



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

## **Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol The Communities, Equality and Local Government Committee**

**Dydd Mercher, 24 Hydref 2012  
Wednesday, 24 October 2012**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol**

**Committee members in attendance**

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Janet Finch-Saunders	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Mark Isherwood	Ceidwadwyr Cymreig Welsh Conservatives
Ann Jones	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Gwyn R. Price	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales
Joyce Watson	Llafur Labour

**Eraill yn bresennol**

**Others in attendance**

Nick Bennett	Prif Swyddog Gweithredol, Grŵp Cartrefi Cymunedol Cymru Chief Operating Officer, Community Housing Cymru Group
Matt Bland	Swyddog Polisi a Chyfathrebu, Cymdeithas Undebau Credyd Prydain Cyfyngedig Policy and Communications Officer, Association of British Credit Unions Ltd
Nigel Draper	Pennaeth Cymdogaethau a Chymunedau, Cymoedd i'r Arfordir, Grŵp Cartrefi Cymunedol Cymru Community Housing Cymru Group
Lee Phillips	Rheolwr Polisi dros Cymru, Y Gwasanaeth Cyngori Ariannol Policy Manager for Wales, Money Advice Service
John Puzey	Cyfarwyddwr, Shelter Cymru Director, Shelter Cymru
Clare Williams	Swyddog Polisi, Gwasanaethau Tai, Grŵp Cartrefi Cymunedol Cymru Community Housing Cymru Group

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**

**National Assembly for Wales officials in attendance**

Sarah Bartlett	Dirprwy Glerc Deputy Clerk
Jonathan Baxter	Ymchwilydd Researcher
Marc Wyn Jones	Clerc Clerk

*Dechreuodd y cyfarfod am 9.28 a.m.  
The meeting began at 9.28 a.m.*

### **Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions**

[1] **Ann Jones:** Good morning, everyone, and welcome to the Communities, Equality and Local Government Committee. I will deal with the housekeeping rules first. I ask Members around the table to switch off their mobile phones or their pagers, because they affect the translation feed and the broadcasting. This is a formal meeting, so people do not have to touch the microphones; they are operated from behind the screen. If there is a fire alarm, we will take our directions from the ushers, or you can follow me because I will be one of the first out of the building.

[2] There are no apologies, but, as Members know, Ken is permanently substituting on another committee due to sickness. We have recorded that once before, but I just wanted to record that again today.

[3] Do Members have any interests that they wish to declare before we move on?

[4] **Joyce Watson:** Should I say that I am a member of two credit unions?

[5] **Ann Jones:** That is helpful, I suppose.

[6] **Mike Hedges:** I am a member of a credit union.

[7] **Ann Jones:** So am I.

[8] **Rhodri Glyn Thomas:** And so am I.

[9] **Ann Jones:** I think that most of us are.

[10] **Janet Finch-Saunders:** I declare that I am a landlord.

[11] **Ann Jones:** Have you declared that on the register of Members' interests?

[12] **Janet Finch-Saunders:** Yes.

[13] **Ann Jones:** That is fine then. Perhaps we should all declare whether we are members of credit unions for the next item of business. I think that we have all declared.

[14] **Peter Black:** One of my employees is also the chair of the Swansea Credit Union.

[15] **Ann Jones:** That is fine. We will move on.

9.30 a.m.

**Y Wybodaeth Ddiweddaraf am yr Adroddiad ‘Cynhwysiant Ariannol ac Effaith  
Addysg Ariannol’—Tachwedd 2010  
Update on the ‘Financial Inclusion and the Impact of Financial Education’  
Report—November 2010**

[16] **Ann Jones:** Members will remember that we received a letter during the summer recess from the Association of British Credit Unions Ltd. We decided that we would revisit this issue. We have this window of opportunity before we go back to legislation to do this, so it will be a short inquiry. We hope that we will get some good results from it. I am delighted to welcome John Puzey, the director of Shelter Cymru. John is quite familiar to the committee or at least predecessor committees. You are very welcome, John. I know that you came in at quite short notice so there are no papers, but we are grateful that you are here. We have questions, but would you like a couple of minutes to make a brief opening statement?

[17] **Mr Puzey:** Yes, if that is okay. Bore da, good morning, everyone. Thank you very much for inviting Shelter Cymru along to this discussion of this very important issue. I wish to begin with my limitations—not all of my limitations, as that would probably take up the entire session, but my limitations as far as this is concerned. As you said, Chair, I am here at somewhat short notice and the people who should ideally be here are my education officer and my project manager, who came to the previous committee. They are both unable to do it, so, as director of Shelter Cymru, I am obviously the most dispensable because I am not actually delivering services to real people. [*Laughter.*] So, I am here. I had a brief word with them first. As you said, you have questions, many of which I may not be able to answer, but, perhaps from those, I can get a flavour of what would be useful to you and we can follow this up with a written response to your questions once I have been able to talk to my colleagues in greater detail. Is that okay?

[18] **Ann Jones:** Yes.

[19] **Mr Puzey:** One of the reasons I think you invited us here is that Shelter Cymru provides housing advice services as well as debt advice services. We have an education project as well, working with schools across Wales. That is funded by the Welsh Government. We have services that work with older people, services that work with younger people, services that work with people who may be facing homelessness because of anti-social behaviour, as well as Supporting People projects. So, we have a range of projects but we work with many people who are vulnerable and facing extreme housing problems. Obviously, many of those people have issues with debt, and particularly housing debt, which is the area we focus on. There is a range of other issues that create problems for people facing homelessness.

[20] What we wanted to say is that the issues of financial inclusion and financial education have always been important but that the current economic environment and changes to welfare benefits have made those issues even more important. These are issues that have changed even since the report that came out in 2010 and that will accelerate next year. They have created new layers of complexity and change that will challenge many people in terms of understanding the implications of those changes and somehow trying to deal with the consequent reductions in income they will face. Therefore, it is now even more important that people get a grasp of what is out there, what is available and how they can navigate these very difficult times.

