



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cymunedau a Diwylliant
The Communities and Culture Committee**

**Dydd Iau, 24 Mehefin 2010
Thursday, 24 June 2010**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Eleanor Burnham	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Rosemary Butler	Llafur (yn dirprwyo ar ran Alun Davies) Labour (substitute for Alun Davies)
Mark Isherwood	Ceidwadwyr Cymreig Welsh Conservatives
Bethan Jenkins	Plaid Cymru The Party of Wales
David Lloyd	Plaid Cymru The Party of Wales
Sandy Mewies	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Mark Lyonette	Prif Weithredwr, Cymdeithas Undebau Credyd Prydain Chief Executive, Association of British Credit Unions
Fran Targett	Cyfarwyddwr Cymru, Cyngor ar Bopeth Director Wales, Citizens' Advice Bureau

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Sarah Bartlett	Clerc Dros Dro Acting Clerk
Sarah Hatherley	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Claire Morris	Dirprwy Glerc Dros Dro Acting Deputy Clerk
Gareth Pembridge	Cynghorydd Cyfreithiol Legal Adviser

Dechreuodd y cyfarfod am 12.43 p.m.
The meeting began at 12.43 p.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Sandy Mewies:** I call the meeting to order. I welcome officials and anyone who may be in the public gallery. I remind everyone that we operate through the media of Welsh and English. Simultaneous translation is available on channel 1 of the headsets, and amplification of the sound is on channel 0. I ask everyone to ensure that all electronic devices are switched off, because they interfere with the sound equipment. In the event of an emergency, please follow the instructions of the ushers.

[2] I invite Members to make any relevant declarations of interest under Standing Order

No. 31.6. I see that there is none.

[3] We have received apologies from Lynne Neagle and Alun Davies—

Nid oes recordiad ar gael o'r cyfarfod rhwng 12.44 p.m. a 12.45 p.m.

No recording is available of the meeting between 12.44 p.m. and 12.45 p.m.

Daeth rhan gyhoeddus y cyfarfod i ben am 12.45 p.m.

The public part of the meeting ended at 12.45 p.m.

Ailymgynullodd y cyfarfod yn gyhoeddus am 12.59 p.m.

The meeting reconvened in public at 12.59 p.m.

**Ymchwiliad i Gynhwysiant Ariannol ac Effaith Addysg Ariannol—Casglu
Tystiolaeth
Inquiry into Financial Inclusion and the Impact of Financial Education—
Evidence Gathering**

[4] **Sandy Mewies:** I welcome Mark Lyonette, who is here to give evidence as part of our inquiry into financial inclusion and financial education. Mark is the chief executive of the Association of British Credit Unions.

[5] I will go through one or two housekeeping rules, if I may, as you may not be aware of them. First of all, should the fire alarm sound, please follow the instructions of the ushers. Secondly, we operate through the media of Welsh and English. Simultaneous translation, if you need it, is on channel 1 of the headsets, and amplification of the sound is on channel 0.

[6] Thank you very much indeed for your paper. We have all been very interested in the work of credit unions. Even if we are not all members of a credit union, we are all aware of the very good work that they do. Please assume that we have read your paper, because we have. I ask you to make a few introductory remarks, and I will then ask Members to ask you questions. Is that okay?

1.00 p.m.

[7] **Mr Lyonette:** Absolutely.

[8] **Sandy Mewies:** For the record, would you give your name and title first please?

[9] **Mr Lyonette:** I am Mark Lyonette, chief executive of the Association of British Credit Unions, and I am delighted to be joining you today. I think that it is the first time that the association has been formally asked to give oral evidence, although we have responded to many Welsh Government consultations. You are probably aware that ABCU, as the trade body, represents the vast majority of credit unions in Wales and, indeed, in England and Scotland. Financial education, capability and inclusion are very much part of what credit unions believe they are about and what motivates many volunteers to get involved in the sector. So, I would be delighted to answer any questions that you have about inclusion or financial education.

[10] **Sandy Mewies:** The first question is from me. It is one that we have asked various people, and we have received various answers. How would you define financial inclusion?

[11] **Mr Lyonette:** Gosh. You are probably aware—although I am not sure whether we included it in our written response—that I sit on the UK Government financial inclusion

taskforce in Westminster, which may even survive until March next year. None of us were sure about that until after the election. Your question is one that the taskforce has asked itself for five years. There is no easy accepted definition. We all understand that it is about having access to products. However, it is not just about access, but the appropriateness of those products. For example, people often have access to credit, but the issue is the price of the credit. So, it is not just a question of availability, but of appropriateness. As part of this agenda, credit unions put emphasis not just on affordability of credit but on encouraging safe savings, too.

[12] We think that that plays particularly into the whole role of providing financial education. There are some things we believe you can teach in a classroom or an informal classroom setting, but we think that there are other things to do with financial services and good habits that you can learn only by doing. For example, we do not think that it is that easy to teach people to save. Most of us only value savings when we have them. So, the challenge is not how we lecture or talk to people about savings or even discuss savings; the challenge is how we can make saving like falling off a log. So, the emphasis in credit unions is not a typical emphasis on financial education. We believe very much that people's behaviour is changed by doing things, and we encourage people to do things and make it easy for people to save, for example.

[13] **Sandy Mewies:** How good are we in Wales at encouraging people to become informed and make decisions on that basis?

[14] **Mr Lyonette:** I do not know of any comparative studies in the credit union sector between the performance of credit unions on financial education in Wales and across Britain more widely. There are various studies of the differences and similarities between credit unions in Wales compared with credit unions in England and Scotland, on size, sustainability and such issues. However, I am not aware of any study of the impact of credit unions in Wales compared with England and Scotland in building financial capability and encouraging savings.

[15] **David Lloyd:** Thank you for your excellent paper. In passing, I should probably declare my membership of a credit union before I ask a question. Can you elaborate on the particular role that credit unions can play in communities to combat financial exclusion?

[16] **Mr Lyonette:** Absolutely. Most of you are probably aware of the basic range of credit union products. We encourage responsible credit. Credit unions, particularly in the last five or so years, have become a lot better at ensuring that the credit that they extend does not push people over the edge. Around 15 or 20 years ago, when we took less time to investigate people's circumstances, we might have been guilty, at times, of irresponsible lending. Even though people are desperate for credit, it is not always the best thing to do, as we know, and there are people we cannot help with a loan, but we can help them to assess their outgoings and put a pound or two aside.

[17] Credit unions in Wales generally do a great job on lending, but the encouragement of saving is just as important, although it may be more counter-cultural. Everything that we have in our society smacks of easy credit—'Get it now', 'Buy now; worry about it later'—so to encourage saving is counter-cultural. My partner is a headteacher, and she said that I can talk as much as I like about financial education, but it is hard to do. Everything that children are hearing, 24 hours a day, is pushing things in the opposite direction. She says that, in measuring the performance of teachers, we should bear in mind what they are up against.

