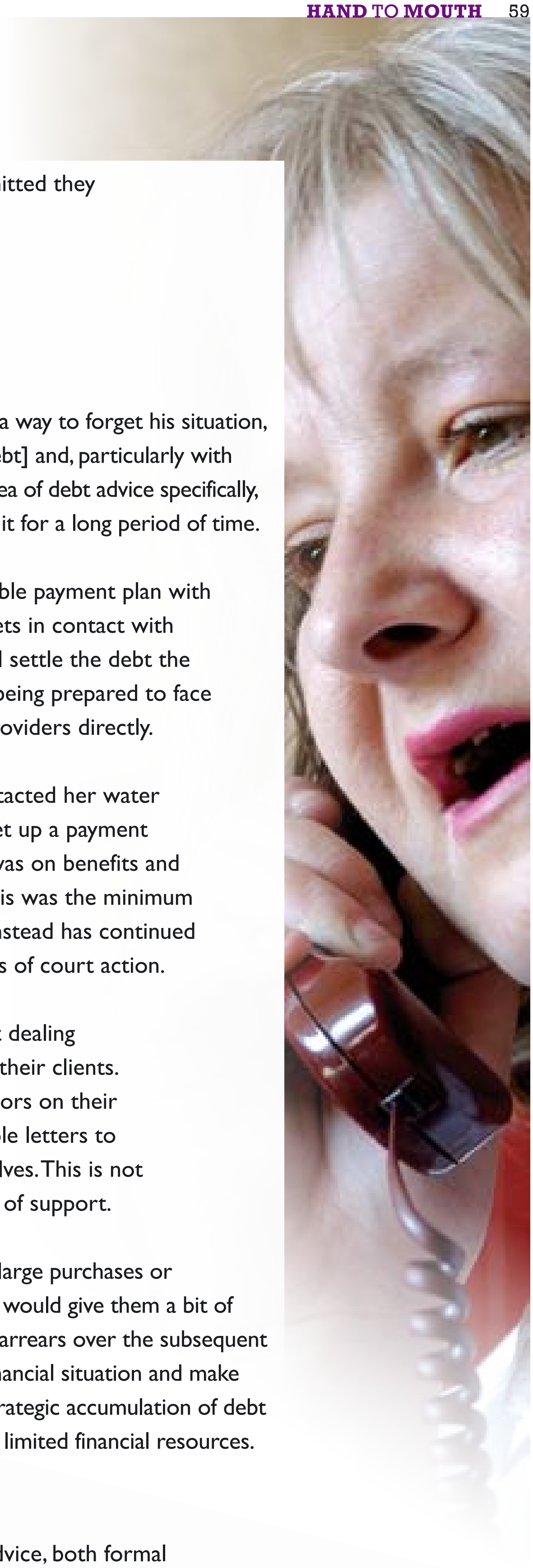
"Well before I used to be really bad on the stuff (drugs) and there was a few times that I owed people money and they were threatening me and my sister."
Caron, 45 (service user)

Practitioners explained the difficulties which could arise when clients ignored priority debts for those that they felt under more pressure to pay:

"Creditors that have more aggressive techniques in trying to recover debt ... (people) end up paying off that debt at the expense of paying their housing costs."
Anna (practitioner)

People also prioritised repayments to loan sharks because of the fear of violent repercussions.

Interviewees displayed quite varied reactions to being in debt. When some people spoke about it their narratives were littered with references to stress and anxiety. Sometimes this was due to an aversion to being in debt at all, not liking owing money to anyone, whereas for others the stress had only manifested itself when the debt became problematic and had consequences, such as threats of court or bailiff action. Practitioners said that many people pay debts and arrears simply for "peace of mind".



Some of those we spoke to appeared to be in denial about their debts or admitted they had been in denial in the past, as this respondent explained in relation to bills:

"I do tend to open them and just go 'argh' and then bin it. I just put them straight in the bin because to me there's no way out."

Tracey, 40 (service user)

One man explained that when he got into debt he tended to turn to alcohol as a way to forget his situation, which led to his debt increasing. Practitioners said that "many people leave it [debt] and, particularly with mental health problems, don't even open their post". Those who worked in the area of debt advice specifically, explained the increased difficulty of dealing with debt when a client had ignored it for a long period of time.

People had had varying degrees of success when trying to negotiate a reasonable payment plan with creditors. One man explained that if he is unable to pay a bill one month he gets in contact with the provider and explains the situation. If he is able to assure them that he will settle the debt the following month he finds creditors are generally helpful. However, this means being prepared to face up to financial problems immediately and having the confidence to speak to providers directly.

Other people had had less positive experiences. For instance one woman contacted her water company about clearing her debt with them. They said she would be able to set up a payment plan but needed to pay £80 up front to begin the process. She explained she was on benefits and could not afford £80 but due to the scale of her debt (approximately £800) this was the minimum amount they would accept. As a result none of the debt has been repaid but instead has continued to rise and has now reached thousands of pounds. She is now receiving threats of court action.

The practitioners we interviewed seemed to have a fairly good success rate at dealing with creditors and often managed to negotiate a reasonable payment plan for their clients. Practitioners said that, with the majority of clients they would deal with creditors on their behalf. However, some CAB advisors give clients a 'debt pack', containing sample letters to send to creditors, so that clients feel empowered to handle their debt themselves. This is not an option, however, for the more vulnerable clients who needed a higher level of support.

Debt was used by some of those we interviewed as an accepted 'safety net' for large purchases or unexpected costs. Some people planned not to pay rent one week knowing this would give them a bit of extra money to purchase a train ticket to see family. They then paid off the rent arrears over the subsequent weeks. This provides a good example of how people constantly reassess their financial situation and make decisions based on the best option for addressing their short term need. This strategic accumulation of debt demonstrates some of the ways in which people had learned to cope with their limited financial resources.

4.3.4 Accessing financial advice

This section of the report focuses on the availability and take up of financial advice, both formal and informal. Some people were really keen to get help with their money, particularly around budgeting. Twelve interviewees had sought help from a free money advice service, with nine of them going to Citizens Advice Bureaux. Some people had gone for advice not specifically related to money, such as on accommodation or a divorce settlement. However, almost all of these had some financial implications. Some people considered their visits to advice services to have been more successful when they had been accompanied by a key worker, and it also meant they had been less frustrated by waiting. CAB representatives highlighted some of the problems for people accessing their services. A number of clients were unable to attend the bureau because of an order banning them from the city centre. In some areas outreach services existed, but if these were not available it could mean people were unable to get help with their finances.

The majority of interviewees said that their key worker had already helped them with their money or that they would be the first person they went to for advice. Most of those we spoke to received one to one support from a member of staff at their accommodation, or through a link worker scheme. This key worker would help them with all aspects of their life, including housing, benefits, employment and financial matters. Respondents said they felt more comfortable speaking to their key worker because they understood their personal situation and they already had a "rapport" with them. For many people discussing their finances would involve disclosing personal details such as convictions and mental health problems. Their key worker already knew their situation so they did not need to explain everything again or fear the consequences of discrimination. They had also already built up trust with their key workers, having seen them help with problems in the past.

Those interviewees who had not gone to a key worker for help with budgeting tended not to have gone anywhere for advice. Some people admitted they should get help but had "never bothered". A few people felt that their finances were a private matter and did not want any interventions. There was a feeling among some interviewees that financial advice was not for 'people like us', it was for people who had money and wanted to consider options such as investment opportunities. They saw crisis debt advice as being relevant to them, but not more general financial advice. When asked if they would like help with budgeting, however, they were more receptive to the idea. The language that money advice comes couched in therefore needs to be made more relevant to people's everyday experiences and situations.

Many of the practitioners we spoke to were key workers who helped their clients with their finances as part of their wider work remit. Some practitioners said they felt out of their depth helping people with their money, seeing it as outside their area of expertise. Others who worked in hostels or supported housing said that part of their role was that of a social landlord. This probably meant that their clients did not always disclose financial problems because they feared losing their accommodation as a result. This could put the practitioner in a very awkward and undesirable position.

4.3.5 Levels of financial capability

Financial capability refers to people's "knowledge and skills to understand their own financial circumstances, along with the motivation to take action" (HM Treasury, 2009).

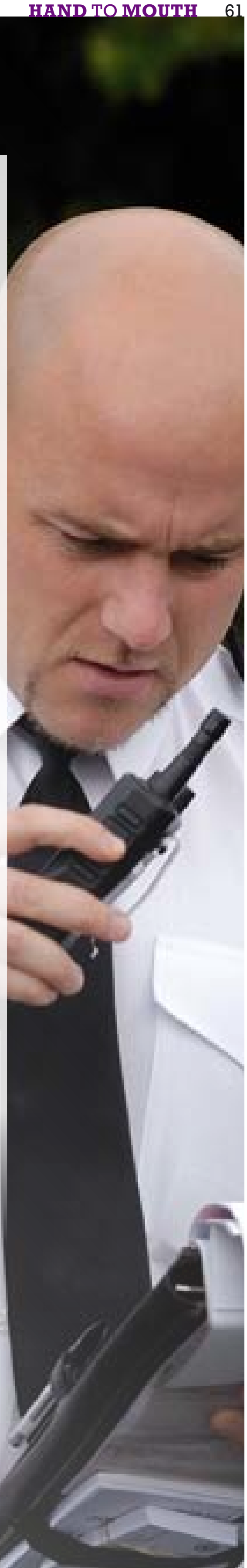
During the interviews it became clear that many people lacked the knowledge and information needed to manage their finances. Many people were unaware of financial services and products that could have been relevant to them. It is a complex field and it is therefore not surprising that there was a lot of confusion around the different types of credit, for example, and particularly around APRs.

