

# Financial Inclusion in a Digital Age



UK  
FINANCE



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In Association with

**CAPCO**  
THE FUTURE. NOW.

## Acknowledgements and contacts

This report was prepared by UK Finance with support from Capco.

### UK Finance

UK Finance is the collective voice for the banking and finance industry. Representing more than 250 firms across the industry, we act to enhance competitiveness, support customers and facilitate innovation.

Our objective is to work with our members to build a more customer-focused and innovative finance and banking sector, cementing the UK's role as a global leader in financial services for the benefit of the wider economy. The interests of our members' customers are at the heart of this work.

### Capco

As a consulting partner in the financial services industry, Capco has long championed disruptive and innovative solutions which place customer experience at the centre of how a financial service provider interacts with its customers. As an organisation we believe that diversity and inclusion should be a key pillar of financial services.

In co-authoring this paper those involved share not just the Capco ethos, but also bring a genuine passion for inclusion. This has been gained through their personal, family and voluntary experiences. Charles Sincok, Howard Taylor and Jonathan Lappage have been the primary authors from Capco. All have direct and first-hand insight, from experiences of physical disability and mental health, to charitable volunteering and trusteeships supporting beneficiaries who are likely to be on the margins of society. This brings not just an understanding of the importance of inclusive design and financial inclusion, but an empathy for the challenges that providers and their customers are striving to overcome.



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# Foreword from UK Finance

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**Eric Leenders**  
Managing Director  
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Financial inclusion across all parts of our society is a key driver for UK Finance, one that becomes ever more pertinent as we enter a more digitalised age. While the move towards digitisation of financial services offers many benefits – increased access to services at all times of the day or night, lower costs and improved accuracy and efficiency, enhancing customer outcomes – it is vital to ensure that no one is left behind; that digital is harnessed in order to improve access to banking and other financial services.

As this report makes clear, there are challenges ahead but there are also significant opportunities for the industry to leverage inclusive design principles, to achieve better access, inclusion and support for existing and potential customers, including vulnerable customers.

We have been pleased to work closely with Capco, whose genuine passion for inclusion we share, in producing this report. We hope it will help to shape the debate around how we, as an industry, can work towards a virtuous cycle of innovation and development, with consumers at the centre of our focus.

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# Foreword from Capco

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**Charles Sincock**  
Managing Principal  
Capco

The challenge of financial inclusion remains a key discussion point as we enter an increasingly digitalised age. The advances in technology are fundamentally changing how the global economy operates and the roles of individuals within it. As such, the way consumers interact with banking and payment services is evolving and a movement towards an increasingly digital approach is being driven by customer demand.

The transformation to digital offers an opportunity to increase financial inclusion. This comes with the caveat that to prevent certain groups from being excluded, a joined-up approach to financial inclusion is needed. In providing their services, firms need to reach beyond the digital points of contact with a customer and look at the end to end operating components and how they interact with the customer to drive inclusion.

We believe inclusive design provides a large part of the answer to reducing financial exclusion. This is the concept of designing products and services which are inclusive for as many customers as possible and to avoid unintentionally excluding anyone.

Major strides have been made in recent years as a result of inclusive design policies: on the service side these include the introduction of sign videos on bank websites, high-visibility debit cards, biometric and other forms of identification, talking ATMs and video banking. On the policy side, banks have allowed vulnerable customers to be accompanied by carers, removed time limits on phone calls for customer advisers with extended session timeouts, and set up specialist teams to support vulnerable customers. The potential financial benefits for inclusive design initiatives are significant.

In writing this paper the authors have sought to address some of the strategic questions around financial inclusion and consider the possibility to facilitate a fairer and more inclusive market place for the consumer in the digital age.



**Howard Taylor**  
Principal Consultant  
Capco

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# Executive Summary

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This report explores the opportunities presented by digital as an inclusive design proposition to transforming customer journeys and delivering better outcomes.

The advent and continuous evolution of digital as a communication and engagement model – across the private and public sectors – has transformed consumer engagement with technology, but also consumer engagement with financial service providers. At the same time, there is wide recognition that no one should be left behind as a result of this digital shift.

This could mean that non-digital channels should continue to exist and be progressed; it could mean that greater effort should be focused towards helping people develop the necessary skills to digitally engage; it could mean thinking about the customer journey in new or more holistic ways.

Positive steps are being and should continue to be taken by the financial services sector:

- Many promising existing digital solutions will be rolled out further, for example, video servicing, pre-paid cards, financial management apps.
- There is strong potential in new digital solutions such as Open Banking, which can be used to improve product innovation, encourage budgeting and cut costs.
- ‘Omni-channel’ experiences improve convenience and can help to serve the needs of those unable to use digital channels, for example due to disabilities or literacy levels.
- Co-design with customers can be the key to addressing vulnerability and inclusion issues.

There are also several ongoing policy issues:

- Joined-up and cross-disciplinary approaches
- Continued upskilling
- Encouraging customer disclosure
- An inclusive regulatory framework

Inclusive design means having a curious approach, proactively considering the needs of different users – particularly vulnerable customers (e.g. those with hearing, sight, language, health or other constraining factors) – through the use of detailed customer journey planning and user testing products/services with all customer segments and relevant third-party organisations.

There is no simple answer, but cross-industry collaboration and potentially government intervention is central to delivering on the digital opportunity. Initiatives such as the Financial Services Vulnerability Taskforce, which brings together financial services firms, charities and customer groups, continue to play a key role in promoting cross-industry collaboration.

# Introduction

This report explores the opportunities presented by digital as an inclusive proposition, with a vision of a world in which the boundaries between digital and non-digital and between inclusion and exclusion blend and dissolve. Good practices and potential future enhancements are set out. As our research shows, it is often as much about access to the technology as it is about the shift to a digital age.

As the world changes and adapts to new technology and social trends, so does the way we bank.

The pace and growth of internet banking and the use of digital channels more widely represents a major shift in how we bank. This will have a particularly significant impact on certain segments of the population who may be reliant on face to face interactions, have low levels of internet access/use, low digital skills or simply do not wish to engage in this way.

The continuous evolution of digital technology as a communication and engagement model – across the private and public sectors – has transformed consumer/customer engagement with technology. This has consequently changed customer engagement with financial service providers.

The latest statistics show that the transformation of banking services is a continuum from a customer-led revolution; a result of changing consumer preference and behaviours.

For example, UK Finance estimates that in 2017:

- 38 million adults used online banking<sup>1</sup>
- There were 5.5 billion log-ins to banking apps<sup>2</sup>
- An estimated 5.5 million webchats took place with customers of major banks<sup>3</sup>

At the same time, there is widespread recognition that no one should be left behind because of a society-wide digital shift. The percentage of the population not using the internet is c.13 per cent.

Unpacking this shows:

- There were 14.9 million people aged 60+<sup>4</sup>
- Many of the older population (32 per cent of those aged 65+) are not using the internet
- Those on low-incomes (17 per cent of people earning less than £20,000) never use the internet, as opposed to two per cent of people on higher incomes (earning more than £40,000)
- Those people with a registered disability are less likely to use the internet (33 per cent of these people have never used the internet)<sup>5</sup>
- There are 10 million+ people in the UK with a limiting long-term illness or disability<sup>6</sup>
- 4.5 million people have never used the internet

Key questions remain:

- What does the concept of “digital exclusion” really mean for financial service providers and their customers?
- How should the required multi-agency and multi-disciplinary response be coordinated?
- What should providers be doing to help meet this challenge?

In recent years government, financial services and other sector organisations have devoted significant time to try to address what financial inclusion should look like as we move into an increasingly digital world.

This report looks at some of the known challenges that those in vulnerable circumstances or at the margins of inclusion face and considers what seizing the opportunities using digital technologies could mean in terms of transforming customer journeys and delivering better outcomes. We also look at what this requires from an infrastructure, capability and advocacy perspective. There is no simple answer or one size fits all.