[18] Interestingly, some credit unions in Wales are starting to offer current accounts. So, credit unions are coming of age and offering people the opportunity to pay bills easily through a current account. All those things help with careful budgeting. We have credit unions in

Britain, but not in Wales yet, that are starting to offer mortgages. That shows the scale of the sector. Three or four of our largest credit unions are bigger than the smallest building societies. There is still a big range of credit unions within the sector.

[19] **David Lloyd:** I would like to dwell a bit on the savings issue; like you, I think that that is fundamental to the issue of how we get people saving. Can you elaborate on how we can make the concept of saving 'sexier', for want of a better phrase?

[20] **Mr Lyonette:** It is hard to make it sexier, but look at the experience of where credit unions have done this well. Some of you will be aware that there has been a lot of talk in the last five years about behavioural economics, with books such as *Nudge: Improving Decisions about Health, Wealth, and Happiness* introducing the idea that we must go with the flow, and that we are not rational economic beings who make decisions entirely on the basis of what is the best judgment for us. In credit unions, we have known this for many years but have not articulated it in that kind of language.

[21] I will give you the example of bus drivers. We have three very strong credit unions that have 25,000 bus drivers between them. Generally, these people have low-income jobs but have more savings than many of us, I would suspect, simply because they have a wonderful tool called payroll deduction. It does exactly what it says. You, as an individual employee, make an agreement with your employer that, before you see your wages, £10, £20 or £100 will be deducted each month. That seems so much more powerful than setting up a standing order or direct debit, and is like the old phrase that you do not miss what you did not have. The scheme goes with the grain of what works for people. We strongly supported the UK Government's work around pensions, although there are massive challenges in pensions. Soft compulsion is not a bad idea. We all need a bit of a nudge to do the right thing when it comes to savings. We have lots of examples like that: bus drivers with thousands of pounds of savings, simply because they started doing it a long time ago and somebody encouraged them to do it. No-one would have lectured them on how to save; they would have just said, 'Why not put £10 or £20 aside? That is what I do'. It is a powerful message.

1.10 p.m.

[22] On payroll deduction and working with employers, we have been saying to the UK Treasury that there has to be something wider in there that is not just about credit unions, but about how we can encourage short-term saving. Christmas savings are another example of this. The UK Government has sometimes struggled with this and it got a rude awakening when Farepak failed. You will all remember that. We have known for years that, in those kinds of savings products, people want different things from what you would typically expect. People are more likely to use savings products if you allow them access to withdraw it when they want, but, ironically, for Christmas saving, the opposite is true. People do not want you to let them have access to it in July when they fancy a day out with the kids or whatever; they want you to keep it from them until November. Although we cannot keep the money if they really insist, we have to design products that do not encourage them to take the money out. It is about working with people's reality.

[23] We have said to the UK Government that when it talks about grand schemes of financial capability and the work that the Financial Services Authority does, it should not forget that Christmas happens for everyone, regardless of religion. A lot of people will still have some expensive outgoings; Christmas is a time when many people get overindebted. The single biggest thing that we could do to encourage better financial health is not necessarily choosing this pension versus that pension, or this mortgage versus that mortgage, but encouraging people not to overdo it on credit at Christmas and to use savings. It is not sexy, but somehow we have to work with that. The other issue is about schools; Members might want to ask a question or two about this, so I will not say much now. We firmly believe that

people are not born savers—people develop savings habits.

[24] **Sandy Mewies:** On that note—I know that Eleanor is bursting to ask a question—we recently visited a school in my constituency, and we have done a short report on it. It is a primary school with a strong credit union, recently started, going right the way through. We were interested to see that not only were they enthusiastic about saving and understood why they were saving—they had developed a habit of doing odd jobs for 5p or putting in their pocket money—but the school had done a financial literacy project in tandem with it, which embedded it in different aspects of the curriculum. So, it was certainly working there, was it not, Eleanor?

[25] **Eleanor Burnham:** Yes, it was superb. Why do you think that people save so much for Christmas and perhaps do not save for other things? I am intrigued, because it is not just Christmas that happens to everyone, particularly the poorer and the vulnerable. Last night on *Newsnight*, they were talking to a vulnerable but articulate man, his wife and his child, and it was astounding; they managed to save £2,000 for Christmas, and they are on benefits. It struck me when you were talking about financial literacy: why do people only save for Christmas when they know that they should save for other things?

[26] **Mr Lyonette:** That is a good question. Some research suggests that people on low incomes spend proportionately more on Christmas than people on higher incomes. I am thinking off the top of my head, but that suggests that it will be a bigger priority than a few days away in the summer. In low-income communities, there has always been a tradition of saving for Christmas, although not necessarily formally. Even today, people still save with the butcher, and there are all sorts of informal arrangements that are not necessarily very safe, in the sense that people's money is not protected, as we saw with Farepak. There has always been a tradition of that, because Christmas is such a big part of people's lives.

[27] **Eleanor Burnham:** Thank you Chair, for allowing me to ask that question.

[28] **Mr Lyonette:** The amount of money does not surprise me. We did a piece of—

[29] **Sandy Mewies:** You have answered the question. However, we have a lot of questions for you.

[30] **Eleanor Burnham:** I am sorry. That was my fault. I do apologise.

[31] **Mr Lyonette:** You will need to stop me.

[32] **Sandy Mewies:** I am sure that we will get around to everything, but I would like to ensure that everyone gets their questions in. Mark is going to ask you more questions about schools now.

[33] **Mark Isherwood:** My question follows on from the comments that you made earlier. Your paper refers to the work that credit unions do in schools, particularly primary schools, and their contribution to financial education. Can you give us some positive examples of this working, and perhaps detail the barriers that you have encountered, particularly in accessing secondary schools?

[34] **Mr Lyonette:** As you are probably aware, we have had much more success as credit unions working with primary schools, probably for obvious reasons to do with pressure on the curriculum, compared with secondary schools. We have just done a piece of research, which we have not yet published, that looks at where the good examples of secondary school working are, what we can learn from those, and how we might roll that out to see whether we can collaborate a little as a sector to get some of the benefits of where things have worked

well in one area—and we mention the Neath Port Talbot credit union in the report—and see whether we can encourage other credit unions to do some of those things that have worked. There are a number of barriers, not least the two that I have already mentioned. It is very important for schools to meet their thresholds and all their education targets. If this is not up there with getting 30 per cent in English and mathematics, it takes a lower priority. I mentioned that my partner is a teacher. She once said that one of her headteacher colleagues said, ‘If I will not go to prison for not doing it, I probably do not have the time to do it’. It is about priorities for teachers that are very pushed.

[35] We found that you need a champion. There has to be someone—a teacher—who has more than the ordinary commitment to educating children that most teachers have, and grabs hold of this and somehow finds a way to make it happen. That limits the number of places when there are many things on which teachers are championing, as well as this.