[21] I want to tell you what we are seeing already across our services. We are seeing a build-up in people coming to us with housing-related arrears. You will probably not be surprised to hear that. One of the interesting things is that the statistics show that, at the moment, we are not seeing any huge increase in, for example, mortgage repossessions—

although there is a bit of an increase in evictions because of rent arrears. The evidence from our casework, and I believe that this is also true for my colleagues in Citizens Advice, is that these arrears are growing. We are really concerned that, over the next 12 to 18 months, we are going to see a significant number of problems, where the forbearance that we are currently getting from some landlords and lenders may end. Indeed, we have recently noticed a trend—and I am really concerned that this might be the beginning of the end of forbearance from lenders—of people being transferred from agreed interest-only mortgage payments to repayment mortgages, which has made things almost instantly unaffordable.

[22] Therefore, increasing numbers of people are coming to us in those sorts of situations. I think that there is a real concern about the future of that. As I said, rent arrears are also growing and we find that people are running out of options. It is true that there has been an element of forbearance by landlords, but also, people are using up, or have used up, all of their options: they have used any savings that they may have had and have been borrowing from their families. In some cases we know that that has put the families in difficulties and that just helping someone to pay their rent or mortgage has created difficulties for the surrounding family and friends. We are also seeing examples of people using credit cards to pay essential bills, sometimes a mortgage. These are the kinds of issues that we are seeing, and it is increasing. The proportion of our casework dealing with these is increasing.

[23] I will not be long with this, but I thought that might be useful if I—

[24] **Ann Jones:** Could you go through it quite quickly, because we only have around 20 minutes left?

[25] **Mr Puzey:** To cut to the chase, perhaps I could just go to the recommendations from the last time and just tell you about our perception on those last recommendations. I cannot respond to all of them, but would that be useful?

[26] **Ann Jones:** Yes.

[27] **Mr Puzey:** In terms of the first recommendation about Moneymadeclear services, I think that there is evidence that those services are increasingly being promoted. So, that is welcome. I must say, though, that we have not found that any of our clients have used that service. Therefore, I am not clear whether the message about what Moneymadeclear can actually do for people is very clear. As I say, it is interesting that people coming to us in those difficult circumstances do not seem to be accessing those kinds of information and advice services.

[28] I will jump around a bit, but, in terms of recommendation 6 about workplace financial services, I can give you a very good example of one, which is supported by the Welsh Government at the moment, and that is our own Shelter Cymru Work It Out project. I have a leaflet here, which I can leave for you to have a look at. It is about going into workplace situations and promoting the idea of advice. We often find that people who are working assume that they cannot access such services as Shelter Cymru's advice services, which is completely wrong. They are free for everyone. So, it is about that. It is also about this term 'channel shifting', that is, there is more than one way to access a service: you can get an e-mail, online advice, and we are even running Skype services with certain local authorities. So, it explains to people that there is a range of ways that you can actually access the service now, not only face to face.

[29] In terms of recommendation 7, colleagues tell me that there is a perceived increase in posting registered social landlords and local authorities with financial information responsibilities. We know that Community Housing Cymru has been supporting that.

[30] With regard to recommendation 8, my education officer tells me that financial inclusion is still not a compulsory element of the personal and social education framework. It is non-statutory and therefore for schools to decide whether they wish to introduce it. We feel that it should be compulsory, and not just isolated from the other key issues that concern young people about moving into independent living, such as health issues and so forth.

[31] Recommendation 10—we are nearly there—is on basic bank accounts. We perceive that that those are more accessible. We have a prison advice service, where we work in particular with HM Prison Altcourse. The prison officers there tell us that they are now able to access those basic bank accounts for prisoners before they leave prison. We also believe that the illegal moneylending unit has a much higher profile than it did perhaps even two years ago, and is doing some very good work.

[32] I will just refer to one other area before I shut up. This is not directly from my Shelter Cymru work, but I am a member of the national partnership forum for ageing in Wales, and there is the issue of older people and financial exclusion and financial education, which I think is very important. That is also very much linked to digital exclusion—or inclusion, to put a positive spin on it. Four hundred thousand older people in Wales do not have access to the internet, where there is all of that advice and information and opportunities for switching providers. That is not available to those people. It is really important that that issue of older people is also addressed as part of the deliberations.

[33] **Ann Jones:** Thank you for all of that. I know that we are short of time, but what is your assessment of the success of the Welsh Government's financial inclusion strategy and has it had the impact that Shelter could have hoped for?

[34] **Mr Puzey:** As I said, looking at the actual recommendations from last time, I think that we can see that there are some significant moves forward in some of those areas, less so in others, and some on which I, quite frankly, could not give you a response. We do see more capacity being put in, particularly by local authorities and registered social landlords into the issue of financial inclusion. That is very clear. The issue is getting a higher profile and putting your money where your mouth is. We know that there are a couple of projects that have been funded by the Welsh Government. Our own Work It Out project, for example, is a very good example of in-work financial advice. There are certainly advances since 2010, but there is much more to do.

[35] **Mike Hedges:** You have talked a bit about how things have changed since 2010, or how they have not changed that much, but in the original evidence that you gave to the inquiry you described the availability of financial education to the public as 'patchy'. I think, from what you have just said, that you think that it is still patchy—

[36] **Mr Puzey:** Less patchy.

[37] **Mike Hedges:** The term 'less patchy' is probably helpful. What still needs to be done?

[38] **Mr Puzey:** One of the areas that we are very interested in is how we can embed not just financial education and information, but a range of other things, into the culture of service delivery in Wales. So, for example, we are keen in terms of the housing Bill—which, as you can imagine, we have been very much involved in—that we should try to introduce a cultural change in the way that services interact with users, so that there is much more of a partnership between services and users, and a learning partnership, if you like—I would argue that that is a genuine citizen-centred approach—so a service is not simply creating a victim by saying, 'This is what you do'. A lot of the people whom we work with who have housing problems, are in arrears, and have those kinds of problems, feel like victims. They feel like things are

being done to them, rather than that they have any control over their life. There is a lack of self-confidence among people. So, it is about how we change the service delivery culture in Wales so that it is one of partnership, where you support people and give them self-confidence. Part of that is that learning experience, so that a service is informing people of what is available, telling them what is possible and what they need to know, and, at the same time, the service user is saying, 'This is what I need, this is where I want to go and this is my aspiration'. It is that kind of learning process. I think that would be a very interesting way, would it not, of avoiding a patchwork approach, in that we all have a responsibility to make sure that we deliver services in that holistic way?