<sup>1</sup> [www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf](http://www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf)

<sup>2</sup> [www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf](http://www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf)

<sup>3</sup> [www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf](http://www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf)

<sup>4</sup> [www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf](http://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf)

<sup>5</sup> <https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2018#older-adults-are-less-likely-to-use-the-internet>

<sup>6</sup> <https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2018>

### Breaking trends include:

- **Digital by Design:** The move to digital in both private and public services is already having a significant impact on all customer segments.
- **Roll out of Universal Credit:** The new benefit, to be accessed online by the 2.5m claimants, combines six different benefits (Job Seekers Allowance, Employment and Support Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, and Income Support) into a single lump sum. Claimants need a bank account to receive it and payments are a month in arrears (with housing benefit no longer going direct to the landlord), thereby placing greater personal responsibility on the claimant.
- **Ageing population:** The proportion of those aged 65+ increased by 3.7 per cent between 1975 and 2015 (from 14.1 per cent to 17.8 per cent), and is projected to increase to nearly 25 per cent of the population by 2045 (to reach 16m with 4.3m aged 85+). This will also likely mean a higher proportion of customers with health issues (including cognitive issues) and with greater need for face-to-face communication, which banks will need to factor in.<sup>7</sup>
- **Millennials and the younger population:** Among a growing number of consumers who expect services to be available 24 hours-a-day, 365 days a year, 85 per cent of the 18-to-24-year old age group would trust a third-party provider to aggregate their data.<sup>8</sup> At the same time the smartphone is near ubiquitous, with an estimated 85 per cent of adults owning or having access to one.

To ensure that no person is left behind, there is a clear need to coordinate approaches between industry, national and local government digital skills programmes, and to seamlessly consolidate multi-channel customer journeys.

This could mean that non-digital channels should continue or that greater effort should be focused towards helping people develop the necessary skills to engage with digital technologies. It also means thinking about the customer journey in new or different ways.

Good practice we have seen includes the use of detailed customer journey planning, user testing products/services with all customer segments and relevant third-party organisations, such as the Royal National Institute for Blind People (RNIB), Alzheimer's Society and Age UK, as well as having a robust customer feedback approach (e.g. mystery shopping, digital/face-to-face/telephone surveys and call monitoring). With the growth in digital products/services and the use of online surveys, capturing the needs of digitally-excluded segments has proven a particular challenge.

Payment Service Providers (PSPs) have a unique opportunity to showcase their ability to integrate inclusive design approaches as they enhance their Open Banking offering to address customer

feedback and ensure it remains accessible and relevant to all customer segments. If inclusive design can be successfully applied to Open Banking and proven to have both financial, as well as societal and reputational, benefits then the opportunities to reshape financial inclusion in a digital era could be ground-breaking.

This paper deliberately does not try to set out the background to the financial inclusion debate; however, to explain the interaction between digital and financial inclusion we wanted to ensure the reader understood the definitions used. Alongside this it is important to understand that, as part of inclusive design, digital has to interact with a number of other factors to successfully close the gap for those at risk of financial exclusion. This section will define digital and lay out what it means to be financially included in this new age. It will also cover the benefits this brings to customers, financial services providers and society as a whole.

'Digital' in this report has been used in an all-encompassing sense, to refer to online, mobile, assistive technology, social media or other interactive means such as video, platforms, APIs, wearables and apps. This is because digital can mean many different things and a universally accepted definition has not been settled on.

<sup>7</sup> [www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017#the-uks-population-is-getting-older-but-its-not-the-same-in-all-areas-of-the-uk](https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017#the-uks-population-is-getting-older-but-its-not-the-same-in-all-areas-of-the-uk)

<sup>8</sup> [https://www.accenture.com/t00010101T000000Z\\_\\_w\\_/gb-en/\\_acnmedia/PDF-29/Accenture-UK-Banking-PSD2-Consumer-Reactions.pdf](https://www.accenture.com/t00010101T000000Z__w_/gb-en/_acnmedia/PDF-29/Accenture-UK-Banking-PSD2-Consumer-Reactions.pdf)

# Chapter 1. Digital and Financial Inclusion

Financial inclusion sets the lofty goal that “... every adult in the United Kingdom is connected to the financial ‘mains’, just as he or she is connected to mains electricity or mains water”<sup>9</sup>.

The key benefits that this will achieve include:

- For customers a bank account is often required for employment, while mainstream credit is significantly more affordable. Banked customers typically avoid the “poverty premium” through preferential interest rates or by using direct debits to pay bills (e.g. utility bill savings of c. £250 per year compared to using payment meters)<sup>10</sup>.
- For financial service providers, there are moral and reputational factors and the potential for revenue generation by servicing a significant market segment, alongside statutory and regulatory requirements.
- There are benefits for wider society and the economy through improved financial stability and a more cohesive social fabric. Engagement in financial markets is fundamental to effective competition and economic growth, as well as acting as a conduit for many other essential services. Conversely, financial exclusion can result in marginalisation in other essential services, leading to detrimental societal effects.

Significant progress has been made over the last two decades to increase financial inclusion in the UK. For example, introducing basic bank accounts in 2004, and the introduction of “full” credit data sharing to democratise lending. There have also been more targeted successes, such as successfully rolling out the Biometric Residence Permit scheme for Syrian refugees in 2015. At a political level, the appointment of a minister responsible for delivering financial inclusion in the UK and the establishment of the Joint Financial Inclusion Forum have signalled sustained governmental interest in this area.

A variety of products, services and practices address known financial inclusion issues pertaining to product availability or affordability, leveraging the advances of technology to better serve those who may not be as digitally savvy, not ready to use these channels for the daily management of their finances, or unwilling or unable to do so.

At the same time, banking (and the way customers research, select, buy and use financial products) has transformed over the last two decades. There has been a significant shift away from traditional branch banking to increasing use of digital channels – principally online.

A “digital revolution” is having a profound effect on retail banking – as well as providing a wide range of potential economic and social benefits for customers and banks/organisations.

Digital banking provides many benefits, including:

- Access to banking
- Potential savings through banking online (banking online can save people £744 a year<sup>11</sup>)
- Easier management of finances – those who use online or mobile banking check their balances three times more often than those without digital banking, leading to lower levels of stress (Lloyds’ research found 86 per cent lower levels of stress for those managing their finances online)

Digital enables a wider pool of customers to be reached – for example, social media marketing to target customers looking for non-mainstream credit, or the use of data analytics and alternative data sources to enhance the sophistication of lending criteria. It also allows operating costs to be reduced – digital transactions are almost 20 times lower in cost than telephone and 50 times lower than face-to-face.

<sup>9</sup> [www.financialinclusioncommission.org.uk/pdfs/fic\\_report\\_2015.pdf](http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf)

<sup>10</sup> [www.lloydsbank.com/assets/media/pdfs/170609-lloyds-bank-consumer-digital-index-2017-interactive.pdf](http://www.lloydsbank.com/assets/media/pdfs/170609-lloyds-bank-consumer-digital-index-2017-interactive.pdf)

<sup>11</sup> Lloyds Bank UK Consumer Digital Index: [www.lloydsbank.com/assets/media/pdfs/170609-lloyds-bank-consumer-digital-index-2017-interactive.pdf](http://www.lloydsbank.com/assets/media/pdfs/170609-lloyds-bank-consumer-digital-index-2017-interactive.pdf)

Questions have been raised around the risk that digital might contribute to exclusion (the so called 'digital exclusion' effect), but little has been written on the ongoing considerations around the potential of digital as a tool for greater inclusion. However, like everything in life, one facet cannot be seen or responded to in isolation. Digital can exclude customers, but it can also enable them. The co-authors of this paper, through personal experience, genuinely believe digital can be a force for good and include people who would otherwise be excluded. Toynbee Hall research (CDI 2017 and 2018), highlights that there are many financially excluded people who otherwise use digital to manage their money. Society needs a joined-up response which looks at how digital can be used in a positive way. At the same time an "omni-channel" approach (the seamless transition from one channel to another without disruption to the customer journey) is needed to prevent people from being excluded.