[36] The challenges are really about resource. When we try to evaluate how successful these projects are, it is important not to forget what I said earlier: if this is one thing pushing in one direction, and there are 1,000 things pushing in another direction in society, it obviously has an impact on how we can assess what success looks like. Most of the challenges are about resources. For credit unions, that is also the challenge. Most of you, I am sure, will be aware that credit unions as financial institutions have a simple structure. We have people who save money; we lend that money out, and then we earn interest from the money that comes back. Helping schoolchildren and helping teachers with schoolchildren does not bring in any money to the credit union directly. You could say that, in the longer term, it is building up the community, and the people who use that credit union in the community, but it does not produce an income. Savings do not produce an income for the credit union. They absolutely want to do that, and the dilemma for credit unions is how to balance their desire to work more on the education side, particularly in some of the credit unions in Wales that also need to grow to a point where they are sustainable. Those two things tend to pull against each other and different credit unions will address that tension in different ways. Some credit unions, for example, have been successful, perhaps, at securing a small grant, perhaps to work with schools. However, even there, if they are not careful, it can take away their energy from making sure that they have grown to a big enough institution in the community to cover its own costs and survive. The tensions are the typical ones, I suppose. There are no big surprises there. Does that answer your question?

[37] **Mark Isherwood:** I think so. The second part to my question was about the barriers that you also encounter externally, not just the internal, commercial and practical resource pressures, but the barriers in accessing the school.

1.20 p.m.

[38] **Mr Lyonette:** Some credit unions are better at that than others and it sometimes depends on who you know or whether your child goes to the school and you feel able to go to talk to the head about it. It is not necessarily easy for credit unions to know who to approach. It is interesting that most approaches are made directly to the school; there are not that many examples of credit unions working through the education authority. As time goes on and credit unions are embedded in more schools, nationally across Wales and perhaps nationally in the UK, we may see that more credit unions are embedded as part of a national initiative.

[39] **Eleanor Burnham:** Pa addysg a **Eleanor Burnham:** What financial education hyfforddiant ariannol y mae undebau credyd and training do credit unions provide to yn eu cynnig i oedolion y tu hwnt i adults outside traditional educational sefydliadau addysg traddodiadol? settings?

[40] **Mr Lyonette:** As I said, the majority of the financial education and training that we

provide is not formal, classroom-based education and training. It is much more about working one to one with an individual who may have come into the credit union for a loan or just to join the union. Credit unions do not typically get half a dozen or a dozen people together and go through a programme or training session; it tends to be much more one-to-one working and sitting down with people and looking at their budget. Some credit unions offer to help pay the bills for people so that those bills get paid at the right time. I have mentioned payroll deduction and all of those things that we do that are about, in a sense, tricking us into doing the right thing. I do not mean us being tricked by having our money taken off us or anything like that, but going with the flow of what works for individuals in how we make financial decisions.

[41] So, I am not aware of too many formal financial education training schemes, but you are probably aware that the UK Government had a financial capability programme that was led by the Financial Services Authority, which worked a lot with large employers. Some of our credit unions that are embedded within those employers played a big part in that programme with regard to doing lunchtime sessions of around half an hour to an hour. So, we have done some training, but it is not the majority of what we do. Most of what we do is informal.

[42] **Rosemary Butler:** What role do you see for community development finance institutions such as Moneyline Cymru, which was developed by Welsh housing associations, in the provision of affordable credit?

[43] **Mr Lyonette:** That is interesting, and I am sure that, for much of what I am about to say, you would say, ‘He would say that wouldn’t he, as the chief executive of the credit union sector?’, which sounds a bit like a Mandy Rice-Davies defence. Interestingly, community development finance institutions arguably arose only because the credit union sector in Britain was not doing as a good a job as it should have been doing. I say that because, until about 10 years ago, when CDFIs first emerged, credit unions were very inflexible in the way that they worked. For example, they would give loans to people only when they had saved for 13 weeks or sometimes longer, and they had a low maximum interest rate—of course, we always want to provide the lowest interest rate, but that limits who you can lend to. So, one reason why you would raise the interest rate would be to cover the greater risk of someone defaulting, not necessarily because they are a bad person who does not want to repay, but because their circumstances can change and because people’s circumstances vary.

[44] So, the CDFIs in Britain were very much a response to the credit unions of 10 years or more ago not being as flexible and helpful to members and consumers as they might have been. As is often the case—and I am sure that the Welsh Government gets people saying these things all the time—it is always easy to sell an idea that is new even when it is untried, but the reality is that if you look at the work that the credit unions have been doing with the UK Government and the growth fund—and a number of Welsh credit unions have been engaged in that—over 90 per cent of the lending has been done by credit unions. Two or three of the community development finance institutions have been quite successful. I do not know if you are aware of this, but only a dozen CDFIs in the whole of Britain are making personal loans. Most CDFIs are much more focused on small business lending and social enterprise lending—that kind of thing. So, they have not grown to anything like the size of the credit union sector. However, we recognise their origins and, to that extent, we encourage everything that will have an impact on the problem. That is quite important.

[45] Many organisations have evidence that it is quite difficult to achieve an attractive lending offer when you are embedded within the social landlord system. Over the last 15 years, there have been a number of initiatives and a good example would be the Cambridge Housing Society, which is often quoted as a great example. When you get underneath the skin, some of these landlord-led lending initiatives have a handful of loans. So, the question

is, why do people not want to borrow from their landlord or something associated with the landlord? The answer is what you might expect, in that you are also paying rent to this institution and people do not generally want to share their financial situation with someone they may be paying rent to and with whom they may even be a little in arrears. So, it is well accepted that lending institutions emerging out of social landlords and out of housing associations have not been very successful. That is a shame, but it does not take away from the fact that in our view, social landlords have a massive role to play in this agenda. We just have to be careful that the lending does not appear to have anything to do with them, because, to date, those initiatives have not been very successful at all. That does not mean that they are not good intermediaries that meet people and that cannot do other things with people, particularly around encouraging things on the education side.

[46] **Rosemary Butler:** That is very interesting and perhaps we can compare that with previous evidence. How do you see credit unions and the CDFIs working more closely together—or do you not see that happening?

[47] **Mr Lyonette:** There are not many examples of that. There are one or two examples where credit unions and CDFIs see themselves complementing each other and there is some clear definition of where one starts and the other ends, if you like. However, by and large, in most parts of Britain now, credit unions and CDFIs would see themselves competing in the sense that they are trying to serve the same people. Having said that, I would not like to think that they are all competing for the same small number of people. I always say to credit unions, when they find themselves with a neighbouring credit union or an overlapping common bond that they should not really compete with those people down the road because only 2 per cent of the community is using either of them. They should be spending their time on the other 98 per cent and not on those who are in that other credit union. So, I hope that there is not competition in that sort of destructive sense. However, on what they are doing for those communities, they are in a real sense, competing with the interests of local government or whoever.

