



Written Evidence by BCHA to House of Lords Select Committee on Financial Exclusion

September 2016

1.0 Summary of Key Points:

- 1.1 Anyone can find themselves financially excluded at different times and for different reasons in their life.
- 1.2 BCHA's customers are not only living on low incomes, but also have a range of complex needs including mental health, substance misuse and anti-social behaviour.
- 1.3 There are various services and products available for people who need financial support; however, funding cuts, increasing demand and more complex needs mean they cannot support everyone who needs help.
- 1.4 BCHA's approach to addressing financial inclusion is by engaging with people in their own homes through a dedicated Financial Inclusion Officer, key workers for supported housing and in Bournemouth a general floating support service.
- 1.5 Depending on people's situations, Government's policies have been both successful and unsuccessful in reducing and preventing financial exclusion.

2.0 About BCHA

- 2.1 BCHA is a specialist housing provider, helping homeless individuals and families, young and vulnerable people access the right housing, health, learning and work opportunities. Founded in 1968, BCHA supports over 10,000 people every year to take control of their lives and equips them to find a way forward.
- 2.2 BCHA has a diverse range of approximately 2,000 homes across the South and South West. Over 800 of these are supported homes for people who find themselves homeless after facing relationship breakdowns, addictions, unemployment, domestic violence and deteriorating mental and physical health.
- 2.3 BCHA's vision is to 'create lasting solutions to homelessness, unemployment and social exclusion in our local communities'.

3.0 Introduction

- 3.1 As a social landlord and support provider, BCHA sees around 10,000 people a year who face varying degrees of financial exclusion. Some people come to us without any income or bank accounts; others manage to pay bills, but have difficulties accessing mainstream financial services because of their income, employment status or credit score.

4.0 Definitions and Causes of Financial Exclusion

- 4.1 Financial exclusion happens when people do not have the access to mainstream financial services or the capability to manage their money independently.
- 4.2 Anyone can find themselves financially excluded at different times and for different reasons in their life. In our experience, the main reasons for this state are personal changes like relationship breakdown, disabilities, bereavement, mental health issues, learning difficulties, and economical changes like having children, starting a new business or losing employment.

- 4.3 Generally speaking, people with health issues (physical and mental health) and some Black and Minority Ethnic (BME) communities with little social connections, low incomes, cultural barriers or with little or no qualifications seem to be hit hardest.
- 4.4 Debt is a key issue in financial exclusion, as it not only affects people's income, credit score and access to mainstream finances, but also people's health, confidence and social networks.

Jane (not her real name) lives in one of our homes. Up until a couple of months ago she was working with a stable income. Jane had a couple of loans but managed to pay her rent and access services, until her daughter moved away to university and Jane started to feel increasingly lonely and struggled with low moods which developed into a severe depression. She often struggles to get out of the door or even open her post. Recently, this has meant that Jane hasn't kept up with rent and bill payments. She's now in around £6k of debt in council tax, utility bills, rent and other loans. BCHA's Financial Inclusion Officer is supporting and educating Jane on priorities, budgeting and applying for the debt relief order Jane has requested.

- 4.5 The current system means that it is very difficult for some people to become financially included. For example, banks often require two forms of ID and utility bills to open a bank account. Homeless people do not normally carry around ID (or have funds to pay for an ID) and do not have utility bills to prove their address. Not everyone has a bank account because the bank might have closed it or some people have never had to open one.
- 4.6 For those living on low incomes in social housing, a significant number use pre-paid meters to manage and pay for their electricity and gas. This form of payment is often costlier than normal meters and if people do not have money to put on the card one week, it means they will go without electricity or gas. A number of people take out loans (often with high interest rates) to pay for these bills, meaning they get themselves in costly debts without the capability to repay them.
- 4.7 Another issue is that most people in social housing do not have a home content insurance, so if their phone or washing machine breaks down, they will often be using their income on replacing these instead of rent.
- 4.8 Financial exclusion does not only impact on people's individual finances, but also has as a knock on effect on other sectors like health, crime and housing. For example, cold homes of those who cannot afford electricity and gas can cause damp issues, but also pneumonia and other health issues, and the desperation of not having money or access to it can drive people into committing crimes - excluding them even further.

5.0 Financial Education and Capability

- 5.1 Across the country there are a variety of support and advice services available for people who need some temporary support in managing their money. However, in the last couple of years these services have increasingly seen their funding cut whilst working with a growing number of people who need help.
- 5.2 Around 90% of BCHA's customers are in receipt of benefits. Some of these manage their money well and pay their essentials in a reasonable time, but a large number

struggle to prioritise their spending. Our customers are not only on low incomes, but also have a range of complex needs including mental health, substance misuse, anti-social behaviour and (digital) illiteracy.

- 5.3 We have noticed that financial support and advice services - partly because of being overstretched - do not or are not able to support our complex needs customers. BCHA's Financial Inclusion Officer and key workers understand our customers' chaotic lives and take a different approach than these services by engaging with people in their own homes.
- 5.4 People need to be educated on budgeting, saving, employment and financial impacts of life events from an early age. For children, this should be included in their school curriculum; for students this should be offered as part of their apprenticeship or courses, and some targeted services should be available for new parents, those going through family breakdowns or those nearing retirement.

6.0 Addressing Financial Exclusion

- 6.1 Taking ownership and personal responsibility are key in overcoming financial exclusion. We work with some people who are in severe debts, but do not want to accept help or do not want to increase their financial literacy and capability.

We also work with people, especially in supported housing, who do want to take ownership but have severe difficulties accessing services because of their credit history, learning difficulties, (digital) illiteracy or chaotic behaviours. They cannot just go to job centres to sort out their benefits because they need individual support in filling out forms and someone to advocate for their needs and difficulties to ensure the right benefits and financial access are made available.