Digital can play a pivotal role as an enabler of financial inclusion by making products and services more accessible (including on a 24/7 basis or for those with a disability). Likewise, digital can lower the costs of doing business for banks. These savings can be passed onto the customer.

- The roll out of Open Banking, new financial management apps and the increased scope of data available to be analysed, amongst other digital solutions, are all likely to promote sound budgeting, improve risk assessments and potentially widen access to credit.

- Video banking as rolled out by some banks and building societies offers the potential for customers to be given personalised customer service, whilst minimising branch costs in a digital banking age.
- And there are other digital solutions which, whilst in their infancy, offer great promise – for example, the use of WhatsApp to reach younger customers seeking debt advice or the "gamification" (the application of typical elements of game playing e.g. point scoring, competition with others, rules of play, to other areas of activity, typically as an online marketing technique to encourage engagement with a product or service) of financial training.

Key demographics of interest (those highlighted by the FCA and other organisations as 'living in the margins' of financial or digital inclusion) were:

- Customers in demographics such as the elderly
- Customers with protected characteristics, as set out in the Equality Act
- Customers in vulnerable circumstances more widely, including those in care, suffering from poor mental health, with reduced capabilities, the financially abused, the digitally under-served
- Customers who are agnostic or simply negative towards digital

In our conversation with firms we sought to understand their vision of truly inclusive joined-up banking, as we move into a digital world. We asked for their key thoughts on customer journeys and experience, their approach to channels of service and access and their views on the necessary capabilities and skills people will need to meaningfully interact system in a digital world.

# Chapter 2. Driving Financial Inclusion Through Digital

## How the Financial Services Landscape has Changed

The rise of digital is one of the factors that have changed how customers interact with banking and payment services and an inclusive approach to providing financial services means navigating these changes. The key developments in the sector are summarised in the table below.

Change	Description of change
Internet banking	<ul style="list-style-type: none"> <li>In 2017, 71 per cent of UK adults used internet banking, with 1.6 billion online/mobile payments made (forecast to rise to 2.4 billion by 2027). Interestingly, 30 per cent of customers aged 70+ are registered to use internet banking.<sup>12</sup></li> <li>Increasingly, customers are required as part of terms and conditions of a financial product to manage their account online (in return for preferential rates).</li> <li>Customers are able to use a growing number of apps and online tools to manage their finances - for example, by providing aggregate information from their different accounts. In 2017 customers logged into apps over 5.5 billion times, a 13 per cent increase since 2016.<sup>13</sup></li> <li>There has also been an associated fall in the use of cheques and cash. From a peak of four billion cheques written in 1990, use fell to 401 million cheques in 2017. Cash comprised 61 per cent of all payments in 2007, but that has declined to 34 per cent in 2017. Debit card use has now overtaken cash as the most common payment method in the UK.</li> </ul>
New ways to pay	<ul style="list-style-type: none"> <li><b>Contactless payments:</b> Around 5.6 billion payments were made using contactless debit cards in 2017 (an increase of 97 per cent since 2016) and forecast to grow to 12.5 billion by 2027.</li> <li><b>Digital wallet technology</b> which allows payments to be made by mobile phones, digital watches and tablets is also growing. The best-known example is Apple Pay; in 2016 Google launched its equivalent service in the UK, Android Pay – uptake of which is expanding across banks.<sup>14</sup></li> <li><b>Faster Payments:</b> The number of remote banking payments processed via the Faster Payments Service (or cleared in-house by banks) during 2017 increased to 1.6 billion. By 2027 remote banking payments processed via the Faster Payments Service or cleared in-house are forecast to rise to 2.4 billion payments.<sup>15</sup></li> </ul>
Paper statements	<ul style="list-style-type: none"> <li>There has been a move from paper to electronic statements, both from customers and firms, with paper statementing still representing the majority.</li> </ul>

<sup>12</sup> [www.ukfinance.org.uk/wp-content/uploads/2018/06/Summary-UK-Payment-Markets-2018.pdf](http://www.ukfinance.org.uk/wp-content/uploads/2018/06/Summary-UK-Payment-Markets-2018.pdf)

<sup>13</sup> <https://www.ukfinance.org.uk/wp-content/uploads/2018/05/WWBN-FINAL-Digital.pdf>

<sup>14</sup> [www.ukfinance.org.uk/wp-content/uploads/2018/06/Summary-UK-Payment-Markets-2018.pdf](http://www.ukfinance.org.uk/wp-content/uploads/2018/06/Summary-UK-Payment-Markets-2018.pdf)

<sup>15</sup> [www.ukfinance.org.uk/wp-content/uploads/2018/06/Summary-UK-Payment-Markets-2018.pdf](http://www.ukfinance.org.uk/wp-content/uploads/2018/06/Summary-UK-Payment-Markets-2018.pdf)

Change	Description of change
Customer service and product information	<ul style="list-style-type: none"> <li>• Customer service support is now available by telephone, video-conferencing (e.g. Skype) or webchat (in addition to in branch).</li> <li>• Product information and customer guidance (including price comparison information) is now largely online.</li> </ul>
Cheque imaging	<ul style="list-style-type: none"> <li>• Despite the decline in the use of cheques, the industry has invested over one billion into the new 'Cheque Imaging System;' to allow for easier deposits and quicker settling. This will ensure cheques are available and useable for those who wish to pay in this manner.</li> </ul>
Fewer branch transactions	<ul style="list-style-type: none"> <li>• The seismic shift in transactions to hand-held devices has inevitably led to fewer transactions in high street branches of banks and building societies.</li> <li>• As the use of branches has fallen the total size of the UK network has become smaller. While some high street branches are closing, hundreds across the country are being refurbished – underlining how banks believe their high street locations will continue to play an important role in 21<sup>st</sup> century banking.</li> <li>• A number of banks have equipped staff to focus on helping customers make the most of digital banking. This can involve explaining how to download and use an app or make the most of online banking. Increasingly these staff are offering wider help on aspects of using digital services – such as helping customers make the most of shortcuts or check their anti-virus software is up-to-date.</li> </ul>
Open Banking	<ul style="list-style-type: none"> <li>• Open Banking, which went live in January 2018 is currently in the process of being rolled out by PSPs. When fully operational, the infrastructure will allow customers who choose to share selected transaction data with authorised third-party providers (banks, building societies and other financial providers e.g. price comparison websites) with the ability to do so. Open Banking aims to promote greater transparency regarding products/services and shopping around for credit.</li> <li>• The increased industry transparency provided by account information services and the analysis tools they will enable should drive both product/service innovation and facilitate informed switching decisions. At present only three per cent of customers switch current accounts annually. Customers will have easier access to key information enabling them to make informed switching decisions.</li> <li>• For financial providers, Open Banking will support better lending decisions (especially significant for customers who have “thin” or “empty” credit files) and marketing of relevant products. The enhanced transparency and personalised recommendations, coupled with CASS, will enable customers to find the account that suits them best and then quickly and smoothly switch.</li> </ul>
Analytics, AI and Technological Trends	<p>Increasingly firms are employing a variety of tools to assist in their efforts to increase financial inclusion in a digital world. The following are in use mostly at the experimental level.</p> <ul style="list-style-type: none"> <li>• <b>Big data analytics:</b> Tools and technologies which work in collaboration with customers can help drive behavioural insights or identify potential signs of vulnerability such as suspicious transactions or worrying spending patterns.</li> <li>• <b>Chat bots:</b> The robo-machine learning chat bots recently championed by tech firms and consultancies including Capco, combine natural language processing techniques with AI and provide an experience that can be tailored to specific customer segments.<sup>16</sup> In addition, chat bots offer the consumer 24-hour access, thus reducing waiting times and stress for people who may require immediate information.</li> <li>• <b>Biometric identification:</b> Some people, such as the elderly or those with cognitive issues, may struggle to remember usernames or passwords and benefit from being able to access financial services through iris, facial or fingerprint identification.</li> <li>• <b>App development:</b> Some apps cater to specific needs by offering services.</li> <li>• <b>Communication tools and channels:</b> This includes 'nudging' frameworks and tools which remind or prompt consumer to perform and action, text alerts or use of video links which could be applied in a targeted manner.</li> </ul>