As a result of this lack of knowledge on financial services, interviewees often relied on friends' or family members' experiences and opinions. This was particularly true regarding the use of door step lenders who were often locally known figures recommended by friends. Even if people had not used a money lender or home credit company themselves, they were normally aware of the sort of amounts that could be borrowed and the repayment options.

Many people did not have the knowledge to deal with bills as demonstrated by the quote below:

"Yeah, difficult, I've never seen a water bill in my life so I wouldn't even know how to pay it."
James, age unknown (service user)

People's low level of financial capability meant that often they feared moving on to more independent living. Many people spoke about their worries of living in independent accommodation and their fears about whether they would cope with paying bills and managing their finances. This was true for people who had lived independently in the past and had been unable to keep up with bills and rent. Equally, people who had never lived independently were apprehensive about how they would deal with the additional costs and pressures.



Practitioners echoed these views, emphasising the importance of ensuring that people were completely ready to move on, along with the necessity for continued support.

4.3.6 Financial Shocks

Financial shocks, or those expenses that were unexpected and impossible to plan or budget for, were common among the people interviewed. This was sometimes linked to involvement with the criminal justice system, for example, receiving an on the spot fine such as a Penalty Notice for Disorder (see Appendix 1). Many interviewees had received court fines, and generally these were not viewed as too problematic because they could be paid in manageable amounts over a long period of time. People also found it helpful that the money was deducted from their benefits, rather than them having to save and remember to pay the fine. In one focus group some people said that fines were not a deterrent because they were such a small amount. Other respondents said they would rather go to prison than pay a fine; this was particularly true for those who had already been to prison or knew people who were still there. One participant received a PND for being drunk and disorderly but also went to prison on a separate offence; he stayed in prison for an extra seven days to get the PND cancelled. Another man explained that he had received a fine for disturbing the peace but had failed to pay any of it. He was feeling very stressed about it because he believed the police had an outstanding warrant for his arrest. He said he was going to work with his key worker to devise a budgeting plan to get it paid off. This would leave him short of money but he felt it was worth it, as he explains in this quote;

"Then I can relax a bit more. 'Cos like I'm always looking over my shoulder I hope the police don't stop me 'cos I'll end up in a police cell."
David, 21 (service user)

Unexpected costs more generally were a huge challenge for respondents, who rarely had the savings to help cover them. Typically, in these instances, participants said they would ask friends or family for money. However, many people had lost contact with family members and friends and their social networks were often characterised by low levels of capital.

4.4 Life events and financial stability

While the interviews focused on participants' current financial situations, we also wanted to understand the events that had led to these positions. For the majority of people it was not one event but a combination that had contributed to their financial difficulties. These events and needs included:

- Employment change;
- Contact with the criminal justice system;
- Physical and mental health problems;
- Relationship change;
- Starting a family;
- Drug and alcohol use;
- Homelessness.

In one focus group a man looked up at the list and said, "Is someone writing about my life?" Many adults with multiple needs will have experienced a number, if not all, of these significant life events at various points in time.

"The only thing to stop you re-offending is if your life outside is better than what it was before ... you have something to lose."
Jack, 26 (service user)

4.4.1 Contact with the criminal justice system

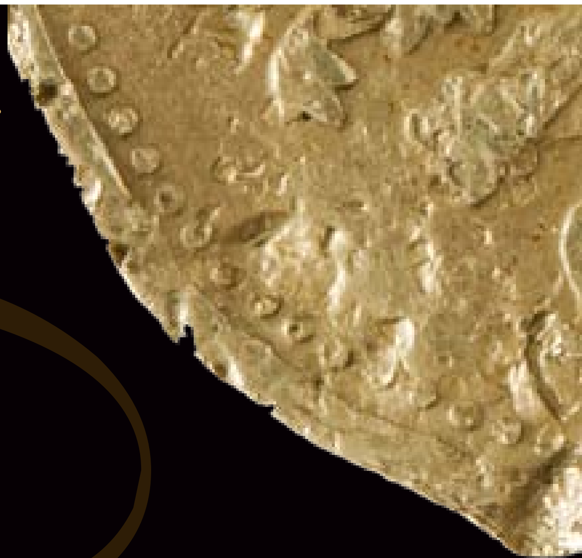
Contact with the criminal justice system had a massive effect on people's finances. Most obviously, incurring fines had a negative impact financially, often meaning those receiving them had to cut back in other areas in order to make the payments. Adults with multiple needs are often subject to regular, short periods of imprisonment. Going to prison, even on short sentences, can have significant consequences for people's finances. Some people had lost their accommodation whilst they were in prison because of rent arrears. One man said that, although the prison had phoned his landlord to explain that he was in prison and would be unable to pay the rent, when he was released the landlord claimed they had not been informed and he lost his flat as a result. One respondent had managed to pay a credit card bill and gas bill whilst he was in prison, although he had received no help with this but had taken the initiative himself.

None of the people we interviewed had received help with their finances or attended a financial capability course whilst in prison – the most likely reason for this being the shortness of their sentence. There were mixed opinions as to whether people in prison would want this kind of assistance and/or education. Some people thought that prisoners would not be interested in such advice, others said that when people do look for financial advice they cannot find the support they need. Many people thought the availability of such advice in prison was important, and one interviewee suggested a compulsory course on managing money prior to release. Another said he had been due to attend a money management course but had been moved to another prison before it started. Instead he attended offender behaviour courses to "improve (his) chances of getting parole".

One interviewee explained how he had learned to save whilst in prison. At first he was spending all his money on buying certain items, but then he started to save up the things he had bought. At one point he had over 150 shower gels which he had saved in case he was moved to another prison. However, after two years inside, he realised if he saved the money he earned from his prison job, along with that sent to him by his family, he would be able to get some money together. In this way he managed to save over £200 and, as he explains in this quote, he cannot understand why he struggles to save when he is not in prison:

"I just don't know what's wrong with me I actually can't do it on the outside. I can do it when I'm in jail."

Pete, 24 (service user)



MIKE HAD BEEN SENT TO PRISON AND, DUE TO THE LENGTH OF HIS SENTENCE, HAD TO GIVE UP HIS COUNCIL PROPERTY.

Months before release Mike said he was "hounding" the resettlement service in the prison to sort out his accommodation. It was particularly important to him because he is disabled, meaning that not all properties would be appropriate.

However, upon release, the only support he received was the prison paying for a taxi. Fortunately, a P3 link worker was able to meet Mike and accompany him to the housing department, where they managed to secure him some accommodation. Without this help Mike said he would "probably have ended up back in prison that night."

Mike

Age 45

On release from prison people faced further difficulties, often returning to an even worse financial situation than before:

"A lot of people do come out of prison to outstanding bills and a lot of them panic and a lot of them just go straight back into crime to pay it simply because they don't know that there are other options."
Mike, 45 (service user)

Most interviewees said they had not received any assistance from the prison service to arrange things like accommodation for their release. Those serving sentences of less than 12 months are also ineligible for support from the probation service. Instead, people relied on the assistance provided by charities such as P3 or St Mungo's. Most received this support on release from prison but a number had been given assistance whilst still inside.

Interviewees also felt that the discharge grant of £46.75 was inadequate, especially as, for many, this was their only source of income until their benefits were sorted out. This grant did not go far, especially when people did not have accommodation arranged for their release, as explained here:

"But forty five quid won't even get you a room in a hotel for a night you know what I mean so if you've got nowhere to go when you get out of prison then you are pretty much stuck."
Mike, 45 (service user)

The delay in benefits restarting following release from prison was a big problem for many people. Some interviewees did not experience any difficulties but for those who did, the resettlement process was made even more challenging. One man explained how he waited four and half months after his release from prison before he received any payments:

"This time when I came out I had to wait you know the four and a half months before I even got anything which put me into debt, not bankruptcy, but it put me into debt and worry and obviously put me back into the criminal system because of not having any money."
Jack, 26 (service user)

This combination of lack of support, money and accommodation led many to re-offend on release as one participant outlines here:

"... you come out and you've got nothing, no support network. You've been in jail and you've had three meals a day and you've had your TV and all that and no money worries. It's such a big burden on you when you do start getting in debt. I just think sometimes people just think sod this I'd rather go back to jail and then they wonder why people are committing more crime."
Alan, 32 (service user)

For many interviewees, prison was seen as a better option than their current situation. A number of participants said that when they had been in a situation of financial crisis and had ended up becoming homeless they had committed an offence in order to be sent to prison, where they would not have to worry about their lack of money and would also have somewhere to stay:

"I've actually gone and got myself arrested on purpose ... because I actually wanted to go to prison because it was the best option at the time, and that's pretty bad."
Will, 20 (service user)

4.4.2 Mental health and finances

Some of the interviewees were unable to work because of their mental health problems which obviously impacted on their financial situation. Some respondents felt "under scrutiny from the benefits agency" to prove that they were sufficiently ill. Some people expressed concern over the changes to incapacity benefit and how these would affect the amount of benefits they currently received (see section 3).

