



2007-2008
*Promoting Financial Inclusion
and Tackling Over-indebtedness*

Financial Inclusion in Leeds

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Leeds City Council

Financial Exclusion

- Lack of Access to Mainstream Banking
- **Reliance upon**
- Doorstep Lenders (200%+ interest rates)
- Pawn Brokers
- Cheque cashing shops
- Illegal money lenders (Loan Sharks)

Legal interest rates of over 2000% APR

Flexible loans from 5 to 30 days

Fill your wallet with Wonga

① **How much**
Adjust top slider to select how much money



② **How long**
Adjust bottom slider to select how many days



③ **Submit**
Click "Apply now" to complete personal details



24/7
approval
& payout

"I just wanna say thank you. You're absolutely fantastic!!"

- ✓ No faxing
- ✓ No phone calls
- ✓ 100% online

Typical
2689% APR


The shorter the loan term the lower the cost, but the APR actually gets bigger!



Origins of the initiative

- Initiative started early 2003
- Research undertaken 2004, including 410 households surveyed
- Findings:
 - Cash based economy
 - Higher dependency on door step lending
 - Serious debt problems


Partnership

- 50 Partner Organisations
 - Inc - Debt Advice Agencies, Credit Union, Landlords
 - Credit Union Affordable Credit Scheme
 - Network of Debt Advice Agencies
 - Expansion CU Branch Network
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Economic Impact and Regeneration

- **£3m to £9.5m** “Excess” interest paid by Leeds residents
Comparison Neighbourhood Renewal Funding
- **£8.4m** NRF for 2004/5

The Regeneration Agenda

- Credit Union Affordable Credit
 - Interest Savings, £1.8m (low income families)
 - Debt and Money Advice
 - Increase household income, £1.7m
 - Housing Business Case
 - £8,500, cost to evict a family
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Economic Impact Research

- Undertaken by Salford University
- Linkages between financial inclusion initiatives and economic regeneration
- Survey of 527 recipients of:
 - Debt Advice
 - Credit Union Services
 - Welfare/Benefits Advice

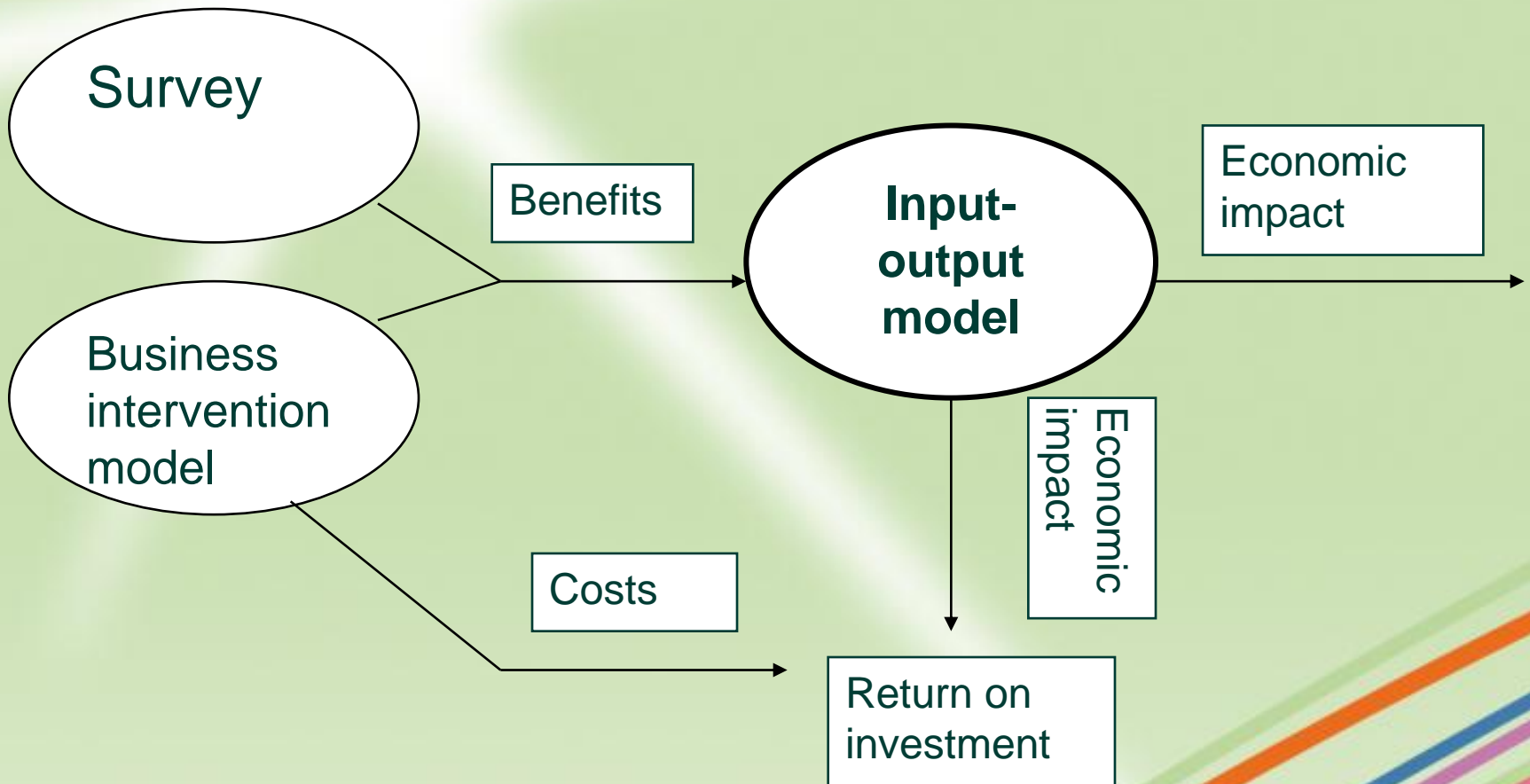
Financial Inclusion Interventions Studied