<sup>16</sup> <https://chatbotsmagazine.com/leveraging-chatbots-to-drive-financial-inclusion-e2da0893ac1d>

## How Digital Technology is Helping Now

The approach taken by firms towards the delivery of 'inclusive' products and services is evolving. Some of the key factors driving this evolution include:

- Opportunities and considerations for onboarding customers, performing KYC, verifying ID and enabling access to basic banking
- Provision of credit considerations: access, restrictions and capability
- Removal of physical barriers to access
- Inclusive design initiatives
- Omni-channel customer journeys
- Breaking the divide between 'online' and 'offline' customers
- Enhanced security infrastructure

There are a number of examples of how digital technology is helping to improve financial inclusivity. These include innovative solutions to replace services traditionally provided face-to-face, as well as apps and fintech which help to bring excluded or vulnerable people into the financial mainstream.

### Cheques

Cheque imaging was recently introduced, with the phased roll out having begun on 31 October 2017. This allows customers to use a banking app to take an image of a cheque and securely send it to their bank to credit their account with money (customers retain the option to pay the cheque in by branch or post). Therefore, customers who may find it difficult to get to a branch due to geographical difficulties or a disability are still able to easily pay in cheques.

### ATMs

More than seven million people (the majority low-income, disabled and unemployed) rely on cash for all their regular payments. Some 87 per cent of these areas across the UK (1,478 areas) now have free access to ATMs. Current figures state 97 per cent of ATM withdrawals are made free of charge. In addition, LINK has designed a free app to show the location of all 70,000 LINK ATMs. It is fully accessible for visually impaired people through voice-over technology. It shows where the nearest ATM is and search results can be filtered by ATMs suitable for those who are blind or partially sighted, ATMs dispensing £5 notes; free to use ATMs; or those belonging to specific organisations, e.g. the customer's bank.

## Mortgage advice

### Case study

**Nationwide** Now video links customers in branch to its financial advisers based elsewhere for multiple services, including mortgages, and other banking and financial planning advice. Available in 400+ branches (c.70 per cent of its branch network) the service allows customers in smaller branches, who may otherwise not have access to a full range of services, to have access to consultants six days a week, and customers in larger branches to use the service to reduce waiting times and ensure a better customer experience. The service also allows documents to be received and printed, and for tea/coffee to be provided.

Since Nationwide launched this service in 2014, other financial service providers, including Barclays, Lloyds and Halifax, have begun to offer similar services, with customers able to access mortgage advice with a bank consultant via their PC, laptop, or tablet computer.

### Credit Unions and community finance

Fintech developments as part of the Credit Union Expansion Programme have helped reduce the time taken to underwrite loans (from days or weeks to hours), the cost of administering loans and also to bring down levels of bad debt<sup>17</sup>. It has also helped attract a more diverse pool of members – often younger and with higher household incomes – and expand lending portfolios, both in terms of overall lending levels and product types. As of December 2015, credit unions provided products to about 1.3 million people (including c.140,000 savers) and held £1.3 billion+ in assets with £769 million out on loan.

The credit union Clockwise has partnered with API provider TrueLayer. This involves utilising TrueLayer's technology to access bank account data on Clockwise's 10,000 members via Open Banking. This has helped improve the speed and accuracy of lending decisions.

## Harnessing credit scores, analytics, alternative data sources and big data

Customers experience difficulty obtaining mainstream credit where they have a low credit score. Online services allow customers to better understand their credit ratings and source the most attractive products.

- **Online credit rating scores:** Credit reference agencies are increasingly marketing credit report services directly to customers to give continuous access to their credit file data, with a frequent add-on being a credit score with tips on how to improve it.
- **Price comparison websites:** Price comparison websites allow consumers to search a wide range of products, but the APRs are not individualised/typical of financially excluded customers. This is changing for some lending products such as credit cards, where the likelihood of eligibility and acceptance is also given.

The lack of a credit history can be a significant road block for customers seeking to obtain credit. Research by Big Issue Invest<sup>17</sup> revealed one large bank declined more than 90 per cent of customers with “thin” or “empty” credit files (with a disproportionate impact felt by those in rented accommodation). Many such individuals are financially responsible but cannot prove this. The government acknowledges more sharing of non-standard (sometimes called “alternative”) data could help improve lending decisions, benefiting customers and lenders alike (lenders would have a larger base of reliable customers, while customers would have access to a wider range of financial products).

The alternative data or other official data that could be provided through CRAs to support financial inclusion and access to credit includes:

- HMRC income data
- Council tax data
- Student loans

- Expanding the amount of rental income data
- Benefits information
- Universal Credit data (contains national insurance numbers and dates of birth)
- Online accounts or social media credit activity (helps to verify individuals e.g. if individual has active Facebook or LinkedIn with genuine connections)

### Case study

**Rental Exchange** is a project set up in 2015 by Experian, which aims to help provide credit scores to those with thin/empty credit files. Existing data to assess creditworthiness focuses on payment history (particularly credit payments), so Rental Exchange uses rental payments as a proxy measure to assess ability to make regular payments.

1.2 million tenants are currently part of the Rental Exchange database (Housing Associations now include the choice to share the data when residents sign tenancy agreements – only one per cent opt out) and it has demonstrated clear benefits:

- **Identity verification:** Rental Exchange data shows a massive increase from 39 per cent to 84 per cent in identity authentication for social tenants.
- **Credit scores:** Tenants with no significant arrears see their credit score improve in seventy per cent of cases; only eight per cent (those with arrears) see their credit scores deteriorate – i.e. nearly ten times as many households benefit from improved scores than are harmed.
  - Rental Exchange evidence shows authentication can, for example, reduce the cost of car insurance on MoneySuperMarket. With authentication, 108 quotes (ranging from £161-£177 per year) were provided. Without authentication, 98 quotes (ranging from £167-£191 per year) were provided.

<sup>17</sup> <https://www.parliament.uk/documents/lords-committees/financial-exclusion/Financial-Exclusion-Committee-Oral-and-written-evidence-volume.pdf>

<sup>18</sup> [www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf](http://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf)

### Transaction accounts powered by prepaid

Prepaid technology can be used to power transaction accounts and debit cards, without requiring users to set up or maintain a bank account or pass a credit check. They also have no overdraft facility, reducing the risk of incurring borrowing fees.

Proponents suggest prepay cards could be used to transition individuals towards using banking services – indeed, DWP trials<sup>19</sup> have shown that “prepaid cards have the potential to promote financial inclusion and independence”.

#### Case study

**Mastercard** has supported 200+ public sector organisations, including local councils and NHS commissioning groups, in disbursing welfare payments via pre-paid cards.

It should be noted that in the majority of cases the public sector organisation covers any fees attached with the account (set up of account, monthly fee, and other fees).

### Open Banking

#### Case study

- **Nationwide** launched the Open Banking for Good challenge (OB4G) in autumn 2018. This challenge will convene some of the brightest minds in established fintechs and start-ups, through to innovators and debt and money charities to create and scale apps and services to help people manage their money better.
- Born out of the Inclusive Economy Partnership (a partnership of businesses, civil society and government departments that are working together to solve some of society’s toughest challenges), the Challenge aims to utilise the OB landscape to solve some of the biggest financial challenges facing society, such as debt, managing money and the ability to save.
- OB4G will look to address the financial challenges facing those on low to middle incomes by transforming financial capability in the UK.