[48] **Eleanor Burnham:** May I come in on that, Chair?

[49] **Sandy Mewies:** You must be brief, and I also ask Mr Lyonette to be brief in his response because otherwise we will not get through our business.

[50] **Eleanor Burnham:** Briefly, when we heard evidence on the CDFIs, I was amazed at how high their interest rates are.

[51] **Sandy Mewies:** That is not a question.

[52] **Eleanor Burnham:** I just wanted to hear Mr Lyonette's opinion on that.

[53] **Mr Lyonette:** That is right. One issue that we discussed earlier is that people can charge interest rates of several 100 per cent APR, and we might think that that is all incredibly expensive for credit that we would use, but often those forms of credit have got another source of charges, for example, home collection and people knocking on the door, which adds to the charges. I do not want to sit here and defend those lenders, but there are other charges involved that we do not have.

1.30 p.m.

[54] One way in which any lender will deal with people who are more likely to default—that is not a function of income per se, although, obviously, the less flexibility people have in their outgoings and incomings, the harder it is to ensure that they repay every week, as needed—is by raising the cost of borrowing. The community development finance institutions

have typically done that by lending at 30, 40 or 50 per cent APR. There are other ways. We think that a much better way of getting around that problem is about how you get people to repay. We can only limit our rates to 25 per cent APR, but one thing that we can do to reduce the credit risk is to get people to repay via deductions from their benefit. They are just like deductions from payrolls—it is the same thing. That increases the certainty that you will repay, rather than having to turn up with cash.

[55] **Mohammad Asghar:** Thank you, Mark, for telling us everything about your affairs as credit unions. I am glad to hear that your partner is a teacher; you probably have a feed in for teaching informal classroom affairs. Is a credit union's day-to-day contact with its members sufficient to increase financial capabilities, or is it sometimes necessary to target help and support at particular groups, such as people who lack basic skills?

[56] **Mr Lyonette:** Generally, most credit unions would take a view on that when someone comes in to borrow. That is the point at which they would have the most contact with people. They would typically sit down with them and go through their income and expenditure, and for most of us, that is a very illuminating exercise. Sometimes we discover that we have a lot more outgoings than incomings, and we need to do something about it. It tends to happen one person at a time, with a horses-for-courses approach.

[57] Having said that, I am aware of some credit unions that will get involved in targeted initiatives with particular groups of people. For example, some credit unions have done a lot of work in prisons. You might say that they had a captive audience that was easy to reach, but that is an area in which the mainstream financial sector does very poorly. We discovered recently, in a Ministry of Justice consultation, that credit unions have more accounts with prisoners than every single high street bank, bar one. That is shameful. When you think of the scale of our sector, involving just 800,000 people in Britain, it is shameful that the banks are so poorly represented. I am aware that, in the past, in the north east of England, there was a collaboration between a number of credit unions and the Basic Skills Agency, as it was then. However, I am not aware of a scheme like that in Wales. We get involved with individual targeted initiatives, but it is not generally a standard approach across the whole sector.

[58] **Sandy Mewies:** I should tell Members that we have tried to get rid of the buzzing noise in the room, but when we adjusted the electronic equipment, the buzzing got worse, as you may have noticed. Now, the other noise has stopped, but the buzzing remains. I am sorry if it is disturbing you. I think that it is feedback, and it can be quite distracting. I will ask the clerks to mention it—if it is not fixed today, we will get it fixed for next time.

[59] We now move on to question 7 from Joyce Watson.

[60] **Joyce Watson:** Good afternoon. I will be asking questions about co-operation between the statutory, private and third sectors. You say in your paper that you believe that credit unions should form partnerships with post office networks. Why do you believe that? What is the benefit for credit unions and their members in making services available through that post office network?

[61] **Mr Lyonette:** Some of you will probably be aware that this is potentially the most exciting initiative that has happened for the sector. I do not say that lightly—I think that the sector has done some amazing things in the last 10 years. The Post Office came to us, two or three years ago, long before anyone talked about a people's bank and all those things that have happened in the last year, and said 'We've got a fantastic network of counters where there is a face-to-face service. They are still used by 22 million people, who walk through our doors every week, but we haven't really got a full range of financial products for those people. We've got a big partnership with the Bank of Ireland, which offers mainstream credit and savings products. We look at credit unions and see that you have a great product range

and appropriate products for a range of people, but particularly people on a low-to-moderate income. What you don't have is a great network. You're reliant on one credit union here and one credit union there.' Three years ago, it asked whether there was an imaginative way in which we could take the strengths of the Post Office and of the credit union sector, and combine them in some way to get the strength of both those entities. It has taken us two or three years.

[62] The process has been accelerated in the last year, because in Westminster, the Department for Business, Innovation and Skills carried out a consultation on the future of the Post Office and financial services. We responded, as did the Post Office, that we thought that this was a fantastic opportunity, which, in the grand scheme of things, was inexpensive and that we saw it doubling—or perhaps more—the scale of the credit union sector over five years. The proposition is straightforward: if you are an existing credit union member, you should be able to walk into any post office in Wales or the whole of United Kingdom, if you are travelling or whatever, and swipe your card at the post office's till and the person behind the till will be able to give you money from your savings, information on any of your other accounts, take in cash to repay a loan or to build your savings. You will be able to do about 80 or 90 per cent of the things that you could do if you walked into your credit union. If you are not a credit union member and you walk into a post office, as 22 million people do, the presence of Post Office branding would encourage you to join your local credit union. We think that the Post Office is a trusted brand among many of the people who use its services. We think that its branding will enhance credit union branding, and we could see this having a huge impact on the growth of the sector. We genuinely think that it is a hugely exciting opportunity.

[63] **Sandy Mewies:** We will move on, but we have four more questions and five minutes, so I repeat my exhortation to Members to be as brief as they can, and ask you to give succinct answers. We have another evidence session after this one.

[64] **Bethan Jenkins:** Pa mor hawdd yw agor cyfrif gydag undeb credyd ar draws Cymru? Yr ydych wedi dweud bod modd talu biliau a morgeisi drwy'r fath gyfrif, felly beth yw'r gwahaniaeth rhwng y cyfrif hwn a chyfrif banc? A allwch esbonio hynny i ni? **Bethan Jenkins:** How easy is it to open an account with a credit union across Wales? You have said that it is possible to pay bills and mortgages through such an account, so what is the difference between that account and a bank account? Can you explain that to us?