[39] **Peter Black:** John, you have already referred to the recommendation on PSE and the fact that financial inclusion is not a compulsory part of that, so I will focus on the other part of my question, which is on preventative work. Shelter does a lot of that, of course, but is there enough capacity in the system to deal with that preventative work and what more could the Government do to focus on the need for that work?

[40] **Mr Puzey:** You are absolutely right, Peter. Preventative work is the best way of heading off problems in the future, and preventative work in education it is really important as well. What more can the Government do? I suppose that I could say that we need to look at how we direct funding. It would be absurd of me to say, 'More money for preventative work, please', because we all know the situation, but we should look carefully at where you are directing your funding. It may be that there are ways in which some of that funding can be finessed away—it is a difficult and tough one; it has to be done carefully—from those services that are dealing with the emergencies into those services that might be upfront and trying to head off the emergencies.

[41] Again, there have been some interesting discussions around the housing Bill about how you will fund a new way of approaching homelessness. One of the ways that you can look at it is to ask where the money is going now to deal with the crisis of homelessness and where we can move some of that so that we get upstream of it. I guess that it is about looking carefully at those issues and asking whether there are ways that we can move resources and funding around and also create collaborations so that we can address more upstream stuff. One of the problems that we have with advice services is the significant cuts to legal aid next year. Unfortunately, what legal aid we will get will be focused much more on the crisis end, which is a pity, because all the work, as Peter said, has been trying to go much further upstream. So, there is a tendency to pull back to the crisis situation, and in Wales we need to look at it and say that that is still important, because people will still get into a crisis, but ask how we can shift resources so that we are getting ahead of that.

[42] **Peter Black:** One of the issues with preventative work, and I find this as an Assembly Member, is that people come to you when it is very late. I am not sure how we can deal with that. That has to be an education issue.

[43] **Mr Puzey:** It is, and it is a job for all of us. Shelter Cymru has a very high profile as an organisation, but, interestingly, when you look into that profile and do some independent research into what people think that we do, you find that they are not sure. Sometimes, the name is misleading. People do not realise that we deal with people in mortgage arrears and that we help people with a whole range of problems. So, on the one hand we have a high-profile name, which is important, but, on the other hand, it can be misleading. Having said that, there is no lack of demand for the services, so it is not as if our housing advice workers are sitting around staring out of the window wondering why no-one is coming to see them. That is not a problem. However, we need to promote advice services, in particular, more effectively, and to make it clear to people what is possible. As I said, with the Work It Out project, I was really surprised when we went into work situations to find that people thought, 'It is not for me, because I work. I am earning an income, so your service cannot be for me.'

However, it is for anybody.

9.45 a.m.

[44] **Ann Jones:** We will move on to welfare reform, and Gwyn has the next question.

[45] **Gwyn R. Price:** Universal credit will be introduced gradually from 2013. What impact do you expect the introduction of universal credit to have on demand for money and debt advice?

[46] **Mr Puzey:** Crumbs. Oh, to have my welfare and benefit person here. *[Laughter.]* That might be one question that I have to note down and get back to you on. Obviously, we are concerned because, as I said in that very brief presentation, the changes to welfare reform, which started last year but this year accelerated with the local housing allowance, council tax changes, non-dependent reductions, and, obviously, universal credit and the over-occupation penalty are coming in next year—all of those things will not only put a financial strain on people, but will create a layer of complexity. I know that the Westminster Government wants to simplify the situation by introducing universal credit, and I think that we would all say that that is an appropriate way forward. The problem is that there is so much happening in such a short time that it will complicate the situation for many individuals, who will be struggling to understand what has happened to them, over the shorter term. In the longer term, it may be that people will be much clearer about what is happening. However, over the next couple of years, there will be confusion and people need to know that. However, we have people who have greater expertise in this area and I could certainly provide that in a response.

[47] **Ann Jones:** That would be good. Is that okay, Gwyn?

[48] **Gwyn R. Price:** Yes.

[49] **Mark Isherwood:** In that context, what dialogue are you having with some of the other agencies? Obviously, we are all getting casework; some of the local authorities I work with are being very proactive in preparing a suite of interventions, some of which they are still not certain about because we have not had the final details, on discretionary payments, exclusions with regard to the bedroom rule, et cetera. Are you having any engagement at that level? You mentioned mortgage lenders; I have had casework of the type that you described, with people being switched from interest-only mortgages to repayment mortgages, despite having very low loan-to-value rates, so they are absolutely no risk to the lender. However, the court protocol, whereby a court will require evidence that the lender has taken every possible alternative route to repossession, includes, for example, presenting people with the option of switching to an interest-only mortgage. So, can you use that court protocol and spread awareness of it, not just among borrowers but also lenders before they start spending the money of their shareholders or members on court costs?

[50] Finally, you mentioned rent arrears, and I am aware of an increasing number of cases where the landlord is getting into difficulty on their commercial mortgage, and then the tenant is faced with possibly losing their home. Once again, the court is sometimes prepared to consider an option where the tenant pays the rent directly to the mortgagee. Is that something that you have dialogue over?

[51] **Mr Puzey:** Starting with local authorities, we have been working very closely with local authorities. Indeed, jointly with Cardiff University, we are evaluating a range of projects that a number of local authorities are undertaking at the moment to address sustainable tenancies since the changes to the local housing allowance. That is based on the £1.4 million provided by the Welsh Government to local authorities to look at different projects, and there is some really good work going on in terms of working with landlords, empty homes



initiatives—a whole range of very good new projects. I think that the aim of the evaluation that we are being asked to undertake is to identify good projects and replicate them across Wales, because there are clearly ways in which some of these issues can be addressed through joint working and, in particular, working with landlords. So, there is some excellent work being done there.