### Financial management apps

An increasing number of banks are offering a variety of solutions to help customers (particularly customers who are less financially capable) better manage their finances. These are outlined in the following chapter.

## Upskilling for a Digital Age

Digital, with its associated move to internet banking among other services, and the government’s move to “digital by design” policy for accessing benefits, has the potential to marginalise customers – financially or digitally. Access and skills gaps need to be addressed and this requires a multi-disciplinary and multi-agency approach.

### Internet access

Whilst internet access in the UK is widespread, having increased significantly over the last two decades (in 1999 just ten per cent of households had internet access, while in 2017 it was about 90 per cent), pockets with lack of access remain and

the quality of network connections also varies significantly.

Nearly four million UK households do not have internet access (as of 2016, only 53 per cent of single pensioners had internet access while 40 per cent of households in Glasgow do not have internet access)<sup>20</sup>.

In addition, eight per cent of premises in the UK (and almost 48 per cent of rural properties) have internet speeds below 10 Mbps (Megabits per second) – the government’s planned Universal Service Obligation. The slow speeds make it more

<sup>19</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/535234/rr926-evaluation-of-the-prepaid-card-live-test.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/535234/rr926-evaluation-of-the-prepaid-card-live-test.pdf)

<sup>20</sup> Financial Times, March 2017: “The high cost of our vanishing bank branches”: <https://www.ft.com/content/e1099b26-12c6-11e7-b0c1-37e417ee6c76>

time consuming to complete online transactions, sometimes requiring multiple attempts<sup>21</sup>.

Existing efforts and natural changes in the population mean that the number of people who have never been online is falling, but the government is keen to do more. The government has achieved near universal (95 per cent of all premises) superfast broadband coverage across the UK and is also introducing a broadband Universal Service Obligation, so that by 2020 everyone across the UK will have a clear, enforceable right to request high speed broadband<sup>22</sup>. The two key initiatives include investing upwards of £1 billion with BT Openreach as part of the Broadband Delivery UK (BDUK) programme; and secondly, to raise the Universal Service Obligation (the legal entitlement to a basic service) to speeds no slower than 5Mbps, up from just 24kbps.

Other key initiatives include:

- **Rural Community Broadband Fund (RCBF):** Run by the Department for Environment, Food and Rural Affairs (Defra), it is aimed at helping those hardest to reach. The Department for Digital, Culture, Media and Sport (DCMS) has also launched a £10 million fund to find new ways to support the five per cent of rural areas who will not have high speed internet access. A digital Skills Entitlement initiative is due to come into force in 2020.
- **Libraries:** The Arts Council England has provided free WiFi across libraries in England – with 50 per cent + of the population holding library cards (and some 35 per cent of financially excluded customers visiting libraries regularly) they are considered go-to providers for digital access and training.
- **Other:** Local government has provided affordable internet access to social housing tenants – for example, Cambridgeshire County Council provides access in pubs and other public spaces; some housing associations provide WiFi for residents (e.g. Glasgow Housing Association worked together with the Scottish government and BT to provide affordable broadband in Glasgow housing estates).

The cost of getting online (in terms of the hardware and software) can also serve as a barrier. Local government cuts have impacted the ability of disabled users to obtain assistive devices, nonetheless bodies are providing support where possible – for example, the Scottish Libraries Information Council provides tablet and mobile computing devices to elderly people in care homes, community housing and community centres.

### Digital Skills

To effectively benefit from the internet, a customer must first have internet access and also be able to use it. According to the Office for National Statistics (ONS) figures, approximately five million people in the UK (c. ten per cent of the population) have never used the internet, with 13 per cent not currently using the internet. This figure includes 25 per cent of disabled adults and 30 per cent of those aged 65-74 who have never used the internet<sup>23</sup>.

The Lloyds Bank UK Consumer Digital Index 2018 report shows that 11.3 million people don't have basic digital skills (e.g. the ability to send and receive emails, use a search engine, buy items from a website and browse the internet). Given that 13 per cent of the population do not currently have access to the internet, that means eight per cent of the population have access to the internet but lack the skills to use it effectively. As with internet access, the digital skills shortfall is disproportionately felt by vulnerable customer groups – 27 per cent of unemployed people lack basic digital skills, compared to six per cent for those earning over £40,000<sup>24</sup>.

The government's plan is that the proportion of adults lacking digital skills should fall from 21 per cent to nine per cent by 2020. Key to achieving these ambitious targets will be the training offered by the government (including schools), financial institutions and others (e.g. businesses and voluntary organisations). The Department for Culture Media and Sport (DCMS) has just created a fund aiming to support the digital skills of the elderly and of more vulnerable individuals.

<sup>21</sup> [www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2017](http://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2017)

<sup>22</sup> <https://www.gov.uk/guidance/broadband-delivery-uk>

<sup>23</sup> [www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2018](http://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2018)

<sup>24</sup> [www.lloydsbank.com/banking-with-us/whats-happening/consumer-digital-index/key-findings.asp#digitalskills](http://www.lloydsbank.com/banking-with-us/whats-happening/consumer-digital-index/key-findings.asp#digitalskills)

### Government Digital Training

Both national and local government are providing and supporting a wide variety of different programmes:

- **The Department for Business, Energy, Innovation and Skills (BEIS):** Gives funding to organisations providing digital skills support – for example, the Good Things Foundation, which has received support from NHS England and the DWP.
- **DotEveryone:** The digital skills charity establishes partnerships between private and public sector organisations working to tackle digital exclusion and coordinates efforts. This is based on its detailed local knowledge of different organisations, communities and individuals in need of support. Examples of its work include the website “Digitalskills.com” (with support by BEIS), which provides a single source of information, resources and guidance for those looking to go online, or to help others to take their first steps.
- **Digital Deal:** The Digital Deal is an example of a cross-departmental initiative, supported by the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG). Managed by the Tinder Foundation, it is helping improve internet access and digital capability within social housing communities, community centres and libraries by supporting a network of 5,000 online centres.
- **Local government:** Local government provides a range of innovative services to support digital capabilities, including digital buddy schemes, internet training in libraries and council offices and the Post Office “Get Connected Campaign”.
- **Education:** Digital skills are being embedded in school. As of 2014, England was the first country to teach coding to children at primary and secondary education. In addition, extra-curricular activities such as 5,000 code clubs teach school children to code.
- **Financial Health Exchanges:** Banks have also begun to experiment with incentives and behavioural approaches to promote certain types of behaviour – for example, some lenders are offering online tutorials.
- **Businesses:** A number of businesses across sectors are providing training. For example, BT’s Get IT together campaign provides older

people, the disabled and job seekers with access to the internet, skills training and advice. Technology company EE’s Techy Tea Parties takes a team of staff to care homes to teach digital skills to older people.

- **Digital inclusion charities:** Notable examples include Citizens Online and the Good Things Foundation (who pioneered the Learn My Way online programme with 26.5 hours of training).
- **Personal mentors:** Financially excluded individuals are susceptible to changes in personal or life circumstances (e.g. changes of address, mental instability, periods of unemployment) and so can fail to maintain contact with digital training. Personal mentors such as family and friends are therefore often the most effective solution.

### Case study

#### Financial Services’ Digital Training

Launched in 2013, **Barclays** Digital Eagles offer personal support and education for customers and non-customers. Digital Eagles are specially trained members of staff who provide digital safety teach-ins and support clinics, with over 3500 sessions held in 2018. Over the past two years, Barclays has invested over £18 million on its digital safety campaign and engaged five million people.

#### Financial Capability

According to the Ipsos MORI Tech Tracker, 77 per cent of people who don’t use the internet were not aware of the free resources and support available.