- Leeds City Council
 - Welfare Rights Unit
 - Corporate Debt Unit
 - Benefits Service
 - Leeds Debt Advice Agencies (MAP)
 - Social Housing Providers
 - Leeds City Credit Union
 - Utility company (npower)
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Input-output modelling

- Quantify the income per beneficiary
 - Family Resource Survey (FRS) data estimate how service users would spend money
 - Use Regional Development Agency (Yorkshire Forward) input-output tables
 - Develop multiplier model software to calculate impact
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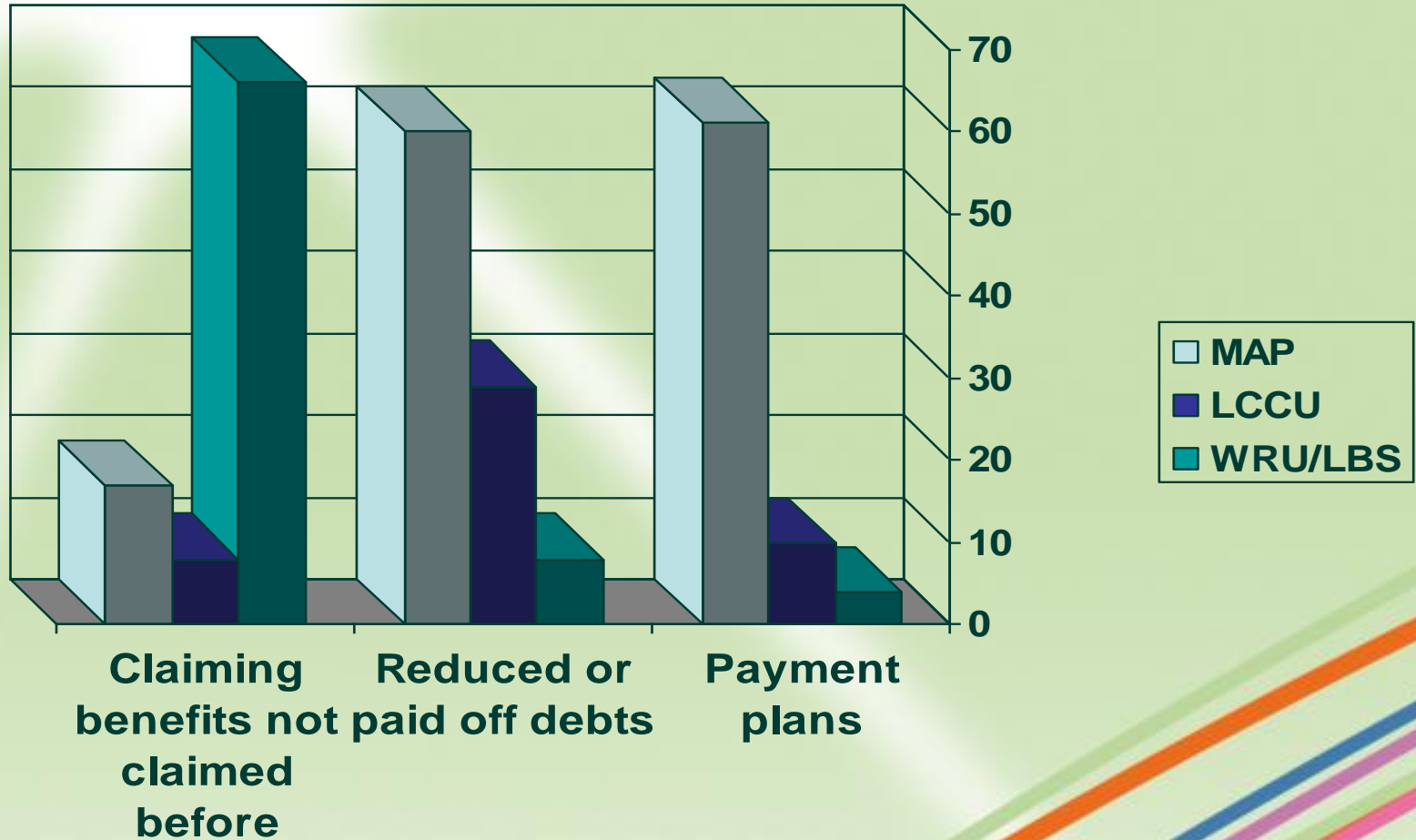
Methodology



Estimates are conservative

- Didn't measure impact of generalist advice services
 - Didn't measure the financial impact on health services
 - Avoided double counting
 - When choices/estimates made – always conservative
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Key Survey Results