[65] **Mr Lyonette:** Some of this is about style and friendliness, to simplify it. Credit unions are proud of their ability not to put barriers in the way of people who want to open an account. What do I mean by that? For many years, as some of you will be aware, we have all had to be careful about money laundering, and, more to the point, about preventing money laundering. That means that banks and other deposit takers need to get people to produce proof of their identity to open an account, to check who they are and so on. In some cases, that can be a daunting prospect and there has been evidence that, in the past, banks have used that as a barrier to people opening accounts. So, where you have people who feel a little nervous or feel that the bank is not somewhere that they want to go, if you add to that the fact that, when you get in there, if you do not have a passport, somebody might tell you that you really need one, even though, actually, you do not—many people do not have a passport. There are many barriers to people feeling that a bank is a welcoming place. We feel that, in many credit unions, we can do something that welcomes people better than that.

1.40 p.m.

[66] Having said that, of course, banks have had a positive initiative over the past five years for opening more basic bank accounts, thereby halving the number of people without a

bank account. It was mostly led by the Department for Work and Pensions' push to pay benefits direct as opposed to anything very active on the part of the banks, but it has been well recognised that they have done a good job there.

[67] It is partly about style, and it is partly about approach, and it is also about what is offered. We open accounts for many people who would not get credit from a mainstream bank. They may be able to get a simple, basic bank account, but if they open an account with a credit union, they are much more likely to have the full range of credit and savings products as well as transactional products, and we hope that we are doing a good job for those people.

[68] **Mark Isherwood:** I would like to explore the issue of opportunities for sector outcome products with your sister organisations, the building societies, but there is no time to do that at the moment.

[69] Other than regular saving, how do credit unions encourage income maximisation and debt minimisation?

[70] **Mr Lyonette:** Some credit unions offer those services themselves. I would say that they are in the minority. The vast majority of credit unions tend to provide income maximisation services in partnership with somebody else. I know that in Wales, many credit unions will have a partnership with Citizens Advice or an independent advice agency. They will look to bring in that expertise, that source of knowledge, and share it with people in looking at how they might maximise their income. This is because credit unions would not typically be expert in the benefits system or anything like that. Of course, there are challenges in that sort of partnership, because while Citizens Advice and a credit union are looking to help the individuals sitting in front of them, they come at it from a different perspective, certainly where debt advice is concerned. Credit unions, obviously, are not charities; we need people to repay, rather than find ways not to repay. So, there are challenges and tensions in there, but nationally, across the UK, we have a good partnership with Citizens Advice.

[71] Some credit unions do very important things. I mentioned the bus drivers' credit union earlier. We have a credit union in Scotland that can say that, every month for the past 15 years, it has saved somebody from losing their house, sometimes literally hours before the bailiffs come in. That is an astonishing track record of getting on the side of the individual. It is usually done through negotiating debts, taking them on board for the person involved, and offering to deal with the creditor. At the end of the day, this can be about losing your home, so credit unions take the matter very seriously. However, we do not charge for any of the services that we provide, so it is not like all these agencies you see in the back pages of newspapers. We have to do all those things within the scope of the income that we earn from interest charged on loans. That limits what we can do. People would like to do more, but we do have a commitment to it.

[72] **Sandy Mewies:** There are two more questions, and I really would like to get them in quickly. I must ask for a succinct answer, because we have other witnesses waiting.

[73] **Bethan Jenkins:** Sut y bydd **Bethan Jenkins:** How will credit unions be undebau credyd yn gallu denu pobl oddi wrth able to draw people away from doorstep fenthyca ar stepen y drws neu fenthycwyr loans or illegal lenders, give the importance anghyfreithlon, gan fod hynny'n fater mor of that issue at this time? bwysig ar hyn o bryd?

[74] **Mr Lyonette:** This is an area in which we have been very successful in recent years. The project that I am thinking of is a UK-wide initiative, rather than a Welsh one. However, Welsh credit unions have been very much involved in it. It is called the growth fund. The Department for Work and Pensions has put nearly £100 million into the sector. I should say

that most of that is capital, which is still evolving. Credit unions typically make a £300 or £400 loan. Some of you will be astonished to learn, if you are not familiar with this from constituents, that, typically, it has saved people £200 of interest repayments on one loan. That is a huge amount of money—and some people will have two of those loans in a year—and it contributes to people's ability to save or to do something better for their families, and so on. That has cost the UK Government something like £60 a loan. So, for £60, people have been multiplying that and saving £200, which is quite impressive. It has been very well driven.

[75] One of the other concerns in the sector is that grant funding can produce dependency. So, it is important that the funder of these initiatives drives performance and efficiencies so that the credit unions make as many of those loans as they can for the money that they receive, because these things are hugely important. To make an extra 10 per cent or 20 per cent of loans really makes a difference on the ground to the people who need those loans. We made 250,000 loans in three years, which is quite good.

[76] **Sandy Mewies:** You may not be aware of it, but what impact, if any, has the Welsh Government's financial inclusion strategy had so far?

[77] **Mr Lyonette:** We have been following the strategy over the years. The challenge is to encourage more credit unions to go further, to grow quicker and stronger, so that they are not dependent ultimately on Welsh Government money. That will mean that they can do much more for the people of Wales. It is very difficult, because the ways in which some credit unions started 20 years ago would not be encouraged now, so there is a transition period. However, overall, we have contributed to the consultation on the last strategy. We thought that there were many good things in the strategy, but it could go further. There always needs to be an eye kept on performance and efficiency, as well as the individual consumer who is the beneficiary. The credit unions of Wales have been hugely thankful that the Government has chosen to support their work.

[78] **Sandy Mewies:** Thank you for your paper and for answering questions. We will send you a draft transcript of the evidence that you have given, which can be corrected for factual errors. Thank you very much indeed.

[79] **Mr Lyonette:** Thank you, all.

[80] **Sandy Mewies:** Members, we will move on now. In this session, we will take evidence from Fran Targett, the director of Citizens Advice Wales. Fran should have been with us before, but was not able to come, and we are very pleased to see her here today. Thank you very much for your paper, Fran, which we have read. I know that you have had to rearrange meetings to be here today. I invite you to make a few remarks about your paper, and then we will turn to Members so that they may ask their questions.

[81] **Ms Targett:** I will be very brief. First of all, apologies to you all for my late cancellation last time. Some of you may be aware that we have been faced with an 11.6 per cent in-year cut from the Department for Business, Innovation and Skills, and I had to be in London to discuss how we will address that for our service in Wales. So, I am very sorry that I could not be with you at that time.

[82] To give you some background on me personally, I have worked for Citizens Advice, both at a bureau level and in Citizens Advice centrally, for over 30 years, starting as a volunteer adviser in the Holyhead CAB. I have done debt advice in my time, but it was a long time ago, so it would be very unwise to put me in front of a client now.

[83] You will see from our paper that we see work-related financial inclusion as absolutely fundamental to our work. We also think that we must have some connectivity between the

things that we are best known for, namely our advice work—the work that we do on debt advice, income maximisation and particularly around benefits—and the work that the bureaux do on financial capability for individuals and groups, as well as the work on money guidance, which is up-and-coming. It is a question of how those things fit together.

1.50 p.m.