Utilising “trusted faces in local places” is often cited as a simple but winning formula. Literacy and cognitive issues present further barriers to effectively using the internet. About five per cent of the adult population (c.2.5 million adults) do not have basic literacy skills, making internet use a significant problem.

Potential enhancements to reach people could include the use of digital champions in job centres and local libraries to reach out to individuals; and introducing a digital skills assessment for all benefit claimants to identify those individuals in need of skills training.

The importance of financial capability is only set to grow with the roll out of Universal Credit. This consolidated benefit will be paid monthly in arrears (rather than weekly) and has received significant media attention for potentially excluding those most in need; in addition, in England and Wales, housing benefit will generally be paid to the benefit claimant not the landlord. For both these reasons, greater personal financial responsibility will be required – indeed, where Universal Credit has been implemented, a significant proportion of social housing tenants (up to 90 per cent in one study) have fallen into rent arrears<sup>25</sup>.

### Debt Advice

An estimated eight million people have problems with debt, with fewer than one in five seeking help (of these 50 per cent wait a year before they seek help). A survey carried out by the Money Advice Service in 2016/2017<sup>26</sup> suggested the vast majority of debt advice provided by local authorities is still carried out in person (66 per cent) or via the phone (31 per cent); with only three per cent using webchat and email. Other surveys suggest no more than ten per cent of debt services are generally accessed via online channels.

Key to expanding usage of online channels (a commitment of the Money Advice Service in its 2018 five-year plan) is allowing an omni-channel experience, ensuring services are personalised and there is consistency of contact and checks. Online benefits include relative anonymity, practicality/ease and the comfort younger people have using online channels.

### Case study

Citizens Advice in Manchester launched a WhatsApp Money Advice pilot in 2017. The target for the pilot was younger people – the average age of clients has been 30. A range of issues has been dealt with, from the fairly routine (e.g. challenging council tax claims) to the more complex (e.g. multiple debt cases), and clients are able to contact case workers 24/7.

One of the key features of WhatsApp has been the ability to share photos/documentation in real time without the time lag/risk of loss. Only about five per cent of incoming clients have had to be referred on to telephone or face to face appointments and many non-English speakers appear to be more comfortable using the service.

### General Financial Education and Financial Management Apps

An increasing number of financial service providers are offering a variety of solutions to help customers (particularly low financially capable customers) better manage their finances. These include:

#### Take Five to Stop Fraud

A national awareness campaign which aims to help customers stay safe from fraud and spot the signs of scams.

#### Text alerts and nudges

Several banks and building societies have introduced text notifications to highlight when a customer has gone into an unarranged overdraft or a higher tier of overdraft borrowing to encourage them to take action. For example, Barclays has auto-enrolled customers onto these alerts and sends 250,000 alerts per day, with around 50 per cent of customers taking action. Encouragingly, 300,000+ customers of UK banks aged 60+ have signed up to receive such text alerts from their banks<sup>27</sup>.

<sup>25</sup> [www.demos.co.uk/wp-content/uploads/2016/12/Banking-For-All-updated.pdf](http://www.demos.co.uk/wp-content/uploads/2016/12/Banking-For-All-updated.pdf)

<sup>26</sup> [http://www.improvementservice.org.uk/documents/money\\_advice/ma-customer-journey-mapping.pdf](http://www.improvementservice.org.uk/documents/money_advice/ma-customer-journey-mapping.pdf)

<sup>27</sup> [www.fca.org.uk/publication/discussion/dp16-01.pdf](http://www.fca.org.uk/publication/discussion/dp16-01.pdf)

The FCA is currently consulting on extending the requirement to automatically opt customers in to receive text alerts, from unarranged overdrafts to arranged overdrafts<sup>28</sup>. FCA research shows that arranged overdraft alerts can reduce the charges paid by consumers by as much as seven per cent and arranged alerts reduce charges by as much as 25 per cent.

Lloyds Banking Group auto-enrolled customers to receive account text message alerts in November 2017, to ensure they benefit from a suite of personalised account management information.

The Group has five message types that customers can receive and on average sends around 750,000 a day, seven days a week. Fewer than two per cent of customers have dropped out since launch, demonstrating the value of the service. Research shows:

- Approximately 90 per cent of customers agreed that text alerts give them the reassurance of being in control
- Approximately 60 per cent of customers took action (e.g. transferred in money) on receipt of a text

An example of a nudge type app is an application HSBC has developed to monitor spending, compare it with others in similar income brackets and send nudges to encourage users to meet long-term objectives.

#### Budgeting/Jam-jarring apps

Apps are helping encourage customers to promote saving and effective cash management by distributing money into jam jars. Examples from banks include:

- A partnership between Lloyds and Swave (a start-up) in developing an app which gives an actionable “nudge” to the customer’s phone to allocate savings every time they spend money.
- Balance Extra – an online banking feature launched by Halifax, which provides an accurate view of a customer’s cash flow and available balance before their next pay day. It does this by automatically deducting forecasted direct debits, and pending transactions.

- Santander Wallet – spending and card management app that allows customers to analyse and track their debit and credit card spend in detail, helping them to budget more effectively. It uses easy to follow charts and graphs to split the customer’s spending into categories such as food and drink, travel and clothes. The view can be provided on a weekly, monthly or annual basis. The app also allows customers to securely view their card PIN, if they have forgotten it.

Fintechs have also pioneered the use of jam-jarring services. For example, SourceCards allows customers to split their finances into five locked pots: “food”, “rent”, “travel”, “utilities”, “essential goods” with an additional “flexi” spending pot. Squirrel, which is being utilised by many large employers, including the NHS, splits customers’ monthly salaries into three pots: “savings”, “bills” and “spending money”. Often these apps, if offered via employers (e.g. Squirrel), are free. Otherwise they have a cost attached to them – a small set up fee, monthly charges typically of around £5 and often ATM and other transaction-related fees.

#### Chat bots

There has been a growth in chat bot services acting as virtual personal assistants and, as they rapidly become more sophisticated, they are able to provide personalised advice to customers based on data analysis of the chat history and account activity. For example, Mastercard, through its Startpath programme, incubated and promoted the start-up Kasisto which operates across Facebook Messenger and Amazon Alexa, and since its launch in 2016 has been rolled out to Standard Chartered and Wells Fargo. Another example of this is Plum, which is the first AI powered Facebook chatbot that enables you to start saving small amounts of money effortlessly. The chatbot connects your current account and Plum’s AI learns your spending habits, allowing it to automatically deposit small amounts of money into your Plum savings account every few days<sup>29</sup>.

<sup>28</sup> <http://financialservices.grantthornton.co.uk/post/102exv4/fca-cp18-13-high-cost-credit-review-overdrafts>

<sup>29</sup> <http://www.netimperative.com/2017/08/rise-chatbot-financial-assistants-3-apps-changing-banking/>

There are many advantages to the consumer and financial service providers of using chat bots:

- Customers can engage with the financial service provider at any time, rather than being constrained by operating hours.
- Consumers do not have to wait to speak to a member of staff, meaning that needs can be addressed more quickly.
- With sufficiently sophisticated systems, customer satisfaction will likely increase as the waiting times are reduced and needs are addressed more quickly.

#### Managing the Need for Face to Face

There will always be a significant minority of consumers who are unable – or would prefer not to – use the internet. The government has set up assisted digital routes for accessing public services and offline assistance and in-person channels must be retained in banking too. Examples of relevant initiatives include:

#### Keep me Posted

A partnership of charities, customer groups and business, it aims to ensure customers retain a choice to receive information by post (and do not suffer financial detriment for doing so). Some people have been paying up to £5 for ad hoc paper bills, and generally banks have been moving to electronic statements via email or access online. This can cause issues as banks do not provide access to online statements beyond a certain timescale. By switching banks, customers can potentially lose access to historical data and copies of online statements are not considered official documents by many organisations. The Competition and Markets Authority remedies included a requirement for firms to provide five years' worth of statements to customers who change banks.