[52] You are absolutely right, there is some very good work being done to look at the impact of the over-occupation penalty, and there are some ideas about how Move On can be introduced and other ways in which those issues can be addressed through the allocation system, through priority allocations. Mark will know that, as an organisation, we have been very concerned about welfare benefit cuts, but necessity is the mother of invention, so a lot of good ideas are coming out of this time with regard to how to address these issues.

[53] The protocol is very important. We also run court duty schemes across Wales. The important thing is that, where the user comes into court, we are able to make sure that all of those things are deployed. Unfortunately, many people do not go to court, which means that they are very much at the mercy of the lender, who might be the only person there. We have found—and, again, this is very important in terms of education, self-confidence and understanding financial issues—that sometimes the lenders’ lawyers are talking to people before it goes to court and saying, ‘You don’t need to go to court; sign here, this is the deal’. That deal is not always in their best interests, but people are so frightened to go to court, they will sign it. If they are not turning up, we cannot represent them. So, that is another issue about confidence, about understanding what you can and cannot do and that there is independent advice around.

[54] **Janet Finch-Saunders:** How important is the provision of face-to-face debt advice, and do you have the resources to meet the demand for this service?

[55] **Mr Puzey:** No, we do not. I should explain that Citizens Advice and Shelter Cymru are what we call a ‘strategic alliance’, so we work closely together. We work in its offices and it uses us as a specialist housing advice service. So, we see Citizens Advice as the leader on providing debt advice, and if its representatives were here, they would tell you that they do not have the capacity to deal with demand. We operate housing-related debt advice services, which support our front-line advice, and that is pretty much overwhelmed. That is one reason why we are looking at different ways in which people can access advice. Face to face is often the best way, but we also need to look at other ways, such as using the internet, through e-mail and Skype and so on.

[56] **Janet Finch-Saunders:** We are currently looking at the equality impact assessment of the budget, and the Minister mentioned that he has provided some additional money for advice services. Will you be able to tap into any of that extra money?

[57] **Mr Puzey:** I hope so. I am not aware of the criteria for that yet, but we would certainly hope that we can access that. The Government has clearly understood the importance of advice in doing the advice review, and the Minister for housing has also recognised the importance of independent housing advice in particular. So, while we are, unfortunately, facing cuts from one side, from Westminster in legal aid, although that will not be replaced, we are hoping that we can get some additional resources, perhaps to do things differently in Wales, for example to focus on our prevention approach and that channel-shifting approach to how you access services.

[58] **Mark Isherwood:** What actions and outcomes would you like to see emerging from the Welsh Government’s review of advice services?

[59] **Mr Puzey:** We certainly welcome it, because it highlights a recognition of the

importance of advice services. So, we are happy to help with that and, as you can imagine, we are providing evidence to it. We would like a recognition that a lot of good work is already going on, actually. What we hope will not happen is for there to be an attitude of just starting again with a blank sheet of paper. There is no need for that, we would argue, as there is some excellent work going on. Again, I point to the CABx and us: together, we overwhelmingly make the biggest contribution to independent advice in Wales. We have a good strategic alliance and the brands are well known, so we would like to see how the Government can help to build on that good practice rather than sweep it away, as it were.

[60] A lot of that will include looking at even better ways of collaborating and joining up services. However, the two big ones are already closely joined up, so, again, it is about how we get smarter about how we deliver services. There is certainly advice, support and resourcing—and I keep going on about this because I think that it is important—but we need to give people different ways in which to access services. Increasingly, people use technology. I know that a lot of people do not, and we talked earlier about older people, for example, who do not. However, we need to provide our services in ways in which people are used to using services, if that makes sense. So, people are used to going on the internet and to texting and e-mailing. We need to be much more responsive to those kinds of approaches and develop services in that direction. I hope that that is recognised in the review and that there will be some stimulus to move existing services to do that.

[61] **Joyce Watson:** We have had evidence about people using pay-day loans to meet their housing costs. We are talking about relatively small sums of money for short periods of time with an excessively high interest rate. One prominent lender charged an annual percentage rate of over 4,000%. I would like to name it, actually—*[Interruption.]* No, I cannot; otherwise, I would. That is how I feel, so you know where I am coming from. What evidence do you have of people using pay-day loans to meet their housing costs?

[62] **Mr Puzey:** Yes, we do have some evidence of that. We have found that people are struggling to pay mortgages and rent and are using up various other options rather than getting advice, or even, in the case of a mortgage, going to their lender and saying, ‘Look, I am struggling here.’ Rather than doing that, people are finding other ways that are, ultimately, for the short term and are unsustainable, of getting themselves through these difficulties. We have evidence of people using credit cards to pay their mortgage. If you think about it, that is astonishing, is it not? People are coming to us after using up those options. You can use them only so many times, because you get into a vicious circle where you are paying back only so much until you cannot afford to make the payments. It comes back all the time to that prevention issue and getting people to understand as early as possible that there are better ways of dealing with this. There are ways in which it is possible to deal with it without necessarily going down that path.

[63] We also have to understand that people are in unsustainable situations anyway. They made ill-advised decisions from the outset, if you like, when they went for a particular type of tenure or mortgage deal, and it was never going to work. When you look at their circumstances and their prospects, you see that it was probably the wrong decision. In a sense, there are some people—and I would count myself among them—who take a risk and say that they are going to finance their housing a certain way and they hope that they do not lose their job or become ill, and hope that their relationship does not break up. I guess that a lot of us are in that situation of being two pay cheques away from potentially losing our homes. That is a calculated risk that many of us take. There are many people, however, who make entirely the wrong decisions for their housing options and face those kinds of situations when it was never going to work. That is the problem that we have: the people in those unsustainable circumstances.

[64] **Ann Jones:** I am told that you can name those pay-day lenders if you wish to do so,

Joyce, as long as you do not swear when you do so. If you want to, you can.

[65] **Joyce Watson:** I will leave it. I am saving it for another day, for the rainy day that will come for all their victims. Having said that, what can we do to enable people to access more affordable credit, like that offered by credit unions? There are credit unions on our high streets as well as pay-day loans companies. What can we do to drive people in what is clearly the right direction for them, rather than their making what is very much the wrong choice?