[84] From our perspective, capacity remains the biggest issue. There are many people who are trying to do things, but at the moment there are more people who need assistance with making the best use of their finances than any of us on the ground are able to deal with. I do not intend to send things out several times, so I hope that all of you have received our paper, 'Financial Skills for Life', which we sent out recently. It gives information about the work that we do at Citizens Advice in relation to building financially capable communities. It was sent to Assembly Members individually, so I hope that you have had it. I thought that you would not want to receive it again—

[85] **Sandy Mewies:** We will circulate it to anyone who has not received it.

[86] **Ms Targett:** Thank you. I am now ready to answer your questions.

[87] **Sandy Mewies:** I will ask the first question—there are probably several answers to it. How would you define 'financial inclusion'? I do not think that there is a right answer or a wrong answer to that.

[88] **Ms Targett:** It is difficult to define that. My view is that 'financial inclusion' relates to ensuring that every person in our communities has a proper ability to understand their finances and their money, ensuring that they have the right amount of it, if that is the issue, and ensuring that they fully understand the decisions that they are trying to make, or have to make, as part of managing their money. That includes all sorts of things, from having access to a proper bank account or a credit union account, through to understanding the importance of a pension or home insurance and so on. So, there is a broad range of issues. For me, the 'inclusion' bit is about people having access to advice and information that they are able to understand and that relates to the reality of their lives.

[89] **Sandy Mewies:** How well do you think that we are doing in Wales in relation to realising those aspirations?

[90] **Ms Targett:** The situation is patchy. There are places where there is very good access to training on financial capability, where schools are very engaged with that work and where there are advice services that are relatively well funded. However, there are other places where those things are not in place. In relation to financial capability, all the funding of which I am aware, whether it is directed at our organisation or others, is short-term and project-based, and is usually for either a particular group of people or a particular geographical area and that makes it patchy.

[91] **Sandy Mewies:** Thank you for that. Eleanor has the next question.

[92] **Eleanor Burnham:** Faint o'r gwaith achos yr ydych yn ymdrin ag ef sy'n gysylltiedig ag allgáu ariannol—a achosir ganddo neu a gaiff ei waethygu ganddo? A all pobl sydd â sgiliau a gwybodaeth ariannol da barhau i wynebu rhwystrau wrth geisio cael mynediad at wasanaethau ariannol prif ffrwd, ac, os felly, a fyddai modd i chi roi **Eleanor Burnham:** How much of the case work that you deal with is linked with financial exclusion—is caused or exacerbated by it? Is it possible for those who have good financial skills and knowledge to still face hurdles in trying to access mainstream financial services, and, if so, could you give examples of the problems of which you are

enghreifftiau o'r problemau yr ydych yn aware?
ymwybodol ohonynt?

[93] **Ms Targett:** If you look at the large amount of work that is done in relation to people's debt, there is a variety of situations. Some people face a big change in their lives, or something happens to them—they may become ill, for example—that has nothing to do with their capability or understanding, and it is just the case that a huge change has resulted in a sudden loss of income. The bureaux tell me that quite a large proportion of the people who they deal with, who have debt-related problems, do not understand that they could borrow money more cheaply or get money in a different way. It astounds me and the staff in our bureaux how many people do not understand what is, if you like, a priority debt. In some ways, that is understandable. If you are at home and there is someone knocking on your door, the priority is the person knocking on your door, despite the fact that, legally, they have no right to their money as of now and that they would have to take you to court, which would probably say that you did not have to pay it or that you only had to pay a very small amount per week. However, because people do not understand those things, they are under those sorts of pressures.

[94] We have case examples. It tends to be the people who are in the most poverty. We have done some work on energy advice, and the people who are most likely to be paying the most for their fuel are the poorest. That is evidence from our clients. We also have examples from our bureaux of people coming to them who do not understand that if they opened a credit union account, for example, they would be able to both save and borrow more effectively and efficiently than they could with a doorstep lender, because doorstep lenders will do what they have always done. So, we have people in situations like that coming into our bureaux every week and every day.

[95] **Rosemary Butler:** I think that you have touched slightly on this already, but what practical contribution do citizens advice bureaux across Wales make to financial education, and can you give the committee some specific examples?

[96] **Ms Targett:** In the paper, we point out that, of our 31 member bureaux, 19 have been involved in financial capability work. I must say that the others are not involved not because they do not want to be, but because they do not have the funding to do it. For example, we are engaged with Barclays Bank plc, which funds the Horizons project, which provides financial education specifically to lone parents. That is one of the projects happening in Cardiff. That sounds wonderful, but it is happening in only two places in Wales. So, you have to remember that, although all of these things are happening, they are happening in restricted areas. We have been part of the Money Active initiative, which is partnership funded with Nationwide. It is about the recruitment and training of volunteers, because we are trying to say that, given the restricted amount of money that is around to do this sort of work, training and recruiting volunteers to do some of it is a very good way around the problem. That is happening in Powys citizens advice bureau. I think that Jayne Wynn has already given evidence to you and has been involved in that piece of work.

[97] So, there are a number of examples of that sort of work going on. As I said before, one of the issues for us is that, although they are very good schemes and we are delighted to be involved with their funders and the local groups to which we deliver them, they are all, almost inevitably, receiving short-term funding and are limited.

[98] **Mohammad Asghar:** How does the availability of financial education differ across Wales? Are there any specific gaps in availability, either geographically or with certain social groups not being catered for?

[99] **Ms Targett:** I do not have the full list of exactly where our 19 bureaux involved in

financial capability work are, but there are places, certainly from the point of view of Citizens Advice, where financial capability work is not delivered, so there are geographic gaps in Wales from our perspective.

[100] On social groups, again, I would say that the answer is 'yes'. For example, as I said, there is work being done in Cardiff and other places around lone parents, funded by Barclays, but there are other parts of Wales where we are not able to deliver to lone parents because we do not have the capacity. So, although some of them are getting assistance, which is proving to be incredibly valuable for them, in other places that is not the case.

2.00 p.m.

[101] In some places, we are training people in other organisations. We accredit our training for financial capability and we are also providing that to other organisations. For instance, some of the housing associations in Wales have taken up our training, as has Age Concern. Therefore, we try to ensure that we spread the expertise. We do not think that we are the only people in Wales who can deliver this, but it is important to remember the link back to the sort of knowledge and understanding that we have of debt work and what is happening to people. Those things connect together. You need to have that understanding to identify what people need to know.

[102] **Joyce Watson:** Good afternoon, Fran. I am going to ask some questions about financial education that is appropriate to an individual's needs. You say in your paper that you give some education that is appropriate to an individual's needs and you list some of those. What benefits are there in targeting financial education at the needs of particular groups? Is there a risk that some groups or individuals might be left out?