Interviewees said that they felt judged because of their mental health problems. One man explained his experience of dealing with benefits staff:

"The alarm bells start ringing in their heads as if to say 'oh no we've got a nutter ... oh no I don't know how to deal with mentally ill people. What do I do'?"

Ryan, 38 (service user)

Financial worries made people feel stressed and some said that it made their mental health problems, such as depression and anxiety, even worse. Practitioners agreed that financial pressure can trigger a decline in mental health. One man also explained that poverty can make mental health problems worse because you do not have the money to participate in positive activities such as going out and socialising:

"(When on benefits) you fall into some bad routines which are sort of like cohesive to actually developing depression ... (like) watching too much daytime TV."

Ryan, 38 (service user)

Interviewees mentioned the additional challenges posed by their mental health problems in dealing with finances. Accessing both financial and advice services was problematic for some, for instance waiting in large queues made people anxious. Remembering pin numbers was an issue for others. Practitioners agreed that people's mental health problems can make it difficult for them to access mainstream services that were not designed to accommodate their needs.

Practitioners were concerned that people with mental health problems were being targeted by members of their community to lend or give them money. When they had been overly generous in this respect in the past, they would then be asked over and over again. This was a particular concern for people on higher levels of benefits who could be giving away considerable amounts of money with little hope of getting it back.

One man explained the difficulty in judging the impact his mental health problems had on his ability to manage his finances:

"This might not have anything to do with the fact that I've got a bit of a poorly head…the problem is I can't tell you what I'm like normally because I don't know. You know I really don't know what my personality is; it could just be that I'm like this anyway ... I'm not someone who budgets."

Simon, 26 (service user)

"Mental health issues, I got to the point where I couldn't open the letters I was just too scared to see what was in them 'cos I got in a bit of a pickle."

Amy, 31 (service user)

4.4.3 Changes in employment and education

Everyone we spoke to was currently unemployed but several had worked in the past. Two people had a job starting in the immediate future and a few others were waiting to hear about jobs for which they had applied. Some people were doing more informal work, for example two of the interviewees were currently selling the Big Issue and some people were doing work for a friend. Four people were currently doing voluntary work. One man was undertaking training, and three others were due to start a course in September.

When we spoke about jobs and training the conversations were dominated by discussions about the barriers preventing people from returning to work. 24 of the people we spoke to were not currently working and were in receipt of incapacity benefit or Disability Living Allowance (DLA). However, many people were able to work but faced numerous barriers to becoming employed, for example those who did not have a bank account were unable to take a job because they had nowhere for their wages to be deposited.

A criminal conviction was seen as a huge barrier to work by those affected. One man explained how he had got three jobs this year but each of the employers had withdrawn their offer after he disclosed his past convictions:

"I don't feel like I should be punished for the rest of my life and it does stop you. I think it's eight times harder with convictions to get a job than it is for someone who hasn't got convictions."
Alan, 32 (service user)

Many people were deterred from finding employment because of the extra costs associated with having a job, such as clothes, transport and lunches. During the focus groups it became clear that people had varying levels of knowledge around the help available for people starting work. Participants also mentioned less obvious extra costs such as toiletries so that they felt clean and had the confidence to return to work.

Many people had calculated how much they would earn if they returned to work. It was difficult to assess whether these calculations were accurate, but certainly a number of people had come to the conclusion that they would be worse off financially if they were employed, and this directed their decision making. Some people did acknowledge the non-financial benefits that could come from working, however, saying, for instance, it is "better for your own self esteem".

Some people would not be better off in work because of the huge increases in rent they would have to pay if they continued to stay in their hostel or supported housing:

"I lived in a hostel and it was £7 a week if you didn't work and if you worked it was £120 a week for the same room…there was no incentive to get people back to work."
Alan, 32 (service user)

The interviewees knew that they would be able to find more affordable accommodation in the private rented sector but this would involve leaving the support network they had built up where they were, including support workers and friends. For many people the prospect of moving into independent accommodation and starting a job all within a short time period was extremely challenging. One participant in the focus group explained that he had decided to do part time work so that he would still be eligible for housing benefit and could stay at his hostel.

Some practitioners also mentioned the difficulties in motivating people to seek employment when there is little or no financial incentive.

When participants had returned to work, some reported finding it incredibly difficult to earn enough money to survive. Often people were only able to find employment in low paid jobs, meaning they had to work extra hours to be able to afford even the basics such as food and rent.

Interviewees were also concerned about how they would cope financially in the time between getting a job and receiving their first pay cheque. Most people did not have savings they could use until the end of the month when they got paid. Some believed they could continue to claim benefits until they got paid; others were not sure how they would cope. The transition of moving from getting money weekly or fortnightly to receiving a monthly wage could challenge people's ability to manage their money successfully. Some people were also concerned about the effect returning to work would have on the amounts they had to pay their creditors.

Many participants feared taking up employment in case it did not work out and the subsequent delay they would experience when returning to benefits. They believed this would leave them in a worse position than if they had remained unemployed. This was particularly true where people had previous personal experience of this.

Many service users in both the interviews and the focus groups said it was important that employment training was available as soon as people lost their job. They believed that if you had to wait six months to receive this training you could lose the motivation, confidence and self esteem needed to work. Practitioners also highlighted the 'postcode lottery' that exists. This was particularly relevant in Northamptonshire, which is a more rural area where people may not be able to access a particular training course due to transport problems and specific catchment areas.

4.4.4 Relationship changes

Relationship changes had a big impact on people's finances, particularly if they were previously the dependent person in the relationship and did not have their own source of income. This quote demonstrates the chain of events that can follow the breakdown of a relationship:

"Me and my ex split up and I couldn't afford to live in my house so I went back part time and then full time and I lost my flat completely because I couldn't afford to pay the rent on my own. I could have kept my job but I had nowhere to live so I ended up coming to London."
Catherine, 30 (service user)

As this quote demonstrates, the ending of a relationship can lead to homelessness. Some people became homeless either because they moved out or were thrown out of the accommodation they shared with their partner, or were unable to keep up with rent payments by themselves. For others it meant missing out on things that their partner had treated them to in the past such as clothes and meals out.

SUE GOT A JOB AT MARKS AND SPENCER; SHE SAW IT AS A POSITIVE THING IN TERMS OF PERSONAL BENEFITS:

"It built my confidence because I felt great that I was working."

She also liked the fact she was not always at the hostel. However, financially it was a real struggle:

"I was getting £106 (wage) and paying £42 rent, paying £25 for my travel card… so that will leave £39 for the week to buy food and to take my son out, and if he needs anything I wouldn't be able to buy it, my mum would have to. Yeah it was ridiculous, and I was doing extra hours."

Even working these extra hours, she was not able to afford anything beyond rent, travel, food and taking her son out once a week. She found it particularly difficult that she did not have any money to treat herself occasionally.

Sue is unable to work at the moment because of health problems but she says this experience has really put her off returning to the workplace. She says she now wants to undertake voluntary work doing something she enjoys - her dream is to help people in a similar situation to her own.

Sue
Age 29

Respondents spoke about the difficulties that arose if they had always previously relied on a partner to deal with financial matters. If this relationship ended they were left to deal with bills and debts that they did not understand. This was also true when a partner died or was ill for some time. This participant explained how his girlfriend had always dealt with the money but when she became ill it was all left to him:

"Remember I never paid bills in my life. It was going good till I messed up… it was just too much for me man. In the end we lost our flat."
Dean, 26 (service user)

He explained that he had tried "things to make the flat stay ... sell drugs and everything," turning to crime as the only way he knew to try and salvage the situation. Ultimately, however, it was too much for him to handle and they lost the flat.

On the other hand, relationship changes could also have a positive impact on someone's financial situation. For some people, starting a new relationship provided a positive influence in their lives, and a motivating factor for dealing with problems such as drug and alcohol misuse. As this participant explains, his new partner has helped him address some of the issues that were negatively affecting his finances:

"I spent it on drugs, alcohol, cigarettes to feed my addiction. Now I don't do that anymore now I've met my partner. I just want to get on with my life now. If it wasn't for him I probably wouldn't be sitting at this table now. I'd probably be sitting at a prison table."
Roger, 23 (service user)

For others, ending a relationship meant they moved away from bad influences and were in a better position to deal with their financial situation more effectively. People also benefited from relationship changes in a very practical way. Many people spoke about pooling their money with a partner "so it goes further".