[66] **Mr Puzey:** Credit unions are entirely the direction in which we should be pointing people. It is a promotional issue and is about a lack of understanding of what credit unions do. It would be interesting to ask many of the users who come to us—and we could probably do this—whether they have thought about using a credit union. That would be an interesting little poll, would it not? My guess is that a lot of people are coming to us precisely because they have not thought about using a credit union. I guess that there is a lack of awareness of what credit unions are. The profile of the credit union movement is growing, which is important and welcome. However, we also have to accept that people will continue to do these things out of desperation because they do not see an alternative, which goes back to my earlier point. In some senses, there is not an alternative. I know that it is shocking, but they are not in a sustainable situation. It is almost a matter of saying, ‘This has gone wrong, it is not working and I need to think about another alternative’. The trouble is that there are not that many other alternatives, so people struggle on in unsustainable situations. The only thing that is getting them from one month to another is probably a pay-day loan here and a credit card there. In the end, that is not going to work.

[67] **Rhodri Glyn Thomas:** Roeddwn yn falch iawn eich bod wedi cyfeirio at y bartneriaeth rhyngoch a Chyngor ar Bopeth, oherwydd rwy'n credu bod y math o gyngor y mae'r ddau fudiad gyda'i gilydd yn gallu ei gynnig ar sail eu harbenigedd yn eithriadol o bwysig. Fodd bynnag, mae'n fy nharo o'm profiad i fod llawer o fudiadau—ac nid benthycwyr diwrnod cyflog, ond pobl sydd â'r bwriadau gorau—sydd erbyn hyn yn cynnig cyngor am ddyledion ac yn y blaen, ond mae'n fy mhoeni, weithiau, nad yw'r arbenigedd yno i wneud hynny. A oes rôl gan y Llywodraeth i geisio rheoleiddio'r sefyllfa mewn rhyw ffordd i sicrhau bod y bobl hyn yn cael y cyngor arbenigol gorau i'w cynorthwyo allan o'r sefyllfa sy'n eu hwynebu? A oes unrhyw her arall sy'n wynebu'r Llywodraeth wrth iddi geisio cyflwyno a gwireddu strategaeth cynhwysiant ariannol?

**Rhodri Glyn Thomas:** I was very pleased that you referred to the partnership between yourselves and Citizens Advice, because I think that the type of advice that both organisations can offer on the basis of their expertise is extremely important. However, it strikes me from my experience that, by now, there are many organisations—and not pay-day lenders, but people who have the best intentions—that offer advice about debt and so on, but it concerns me, sometimes, that the expertise is not there for them to do that. Does the Government have a role to play in trying to regulate the situation in some way to ensure that these people receive the best expert advice to help them out of the situation that faces them? Are there any other challenges that face the Government as it tries to bring forward and implement a financial inclusion strategy?

[68] **Mr Puzey:** That is a good point. You can imagine that we, and our colleagues in citizens advice bureaux, are as concerned as you are about people going to those who simply do not have the expertise or all the other stuff, the insurance or whatever else, to back up any kind of advice that they might provide.

10.00 a.m.

[69] Shelter Cymru and CABx are carefully audited—within an inch of our lives, I might add—on the services that we provide, so we have the appropriate kitemarks et cetera. Going

back to the Welsh Government review, I wonder whether that should be considered—and this is just off the top of my head now, so I will probably be told off by my board of trustees. Is there some way in which you could have a Welsh kitemark, which would show that a service met the requirements, levels and standards that meant that people would be getting expert, quality, independent advice, and that, really, people should be thinking about using only these kinds of services? It is a very interesting point, which has only just occurred to me, but we would probably support that. Why would we not, because we would expect to get the appropriate brand? You are right, though. There is a proliferation of services, or even just people sometimes, who provide that kind of information and advice, and, as we all know, bad advice is worse than no advice at all in some circumstances. Our service often has to pick up the pieces and deal with the repercussions of other people's poor advice when we are dealing with people who have got into crisis situations. So, maybe the Welsh Government review should look at that issue.

[70] **Ann Jones:** Thank you very much, John. We ran out of time, but we got through our questions, so thank you. We would be happy to receive any additional information that you want to send us, but we are doing a very quick inquiry on this before we move on to legislation. You get a copy of the transcript, as you will know from coming before, to check for accuracy. Thank you very much for coming at such short notice.

[71] **Mr Puzey:** No problem. Thank you very much, everybody.

10.02 a.m.

**Y Diweddaraŵ am yr adroddiad 'Cynhwysiant Ariannol ac Effaith Addysg  
Ariannol'—Tachwedd 2010  
Update on the 'Financial Inclusion and the Impact of Financial Education'  
Report—November 2010**

[72] **Ann Jones:** We will move on to our second evidence session and welcome—let me see—Lee Phillips from the Money Advice Service. Sorry, I could not see that properly. I must learn to use my varifocals properly. Thank you for coming at such short notice, but we have this small window of opportunity to do this quick policy update. Will you give us a brief overview of the role of the Money Advice Service in Wales, and tell us how you work with other partners, including the Welsh Government, to promote financial inclusion?

[73] **Ms Phillips:** Thank you for having us. Back in May 2010, we were here as the Financial Services Authority just moving in to the consumer financial education body, under the brand Moneymadeclear. Since April of last year, we have become the Money Advice Service, so we are the same organisation, but with slightly different branding. As well as a funder of services, we have begun to look at delivering services directly, so we are a universal service. There are three strands to our work: debt work; generic money advice, which is preventative; and we also work with young people. Those are the three key strands of the work that we do across the UK.

[74] As I said, we are a universal service and are available to everybody. We do that online, so we have a very large online resource. We also have face-to-face provision, which we fund Citizens Advice Cymru to deliver for us, and we have a telephone call centre, which is based in Nantgarw and run by Turn2us on our behalf. We are UK wide and we are funded through the levy to financial services through the FSA, so we are not publicly funded and it is an industry levy that pays for our services.

