



# Toynbee Hall

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## From Access to Inclusion

An evaluation of the role of Basic Bank Accounts in promoting financial inclusion

A Toynbee Hall report

By James F Devlin and Milla Gregor

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### Executive Summary

This report provides an assessment of the degree to which the Basic Bank Account (BBA) initiative is helping to tackle the problem of financial exclusion.

Financial exclusion occurs when people lack access to appropriate financial services that they need or want. It has a range of causes, effects and costs. Being banked is a fundamental aspect of financial inclusion and requires appropriate products, effective access and usage. BBAs were launched in 2003 and the products and attendant processes have evolved in response to policy and market pressures. BBAs are a major strand of shared efforts by key stakeholders to provide a response to financial exclusion. This report assesses how effective they have been in meeting this need and meeting the needs of account holders.

The report is based on both a review of the available evidence and new primary research. The primary research consisted of in-depth interviews in 2007 with individuals who were originally supported by Toynbee Hall to open a Basic Bank Account between October 2004 and August 2005. The interviews were then subjected to qualitative and quantitative analysis.

The literature broadly shows that BBAs have been well-received, but that there are frustrations with limited features, which in turn limit opportunities for further financial and social inclusion. There are still barriers to assessing the impact of the BBA on financial inclusion owing to a lack of clear criteria for defining and data for measuring success. This report provides evidence of the experience of those who have opened and used BBAs as well as suggestions for further assessment.

### Summary of findings

The key findings of the primary research are as follows:

- The majority of customers use and appreciate the benefits of their BBA.
- 60% of accounts initially opened are still used frequently and 75% of accounts are used either frequently or occasionally.

- The account holders make light use of their bank branch; the majority (50%) visit once or twice a month, with only 3% visiting weekly or more.
- 23% of accounts have been closed.
- 75% of closed accounts (15% of all accounts) have been closed at the bank's request. The holders of these differ from the main sample. All but one do not have English as a first language (83% as opposed to 60% of the main sample), and more are not British citizens (67% rather than 40%). A higher proportion are unemployed, more are black and a higher proportion are female.
- Where reasons for closure were given, they largely concerned ID and AV issues
- The most common frustration amongst interviewees was the lack of opportunity to have a mainstream debit card as part of their BBA.
- There was a perception that direct debits were not available for some BBAs, although they are desired.
- Limited product features cause frustration and limit the potential for BBAs to enable meaningful financial inclusion.
- 25% of participants reported that they had used other financial services since acquiring their BBA. A significant proportion of these (40% of these or 10% of all account holders) are accounted for by those who have traded up to a current account, but other products included debit cards, savings accounts and ISAs.
- Of the 25% who went on to access a further financial product (including upgrading), a higher proportion than average were in employment (60%, as opposed to 40% of the sample).
- Both self-assessed knowledge and confidence improve significantly with BBA holding. Those who use their account most frequently have greater improvements in their confidence around financial matters.
- Low financial capability, particularly concerning knowledge or understanding of BBA features, prevents customers from making the most of their BBA's financial inclusion benefits.
- The vast majority of the sample had either a neutral or positive view of the customer service they received from the banks, although there are examples of bad experiences around account closure and refusal.
- More participants (40%) are now employed two years after opening their account than before doing so (10%).

The existing available evidence broadly concurs with these findings, although the new research indicates a more positive effect on holders' confidence than previous evidence suggests.

## Summary of recommendations

Based on the report we make the following recommendations for various key stakeholders.

We recommend that all stakeholders:

- Collaborate on constructing and disseminating the generally positive story about how the BBA meets users' needs, facilitates financial inclusion and acts as a gateway to further financial access and capability
- Maintain a dialogue about the role of BBA features in enabling financial access and inclusion, and work in partnership to maximise the BBA's effectiveness as a tool for meaningful financial inclusion.
- Target financial capability support through multiple channels to increase understanding and effective usage of accounts, particularly for the newly banked
- Collect and share data to facilitate future research (see below)

We recommend that all BBA providers ensure that their BBA products genuinely enable meaningful financial inclusion by ensuring that they:

- Are not closed down without adequate notice and means of redress. This should include clear communication of the reason for closure and how to avoid it, a 30 day appeal period to resolve the issue and a full 30 day notice period if closure is to take place
- Provide inclusive functionality (including the option for mainstream debit cards such as Switch/Maestro which also check that there are sufficient funds to meet the payment, akin to Solo/Electron)
- Have clear criteria for progression pathways to additional features, upgrading and other financial products, including BBA ownership as a means of identification

And ensure frontline staff:

- Are equipped to communicate effectively with those for whom BBAs are intended
- Understand and explain key features of BBA products to new and existing customers

We recommend that the Banking Code sets minimum standards in the following areas:

- Account closure; reasonable grounds for closure should be specified, including a requirement to inform customers of the reason for closure and how to resolve the issue, opportunity to address the issue within a 30 day period, and a 30 day notice period if closure is to take place
- Account upgrade; guidelines for appropriate and inappropriate account migration strategies and how the criteria for upgrading are communicated to BBA holders and applied

And that the Banking Code Standards Board consider continuing and extending the remit of compliance monitoring efforts, including the mystery shopping exercises to take account of more than just the first set of enquiries made by BBA applicants, for instance:

- Ensuring internal consistency about acceptance of alternative ID documents (such as between frontline staff, processing units and call centres)

- Giving 30 days' notice of account closure
- Ensuring that key features of products are clearly communicated to new and existing clients as per the Banking Code guidelines

We recommend that the Government, including the Financial Inclusion Taskforce, ensures that 'Access to Banking' remains a fundamental element of financial inclusion policy through:

- Amending the shared goal so that it focuses on transactional accounts, rather than simply 'being unbanked', and takes account of the importance of usage
- Developing a clear framework for evaluating the success of financial inclusion policy and practice, including robust indicators
- Working with the third sector and banks to encourage demand for banking whilst addressing obstacles to fulfilment of demand

We recommend that the Third Sector, particularly those working day-to-day with those experiencing financial exclusion, collaborates with banks at both local and strategic levels (as well as with other stakeholders) to:

- Raise awareness amongst clients of relevance of banking service
- Increase ability of clients to access and manage accounts effectively
- Develop skills of staff to support clients
- Work in partnership with banks to offer support to specific client groups that place undue demands on branch staff

We also make a series of recommendations for further research. Research should be undertaken to:

- Establish the extent and causes of the lack of understanding concerning BBA holders' access to direct debits
- Gather and analyze more data on those who have had their applications refused or accounts closed at the request of the bank
- Gain a deeper understanding of patterns of account usage and their causal factors including different types and levels of financial capability and financial access
- Devise an appropriate measurement tool for financial inclusion at the individual level (adapting and extending the FSA's Financial Capability Index)
- Explore the implications for financial inclusion of banks' migration policies (explicit or otherwise)
- Explore the effect of becoming banked on a sense of inclusion in society, 'normality' and associated affective issues



**A copy of the full report is available from:**

Toynbee Hall  
 28 Commercial St  
 London  
 E1 6LS  
[www.toynbeehall.org.uk](http://www.toynbeehall.org.uk)  
 020 7476943

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