[103] **Ms Targett:** There are advantages in that, if you are doing group work, you can tailor it to the circumstances that you know that particular group of people is facing. It is certainly an approach that we have frequently taken, as have other groups. It is a good way of delivering it on the ground. However, you are right that the danger of doing that is that some people do not fit into any particular group that has been chosen and therefore do not get their financial education. Work is being done at the moment, as part of our financial inclusion fund face-to-face debt advice, around ensuring that, when people come to us for debt advice, part of what you give them as an individual is also some financial education. Some of the work that we do, which relates to financial capability but is not group work, potentially gives you a chance to pick up those people who do not fit into anyone else's group or the groups that we are already delivering to, if we could only get funding to do it.

[104] As I have already said, there are lots of people who need financial education who we are not getting to. If we are going to look at financial capability in the longer term, which we need to, we would like to be out of the debt business, and not be giving debt advice. I would like people to be able to manage their money appropriately without our help. I would like the people who lend money to do so appropriately and deal with their customers properly. That would be the situation in an ideal world. One of the gaps, in my view, is the amount of good financial education that goes on in our schools, and that goes on early enough to ensure that people have a real understanding of it. The bureau in Ynys Môn, where I live, provides financial education in the lower years of secondary school. My friend's son came home and said, 'Mam, I'm going to university.' She said, 'Good, I'm really glad.' Then he said, 'Well, I'm going to have to. Otherwise, I won't get a job that will let me have a phone because I won't be able to afford it.'

[105] To me, it was a real victory that Tim had come home after a financial education session from the bureau and realised how important it is to manage his money and to save. If we can only do that, there will at least be a generation of people who have a little bit more

information and knowledge.

[106] **Joyce Watson:** That is wonderful and it leads me very nicely on to my next question. What about those who are not in education, employment or training, or maybe care leavers, or people who have a disability or who are carers—the groups that you might not find in a given setting at a given time? How accessible do you think financial education is for those people?

[107] **Ms Targett:** As I have said with everything else, it is patchy. There are places where there is some really good work going on through, for example, Communities First areas, where we are getting to those people who are being served in those areas. There are places where we are able to provide it on an individual basis to people who come to us, but the service is patchy.

[108] **Bethan Jenkins:** Yr ydych eisoes wedi sôn am gydweithredu â Nationwide yn benodol. Yr ydym yn ymwybodol eich bod yn rhan o fwy o brosiectau gyda'r sectorau preifat a gwirfoddol. A yw'n bwysig eich bod yn cynnwys y sectorau preifat a gwirfoddol er mwyn ichi gyflawni eich gwaith? Mae hyn yng nghyd-destun eich datganiad ar y dechrau am y toriadau sy'n mynd i ddigwydd i'ch sefydliad cyn bo hir. Pa mor bwysig wedyn fyddai ceisio cydweithredu fwyfwy â mudiadau a grwpiau eraill?

Bethan Jenkins: You have already mentioned the specific co-operation with Nationwide. We are aware that you are part of a greater number of projects involving the private and voluntary sectors. Is it important that you involve the voluntary and private sectors in order to do your work? This is in the context of your statement at the beginning about the cuts that your organisation will face before long. How important is it to try to co-operate increasingly with other organisations and groups?

[109] **Ms Targett:** It is important that we do as much collaborative work as we can. A great deal of our work involves working with other organisations, both third sector and public sector organisations, and much of what we do is funded by the financial sector, which is appropriate. However, we have to be clear that it does not necessarily mean that we can do everything that needs to be done, or that anyone else working in the field can do so. You are right, given the situation that we are in, pressure should be put on financial sector organisations, in particular, regarding their duty to be clear with people who go to them about the deal that they are signing up to, and what the outcome for them will be. Do people understand what a secured loan is? Probably not. They do not understand that it means that something can be taken away from them if they do not pay. Although the financial sector in some places has done a lot and has done well in improving, there are still parts of the sector that are not doing that. So, first of all, they can improve financial education with regard to their own products.

[110] Secondly, we have done some pilot work, training people who work in banks to provide some level of independence to the people who go into those banks. That is an interesting place for us to be. However, from our perspective, it is vital that both financial education and particularly debt work is fully independent of anyone who is a lender. I heard the end of the last session of evidence. We work closely across Wales with the credit union movement and we have a good relationship. However, it is important to remember that we do different things. We are not trying to get people off their debts; that is not how I would describe it. However, we are trying to ensure that people understand what is really affordable for them, how they can pay that back, and help them to get their lives straight. That is not quite the same thing, but we have a different perspective from the credit industry. We are looking at it from the perspective of our client and not from the perspective of the lender.

[111] **Bethan Jenkins:** A oes risg, os ydych yn gweithio gyda chwmnïau fel Barclays a Prudential, fod eu blaenoriaethau

Bethan Jenkins: Is there a risk, if you are working with companies such as Barclays and Prudential, that their priorities will be

yn gystadleuol a'i bod yn anodd wedyn ichi competitive and that then it will be difficult
 gydweithio â nhw gan mai eich blaenoriaeth for you to co-operate with them, as your
 yw'r unigolyn? A oes tensiwn yn bodoli? priority is the individual? Is there a tension?

2.10 p.m.

[112] **Ms Targett:** To be fair to the people who have funded us so far, no, there is not. They tend to be relatively hands off. They tell us that they want us to do financial capability and they usually specify the sorts of areas or the sorts of people that they want us to prioritise. Then they give us the money, and as long as we fulfil the numbers, people and places that they are interested in, they certainly do not expect us to suggest that people use their products, for instance. That has never been the case. In fact, as an organisation, we have turned down money when that has been offered. It is vital that, if such organisations are funding this sort of thing, they leave the delivery to an independent sector, and the delivery is for the good of those clients and not for the good of the organisation that provides the funding.

[113] **Bethan Jenkins:** Yn eich tystiolaeth ysgrifenedig, yr ydych yn sôn am **Bethan Jenkins:** In your written evidence, you mention co-operation between local, individual bureaux and the local authorities to identify people who may be at risk of financial exclusion. Is there enough co-operation of this nature, and what role would you like to see local authorities adopting on financial education from both a strategic and policy delivery perspective nationally and locally?

[114] **Ms Targett:** As for whether there is enough co-operation, the answer would be 'yes and no'. I am very equivocal today, as you may have noticed. There are places where there is very good co-operation. For example, in Caerphilly, there is really good co-operation between the housing department and the local CAB, which provides debt clinics in the housing department. The housing department has just written a report to the full council suggesting that the amount of money that it has saved through evictions that have not happened because of that service is more than the cost of its funding for that particular service through the CAB. That sort of co-operation demonstrates that it really recognises how important it is, and refers people, in that case, not just for debt advice but also for financial capability. That is the sort of co-operation that it would be lovely to see absolutely everywhere. However, it is not like that everywhere. In Ynys Môn, for instance, the bureau had some external funding through a financial institution to do work in the schools. When that funding came to an end, despite the fact that the local schools and the local authority all thought that this was excellent work, no-one was able to pick that up. So, although the co-operation and encouragement is there, the money to pay the poor person that has to go out there and do it is not necessarily available in all of those places.