[75] In Wales, we work with Welsh Government and are looking at delivering a Wales strategy through the Money Advice Service in Wales particularly. We have set up a forum

specifically to look at the work of the Money Advice Service in Wales. On that forum, there are Welsh Government officials, the Welsh Local Government Association, the Wales Council for Voluntary Action, as well as people from public health, because of the links between debt and health and mental health. We also have Shelter, Citizens Advice, the Commissioner for Older People in Wales, and people like that come to talk to us about the work that we do in Wales. That is to ensure that our strategy links into the programme for government and that we are getting to the right places and that whichever channel people choose to use, it is appropriate for them. For example, we have a Welsh language scheme and most of our services are now available bilingually.

[76] On strategic groups, the people that we work with in Wales and looking at particular partners, we sit on the advice services review as an external provider, we work with the credit union transition group that is run through the Welsh Government and we sit on the financial inclusion delivery group. We are also working on digital inclusion, because one of our main channels is digital and we need to make sure that people in Wales can access our services. So, we are working along the digital inclusion lines. We are working with National Energy Action Cymru on fuel poverty, the Wales illegal money lending unit and the financial education unit. Another example is Community Housing Cymru's financial inclusion group: we go along to that a lot and talk about the services and things that we do. So, I hope that we are working strategically with as many of those key stakeholders as possible to make sure that what we are delivering in Wales is appropriate for the people in Wales.

[77] **Mike Hedges:** What is your assessment of the Welsh Government's financial inclusion strategy? Has it had the impact that you had hoped for?

[78] **Ms Phillips:** We have been a member of the financial inclusion strategy since it was a steering group and now it is more of a delivery group, trying to make sure that those services are going out. So, we have seen it move from talk to delivery, which is really nice. One of the issues with the financial inclusion strategy is that a lot of the legislation that is impacting on Wales through money is UK legislation. So, all the policy levers that you have here are social policy levers rather than legislative ones. That creates an issue. However, it creates, for organisations like the Money Advice Service, a conduit and an authority for us to work here so that people understand the links that we have. It gives us a great partnership approach. One of the things that I love about working in Wales is the fact that people work together to a common aim. There is a lot of that. Partnership is real here and we work well together to meet that need. I think the financial inclusion strategy is a conduit for that. It opens doors for us, as an organisation, because we are linked into the financial inclusion strategy and people are working with the financial inclusion strategy.

[79] Going forward, I think that there are some key challenges for the strategy. For example, under access to debt and money advice, we have the legal aid reform and welfare reform coming. That is going to have a huge impact on the services available. So, the advice services review as part of that is a key challenge. Under financial capability, I think that there are very good networks in Wales. You have the north and south financial capability fora, which we link in to. Also, financial capability is becoming part of other strategies, because of the financial inclusion strategy: for example, you will see financial capability and inclusion linked into the domestic abuse and domestic violence strategy; it is in the Communities First work; and it is also part of the social fund tender. So, financial capability is now beginning to work its way into other policies across the Welsh Government, because the financial inclusion strategy is there. On something like income maximisation, the social fund is being devolved as well, so that is another key challenge for making sure that people who need to access the social fund get the support that they need to help them to manage their money or to be made aware of the advice services that are available to them. I think that the financial inclusion strategy has done that.

[80] For us, as the Money Advice Service, one of the key things has been the financial inclusion champions who are funded through the Welsh Government and are working with the local authorities, credit unions and local service boards. They are working on the ground with people, raising the profile of the work. For us, that is fantastic, because they are then promoting our services right there on the ground. So, from our perspective, the financial inclusion champions are particularly helpful.

[81] **Gwyn R. Price:** How has the level of awareness and uptake of money and debt advice services in Wales improved in the last two years?

[82] **Ms Phillips:** When we originally gave evidence to this committee in 2010, we had piloted what we then called ‘money guidance’, which was a face-to-face preventative money advice session on a one-to-one level. We were piloting it in Rhondda Cynon Taf, Merthyr and Blaenau Gwent and we had one person delivering that service. When we were giving evidence, we were not sure what was happening with regard to the funding for that because we were, at the time, jointly funding that with the previous UK Government. As the coalition Government came in, we were not really sure what was going to happen and how that would be funded. However, we started in April 2011 to deliver those one-to-one, face-to-face, money advice sessions across Wales. Since then, we have delivered just short of 7,500 of those sessions across Wales. The key things that are coming out of that are that 30% of the clients of face-to-face services ask for budgeting support, 23% ask for benefit support, and 17% ask for credit and borrowing advice. So, those are the main three things that we are getting from face-to-face sessions. It has gone from being a service that we were not sure was going to run and now, by the end of this year, it will be Wales-wide. Again, it will be delivered through Citizens Advice Cymru, which has 11 staff delivering that specifically for us.

[83] In April this year, we picked up what was the Department for Business, Innovation and Skills financial inclusion fund debt funding. Now, from April, we are funding that. It is a coalition between Shelter and Citizens Advice to deliver that debt advice. We have asked them to deliver 50% more this year than they did last year for the same funding. They are already exceeding the targets that we have set for them for the last six months. So, for the last six months they have delivered over 5,500 debt sessions. So, the take-up has increased. Both Citizens Advice and Shelter have debt advice funded through the Legal Services Commission, and they are not scrabbling around for customers, shall we say. So, an awful lot of work is going on. Again, the challenge going forward is about how we keep that going. For example, on the legal aid reforms, Citizens Advice will lose around 23 of its debt advisers across Wales. We are funding 32. So, nearly half of the debt work will be lost in Wales.

[84] **Gwyn R. Price:** How well used are the Welsh-language services that you provide?

[85] **Ms Phillips:** They are not as well used as we would like them to be. To be fair to everyone, the final tools and calculators for our website went live at the end of September, and to make sure that they are working, we have not gone out of our way to publicise them hugely, but have encouraged other intermediaries to use them, just to make sure. However, we started a campaign very recently on the tv—you may recognise it as ‘ask MA’, the Money Advice Service campaign. Since that started, we have had 260 phone calls to the service that we are able to say were from Wales, as they were from landlines, so they were not barred numbers or from mobile phones. So, we have had 260 phone calls that we can say, categorically, were from Wales: 216 of those were in English, and 41 were in Welsh. That is quite a good number. I am hoping that, before the end of the year, we can seriously start publicising the Welsh-language provision that we have. The Money Advice Service face-to-face provision that we have is available bilingually and is well used in particular areas where the Welsh language is the first language. The telephone has a Welsh-language line, which we will start to promote soon. We would like to drive more Welsh-language traffic towards the

website. So, we would like the Welsh Government to make that more public and more publicised.