4.4.5 Drug and alcohol use

Drug and/or alcohol use was one of the most significant factors affecting people's ability to manage their finances, changing people's attitude towards money and making it simply a means to get more drugs or alcohol. Many people spoke about the way drugs "took up all ... [their] time and money", as the crimes they committed to buy the drugs took up most of their spare time. As noted earlier, people justified turning to crime when legitimate ways of obtaining money had failed, and one man also explained how he defended crime to himself because of his addiction:

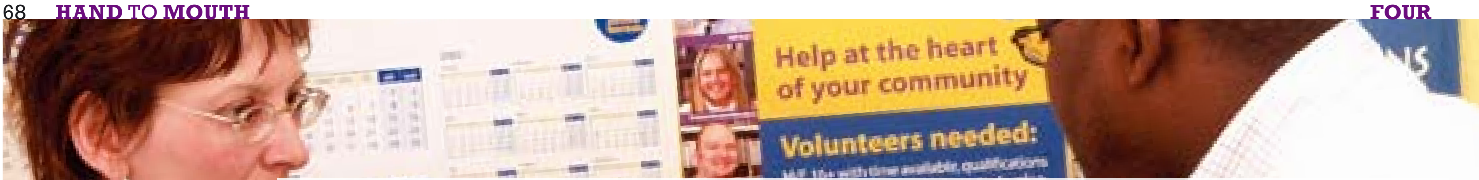
"It's when you're using you're, well, selfish; you justify your actions saying well I need to eat and that? People do that (crime) because they don't know how else to cope."
Sam, 34 (service user)

Drug addiction also meant people's money was spent very quickly:

"I remember on multiple occasions having to wait 10 days for my money. Maybe even a fortnight because I'd just annihilated it in my first day."
Sam, 34 (service user)

Drugs and alcohol often became the number one priority for people and were prioritised over other things like food and household utilities:

"Becoming alcohol dependent and getting into crack affected my money, terribly. Affected my money to the point where I turned my fridge freezer off because there was no point having it on. And I had a son upstairs that was hungry."
Tracey, 40 (service user)



However, other people said drugs or alcohol would be the area they would cut down on if they needed more money or they had unexpected costs to meet. Drugs and alcohol were also strongly linked in with people's social networks and some people bought them when they could afford to, knowing they could rely on friends to provide if they were short of money.

4.5 Citizens Advice Bureau (CAB) focus groups

We ran two focus groups with CAB representatives from across the country. We wanted to know whether the issues we had found in the three case study areas were mirrored in other parts of the country. We also wanted to know from people who worked on the front line what they saw as the key issues and areas for improvement for adults with multiple needs.

The overwhelming view of the CAB staff we spoke to was that our findings reflected their experiences. They recognised the group of people we were talking about and the particular issues they faced.

4.5.1 Mental health

The representatives from both focus groups discussed the challenges associated with working with people with mental health problems. They outlined the importance of face to face advice, particularly in insuring that people fully understood what steps they needed to take to resolve their financial difficulties. They felt that more people with mental health problems contacted Bureaux that offered a phone helpline, rather than people having to attend in person. However, this made it more difficult for staff to pick up on people's mental health problems and to ensure a client had fully understood all the information they had been given. They also explained it can take far longer to work with clients with mental health problems because they often need a greater level of support.

This can be made more difficult when clients' mental health problems are undiagnosed or they choose not to disclose information about their illness. There is extra help available for people with mental health problems but it is not possible to go down these avenues without evidence. Some staff were aware of the 'money advice liaison group debt and mental health evidence form' and said it was an extremely useful tool. This form is used to assist advisers and creditors with requesting information on a client's mental health from health and social care professionals. This group has also produced guidelines for creditors when collecting debt from people with mental health problems (Money Advice Trust, 2008).

However, the people who are the focus of this research will have mental health problems that are generally below the threshold for statutory help, meaning they may also miss out on this additional help and support with their finances.

4.5.2 Criminal Justice

The representatives were in agreement that imprisonment, even on a short sentence, has a significant impact on people's financial situations. They explained how difficult it was for people when they had no time to sort out their finances before being sent to prison. It is much harder to help people once they are in prison and people can also easily forget their financial problems while they are inside, leading to bigger problems on release.

CAB representatives told us that many people continued to receive benefits when they were in prison because they were not aware they had to inform the benefits agency of their situation. This means that when people are released their benefits are reduced because they have to pay back the money they owe. The representatives said this should be picked up as part of the initial assessment when people enter prison. It was also thought that – where relevant - prisoners' finances could be picked up at their 3 month OASys assessment and they could then be referred to an appropriate service like CAB. However, this would not help those short term prisoners who are not assessed by OASys.

A number of CAB representatives raised issues directly relating to short term prisoners. For example, their sentences do not allow them to engage with financial capability courses or projects. It was suggested there should be short, intensive courses covering the basics that all prisoners could attend, regardless of their length of stay in prison.

The representatives also said there was no consistency in the type and level of help and advice across different prisons. They said the agencies working in prisons needed better coordination and knowledge so that they could refer people to relevant services.

Release from prison brings additional problems, for example many people will not return to the area where they have a prearranged Fresh Start[7] interview. This will delay benefits payments. Even when someone was able to secure a crisis loan on release, this often went straight to paying existing creditors. Often they would try and link prisoners in with their local CAB so that they had some form of support in the community.

4.5.3 Employment

Many of the CAB representatives felt that people were often expected to return to work too quickly after a long period of unemployment. They said that people needed initial periods of part time, voluntary work so that they could have a more supportive, gradual return to employment.

When CAB staff set up a debt repayment plan for unemployed people they often manage to negotiate a low repayment rate. They felt that people who enter employment should be able to keep to this low repayment level for at least six months and then have it reviewed periodically. Many of the representatives felt that people were dissuaded from finding a job because they were worried about how it would affect their debt repayment.

4.5.4 Problems accessing CAB offices

Issues were raised in both focus groups about the problems that adults with multiple needs can face when trying to access CABx. Firstly, many people do not have a phone or enough credit to be able to contact the bureau. Also, people may have ASBOs that mean they are banned from the city centre and may not be able to access the services CAB offers. The representatives emphasised the importance of social care or support workers accompanying their clients rather than simply signposting them.

The representatives felt that Bureaux needed to be more creative about where they provide their services, for example in places that adults with multiple needs would find less intimidating (e.g. homeless shelters).

Both focus groups thought Bureaux need to focus more on prevention, for example signposting people to financial capability training.

4.6 Section summary

The findings in this section have demonstrated some of the financial realities of being an adult with multiple needs. They evidence the hardship, stress and lack of provision in relation to even the most basic services, which often lead those adults to more unsafe and entrapping sources of money. In addition, the various arms of the welfare system add their own set of complications: red tape and exclusions mitigate against the financial inclusion of the adults concerned - often to the detriment of their mental health - and trigger a return to the criminal justice system (for example through acquisitive crime or nuisance behaviour due to stress related alcohol use). These problems were also recognised by the CAB representatives who took part in the focus groups. Adults with multiple needs are trapped in a persistently unstable state and are especially vulnerable to 'financial shocks', which limit their financial (and social) inclusion further. The evidence provided in this section was used to inform the discussion in the next chapter and the subsequent policy implications.

7. Fresh Start is an initiative designed to close the gap between someone leaving prison and receiving benefits. The intention is that people will have a Fresh Start interview arranged soon after release so they can quickly sign on for Jobseekers' Allowance.

Richard has a history of alcohol use. Richard lost his accommodation when his relationship with his wife broke down. He blames the alcohol for the ending of their relationship.

Richard has been living in a number of hostels since then. He says he is depressed because he misses his family and they can't visit him in the hostel. As a result Richard's alcohol problem has got worse.

Richard has received a penalty notice for disorder from the police for being drunk and disorderly.

He cannot afford to pay it so he has to attend court in the coming weeks.

Richard is unable to get a bank account because he has no ID.

He has got into debt with the catalogue he uses. He has bought things on credit and pawned them to get instant money.

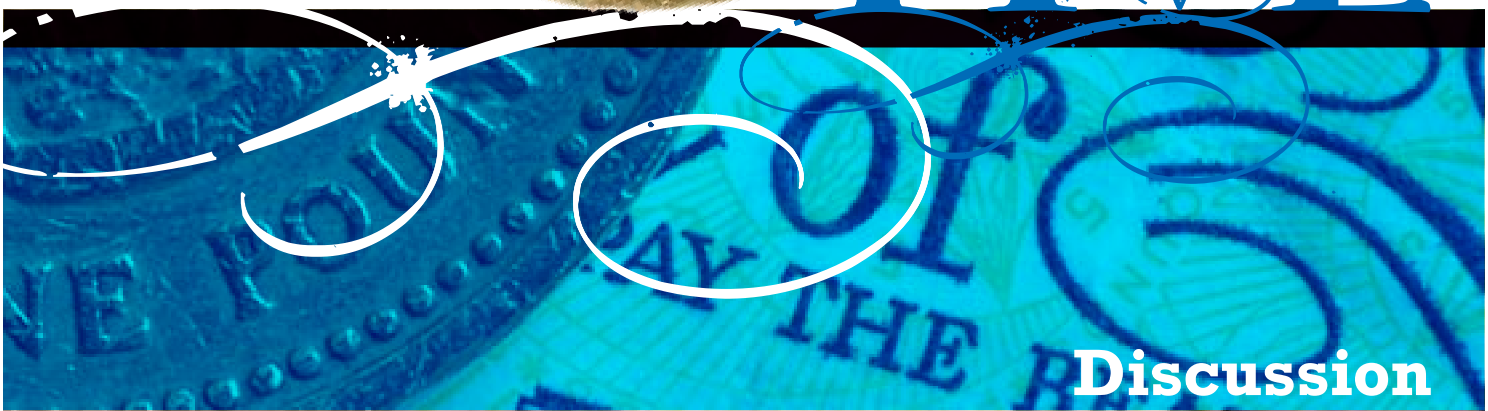
He sells the Big Issue which gives him a little extra money.

Richard would like to move to more independent accommodation so that his family could visit him.

Richard

Age | 56
Accommodation | Hostel
Employment | Unemployed
Benefits | Incapacity, Income Support and Housing Benefit
Dependents | None
Additional needs | Alcohol use, gambling problem and depression

FIVE



Discussion

Our findings illustrate the significant financial challenges facing adults with multiple needs. In particular, the research looked at the relevant issues around access to, and management of, finances derived from both mainstream and non-mainstream sources.

