

£nclusion? Lessons from Teesside households

Report of the celebratory learning
event drawing on the action research
project, *Debt on Teesside: Pathways
to Financial Inclusion*
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List of participants

Name	Organisation
B. Allen	Hull Family Centre
D. Allison	Thrive
S. Andrews	Darlington Borough Council
S. Banks	Durham University
H. Black	Together Middlesbrough
G. Borsberry	Stockton Borough Council
J. Botham	Tandem
G. Brown	Thrive
J. Brown	East Riding Rural Pship
K. Bullock	Student
S. Callaghan	Habinteg
K. Carter	Thrive
D. Coux	Shontal
J. Donaldson	Five Lamps
K. Fulton	Stockton Borough Council
G. Galloway	North Star
N. Garratt	Thrive
R. Garratt	Stockton Citizen's Advice
M. Hall	Tristar Homes
T. Herrington	Thrive
T. Hodgson	D.H.A
D. Horrocks	Tristar Homes Ltd
S. Hyatt	Durham University
K. Jackson	Railway Housing Association
M. Janes	E-Strands
S.Khan	Middlesbrough Borough Council
R. Kemp	Thrive
R. Kipling	Cleveland PCC
K. Rusesre	Thrive
N. Rushall	Stockton Citizen's Advice
J. Sedgewick	Tandem Finance
K. Simm	Thrive
A.Summer	North Star
L. Summer	North Star
D. Tinmouth	Durham County Council
B. Waller	Habinteg
R. Walton	Northern Rock
M. Waters	Church Action on Poverty
J. Watkiss	Thrive
D. Welsh	Stockton Borough Council

Preface

This report summarises the presentations and discussions that took place at a celebratory learning event held at Thornaby Methodist Church on 23 April 2013. The purpose of the event was to present preliminary findings of a two year action research project, *Debt on Teesside: Pathways to Financial Inclusion*; to hear from households involved in the project; and to discuss with participants the implications of the preliminary findings and ways forward in terms of policy and practice relating to the use of high cost credit.

1. Introduction

Mark Waters, Church Action on Poverty (CAP) opened the event and welcomed participants. He gave a brief background history of how Thrive had begun in Stockton and how CAP had supported Thrive to establish itself, enabling local communities to have an effective public voice to bring about change for themselves. Reference was made to the importance of celebrating positive images of people living in poverty and how their powerful stories and ability to come together could bring about change.

2. Overview and key findings of the project

Sarah Banks, Durham University gave a brief overview of the project and the findings to date. Over the last two years, Thrive Teesside and Durham University's Centre for Social Justice and Community Action have been working with low-income households experiencing high levels of debt in Middlesbrough and Stockton-on-Tees. The project has collected detailed financial information from 24 households and offered financial mentoring.

Background

Funded by a grant from the Northern Rock Foundation, the partners in this work include Stockton and District Advice and Information Service, Tandem Finance Project - Fabrick Housing Group and The Five Lamps Organisation (providing mentors and sitting on the advisory group); along with Tees Credit Union, Teesside University and Wolfson Research Institute and Durham University (advisory group members).

The following research questions informed the delivery of the project:

1. What factors shape and/or constrain households' financial choices?

2. How effective is mentoring in changing behaviour and attitudes towards managing money?
3. What contribution does engagement in community-based activities have on people's financial choices?
4. What role can various partner agencies play in developing a coordinated approach to tackling financial exclusion in poor neighbourhoods?
5. What are the key lessons that can be learnt from this project that can be used elsewhere?

The 24 households joining the project were financially vulnerable and were recruited from the following wards: Hardwick, Newtown, Norton South (Stockton); Hemlington, North Ormsby & Brambles Farm, Pallister, Thorntree (Middlesbrough); and Mandale & Victoria (Thornaby).

Findings from household interviews

Evidence gathered during the initial interviews highlighted:

- *Bank accounts* - 7 had no bank account; 13 had basic bank accounts.
- *Savings* – 23 households reported having no savings.
- *Total debt* - estimates ranged from £340 to over £10,000.
- *Rent and tax arrears* - A third had rent arrears; 3 had council tax arrears.
- *Credit sources* - Social Fund loans were used by 17 out of 24 households. Other popular sources were doorstep loans (16); rent-to-own companies (10); and catalogues (10). Two households had loans from community-based low cost providers

The following factors were found to shape financial choices:

- a) Need for credit
- b) Unavailability of low cost credit
- c) Ready availability of high cost credit
- d) Normalisation of high cost credit
- e) Short term approach to money management
- f) Influence of consumer society

Mentoring and campaigning: evaluation of the action programme

- a) ***Mentoring***
 - During the course of the project, 64 mentoring sessions took place with 16 households. Some households received one session, whilst others received up to eight. By the end of the mentoring scheme (March 2013), six households were still receiving mentoring.