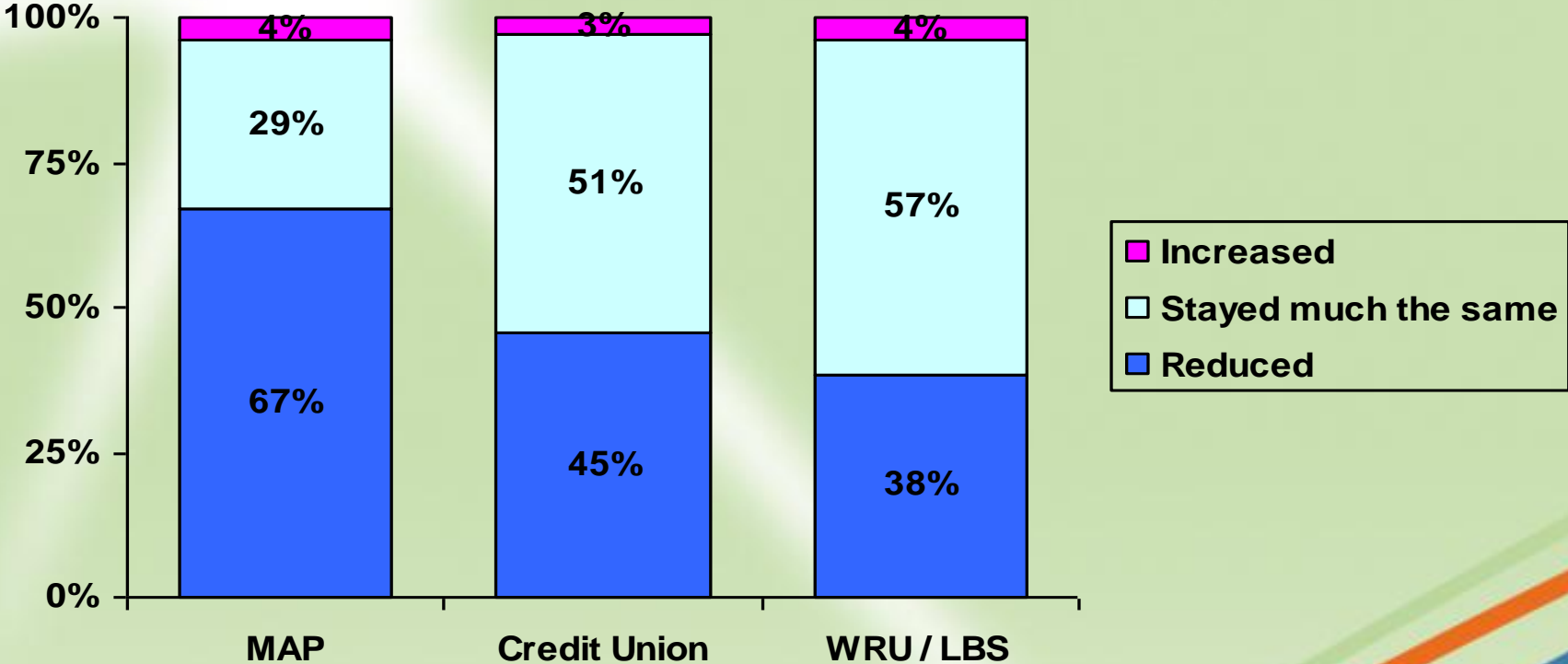
Borrowing Decisions

Credit union respondents needing £250 in a hurry

	Before	Now
Take out bank loan / overdraft	11%	1%