As was detailed in the earlier policy section, the Government has invested heavily in a multitude of schemes designed to improve the financial inclusion and capabilities of UK citizens, as part of its commitment to tackling social exclusion. The findings also raise questions about how much of an impact this investment is having on this vulnerable group.

This discussion examines the major themes that have emerged from the research, beginning with the transient nature of financial inclusion (section 5.1). It goes on to look at the methods people employed to cope with their financial situation (section 5.2) and the importance of control, choice and constraint (section 5.3). Section 5.4 examines the interviewees' attitudes to financial advice. The next section focuses on the ways that poverty can make people feel disconnected from the rest of society (section 5.5). Lastly, consideration is given to the systemic barriers that were faced by interviewees when attempting to access mainstream financial services (section 5.6). First, however the topic of poverty is examined, since this underpinned many of the narratives about money.

Poverty was identified as an overarching theme throughout the research. It is, essentially, expensive to be poor. Save the Children estimate that poor households are affected by a £1000 "poverty premium" due to the methods they used to pay for utilities and financial services like credit (Strelitz 2009). Many of the interviewees provided real examples of how they were affected by this, including the use of expensive pay-as-you-go mobile phones as opposed to land lines, and not being able to afford the bulk buy offers in supermarkets.

For adults with multiple needs this poverty premium extends even further than for those on low incomes. There were examples of people who had been offered a night's stay on a sofa for £20 by strangers or were charged similar prices by people they knew. People would take up these offers through desperation and a lack of other options but they knew it would leave them with less money to survive on for the rest of the week. People also bought alcohol from friends at higher prices when they were desperate. Train tickets purchased to visit family were more expensive because they were not able to buy them in advance. People also bought comparatively expensive items like coffee in a café, just so they had somewhere to sit in the warmth for an hour. Interviewees discussed how having money motivated them because it enabled them to do things they wanted to do. Conversely, poverty can lead people to feel demotivated and isolated from the rest of society. This is the reality of poverty for those adults we interviewed and will be a common story for many more.

5.1 Transient nature of financial inclusion

Many of our interviewees described rapid and regular changes in their personal circumstances, though for most low income remained a constant. Given their low incomes, the group were likely to be strongly impacted by 'financial shocks' such as fines, bank charges or any other unexpected costs.

More serious life events such as imprisonment or loss of home or job are termed 'tipping points' and can expose an individual's lack of financial resilience, a phenomenon in this context which should be seen as being closely related to the experience of poverty. 'Financial shocks' and 'tipping points' are common experiences within the population more generally but they occur with more regularity among adults with multiple needs, often with more detrimental effects.

For adults with multiple needs, the combined consequences of the financial, personal and social costs of these 'financial shocks' and 'tipping points' may be devastating and it is not surprising that many return to familiar coping mechanisms such as drug use or criminal activity. These in turn may exacerbate and perpetuate the financial exclusion experienced.

The literature review suggested that financial inclusion is a context specific state and not a defining trait – people tend to move in and out of such inclusion according to their prevailing circumstances (Kempson & Whyley 1999). Our research supports this idea and many of the people we spoke to had experienced different levels of financial inclusion at different times in their lives.

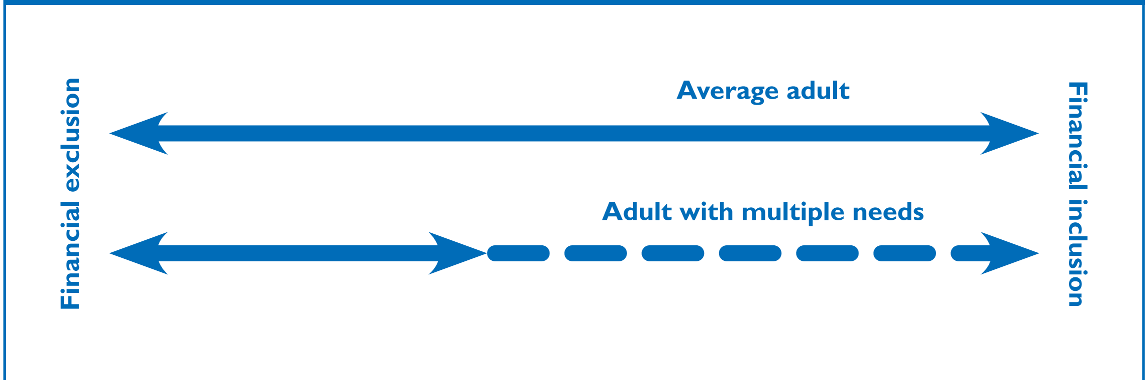
This transient state could be thought of as a continuum from 'full financial exclusion' to 'full financial inclusion' as demonstrated in figure 4. This diagram shows that an average adult could move back and forth along the full continuum of financial exclusion and inclusion. The trajectory for adults with multiple needs, however, is likely to be shorter; they will move in and out of financial inclusion but are not likely to reach 'full financial inclusion' as officially defined.

We would assert that the achievement of financial inclusion is likely to be more difficult for this group due to the range of additional challenges which they face. Employment is a long-term and probably distant aspiration or goal for many of the group and many interviewees acknowledged this. The reasons for this included inability to work due to illness, disability or current drug use, low level of skills and lack of experience and/or qualifications.

Alongside their financial exclusion, this group is also highly socially excluded and are, as the research demonstrates, and despite their needs, less likely than other adults to engage with advice services that might support their move towards financial inclusion.

Finally, given the multiplicity of their needs, the group is likely to require a range of financial and other support services in order to effectively attain such inclusion.

Figure 4: The inclusion/exclusion continuum



5.2 Learning to cope

The people we interviewed demonstrated a lot of ingenuity in accessing money and sourcing financial services that would both accept them as customers and meet their needs. These tended to be legal (even if not mainstream) methods wherever possible. In extremis, however, many resorted to criminal activity as a quicker and more viable route to obtaining money.

Whilst some of the methods used and described by the interviewees might attract disapproval, particularly from those who have not experienced the daily challenges of living on such low incomes, it is not our role here to pass judgement. Different priorities and the often harsh realities of living led people to develop specific methods for coping and these were often passed on to their peers. In the focus groups, for example, successful money management tips were shared by participants and were often enthusiastically received.

The strategic use of accumulating debt to deal with pressing demands is another good example of this. Interviewees tended to have a repertoire of tried and tested methods that had worked for them over long periods of time, often leading them to believe that they were managing their money well.

5.3 Control, choice and constraint

The importance of feeling in control of one's money was a recurring theme throughout the interviews. The majority of interviewees were acutely aware of how much money they received and knew exactly which essential goods they could purchase with it. In such constrained circumstances as theirs, close control is clearly essential to survival.

Keeping control over their own money frequently meant having less choice, for example buying cheaper food and second hand clothes and not being able to afford to socialise. This lack of consumer choice and the practical implications of it would often adversely impact on the mental health of the interviewees, exacerbating depression and social isolation. Feeling in control sometimes acted as a counterbalance to this.

The literature reviewed describes a "poverty premium" along with the other negative financial consequences of being poor (Strelitz 2009). However it was also clear that in some cases service users actively and knowingly chose to use services that cost more. Many were well aware, for instance, that they were paying more for their utilities by using a pre-pay meter, but were satisfied with this arrangement because it made it easier to budget and thus control their finances. Similarly, the literature suggests that the alternative credit market may be more successful at meeting the needs of low income customers than mainstream providers (Blake & de Jong 2008). Door step lenders provide very popular forms of credit as they offer people the ultimate customer service by bringing the product right to their door, negating the need to travel and also relieving the stress and anxiety often experienced when visiting more traditional financial institutions.

Catalogues also offer people affordable ways of buying products that would otherwise be beyond people's budgets. Their choice of credit also extended to less socially desirable forms of borrowing such as loan sharks. Those we spoke to told us that even where they knew the risks involved and the terms being offered, they sometimes still made a pragmatic decision to use these services.

The literature around financial exclusion also recognises that people can actively exclude themselves from some financial services (House of Commons 2006) (Financial Services Authority 2000) (Kempson & Whyley 1999). A number of the interviewees spoke about making logical and rational decisions not to take certain financial products or, in the most extreme cases, to operate wholly in the cash economy. For some this resulted in a decision not to have a bank account because of problems they had experienced in the past, such as bank charges and accruing debt. Others chose to move to accounts which had fewer functions and did not have overdraft facilities.

Interviewees spoke about developing their own methods of dealing with money in ways that worked for them and in their own particular circumstances. However, this does not mean that when their circumstances change they will continue excluding themselves and it is important that the barriers to inclusion are tackled in ways that keep other options open for the future.

It is also important to remember that the choices people make may be constrained by a lack of information and by people's backgrounds and past experiences. If people do not know about the financial options available to them they may exclude themselves from products which could suit their needs, such as insurance or credit unions. The research shows that knowledge about credit unions is low; however, when they were explained, many people said they sounded like a good alternative to other, more familiar forms of credit. Perceptions of financial services were often based on the experience and opinion of friends and family and, again, this may be restricting people's choices.