- Positive benefits for households included: provision of information about options or services of which participants were unaware; direct help with budgeting and making appointments at advice agencies; reduced levels of debt; improved psychological well-being, less anxiety and more confidence; increased financial awareness and ‘thinking things through’.
- Arranging and delivering the mentoring sessions was challenging and time-consuming. Many households had complex problems, of which unmanageable debt was just one.
- Evaluation of the scheme suggests that individual mentoring is valuable, but requires a good structure of training and support for the mentors. Locating an individual mentoring scheme within a group, then using a community-based approach to develop financial capability would be more sustainable over the long term, and would also lead more easily into involving households in local collective actions and campaigns.

b) ***Community-based actions and campaigns***

- Several local actions were initiated by the project in relation to doorstep lending such as the distribution of window stickers: ‘No to uninvited traders’ and incentivised saving (households saving £50 with the credit union, which would then be matched).
- The work of the project fed into a successful national action by Thrive and CAP with other partners and the Centre for Responsible Credit in 2012 to agree specific reforms to the rent to own sector of the high cost credit market. Work is now in progress on affordability of high cost credit and demands for data sharing between companies.
- A small number of households from the project have been involved in these actions to date. This reflects both the all-consuming nature of the struggle to survive in many households, as well as a lack of capacity within Thrive (with only a half-time equivalent post attached to this project) to develop and support volunteers, in addition to running the mentoring scheme.

Proposed recommendations

- Development of neighbourhood, group-based financial capability and mentoring programme
- Redeployment of staff from advice agencies and housing providers to community-based work
- Coordinated action by partner agencies on Teesside
- Research to monitor high cost credit use following welfare reforms
- Development of infrastructure for Thrive to support volunteers and community activists
- Development of further low cost credit options for poor households
- Greater state regulation of high cost credit providers

3. Household testimonies

Tracey Herrington, Thrive Project Officer introduced the work with the households and supported them in presenting their thoughts and reflections regarding the mentoring support they received. Feedback from households was generally positive with the main criticism being, 'not enough contact with mentors'.

Michael's thoughts:

'Before I came on this project, I owed quite a lot of money - three mobile phone contracts, Littlewoods and loads of other stuff... If I had money before, I wouldn't have thought twice about buying DVD's, but now I think that if I don't help myself, then why should my mentor support me? She would just be wasting her time and could spend time with other people instead. I'm not rich now, but I do think more about how I spend my money. With the help and support, I have even opened a credit union savings account and saved up £50 which then meant I got another £50 [through an Incentivised Saving Scheme]'.

Rob's thoughts:

'I've enjoyed being part of this project. My mentor helped me sort my money out and now I seem to have a bit more and can manage a bit better. It was good that the mentor came to sit in my house to talk to me. I got to know him and he actually listened to me. Before coming on the project I was in so much debt and I just spent my money on something else, now I think about paying my bills. It's him [the mentor] that has seemed to put a block in my mind—I don't just jump in now when I'm spending money.'

Rob attended both project workshops, commenting: 'I've come out of my shell a bit more'. He is volunteering with Thrive and working on campaigns.

Noel and Justine's thoughts:

Noel and Justine talked favourably about their participation in the project: 'It made me more aware of how I was spending the household money. I thought I was aware but became more conscious of my spending patterns ... We realised that we weren't in as much control as we thought we were ... We were kind of plodding along'.

'We got on really well with our mentor, it was a nice and informal and our mentor was someone we thought we could offload our problems to. Sometimes money was not our main concern as we had other things that were more urgent and our mentor listened'.

'We know our priorities and pay them first ... rent, bills and what is left over is "ours" to spend as we would like'.

'It has been nice having someone come round to our house and help us put things into perspective ... Giving us time to consciously think about how we manage money'.

4. Lessons from financial mentors

Tracey Herrington, Thrive presented an overview of the mentoring scheme and introduced the mentor feedback.

Our vision

To recruit and train community volunteers to offer mentor support to financially excluded households

Mentors to develop a relationship that would gain the trust of households and motivate them to be fully involved in the project

Mentors to work with households to do a detailed analysis of their financial situation, followed by on-going intensive mentoring to support them in positive change and moving away from relying on high cost credit.