Take out door step lender loan *	22%	1%
Credit Union loan	2%	74%

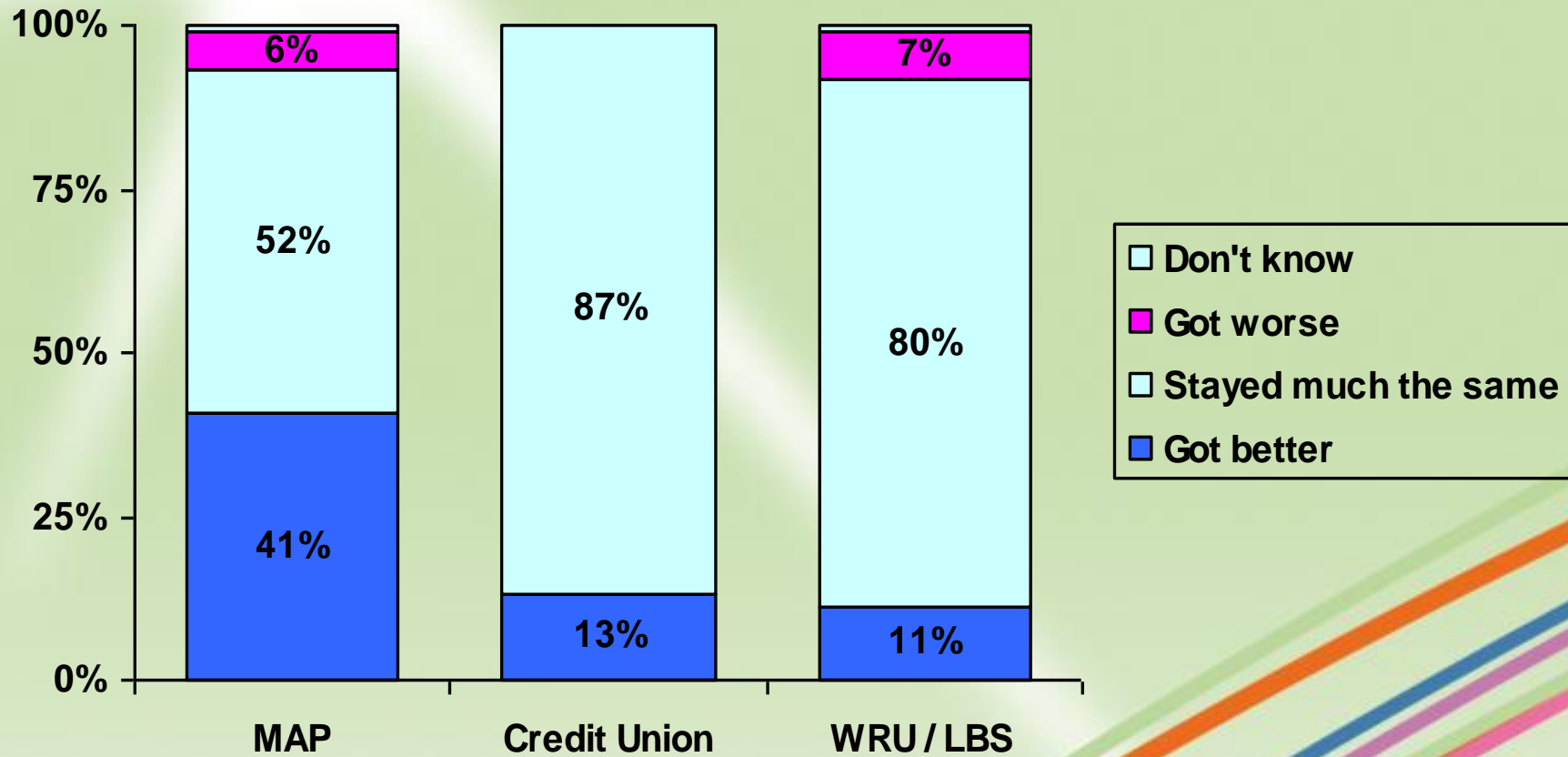
*Note – Debt advice sample number reduced from 11% to 3%