People need accurate and independent information which outlines the options on offer. An example of good quality financial information is the 'Money Made Clear' guides available from the FSA. However, these are generic information guides and it may be useful to have guides written for and targeted at specific groups. Good financial information helps to ensure that people can make informed choices about services.

The level of knowledge and access to advice is discussed in more detail in the following section.

5.4 Financial knowledge and the nature of advice

The financial services industry offers a vast array of products which are widely regarded as difficult to navigate for the population as a whole, but can be especially difficult for adults with multiple needs. These difficulties may relate to a range of factors including, but not limited to, literacy and numeracy levels, geographic proximity to services offered and lack of computer access. Some of those interviewed questioned their entitlement to or suitability for conventional financial services. Others excluded themselves on the basis of previous negative experiences.

Recent initiatives by the Government, FSA and others have led to the proliferation of information designed to enable the general public to make informed choices about their finances. The research found evidence, however, that this valuable information has failed to reach some of the most excluded within our society. Those interviewed sought financial information that was relevant to the specific realities of their lives. Given that so many of the interviewees lived in temporary accommodation and were unemployed, there was an understandable appetite for information related to the transition to independent accommodation and entering employment. They believed that assistance to return to work was offered at the wrong point; people receive help when they have been out of work for a long time and no longer have the confidence and motivation to return, rather than at an earlier crisis point.

The vast majority of interviewees had not sought face to face financial advice. They expressed many preconceptions about the nature of available advice services, most worrying being that they were not for 'people like us'. This is despite the fact that, objectively, adults with multiple needs would benefit from good quality, independent advice because of the financial challenges they face and their vulnerability to pressure. Those we spoke to basically felt that they did not have enough money to 'qualify' for services. This lack of take up was echoed in the literature, which suggested that people on lower incomes and those who were in financial difficulty were less likely to seek advice and, even when they did, it was often too late.

Interviewees overwhelmingly stated that they would prefer to get advice from someone they already worked with, such as a housing or criminal justice support worker, rather than from independent money and debt advice agencies. This is potentially problematic on the grounds of both competence and legality. Many of the practitioners we interviewed did not feel equipped to assist people with some aspects of their finances. Additionally, from a legal perspective, there are clear regulations concerning the qualifications required by people giving certain types of financial advice.

We recognise that the circumstances of many of our sample group can make the delivery of effective advice especially challenging, for example those whose income is quickly consumed by the purchase of street drugs may be unwilling both to engage with advice agencies and to change their spending patterns.

In addition, their lives are often chaotic, and characterised by regular transitions. It is important that advice services are structured to deal with this reality. Advice needs to be specially targeted towards this group and made easily available at key transition points, including imprisonment, release from prison, the move to independent accommodation, entering employment, etc. It is equally important that advice is delivered in the context of continued support and made relevant to service users' needs and situations.

5.5 Buying into belonging

Interviewees spoke about how poverty made them feel excluded from 'normal' society. Many spoke about their aspiration to be a "normal person again", and while the meaning of this varied from person to person it was generally linked with wanting to work and earn a wage. Interviewees wished to participate in society in a positive way but often lacked the skills, confidence or financial safety net to make this a reality. Those who had experienced high levels of financial inclusion in the past expressed a sense of loss because their financial options were now much more limited.

Experiencing financial inclusion was closely associated, then, with feeling 'normal' and included in society. For this group the desire to feel 'normal' was often expressed by purchasing everyday items using credit at often extortionate APRs. These items included televisions, clothes, 'treats' for their children, holidays and Christmas presents. This idea of normality was also achieved by making the repayment of debts to family and friends a priority in order to alleviate the shame of owing them money.

The idea of financial inclusion is central, then, to social inclusion, ie being part of and contributing to society. Notwithstanding the dire personal circumstances of our interviewees, the vast majority aspired to a positive and inclusive future – both financially and socially. The tapping of this aspiration is likely to be key to creating the momentum for change for many.

5.6 Systemic barriers

The findings section focused heavily on the various barriers that were faced by the interviewees when attempting to access mainstream financial services. The Government and the banking industry have made significant progress in reducing financial exclusion but it is clear that more work is needed for the 'hard to reach' groups. There is also a danger that even though more people now have bank or POCA accounts they do not actually use them. Adults with multiple needs may not necessarily have the financial capabilities needed to manage these accounts to their maximum benefit.

The inflexible nature of accounts was also cited as a barrier to their use. Bank accounts are mostly designed to meet 'mainstream' needs and operated to serve the commercial interests of the banks. POCAs are similarly inflexible to the changing needs and circumstances of their customers, especially if their source of money changes from benefits to wages. Cheques or direct payments can not be paid in to POCA accounts and this makes it difficult to encourage a return to employment for those who are unable, or choose not, to open a basic bank account.

Both service user interviewees and practitioners concurred in their opinion that the benefits system often acted as a barrier to financial inclusion. Delays and excessive paperwork defined many people's experience of the system, often adversely affecting their mental health and, in the opinion of participants, necessitating a return to other – often illegal – methods of obtaining money.

Involvement with the criminal justice system was a part of life for those we interviewed. Contact with police was frequent and whilst only a small number of people said they had been issued with a Penalty Notice for Disorder, it was notable that in the vast majority of those cases they had not paid within the allocated 21 day period, resulting in a court appearance. The remainder of the interviewees said that they could not envisage how they would pay such a fine either. Penalty notices present a significant challenge to adults with multiple needs and are likely to lead to distress for the individuals concerned, further costs to the criminal justice system and also carry the risk of further offending to raise the necessary funds to pay the fine.

By contrast, participants deemed means tested court fines to be fairer and easier to pay, although there remained the risk that failure to pay would result in a short prison sentence.

Short prison sentences often act as 'tipping points', exacerbating the financial difficulties already faced by adults with multiple needs. Help with managing finances is often not available for those serving short sentences and Offender Management support is also not available to those serving less than a year. Critically, the discharge grant given to prisoners upon release is woefully short of the amount needed to cover this transition, meaning that release from prison becomes another tipping point.

Given the intrinsic links between poverty and crime demonstrated by this research, it seems clear that the points outlined above need to be addressed in order to limit the (further) damage done to a person's financial situation when they become involved with the criminal justice system for short periods of time. This is returned to in the recommendations section.

The international review unearthed a number of schemes which allow people to complete community service as a means of paying back their fines, by working a number of hours at a set rate until the full amount has been repaid. While this might present some additional challenges for those working with chaotic adults it is an option that merits further research. Examples of these schemes can be found in Scotland, Canada and Australia. A similar scheme is being piloted in other parts of Britain but, at the time of writing, the evaluation of this has yet to be published and it is therefore not known if repeat offenders and/or those with mental health problems will be considered suitable for this approach.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Conclusions and recommendations

Over sixteen years, Revolving Doors Agency has worked to improve the lives of people with common mental health problems and multiple needs who are repeatedly in contact with the criminal justice system.

Over this time we have observed poverty and financial exclusion as a reoccurring theme in people's lives. This research has sought to enhance our understanding of this in order to further illuminate key policy changes that would have a real impact on the lives of this group.

Although we have narrowed our focus to financial exclusion, we believe that it is critical not to lose sight of the wider needs and challenges faced by the group. All of those we interviewed were unemployed and living in poverty. The majority were homeless or living in temporary supported accommodation. Many were currently using drugs or had done so in the past. A high number were experiencing common mental health problems such as depression, often in combination with drug or alcohol use. Many adults with multiple needs are deeply socially excluded and their chronic financial exclusion must be addressed in conjunction with their broader situation.

Much of the literature refers to financial exclusion as a transient or short-term state. However for many adults with multiple needs, their financial (and social) exclusion endures over a period of years. This leads to a particular vulnerability and lack of resilience to crisis or times of change. Transitions into and out of short prison sentences negatively impact on people's financial situation, with a lack of access to money on discharge often acting as a driver for further criminal activity. Transitions designed to promote social inclusion, such as moving to independent accommodation or starting employment, are frequently jeopardised by the accompanying financial challenges.

The last ten years has seen undoubted progress in the field of financial inclusion. This progress has not been experienced equally by adults with multiple needs. As with other areas of policy, the financial inclusion agenda has targeted socially excluded groups based on their common characteristics (e.g. single mothers, young people) rather than the needs of the population or vulnerable individuals more generally. As in the broader area of social exclusion, special attention to the most excluded is essential to ensuring that they are not left further behind. This is especially important when considering the plan to mainstream financial inclusion work after 2011.

Recommendations

Promoting inclusion

1. A co-ordinated cross governmental response

Much recent Government policy on financial inclusion is relevant to adults with multiple needs. However, as in other policy areas, the range and depth of their presenting needs offer particular challenges for both policy makers and practitioners. Adults with multiple needs will, by their very definition, span the remit of a number of government departments. A co-ordinated cross governmental response is essential to ensure that future financial inclusion policy developments do not exclude adults with multiple needs.

2. Service user involvement in the development of solutions

The involvement of adults with multiple needs in the development and delivery of financial inclusion interventions is essential.

Many adults with multiple needs have developed creative financial management strategies. These individuals are often older and living a more settled life. There is scope for facilitated peer initiatives that allow for the sharing of money management skills between adults with similar problems. Involving service users to ensure that appropriate and accessible language is used in the development and delivery of policy and services is especially important. Our research found that words loaded with negativity – such as poverty and debt – are used too often and can alienate service users. Similarly, the use of technical phrases and jargon can perpetuate the sense that such services are not for "people like us".