[115] Therefore, I think that more could be done. Perhaps it would be useful if I forwarded the report from Caerphilly to the committee, so that you can see it. That is not a matter of us giving you evidence about how much a local authority had saved from its budgets as a result of our intervention.

[116] **Sandy Mewies:** If you send it to the clerk, it will be circulated.

[117] **Ms Targett:** Certainly. It is telling that you have a local authority that recognises that without being prompted.

[118] **Joyce Watson:** I would like to expand on that very quickly. Obviously, you got to the

point that it saved debt, which ultimately saves taxpayers' money. When you send us that report, could you focus a little on the potential savings, because it is all about projects coming to an end, as you mentioned, because of their viability or lack of funding? Perhaps you could provide us with something to demonstrate a possible viability. Will that be okay?

[119] **Ms Targett:** Certainly.

[120] **Mark Isherwood:** What role do you, as an organisation—or as bureaux—think that credit unions and community development financial institutions, such as Moneyline, but also banks and building societies directly, should have in financial education?

[121] **Ms Targett:** In financial education, credit unions, CDFIs and other financial institutions really do have an important role to play with regard to the clarity of what they do and how they do it, and in ensuring that people are aware of the services that they offer. They also have a duty to ensure that their services are available to everyone; credit unions are very good at that and some of the banks are very bad at it. Basic bank accounts are supposed to be available to everyone, but some of our clients continue to experience difficulties in opening a basic bank account. So, they are the sorts of basic things that they could do. They could improve their customer relations in that way. As someone who started their career on benefits and virtually no income, I am still with the same bank, which is doing very nicely, thank you, out of me now. [*Laughter.*] So, it is quite short-sighted of some parts of the credit industry to be so reluctant to provide services to people who are vulnerable and in poverty right now, because those people will move on in their lives.

[122] We must be careful in delivering debt advice and, to a certain extent, in delivering financial capability. No financial institution should deliver debt advice because of the direct conflict of interest. How can a bank give good, independent advice when it is owed money, because it clearly wants to be paid first? That is a conflict of interest that should never be ignored.

[123] On financial capability, it is possible for community organisations to appropriately carry out an educative role, but care needs to be taken that the full range of products and information are communicated to people. When we train people from those kinds of institutions, such as housing associations, we ensure that they need to have that slight separation from the lending arm. So, in a purist's world, I would say that financial capability training is better delivered independently in organisations such as ours and in other third sector organisations that are not involved in lending.

[124] **Sandy Mewies:** Eleanor, did you have a question?

[125] **Eleanor Burnham:** I rolled both my questions into one earlier.

[126] **Sandy Mewies:** Well done.

[127] **Ms Targett:** Did I roll my answers into one? [*Laughter.*]

[128] **Sandy Mewies:** Rose is next.

[129] **Rosemary Butler:** My question is on income maximisation and debt minimisation. You stated in your paper to us that the bureaux in Wales will help clients to gain at least £25 million extra income in 2008-09. Have benefit take-up campaigns contributed significantly to income maximisation among vulnerable households, or does more emphasis need to be placed on education and, in particular, budgeting rather than just increasing income?

[130] **Ms Targett:** I do not think that you can separate them; you must do both. You must

do income maximisation and understanding money management, because they go together. Any debt service that does not do income maximisation is not a decent debt service. You must do both because people's lives are about what comes in and what goes out. People will not learn to manage their money unless they understand both sides of that equation.

[131] **Joyce Watson:** What impact has the Welsh Government's financial inclusion strategy had so far, if any?

[132] **Ms Targett:** We must recognise that the strategy is relatively new. I sit on the steering group, so I must be careful of what I say.

[133] **Bethan Jenkins:** Only if you want to stay on the group. [*Laughter.*]

2.20 p.m.

[134] **Ms Targett:** Yes, I want to stay on the group. The strategy has made a difference and has brought people who work in the same field together around that steering group table, which has been useful. The strategy has backed some things. For instance, the financial inclusion budget now includes the funding for our Better Advice: Better Health scheme, which I absolutely see as part of financial inclusion via income maximisation and debt work for people who would not get to a mainstream bureau. So, those parts of it are bringing those things together that have perhaps been done in little bits all over the Assembly Government for some years. So, that gives it a focus. However, I return to what I said in my introduction, namely that capacity remains a major issue.

[135] **Bethan Jenkins:** I want to ask about the recent budget and the changes to benefits and so on. If you sit on that group, how will you factor those changes in and how will that affect the work of CAB? I know that that is a big question.

[136] **Ms Targett:** It is a huge question; you did not hear me on the radio this morning.

[137] **Bethan Jenkins:** No.

[138] **Ms Targett:** We are very worried about the budget given the impact of benefit changes on our clients. We think that there are some good things in the budget such as changes around pensions, which we welcome, along with the fact that universal child benefit has stayed and that the child tax credits have increased for those who are most vulnerable. So, there are some things that we are pleased to see. We recognise that we are in difficult financial times nationally. However, our view, when we look at the figures for people who are in work and on low pay—a relatively large proportion of the population of Wales—is that the increases in VAT that they will have to pay and the potential decrease that they will face in housing benefit and council tax benefit do not pull together. We believe that those people will be very vulnerable and we think that there are real dangers for them. We expect an increase in debt and particularly in housing debt as a result of the benefit changes announced so far. So, we have concerns for our clients. Although, as I say, some people will do well, there are others who are at the bottom end of the working income scale who will do very badly and that is very serious.

[139] **Sandy Mewies:** Thank you, Fran, for your written evidence and for answering our questions. We will send you a draft written transcript of the evidence that you have given today. If there are any factual inaccuracies, please let us know. Thank you for coming and have a safe journey home.

2.23 p.m.

Papurau i'w Nodi
Papers to Note

[140] **Sandy Mewies:** I thank Members for their patience, but we have three papers to note: a follow-up response from Shelter Cymru following a meeting on 24 May; we have the minutes of the meeting held on Thursday, 10 June 2010 and we have the note on the Members' visit to Garnlydan Information Shop, which was carried out by Oscar and Alun Davies. Do you wish to add anything to the report that we had, Oscar?

[141] **Mohammad Asghar:** No, thank you.

[142] **Sandy Mewies:** Thank you very much for that. The next meeting will be on 8 July and it will be the last evidence session on the financial inclusion inquiry when we will take evidence from the Minister for Social Justice and Local Government. Also at the meeting will be the Minister for Heritage, who will update the committee on the implementation of the recommendations of committee reports, including those on public service broadcasting in Wales, the Welsh newspaper industry and promotion of Welsh arts and culture on a world stage. Thank you all for your attendance.

Daeth y cyfarfod i ben am 2.24 p.m.
The meeting ended at 2.24 p.m.