What worked well – household perceptions

- Feeling able to 'offload' and 'talk to someone'
- Having the encouragement to 'get out of debt'
- 'Finding out what help and advice is available'
- 'Now actively looking at ways in which to save money – jars, Credit Union'
- 'Receiving practical support' (help with phone calls / filling in forms)
- 'Reducing my payments to door step lenders'
- 'Joining an Incentivised saving scheme'

Mentors' feedback

- 'Felt able to convey information to households 'in a way that they can understand it'
- 'Able to develop a positive relationship and gain trust'
- 'Delivering sessions has seemed to build confidence and enabled households to take some steps they might have hesitated to take in the past (seeking debt advice)'
- 'Participant is now more focussed on her goals'
- 'Household is starting to take action to resolve current problems and prevent them from happening again'
- 'Made me aware of how important projects in the local community are.. if household had not had the initial knock on the door and been invited to take part in the project – she would have been financially excluded for years to come with her debts out of control'

6. Shontal

Shontal, presented an interactive drama session which typified and addressed the issue of 'high cost credit in a family which was brought on due to changes in their personal circumstances'. The performance challenged debt through the use of live theatre highlighted the value of addressing the issue of financial literacy.

7. Development of campaigns

Greg Brown, Thrive gave an account of the campaign aspect of the project as noted in overview and key findings of the project

He explained how unhappy customers and grassroots participants had been so they came together to produce a video – 'Loadsadebt' in order to tackle the issue of affordability thresholds for high cost credit. This will form part of a campaign in the Autumn of 2013 with the following recommendations:

1. All high cost credit providers should register the loans they provide on a shared, real time database.
2. All high cost credit providers should verify customers' income before giving a loan
3. All high cost credit providers should ensure that borrowers pay no more than a third of their gross income on high cost credit payments.

8. Group discussions

Based on the findings presented and the contributions from guest speakers, attendees were asked for their suggestions to take the proposed recommendations forward in their sub groups:

1. Poverty Premium

People on low incomes in the UK are paying higher prices for many essential goods and services than people who are better off. The discussion points and comments raised in this workshop included:

Fuel – recognition was given to the high numbers of people living in fuel poverty and discussions focussed on the various projects and initiatives that may help to address this issue – bulk buying energy community schemes which uses collective bargaining power to reduce bills; solar panels on properties (helping providers and tenants) and various initiatives delivered by the Hull Family Centre.

Acknowledgment was given to the value of effective mentoring schemes and the ability of charities to support people to speak out. This is especially important due to the difficulties people will face with the introduction of Universal Credit.

Food – There is a need for improved education in this area, cooking on a budget... use of food banks...It is also important to communicate what help is available

Finance – Recognition was given to the *tactics* used by predatory lenders .. daily texts/phoning on a night time...

It is important that tenants get together with CAB and mentors and perhaps Housing Associations could refer tenants to third sector organisations

2. Affordability and data sharing

Tristar representative supported the findings and commented, that they see many customers who are over-indebted, one with 19 out of 20 debts to different payday lenders

People were concerned that information sharing might further exclude borrowers from some forms of credit

Not many of the people were aware of the nature of aggregating data on weekly payments for credit reference agencies and thought there should be a system set up for this

3. Promoting financial capability

Comments raised included:

Value of partnership working and mentoring style projects that are able to offer concentrated support was discussed at some length. The value of going to people's homes and hence not having an issue with 'identification'.

Five Lamps are currently delivering the 'My Bank' initiative and are keen to work in partnership with any other agency or community group to promote financial capability.

Mentors need their own support and the capacity to carry this out needs to be factored into any funding bid.

The issue of the number of people not accessing mainstream services was discussed and therefore the importance of 'getting out into communities and knocking on doors' and providing preventative measures (not waiting until people face a crisis).

Questions were raised regarding the capacity of organisations to 'reach out' to people who are not accessing advice services. It was felt that social housing providers could be key to this solution. Make use of tenants boards, host joint events, look at marketing strategies

Participants in projects to become advocates

Small case loads are a way forward to gain trust – it should not be a numbers driven approach but the focus should be on the ‘impact’ of service delivery and project outcomes

4. Extending low cost credit options

The main issue discussed was: how do credit unions compete with the selling power of the high cost credit companies? The amount of advertising and the level of ‘service’ that can be offered by a company like Wonga bears no comparison to a small local credit union, run by volunteers.

Credit Unions have a cap on interest rates, which means they cannot afford to develop slick advertising and doorstep services. This will be increased shortly to 3%. But this still leaves little leeway.

Community development finance institutions can charge higher rates (for details of CDFIs, see www.cdfa.org.uk/about-cdfis/). Five Lamps, based in Thornaby, charges around 45%, for example.

A pilot project run by a charity, funded through the Joseph Rowntree Foundation, was mentioned, which had offered doorstep lending. However, to cover the costs they had to charge a much higher APR than credit unions or other community development finance initiatives (around 100%). Although this is much less than most of the high cost credit companies, it was generally felt that this was too high for a charity.