Tackling poverty and disadvantage

3. Interrogation of the 'poverty premium'

Further consideration needs to be given to how the 'poverty premium' affects adults with multiple needs. These extra costs are unfair and act to keep the poorest members of society trapped in poverty. Practices that make essential services more expensive for people on low incomes and offer limited options for payment should be investigated further by regulators and action taken to address these problems. Service providers in key industries such as energy need to do much more to 'level the playing field' for low income consumers.

4. Improved access to appropriate financial services

The recent Joseph Rowntree report (2008) highlighted that some progress has been made in designing and providing bank accounts for those on low incomes. As this report shows there are still those who cannot access such services or choose not to, based on the available options. The FSA in particular has a responsibility to address the continued exclusion of these individuals.

We would recommend firstly that the FSA and other regulators should encourage the Credit Industry Trades Association Codes of Good Practice to adopt the Money Advice Liaison Group's Good Practice Guidance (Money Advice Liaison Group, 2007) in dealing with the credit and debt difficulties of people with mental health problems.

Secondly, banks should be encouraged to make their services more accessible and equitable. This applies to adults with multiple needs alongside others such as young people, those who have learning or speech difficulties, or are less mobile etc. who may all need more individualised attention. The fact that those with multiple needs are unlikely to be profitable customers should not act as barrier to developing ways of meeting their needs.

Removing barriers

5. Changes to the benefits system

A range of issues in relation to access to and payment of benefits emerged through this research. Effective, ongoing benefits advice should be provided during and after periods in prison. Service users wanted the Government to give further consideration to weekly benefits being offered more routinely to enable better budgeting and limit the gaps between running out of money and getting their next payment. There should be a review of policy regarding the back payment of benefits. The research has suggested that these back payments, which are often large, lump sums of money, can be particularly problematic for adults with multiple needs. Respondents said they struggled to budget with these payments, and would often spend the money quickly, particularly when they were using substances.

Getting help - access to advice

6. Consolidation and simplification of funding streams for advice

The funding streams for money and debt advice are complicated and poorly coordinated. These should be consolidated and simplified in order to allow better targeted and coordinated services to be developed. The Financial Inclusion Fund (FIF) may provide an appropriate mechanism for achieving this but currently there are no firm plans to extend the programme beyond 2011. We recommend that, as part of the mainstreaming agenda, co-ordination of the funding streams for money and debt advice should be reviewed.

7. Increased awareness of challenges facing adults with multiple needs

Organisations providing specialist financial advice need to develop their awareness of the particular challenges faced by adults with multiple needs. They also need to ensure that their services are accessible to this group. Finally these specialist providers need to ensure that their advisors are aware of alternative services that exist to support this group so that they can provide accurate and timely signposting with the aim of giving holistic support.

8. Training of non specialist practitioners

Interviewees said that they were most likely to seek financial advice from a housing or other support practitioner whom they trusted. Housing workers in particular have the opportunity to work with this group through several important transitions such as those from street homeless to temporary accommodation and from temporary accommodation to a permanent home.

This research has highlighted that these practitioners often lack confidence in giving advice because they are worried about their competence to do so. The provision of help with budgeting as part of developing the skills necessary for independent living is a core skill for all housing support staff and should form part of the essential training they receive. Practitioners need training which also makes them aware of the legal restrictions on giving specialist financial advice, which should always be delivered by experts. Non specialist staff should be aware of local sources of specialist financial advice and should support adults with multiple needs in accessing these services.

Criminal Justice

9. Revision of financial penalties system

Financial penalties that are not linked to the individual's income and ability to pay are discriminatory and ineffective, especially for adults with multiple needs. The Government should be encouraged to revisit their own proposals on unit fines or look at how successful the community alternative could be in replacing fines for this group.

10. Targeting of financial inclusion interventions at key crisis points

Interventions to reduce financial exclusion should be targeted at key potential crisis points. Those adults about to experience such a transition point, for example those entering or leaving prison, should be specifically approached with an offer of help. Such support needs to be accessible in both the prison and the community.

11. Community sentences should replace short prison sentences

Short prison sentences increase the financial difficulties faced by adults with multiple needs and adversely affect their opportunities for successful resettlement and rehabilitation. The Government should implement its own commitment to community sentences by acknowledging that they are more appropriate and more effective than short custodial sentences.

12. Entitlement to range of benefits should be retained during short prison sentences

The opportunity to retain entitlement to housing benefit during short periods of imprisonment should be extended to other benefits to promote consistency within the system and limit the financial impact of such sentences.

13. Prioritisation of NOMS Finance, benefit and debt pathway

The range of interventions proposed under the NOMS Finance, benefit and debt pathway needs to be given higher priority within prisons and the community, and adequate resources should be allocated to make this possible. The pathway should also be extended to those serving sentences of less than 12 months.

14. Additional support for adults with multiple needs in addressing prison resettlement targets

Prison resettlement targets that focus on housing and employment are often unrealistic for adults with multiple needs. NOMS should recognise that more support is needed to make these targets attainable, and allocate additional resources accordingly. This will particularly apply to those serving sentences of under 12 months who do not currently receive support from an Offender Manager on release.

15. Discharge grant should be increased and means tested

The discharge grant for released prisoners needs to be increased to match the actual costs incurred during resettlement. This should be means tested to ensure it is commensurate with need. Effectively implemented, this would lessen the impact of delays in receiving benefits.

16. Support for local authorities to improve financial inclusion of offenders

Reducing reoffending is a key target for local authorities. They should be supported in exploring what can be done locally to improve the financial support and services accessible to all offenders.


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Appendices

Appendix 1

Penalty Notices for Disorder

Penalty Notices for Disorder (PNDs) can be used by the police to deal with low level disorder and crime. They can be issued by a police officer on the street or at a police station. Police can issue a PND for £50 or £80 depending on the offence. Once a PND has been issued an individual has 21 days to pay the fine or request a hearing. However, the payment of a PND is not an admission of guilt. Failure to pay the fine within the 21 days will mean the fine will increase to the original amount plus 50 percent. This will be enforced as a normal fine by the courts (Home Office 2001).

PNDs can be issued for a range of low level offences, however over 60% were issued for just two: causing harassment, alarm or distress and being drunk and disorderly. (Ministry of Justice, 2008).

A PND must only be issued where "the suspect is suitable, compliant and able to understand what is going on" . Legislation dictates that PNDs are inappropriate where a suspect is unable to understand the details and implications of getting a PND, for example those with a mental health problem or those under the influence of drugs or alcohol (Home Office 2001). During the initial rollout there were concerns that people with mental health problems were being given Penalty Notices for Disorder. However, the Metropolitan Police have improved and increased their training around the suitability of the offender in the use of PNDs. Currently the number of PNDs the Metropolitan Police issue dwarfs the numbers issued by other forces. However it is likely that the numbers will increase in other areas so it is important that officers continue to receive this training. There is also an issue around police recognising mental health problems, which for many are likely to be undiagnosed.

Of the PNDs issued in 2007, only 53 per cent were paid in full without court action. This implies that they are not the efficient out of court disposal option that they were intended to be. In total 43 per cent of penalty notices ended up going to court. However, it is not known how many of these were subsequently paid (Ministry of Justice & Office for Criminal Justice Reform 2008).

PNDs were piloted in 2002/03 by four police constabularies. There were only two brief evaluations of the impact of PNDs on the pilot area. The evaluation report concluded that "on the whole the PND project has been a success" (Home Office 2004). However, the research focused on the reduction in police time and the payment rate. There was no evidence given on the impact of PNDs on reducing or deterring disorder or the effect on the recipient.

A report following the pilot phase suggested that the large number of PNDs indicated a net-widening effect to individuals who would not otherwise have been dealt with by caution or prosecution. There is very little research on the implications of this net widening, although some suggest "the net is likely to be cast to the drunk, young or vulnerable or innocent" (Roberts 2005). PNDs are also seen as an additional early entry point into the criminal justice system (Roberts & Garside 2005).

Although payment of a PND is not an admission of guilt the police are allowed to take a person's details and keep these as a recordable offence. Photographs and fingerprints can be kept on the Police National Computer. Although this is not an official criminal record it can be used to identify repeat 'offenders'.

The impact of PNDs is an under researched area (Roberts 2005), there is an absence of comprehensive, publicly available research. There needs to be more research completed on the net widening effect and to establish whether PNDs do act as a deterrent to crime or are disproportionately penalising the vulnerable and poor.

A fine of £50 or £80 is a significant penalty for many of the adults who are the focus of this research and may push some further towards financial crisis. PNDs are not means tested so the financial impact is substantially greater for someone on a low income.