[86] **Peter Black:** Is there sufficient focus in Wales on improving financial capability, particularly among young people?

[87] **Ms Phillips:** Young people are one of the three key strands of the work that we do. In Wales, we were really pleased to see that the new numeracy framework has money linked through it. So, it is embedded into that. We hope that, after the consultation period, which has just closed, it stays in there, so that, as part of the numeracy framework, money is there through all key stages. We are looking at that with interest. One of the things that we are looking at is that schools are a key way of getting financial education to young people. For us, it is one of three that are important. So, the work in schools is great, and the inclusion of money in the numeracy framework is fantastic, and we are really supportive of that.

10.15 a.m.

[88] We have been doing some research over the last year or so, aimed at young people with regard to financial education, to find out what works and what does not, and we did a big piece of landscape work and a literature review. The literature review was around not just financial education, but PSE work, such as health and what works with pregnancy education, sexual health and alcohol education. It was about looking at all of that PSE work around different issues, what works and what other good levers there were for people to use. We found from the literature review that there is a lack of evidence—that is, there are no key performance indicators against financial education for young people to say how anybody is doing. We feel that that needs to happen, and we are certainly looking at how we can encourage key performance indicators across the UK, to have some kind of consistency.

[89] We also found that attitudes are formed very early, in the five to 12-year-old range—around junior school age. That is where the attitudes are formed. We sort of got that, really, but this is evidence to suggest that that is the case. The other thing we found was a piece of research by RBS, which said that 71% of young people want to learn about money from their parents. So, one of the things that we have been looking at is the family framework and how learning is done within the family. We recognise that learning within the family gives us the potential for that longer term behaviour change—that is how that works. We are talking to Cambridge University at the moment, and we are looking at doing some research into the dynamics of the parent and child, particularly for children of junior school age. We are looking at how those habits and behaviours are transmitted from parent to child, and not just to do with money, but the whole gambit. From that, we are trying to understand which levers to pull so that we can then understand what it is that will help us to help young people. We can then report next year, and we will of course share what that looks like that with Welsh Government.

[90] The third strand, as well as schools and parents and peers, is specific work with vulnerable young people in that transition from 15 into adulthood. We have recognised that, at that age, particularly with vulnerable young people, you need much more intensive support for that group. So, there are three things: schools, definitely, but also parents and peers and more family learning, and more specific, targeted work for vulnerable people young people around the age of 15 and the transition into adulthood.

[91] **Mark Isherwood:** A long time ago, I worked in a north Wales financial capability forum, in schools, through theatre, with Barnardo's, with looked-after children, young carers and so on, and with credit unions in schools as well. Alongside that, what role do you see for more formalised education, such as that provided by the Institute for Fiscal Studies, which gave evidence to us as part of the original inquiry? It could be formalised for exams or non-

formalised, but nonetheless with an academic framework of some kind.

[92] **Ms Phillips:** I think that one of the key issues is that of behaviour change. That is what we as an organisation are trying to get to. Qualifications, whether through the National Open College Network, formal GCSEs or similar work, have a place, and they are certainly a set of frameworks for people to work to that have specific outcomes. As with all things, there is a place for that. As an organisation, we would like to see how that would then lead to behaviour change and help a young person to be able to work things out, to have the skills and the knowledge, but the next thing is whether they have the confidence to use them. That is, do they have the opportunities to put their knowledge into practice, and is it relevant to them? Those are linked together, so part of a school curriculum may be about it all being linked together, and if somebody who has learned the skills through a qualification has the opportunity and the support to put that into practice, then that cannot be anything but good.

[93] **Janet Finch-Saunders:** Independent research conducted on behalf of the Money Advice Service suggests that the financial services industry spends in excess of £25 million a year providing many hours of staff time. Can you give me some examples of how financial institutions are helping to provide financial education? Do you feel that this is being delivered in a co-ordinated way, and where do you think the Welsh Government could do more?

[94] **Ms Phillips:** When we were looking at young people work, as well as the literature review that we undertook, we also looked at the landscape: that is, who is doing what and where, how is it funded, how is it co-ordinated and where are the gaps? As part of that, we discovered that about £25 million is being spent. There is a caveat to that, in that only 14 organisations responded to the query on that.

[95] So, it is probably a lot more. That £25 million funded around 36 different programmes across the UK. It was interesting that some of the performance indicators were more about how many people had been through a session. So, there were no long-term outcomes; it was more about the number of bums on seats, to be crude about it. Around 20% looked at long-term behaviour change. So, as an organisation, we have looked at going forward over the next 12 months. One of the things we want to do is work with the financial services industry to put together a voluntary code of practice so that the industry-funded programmes are working towards a common framework. We will then be a co-ordinating body, insomuch as saying, 'This is what is happening here, this is what is working well and this is where the gaps are', and encourage the financial services industry to fund as and where that will be.

[96] We are also trying to correct good practice so that those will work together. An example that I know for Wales, specifically, is the Money for Life programme, which was initially started by us as the Financial Services Authority. When we got to the end of our Delivering Change programme in 2011, Lloyds TSB Foundation took that on. Money for Life is a programme that works across the four nations. It works with further education—so, young people between 16 and 19 years of age. It runs competitions about managing money and so forth. This year, the last programme held a competition in Wales and then a national competition about young people getting together to talk about how they could manage money. The national competition was won by a Wales group, which is fantastic. The group looked at 'posh nosh' and the fact that you do not have to eat very expensive food to eat well.

[97] So, those are the kinds of things that Lloyds TSB is doing. I know that Barclays also has programmes, and Nationwide has been funding a financial education programme through Citizens Advice across Wales and the UK. So, there are very specific examples. If you want more, I would be more than happy to respond in writing. For Wales, specifically, there is quite a lot going on in that respect.