#### Case study

RBS/Natwest/UBNI has operated a mobile branch banking service since 1946. The service consists of 41 vans with two colleagues per van and makes over 600 unique stops every week, covering 16,000 miles across the UK, six days a week. The service is available to personal and non-personal customers and provides the following services:

- Customers can complete everyday banking, such as making deposits, withdrawing cash, paying bills and obtaining balances on accounts.
- For customers who have a disability, are elderly or find it difficult to use services, reasonable adjustments are made to suit customers' individual needs.

In addition to the mobile network, Community Bankers work throughout local communities to support customers with different ways to bank, undertake fraud and scam education and help customers to work digitally. Community Bankers hold drop in clinics within communities, for example in local libraries and can undertake home visits where a customer is housebound.

Lloyds currently has 36 branches covering 190 locations – further investment will see this rise to 46 branches covering 215 locations by the end of January 2019. Last year the branches covered approximately 600,000 miles and handled around 8,000 customer transactions a week.

- **Everyday Banking at the Post Office:** Technology has meant that people can manage their money at a time and place that is convenient to them, with developments such as video and webchats meaning customers can discuss their finances from afar. Helping people access banking is vitally important. While the average customer logged into their mobile banking app 275 times last year, we know that technology isn't for everyone. That's why all the major banks have made arrangements, so their customers can do their everyday banking at 11,500 Post Office branches across the country. That means if people need to pay in cash or cheques, take out money from their account or check their balance, they can do so at their local Post Office, with some locations open in the evenings and on Sundays.
- **Post Office awareness campaign:** During October 2018, the Post Office and subscribers to the Banking Services Agreement trialled pilot media campaigns in the north-west of England, Dumfries, Galloway and East Ayrshire, to raise awareness of the Everyday Banking services available at the Post Office. The service allows personal and business customers to pay in cash and cheques, take out money and check the balance of their current account. The media mix included out of house, radio and press advertising, together with a door drop to all properties within a ten-mile radius of a Post Office. The results of the pilot will be reviewed and used to help formulate a plan to raise awareness going forward.

## What Does the Future Hold?

### Digital identities/Identity federation

The potential long-term benefit of digital identification (or e-identification/identity federation) in addressing financial exclusion challenges is that the customer can “verify once, use many times”. Financial service providers complete a range of ‘Know Your Customer’ and ‘Anti Money Laundering’ checks on customers. Digital ID is a way of customers securely transferring information (their identity credentials) to institutions. As customers use a range of new digital tools (through Open Banking/PSD2), and increasingly use online banking as a channel, digital ID could make it easier for customers to access financial services that are appropriate to their needs. This could be products offered by the same institution, or it could be across different institutions.

While in their infancy, digital identities hold promise. National governments are exploring the provision of robust and easily verifiable digital ID, whether biometric or other types of data-based forms. This is a next-generation technology and it is not yet entirely clear how it can best be utilised. Also, from a customer perspective there are some key challenges; many customers will experience the same issues with digital IDs as with current account identification, such as a lack of relevant documentation. They may also lack the relevant technology to access and use digital identities (i.e. smartphones).

### Case study

In Norway, a single organisation called BankID supplies all Norwegian banks with an electronic ID, which is used for authentication and electronic signatures. It meets all national e-identification requirements for the highest security level and is compliant with EU regulation and requirements.

Most people in Norway (80 per cent) have a BankID and use it on average twice a week. A consumer can use a BankID issued by one bank to open or login to an account with another bank, and to access public services.

### Blockchain

Given the implementation of the new Universal Benefit payment with its requirement for bank account access, it's imperative that all benefit claimants receive support in setting up bank accounts.

Longer term, blockchain technologies are being explored to identify how they can be utilised to provide benefits electronically, bypassing the need for bank accounts. Further study will be required to see whether this represents a feasible alternative.

### Vulnerability Identification

There has been a move in recent years to consider how financial services providers can identify vulnerability through remote channels, for example, through transaction monitoring and analysis (e.g. sudden drops in income or unusual spending patterns).

Providing a mechanism for customers to self-disclose a relevant vulnerability or support need is one step, but determining whether a customer has mental capacity, or sufficient financial capability to make an informed decision is much harder. It requires firms to look for indicators of vulnerability through the consumer's online channel, product usage and behaviour. This is subject to a number of challenges, including technology limitations and regulatory requirements. In particular, the General Data Protection Regulation (GDPR) and equalities law rightly impose requirements on firms to ensure that customers' privacy is respected, and that they are treated fairly and not discriminated against.

The roll out of Open Banking and the possibility of extracting and analysing clients' consolidated account data in real time could offer a potential solution. In the longer term, speech analytics (having calls transcribed into text and textual/voice stress analysis applied) as well as machine learning may have a part to play in initial interactions and referrals on to relevant advisers.

### Meeting other consumer needs

Further to existing financial capability interventions referenced previously, industry can explore additional opportunities where digital could assist in addressing some or all of the following consumer needs:

- Text alerts to trusted third parties nominated by the customer
- Payment restrictions for certain merchant categories
- Weekly/monthly caps on spending on gambling sites
- Transaction processing delays based on customer need or regular transaction patterns
- Self-exclusion from credit in a more standardised way. Others have requested authorisation from trusted third parties prior to accepting loans
- Joint or partial account control – some fintech providers e.g. SourceCards, allow account holders to give a third party (e.g. friend or case worker) remote access to their account to assist with budgeting, though actual payment must be made by the account holder

Regulatory change might also need to happen in order to make some of these opportunities a reality.

### Case study

In June 2018, **Barclays** won both the 'CRM Customer Champion' category and overall winner-of-winners 'Grand Prix' at the 2018 DataIQ Awards for their work to identify customers experiencing early stages of financial stress. Barclays' data engine looks at combinations of activity on customers' accounts to identify limited resilience to a financial shock, alongside signs of stress such as little money being left after essential bills, interrupted payments and sustained overdraft usage. Barclays is now testing contact strategies to customers identified by the data engines, to nudge them towards tools and information that could help to improve their financial health.

**Santander** carefully considers inclusion for vulnerable customers in its design and implementation for new digital services. Research, test and audit activities are completed with the support of DAC (Digital Accessibility Centre), and once solutions are launched all feedback is carefully reviewed. Development is optimised to ensure the effective operation of native tools on iOS and Android, to support customers with visual impairments or hearing difficulties. Recent examples of changes delivered to ensure usability is optimised include changes to contrast and fonts.

# Conclusion

'Digital' in this report has been used in an all-encompassing sense, to refer to online, mobile, assistive technology, social media or other interactive means such as video, platforms, APIs, wearables and apps.

The fundamental question of how firms and people can utilise technology to better support and serve their preferences and needs, without fundamentally changing their approach to their finances or modus operandi, has yet to be fully explored.

Financial inclusion spans a wide spectrum – it runs the gamut from the wholly excluded, reliant on the cash economy (the so-called “unbanked”), to the marginally included, who have basic bank accounts (often referred to as the “underbanked”), through to the super-included, who have access to a wide array of financial products and services. And whilst a certain core may be more susceptible to financial exclusion issues, anyone can be affected through changes in personal circumstance, societal or technological change.

Digital can be a driver for inclusion. To do so, there is a need for both a policy response and continued good practice.

There are several things which are still being addressed on a policy level:

- **Joined-up cross-disciplinary response:** Bringing all the required stakeholders (banks, government, customers and others) together in a multi-agency/multi-disciplinary response remains a significant challenge.
- **Continued upskilling:** Education for those expected to use the services in the digital age remains a key challenge and needs a more thorough response:
  - a) It is important we address skills gaps through free financial and digital training courses.
  - b) Financial education and literacy remain a surprising problem for the UK. People need greater support in managing finances, to prevent them falling into problems with debt.
- **Customer disclosure:** Customers should be openly encouraged to share with financial service providers their relevant vulnerabilities. For people to do so, there is a need to help address the social stigma all too often associated with being open about personal challenges.
- **Inclusive regulatory framework<sup>30</sup>:** Regulation is still adjusting to the digital age and further work is needed. Promoting access to key services often requires government or regulatory intervention (and ultimately some form of customer or wider public subsidy). Such interventions should be considered carefully. Unfettered access should not necessarily be the end goal – it is vital, for example, that irresponsible lending is not allowed.