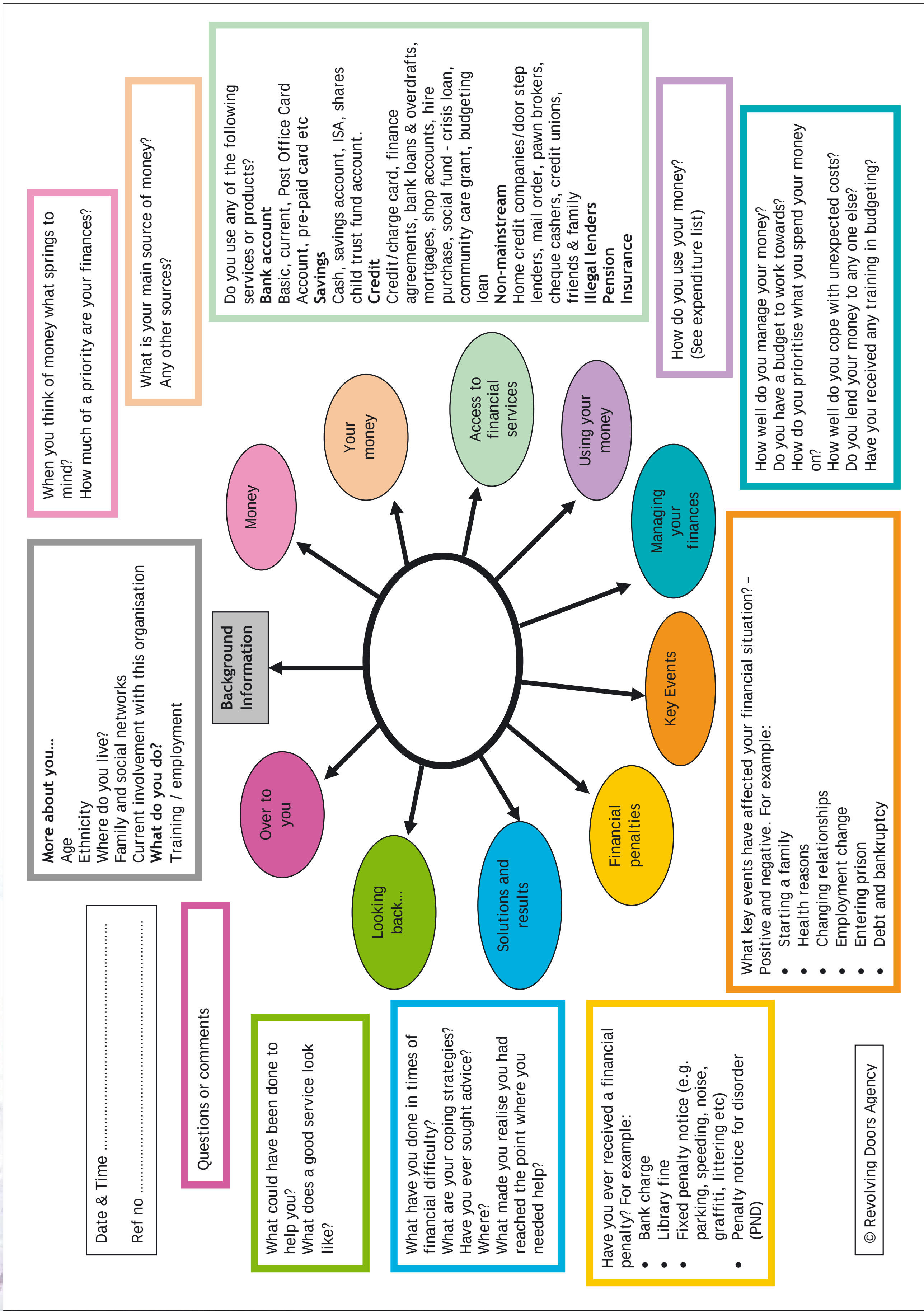
It was difficult to gauge how many of the interviewees had received a PND because they were often unclear about the details of what they had been issued and when. For some of those who believed they had been issued a PND, failure to pay had resulted in the case being passed to the court and the fine had subsequently been paid off over an extended period of time – not the 21 days that the original PND had anticipated. During the focus groups a number of people said they had been issued on the spot fines but many had not paid them. The issuing of such fines makes non-payment or becoming further entrenched with the criminal justice system the only viable options for payment.

For those who had not received a PND or equivalent, we asked them to imagine how they would cope if they did.

The vast majority of people said they had no idea how they would find the money. Most people did not have savings that they could use to pay the fine. The most common answer was to borrow the money from friends or family. However, many people said that their friends or family would also struggle to find that amount of money in such a short space of time. Interviewees told us that they would have to go without something such as food in order to pay the fine. Some people said they could get the money but it would involve turning to crime. One man did not understand why the police would issue him with a fine which he could only pay by committing more crime. He said he could easily get the money but he would have to "rob a car to pay" the fine. Some other interviewees argued that it was an appropriate penalty that people could afford. Other respondents said they would rather go to prison than pay off a fine, this was particularly true for people who had already been to prison or who knew people currently in prison.

PNDs are a significant financial penalty for adults with multiple needs; the majority of people we interviewed would struggle to pay the fine in the 21 days. These fines may lead people to resort to crime as a means of getting the money to pay the fine. For many people this is the only way they know to get money in a short period of time. PNDs can be seen as a fast track into the criminal justice system for vulnerable people if used inappropriately. More research is needed into the practical impact of PNDs on adults with multiple needs and how they can act to worsen the situation of those recipients.

Appendix 2


Date & Time ……………………
Ref no ……………………
Questions or comments
More about you…
Age
Ethnicity
Where do you live?
Family and social networks
Current involvement with this organisation
What do you do?
Training / employment
When you think of money what springs to mind?
How much of a priority are your finances?
What is your main source of money?
Any other sources?
Background Information
Money
Your money
Access to financial services
Using your money
Managing your finances
Key Events
Financial penalties
Solutions and results
Looking back…
Over to you
Do you use any of the following services or products?
Bank account
Basic, current, Post Office Card Account, pre-paid card etc
Savings
Cash, savings account, ISA, shares child trust fund account.
Credit
Credit/charge card, finance agreements, bank loans & overdrafts, mortgages, shop accounts, hire purchase, social fund - crisis loan, community care grant, budgeting loan
Non-mainstream
Home credit companies/door step lenders, mail order, pawn brokers, cheque cashers, credit unions, friends & family
Illegal lenders
Pension
Insurance
How do you use your money?
(See expenditure list)
How well do you manage your money?
Do you have a budget to work towards?
How do you prioritise what you spend your money on?
How well do you cope with unexpected costs?
Do you lend your money to any one else?
Have you received any training in budgeting?
What key events have affected your financial situation? – Positive and negative. For example:
Starting a family
Health reasons
Changing relationships
Employment change
Entering prison
Debt and bankruptcy
What could have been done to help you?
What does a good service look like?
What have you done in times of financial difficulty?
What are your coping strategies?
Have you ever sought advice? Where?
What made you realise you had reached the point where you needed help?
Have you ever received a financial penalty? For example:
Bank charge
Library fine
Fixed penalty notice (e.g. parking, speeding, noise, graffiti, littering etc)
Penalty notice for disorder (PND)
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Appendix 3

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Consent Form
Financial Exclusion Research Project

Thank you for agreeing to take part in this research. Please tick the boxes below as applicable. Please also give your name, the date and a signature. If you have any questions before you give your consent then please do not hesitate to ask.

Thank you again

I have had the research project explained to me ☐

I understand why this information needs to be collected ☐

I agree that my interview can be tape recorded ☐

I understand that I can withdraw consent at any point and stop the recording ☐

I understand that the information I provide is confidential and my name will not be used in the research findings ☐

I understand that this information will be kept for the duration of the project and up to 6 months after. I understand that the tape will then be destroyed ☐

Name: ....

Signature: ....

Date: ....

Appendix 4

Organisations involved in the practitioner interviews

Alone in London

Broadway – Capitalise Project

Daylight Centre

English Churches Housing Group (ECHG)

Family Mosaic

Foyer Foundation

Islington People's Rights (IPR)

Kings Cross Homelessness Project

Mary Ward Legal Centre

Mayday Trust

Mind

Off the Streets and into Work (OSW)

Orbit Hostels

P3

Peter Bedford Housing Association

Shelter

St Christopher's

St Mungo's

Together

Youth Information Service

Appendix 5

Project Reference Group

Chris Bath (UNLOCK)

Jim Fearnley (The Money Advice Trust)

Paul Jones (Liverpool John Moores University)

Jo Keil (Sainsburys Centre for Mental Health)

Dawn Pack (St Mungo's)

James Sandbach and Sam McQueen (Citizens Advice)

Melissa Wadams (Financial Services Authority)

Danielle Walker Palmour and Andrew Thompson (Friends Provident Foundation)

Sean Wilmhurst (P3)

Roger Grimshaw (Centre for Crime and Justice Studies)

Appendix 6

Basic Living

Food & household shopping	
Clothes & shoes	
Other	

In your home

Accommodation	
Council tax	
Water rates / meter	
Gas	
Electricity	
Oil	
Home phone	
Internet (home or internet café)	
Mobile phone	
TV licence	
Other	

Transport

Train / bus / coach / taxi	
Car – maintenance, insurance, tax, parking, petrol etc	
Other	

Financial Services / Products

Insurance	
Bank charges / overdraft cost	
Loan repayments • Personal un/secured loans • Credit card • Store card • Illegitimate loans	
Savings	
Pension	
Other	

Socialising and Recreation

Books / newspaper / music / films / computer games etc	
Sports and hobbies	
Alcohol	
Recreational drugs	
Cigarettes	
Holidays	
Other	

Family

Childcare	
School holidays / entertaining the kids	
School uniforms etc	
Child maintenance	
Other	

Other expenses

Looking after parents / others	
Pets	
Health costs (prescription)	
Other	

Anything else significant


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citizens advice bureau

FRIENDS PROVIDENT Foundation