- 6.2 Digital inclusion and improving literacy skills are essential to addressing financial exclusion. As public services are increasingly moving online, people need access to internet and the skills to read, write and work on computers.

- 6.3 BCHA's Financial Inclusion Strategy for general needs tenants is in its early stages, but the long term aim is to offer residents in need a two-year support programme to achieve the following:

- Address people's wellbeing to ensure they have a decent quality of life
- People to take ownership of their financial affairs and manage independently
- Develop people's knowledge and skills in dealing with public services, like job centres and housing benefit
- People to set a growth or success goal which will see them secure, retain and develop their (self-)employment, education and training opportunities.

Our Financial Inclusion Strategy will aim specifically to increase the number of people progressing into self-employment, which we expect will benefit some people who have had difficulty sustaining other forms of employment

- 6.4 For those living in supported accommodation, each tenant has a dedicated key worker who supports them to sustain their tenancy, address health needs and improve life skills (including budgeting). These key workers need training on enabling people to become more financial included.

In Bournemouth, BCHA provides a floating outreach support for people out in the community who have difficulties maintaining their tenancy. Around 650 people have accessed the service during 2015/16; many of them avoided eviction and further debt issues because of the support. One homeless application costs the local authority £2,724: if only 300 people were helped to remain in their homes through our support, then we might have saved the local authority £817,200 in non-cashable costs.

7.0 **Government Policy and Regulation**

7.1 Depending on people's situations, Government's policies have been both successful and unsuccessful in reducing and preventing financial exclusion. For our customers in supported housing, policies related to benefit sanctions, caps and the new Universal Credit (UC) system are causing increasing difficulties as their chaotic state means people often struggle to attend appointments, lack the skills to appeal caps and cuts, and to manage their lump sum benefit payment on a monthly basis.

7.2 For our customers in general needs housing, the policies might be more effective. An example is the monthly payment of benefits through UC, which is more like receiving a salary. People need to budget and prioritise their spending to manage throughout the month, as they would if they were working. However, one of the main issues is that the Government changed the system without giving people the extra help they needed to transition. The increasing pressure on charities means that they cannot provide this service either.

The idea of the policy could work well on a national level, but is difficult to implement on a local level where the same (Job Centre/charity) staff need to do more without extra resources. We have seen this at the Job Centre, where Work Coaches now assess people's eligibility for benefits and direct rent payments whilst still undertaking their other duties. They simply do not have the time to help one of our customers to fill out forms on the computer.

7.3 In our supported housing services, Housing Benefit currently pays the rent directly to the landlord, and tenants receive their ESA or JSA benefits themselves. From this benefit, tenants need to pay a small service charge to the landlord. Currently this is very difficult for chaotic tenants, especially for those who are using substances or those vulnerable to financial abuse. In the future, the complete rent and potentially even the support cost are expected to go to the tenant directly via UC. We are very concerned about the impact this will have on our tenants' finances and their ability to manage their tenancies. We expect that many will use the money on non-essential items and become victims of expensive loans to pay utility bills and rents. By the time we can apply for direct payments at eight weeks, we will normally already be starting our eviction procedures.

If the landlord and the tenant agree, then rent (and support costs) should be paid directly to the landlord so that the tenant can focus on managing behaviours, vulnerabilities and their health.

7.4 There is also a real financial issue around benefit caps and sanctions for this group. People living in our supported services are known to be unstable and chaotic. Missing an appointment with the Job Centre or support services is not uncommon due to drinking, mental health or learning disabilities. Currently, people are sanctioned for this – meaning they cannot pay for their essentials and causing severe financial

exclusion

and

eviction.

- 7.5 BCHA has also seen the impact of the Bedroom Tax on families living in our homes. We understand and agree that properties should be used for the right (amount of) people, but some people do fall through the gaps, especially those with carers or children over 18 years old who are claiming JSA or ESA. We have a tenant whose son is over 18 years old, so according to the Government he needs to start paying rent to make up for the Bedroom Tax (£46). The Bedroom Tax is causing a lot of friction in families, as children have never paid rent and parents do not want them to as they see it as their duty to provide for their children. The son in this family finds it hard to pay rent as he only receives basic JSA (£57.90) per week, leaving him with little money after paying for his housing.
- 7.6 For those people living in social housing, the changes mean that housing associations are increasingly seeing financial inclusion as essential to their organisation. Since July 2016, our Financial Inclusion Officer has already recovered over £14,000 in unpaid rent or suspended benefits for nine customers. Housing associations, support providers and other relevant statutory bodies need a financial inclusion strategy that is monitored and reported on.

8.0 Summary

- 8.1 The people living in our homes are often not only financially excluded because of their low incomes and health issues, but even more because of their chaotic lifestyles which include substance misuse, anti-social behaviour and (digital) illiteracy.
- 8.3 Changes in Government policies mean that people need to take more responsibility over their finances and find work quicker. For many people this is a good development; however, some need support transitioning.
- 8.4 Existing financial inclusion services are not always able to reach out to these groups because of their complex needs, ongoing funding cuts and increased demand.
- 8.5 In summary we urge the Government to:
- Develop a financial inclusion curriculum for people throughout their lives, starting from childhood, continuing at college or university and with targeted support at stages of significant personal change.
 - Ensure financial inclusion resources are available for those transitioning into Universal Credit and other changed benefits.
 - Put ongoing resources in place at the Job Centre, Housing Benefit and other public services for people who need advocacy and support filling out forms. Some vulnerable people will never be able to manage financially on their own.
 - Make developing and monitoring financial inclusion initiatives and measurable outcomes mandatory for housing associations, support providers and statutory bodies.

- Allow regulated landlords to receive direct payments at sign up if both the tenant and landlord agree to avoid future debts and evictions.