

make it simple.
make it real. make it
count

In today's conditions, more people are struggling to make ends meet. FAITH REYNOLDS insists that, if the recession has taught us anything, it's the critical importance of financial capability.

“I remember three years ago when the Taskforce commissioned workshops with people who either couldn't or didn't use financial products. What came back loud and clear was that there was a real mistrust of banks. As someone commented, 'I feel a bit scared – I don't know when, where and how my money would be handled'. At the time some might have brushed aside those fears, suggesting that all that was needed was just a bit of financial education. Today those fears actually seem quite well justified! Financial capability is as much about restoring confidence in financial systems, markets, products and banks as it is about making sure someone can manage a budget.

Banks have a very clear role to play in promoting financial capability in the branch, directly with their customers. Financial capability – having the skills, knowledge and confidence to manage money well – relies

bank accounts means opening doors, improving their ability to get jobs, pay the rent on time and avoid the vulnerability of theft and the additional debts that might incur. At the same time, introducing people to financial products has to be done sensibly so that clients are fully aware of what they are getting into, and how to use products to their advantage – avoiding the pitfalls. As products become increasingly sophisticated, this part of our work becomes increasingly challenging. Personal responsibility is key and no doubt the social sector and, soon to be introduced Money Guidance are crucial in upskilling adults. But if our work tells us anything, banks too need to take more seriously the role they can play in delivering financial capability – delivering a positive customer experience, and making products simple to understand and compare.

Truth be told, financial capability per se has probably not truly been in the interests of individual banks – a truly financially capable nation would see banks' struggle to

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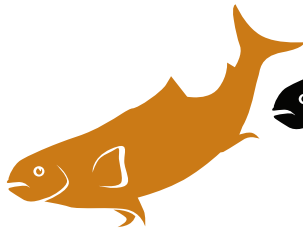
on financial inclusion. If people don't have access to or use financial products, then the benefits of financial capability can't be realised – it's no use knowing that you could get a discount on your electricity bill if you used direct debit, without being able to walk into a bank and open an account which will allow you to do just that.

At Toynbee Hall, we help people who struggle with access to financial products or financial capability and often both. Helping people access even basic products like

make the easy profit of loyal, pay-well, long-suffering customers. Whilst competition is good for 'markets', it is not good for individual banks. Customers who constantly switch, complain about service, and find ways of 'beating the system' as Martin Lewis puts it are more likely, in the immediate short term, to cost and challenge a banks' operating systems – just look at the hullabaloo over the claiming of bank charges.

If the bail out of the banks has done anything, it's

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clarified the relationship between the man on the street and the 'banks' – we need each other, not just for capitalist notions of 'supply and demand' but societal notions of corporate responsibility (in its broadest sense) and social capital. The 'social contract' Gordon Brown talks about needs to move beyond simply levying industry to provide a bit of insurance if greed pushes us over the boundaries again. A 'social contract' needs to be just that – social. Let's clarify the role our banks play in society and be clear about what they need to be doing beyond making profit. Increasing financial capability would be a good first target – not just through external projects (important as they are) but through internal strategies that really challenge the operational structures currently being used. Banks sit on an enormous amount of data about their customers which could inform new free services which promote greater financial capability. One bank I know uses its systems to spot customers who have missed just one payment – proactively calling these customers to see if they want help has gone down very well. This shouldn't be unusual – it should be the norm.

Our response at Toynbee Hall has been to work with banks themselves, the regulator and consumer bodies like Which? to develop guidelines for Inclusive Banking which banks can use to help them assess how they can improve their own systems. Whilst the focus is on helping remove barriers to accessing

services, the guidelines are based on existing principles and codes used by the industry and can be easily transferred to other areas of banking. Specific parts look at working with customers with low financial capability. Often guidance from the FSA is there to ensure that customers are provided with the right information and communicated to in a way which is 'clear, fair and not misleading'. But the challenge is making sure that this guidance is duly noted, interpreted and implemented by front line staff. A culture change is needed which recognises the social as well as commercial role banks play in a community. Articulating this will free up staff to be more relational, engendering a more empathetic and helpful environment – something else which will naturally rebuild confidence and financial capability.

Giving frontline staff regular and consistent messages about being solutions-focused rather than sales focused, bearing in mind the individual circumstances of customers has the potential to rebuild confidence and trust. Giving - often young - staff the opportunity to build their own financial capability through professional development can also help them to communicate well with customers as they consider the challenges they themselves face in making ends meet and planning

ahead. And when the bank isn't the right place and can't provide the answer, it should be well positioned to refer to local sources of help, like credit unions or advice agencies – not just offering a generic telephone number but actually helping make a proper referral so the customer doesn't feel palmed off but actually provided with a solution to their problem.

The time of 'the computer says no' has to come to an end. What's needed now is a huge effort on the part of industry, Government, the social sector and individual consumers to rebuild the relationship between a bank and its customer and restore confidence. Increasing financial capability is one big part of that."



FAITH REYNOLDS has recently been appointed as a 2010 Clore Social Fellow, a recognised leader in the social sector. She is the former development manager of Toynbee Hall, in London's Tower Hamlets. Working with over 500 volunteers, it helps local people improve conditions and take control of their lives. Since Faith launched Services Against Financial Exclusion (SAFE) in 2002, over 10,000 people have been helped to manage their money more effectively. She serves on the Treasury's Financial Inclusion Taskforce.