Stress Levels



Change in stress levels about financial matters

Health Benefits



Changes since intervention

	CAB	Credit Union	WRU / LBS
Buy amount of food family needs	33%	25%	19%
Make less visits to doctor	12%	3%	2%
Fewer prescriptions	6%	2%	1%
Pay gas and electricity bills	29%	18%	17%
Pay other bills	35%	23%	19%

Overall costs & benefits

	Total increase disposable income	Total costs
ABLT	7,742,760	673,577
Leeds MAP	1,995,138	808,543
Connect	20,095	17,863
LCCU	3,021,468	312,500
LCDU	355,393	88,335
npower	925,084	67,192
WRU	9,404,653	847,394
Leeds FI Team	NA	113,601
ENEHL	1,164,005	184,660
Leeds MAP (NHS)	1,320,337	236,297
Total	25,948,933	3,349,962


Arriving at Economic Impact (1)

	Increase disposable income	Income spent in local economy	Cumulative impact regional economy
ABLT	7,742,760	6,891,056	8,599,685
Leeds MAP	1,995,138	1,775,673	2,215,949
Connect Housing	20,095	17,884	22,319
LCCU	3,021,468	2,258,849	2,818,928
LCDU	355,393	316,300	394,726
npower	925,084	823,325	1,027,467
WRU	9,404,653	8,370,141	10,445,506
Leeds MAP (NHS)	1,320,337	1,175,099	1,466,464
ENEHL	1,155,477	1,028,375	1,283,359
Total	25,948,933	22,664,292	28,283,874

Arriving at Economic Impact (2)

	Cumulative impact local economy	Operating costs	Return on £1 invested
ABLT	8,599,685	673,577	12.8
Leeds MAP	2,215,949	808,543	2.7
Connect Housing	22,319	17,863	1.2
LCCU	2,818,928	312,500	9.0
LCDU	394,726	88,335	4.5
npower	1,027,467	67,192	15.3
WRU	10,445,506	847,394	12.3
Leeds FI Team	NA	113,601	NA
Leeds MAP (NHS)	1,466,464	236,297	6.2
ENEHL	1,292,830	184,660	7.0
Total	28,283,874	3,349,962	8.4

Concluding remarks

- Financial inclusion should be viewed holistically as integrated services
 - A lot more needs to be done
 - Relatively low Government funding - £480 million over 6 years.
 - More resources needed to have significant impact
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Contact details

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