The need for credit unions and CDFIs to have shop fronts was also stressed – with high visibility on main shopping streets. In this connection it was also mentioned that in Middlesbrough there is/will be a ‘Know your Money’ (KYM) building. The Know Your Money project will move into the old Homechoice building on Corporation Road in Middlesbrough. It is currently being refitted for the scheme and will be occupied from late June / early July 2013. As well as KYM, Pioneer Credit Union will be using it for surgeries and Tandem will be using it to interview clients. KYM is a scheme designed to promote financial capability in young people specifically, and is Big Lottery funded.

There was a feeling that councils should be encouraged to provide buildings rent free for credit unions and CDFIs.

Credit unions may need to expand, so they can employ more staff and offer more services. But it is still going to be difficult for them to lend to people who are already heavily in debt.

9. Close

The event closed with the following findings/comments from participants:

- Can one of the empty premises on Stockton High Street be given rent free?
- The importance and value of strategic campaigns, bringing people together was acknowledged as good and is an effective practice in meeting a need
- Five Lamps gave a brief overview of their MYBnk project: MyBnk is an education charity which helps 11 to 25 year olds manage their money effectively and make enterprising choices. Five Lamps are now delivering their programmes across the Tees Valley. MyBnk's high-energy style introduces young people to all aspects of money management, from earning and budgeting to planning for university and banking.
- With tough job markets and tuition fee rises, the need has never been greater. In schools, colleges and youth organisations, young people will be encouraged to get excited about money, understanding how it makes the world go round, as well as confronting worries and boosting confidence.
- The importance of Thrive 'reaching out' and finding people who need help most was highlighted. Often people living in the community might face a range of barriers preventing them from accessing services... they may be too proud, lack confidence or frightened to take a step to seek help. Thrive have evidenced an ability to, 'find the people who *really* need the help.
- Recognition was given to the ability of people coming together and becoming powerful to affect change. The ability of voluntary organisations to bring community members together and take action is of value, especially with the recent changes in the welfare reform and the presenting difficulties vulnerable and marginalised people face.



10. Feedback and evaluation

What were the most useful aspects of the event?

- Networking and hearing about existing projects
- Getting the 'real' beneficiaries, whose lives have been improved due to the campaigns, sharing their stories has a massive impact.
- Information about mentoring and benefits of this over other forms of debt advice.
- Hearing from the people involved in the study and the recommendations.
- Hearing feedback on the mentoring project to clarify its successes and areas for improvements.
- The outcomes and recommendations from the whole project. Feedback and discussions from the 4 break-out groups.
- The project findings highlight a real issue that in many ways is informative
- Hearing from other agencies and groups involved in financial inclusion (projects) and what they are doing – such as mentoring
- Challenging debt through theatre
- Development of campaigns
- Group discussions and feedback
- Meeting the people that the campaign has helped
- Very interesting to hear the testimonies of the people that used the mentoring scheme.
- Demonstration of the importance of trust at all stages of the process leading to a development of client independence
- Talking to people after the meeting to share my story and advice

What were the least useful aspects of the event?

- Testimony from households – but only because I hear stories like theirs on a daily basis (Tristar employee)
- Everything was informative – but not everything I heard was new or surprising – but from different aspects. Nothing was 'least useful'
- Drama group

For you, what are the most important recommendations from today?

- The need to work together to carry out actions
- Finding out different projects that are live in the region – building capacity to support people more effectively.
- Using different methods to find people who would not access advice / go to Citizen's Advice – finding those who are hardest to reach
- Credit Union visibility and progression.

- Education at an early age on money management and credit choices
- Government lobbying / we can all make a difference in our own organisations
- Regulation of payday loans would be the best thing to come out of the project if the Government would agree to this?
- The workshops needed more time
- Attendance from the local community should be encouraged
- Mentoring is an effective but time consuming approach which needs support from a whole range of organisations
- Education at an early stage
- Evaluation of the project as a basis for dissemination of findings

Are there any ways you might get involved with developing ideas and action from today?

- Keep in touch with Thrive –have exchanged contact details to move ideas forward
- I will use Thrive as a referral in our Financial Education workshops with young people and families (Five Lamps)
- Sharing the information about how Thrive worked / its successes
- Work with the Local Authority / development of their poverty strategy
- We (Tristar Homes) are more than happy to get involved. We will be able to assist through sharing schemes, advertising throughout the Vela group to reach more customers ((17,000)
- I will volunteer with Thrive
- Explore the idea of introducing a small scale mentoring scheme
- Contact with developers of education programmes
- Promote signing up to the local Health Watch as a means of conveying individual experience of Health and Social care
- To carry out helping Thrive