Positive steps are being and should continue to be taken by the financial services sector:

- **Many promising existing digital solutions to be rolled out further:** Many existing digital solutions can potentially be rolled out further – for example, video servicing which allows customers to receive advice directly from a financial adviser, or pre-paid cards used by public sector organisations, and financial management apps (including auto-enrollment onto text alerts) supporting budgeting. Cross-industry collaboration (see below) will be key to maximising their uptake and impact.
- **Potential of new digital solutions:** Open Banking has the potential to improve product innovation, encourage budgeting and cut costs. Key initiatives could explore applying data analytics to identify vulnerability, utilising alternative data (typically transactions data) to widen access to mainstream credit, and trialling social media as a new channel to provide debt advice to young people.

<sup>30</sup> Financial Services Vulnerability Taskforce Principle 9.

- **Importance of omni-channel experience:** While a large proportion of the 21 per cent of the population lacking basic digital skills can be upskilled, there will always be a significant percentage (the government estimates around nine per cent) who will be unable to make full use of digital channels. The needs of these groups, including how they can transition between digital and non-digital channels must be considered to avoid their disenfranchisement.
- **Cross-industry collaboration and/or government intervention is key:** Initiatives such as the Financial Services Vulnerability Taskforce, which brings together financial services firms, charities and customer groups, will likely continue to play a key role in promoting cross-industry collaboration. There is also opportunity for regulators to prioritise their focus on digital technologies that meet the needs of financially excluded customers, during future rounds of the FCA Sandbox Initiative.
- **Co-design with customers:** Key to addressing vulnerability and inclusion issues is first to design products and services in an inclusive way, and secondly, to have a robust customer feedback/monitoring approach.

In the last decade firms have moved to offer a suite of basic products and services. Firms are also directly seeking feedback from customers in their research and pilots of new digital technologies (e.g new digital banking apps).

An inclusive design approach means having a curious approach, proactively considering the needs of different users – particularly vulnerable customers – through the use of detailed customer journey planning and user testing products/ services with all customer segments and relevant third-party organisations.

Digital and a collaborative approach to understanding customer benefits and how these could be attained in the short, medium and long term can help deliver an enhanced vision of inclusive customer journeys and outcomes.

# ANNEX – Enhancing Customer Journeys

Customer benefit	What financial service providers are doing now	A vision for the future
Proving who you are and where you live	<ul style="list-style-type: none"> <li>• Selfie video</li> <li>• Case by case approach</li> <li>• Biometric identification (iris, facial and fingerprint)</li> </ul>	<ul style="list-style-type: none"> <li>• Adoption of digital identity by the financial services and government</li> </ul>
Access to affordable credit	<ul style="list-style-type: none"> <li>• Holistic review of circumstances in which credit rating is only one factor</li> <li>• Utilisation of credit rejections as an opportunity to explore finances and options to improve situation</li> <li>• Raising awareness of credit unions</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of data to enhance credit file payment histories</li> <li>• Change law to support credit union expansion (allow them to offer more products/service)</li> <li>• Big data taking into account sources such as social media profiles, purchase histories, education, rent/mortgage status, car payments to determine credit worthiness</li> </ul>
Accessibility and leverage of trusted friends or third parties	<ul style="list-style-type: none"> <li>• Mobile banking services</li> <li>• Online; mobile; home visits</li> <li>• Added ramps to branches for wheelchair users</li> <li>• Made it easier to insert/withdraw cards from ATMs</li> <li>• Accessible websites</li> </ul>	<ul style="list-style-type: none"> <li>• Third parties; Apps</li> <li>• Digitisation of the Power of Attorney Process (registering, storing, using)</li> <li>• A digital register of LPAs</li> </ul>
Support for those with sensory issues	<ul style="list-style-type: none"> <li>• NLP for voice recognition process</li> <li>• Screen reader compatibility</li> <li>• RNIB standards for web and app accessibility</li> <li>• Policy response for financial education also focusing on product appropriateness</li> <li>• Hearing loops within branches</li> <li>• Sign video for British Sign Language (BSL) users which can be utilised from home or in branch</li> <li>• Subtitles on videos</li> <li>• Apple voiceover software to convert text on screen to speech (per Nationwide mobile banking app)</li> <li>• Talking ATMs developed with RNIB</li> <li>• High-vis debit cards</li> <li>• Providing information in audio/braille/large print</li> <li>• Making websites AA compliant (to ensure websites are compatible with screen readers)</li> <li>• Providing sign videos</li> </ul>	<ul style="list-style-type: none"> <li>• Omni-channel experience – but true omni-channel, must be able to pick up a process on a new medium exactly where one left it on the last medium</li> <li>• Machine learning – application to how we actually speak, approaching a pass on the Turing Test</li> </ul>

Customer benefit	What financial service providers are doing now	A vision for the future
Support for those with language issues, low levels of literacy or dyslexia	<ul style="list-style-type: none"> <li>• Firms offer Easy Read (product information using mixture of basic text and pictures)</li> <li>• Video or graphical approaches are also increasingly being used to make the information clearer</li> </ul>	<ul style="list-style-type: none"> <li>• Remote channel identification and support for customers with language issues through remote communication options</li> </ul>
Support with memory issues	<ul style="list-style-type: none"> <li>• Biometric identification (fingerprint, iris scanning, voice recognition)</li> <li>• Chip and Signature cards</li> <li>• Databases capture customers with cognitive issues so more specialist support can be provided</li> </ul>	<ul style="list-style-type: none"> <li>• Wearable technology to identify such issues using individual's electronic heart signals</li> <li>• Automated learning (within GDPR) to identify users based on how they interact with a device</li> </ul>
Support for those who struggle to use online banking or telephone banking	<ul style="list-style-type: none"> <li>• Video banking technology so customers can talk remotely to staff face-to-face on their smartphone, tablet or personal computer. Video-conferencing services to patch in friends or family are also being piloted</li> <li>• Introducing pause function into telephony model to allow customers to take time before making a decision</li> <li>• Providing mobile web chat systems</li> <li>• Retaining branches or using mobile branches as an alternative channel (omni-channel experience with digital, telephone and branch)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustained digital upskilling</li> </ul>
Increased financial resilience	<ul style="list-style-type: none"> <li>• Financial management applications to promote savings, budgeting (e.g. SMS alerts)</li> <li>• Self-exclusion options</li> </ul>	<ul style="list-style-type: none"> <li>• Internal single view of customer enabled by system integration and enhanced Customer Relationship Management capabilities to have single point of disclosure internally</li> <li>• Smart identification of self-declared spending practices e.g. cash points near bookies or off-licenses requiring Double verification (phone asks, are you sure etc) to give consumers the chance to reconsider spending</li> <li>• Universal single view of customer to enable truly consistent customer journey and single point of disclosure – enabled by digital identity</li> <li>• Big data analytics to identify and verify potentially worrying spending patterns in collaboration with vulnerable individuals</li> <li>• Machine learning to improve the reliability of these platforms</li> </ul>
Increased financial and Digital capability	<ul style="list-style-type: none"> <li>• Government sponsorship to bring disadvantaged families online</li> <li>• Tied provision of technology in association with banking products on a free (loss leader) or financed (low rate) basis to long term vulnerable customers</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced digital education in schools, e.g through jobcentres and the Prince's Trust initiatives</li> <li>• Nation-wide broadband</li> <li>• Efficiency standards for application coding to standardise certification and training</li> </ul>

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