[98] **Ann Jones:** Joyce has a supplementary question.

[99] **Joyce Watson:** It is just a brief question. You talked about a common framework, and I can see the value of that. Will the common framework be flexible enough to allow for cultural differences? There are cultural differences that lead people into these situations in the first place.

[100] **Ms Phillips:** One of the things that we would like to do is make sure that the Welsh Government, the Welsh financial education unit, and anyone else in Wales who would like to do so—and this is an invitation—let us know what that should look like and be involved in that. We would want to make sure that that happens. The code of practice is still in its infancy; it is still something that we are going to put together, so I would be more than delighted to make sure that that gets fed in straight away. As an organisation, the needs of all people in the UK are what we have to consider. So, if there are any specific issues—Wales specific or just cultural across the UK—I feel confident that I can say that those will be taken into account.

[101] **Ann Jones:** Would you like to move on to your question, Joyce?

[102] **Joyce Watson:** I will move on to affordable borrowing—or unaffordable borrowing, as is the case—with the growth of the pay-day loans market and the demands for its particular services. It is something that we have looked at, and we would like to know your opinion on the impact that the growth of the pay-day loans market has had on the demands for your particular services.

[103] **Ms Phillips:** Pay-day loans, specifically, are a particular market. Perhaps I could speak about the credit market in general. One of the things that we, as an organisation, say is that if people need to borrow money there needs to be an informed choice. Whether it is face to face, online, or via telephone, we are trying to work towards getting people to know what questions they need to ask so that they know how much it will cost, how long it will take, and whether or not they can pay back the payments. The idea is that if someone has no other choice but to go for a pay-day loan, which is sometimes the case, they go into that fully informed of its costs, whether they can pay it back and whether it is the only option open to them or whether there is somewhere else they can go to, be that a credit union, Moneyline Cymru or any other loan.

[104] One of the things that we find with the pay-day loans is that people take out a short-term loan and cannot then pay it back, and so the costs start increasing dramatically, and they end up borrowing to pay back what they borrowed initially. That is where the cost and the issues greatly impact on any advice service, whether it is preventative or debt related. I do not have specific figures about how many pay-day loan issues have been brought to the Money Advice Service, but I will look to see whether we can find that information for you.

[105] **Joyce Watson:** It would be useful if you could. Another question—no, that is it.

[106] **Ann Jones:** I think that we all have many questions that we could ask on this.

[107] **Mark Isherwood:** I understand that the UK Government is due to announce restrictions on credit licensing today. It will be interesting to see how inclusive or exclusive they are. However, from your perspective, what progress has been made in developing credit unions in Wales since the last report and what lead do you think may have been set by the creation of North Wales Credit Union Ltd, which, I believe, last week won the innovative social enterprise of the year award at the Co-operative Centre in Wales?

[108] **Ms Phillips:** Congratulations to it. Again, one of the key successes of the financial

inclusion strategy is raising awareness of credit unions in Wales. I saw research recently that shows that the increase is quite big, and that is great. One of the dangers for credit unions is the fact that people think that they are the answer to all credit issues, but, sometimes, a person comes to them who has a poor credit rating, who may be financially excluded and who has no banking history or history of saving with the credit union, and so, for a credit union, that person is a high risk. That will mean that, quite often, the credit union will not be able to lend. So, what other options are available to somebody in that situation?

[109] Credit unions are now available across Wales. One of the challenges for them, going forward, is about having appropriate products for welfare reform—rent accounts are one example. I know that the North Wales Credit Union Ltd has cheque accounts and cards, and a lot of the credit unions in Wales need to look at the set of products that is appropriate for their community to help them to manage what is coming. One of the things that we would like credit unions to do, for example, is to work with us and have links to our services and provide our face-to-face services from their offices, so that we can help people to identify what is right for them and then, hopefully, the credit union will be able to support people in moving forward. Credit unions in Wales have a huge amount of opportunity coming their way and it would be good to see them grab that and work forward.

[110] **Rhodri Glyn Thomas:** Mae'n siŵr eich bod wedi clywed y cwestiwn a ofynnais i John o Shelter Cymru yn gynharach ynglŷn â'r pryder sydd gennyf yn sgîl y gwaith sy'n dod i mewn i'm swyddfa etholaeth fod, erbyn hyn, ystod eang o fudiadau, gyda'r bwriadau gorau—nid wyf yn sôn am gynlluniau fel benthyciadau diwrnod cyflog—yn y sector gwirfoddol sydd yn ceisio cynorthwyo pobl sydd â phroblemau dyled. Mae gennyf bryder nad yw'r arbenigedd yno bob amser i gynnig y cyngor gorau a hwyrach, er bod y bwriadau yn dda, fod y cyngor yn gallu bod yn gamarweiniol gan arwain at broblemau pellach. A oes rhywbeth yr ydych yn credu y gallai Llywodraeth Cymru ei wneud i geisio rheoleiddio'r sefyllfa a sicrhau bod pobl sy'n ceisio cyngor yn cael y cyngor gorau posibl i'w cynorthwyo yn y sefyllfa y maent yn ei hwynebu?

**Rhodri Glyn Thomas:** You probably heard the question that I asked John from Shelter Cymru earlier regarding concerns that I have arising from the cases that come into my constituency office, that, by now, there is a wide range of organisations, with the best intentions—I am not talking about pay-day loans and so on—in the voluntary sector that are trying to assist people with debt problems. My concern is that the expertise is not always there to offer the best possible advice and that, although the intentions are good, the advice can be misleading and can lead to further problems. Is there something that you think the Welsh Government could do to try to regulate the situation and to ensure that people who seek advice receive the best possible advice to assist them in the situation they face?

10.30 a.m.

[111] **Ms Phillips:** Interestingly, one of the things we are doing in our debt work is looking at consistent standards across the UK, not just in the work that we fund, but all the debt work, whether it is face to face, via telephony or online, and looking at getting everything to a consistent set of standards. We are actually doing a mapping exercise at the moment, looking at what is out there and what works. For example, I am aware that Scotland has a money advice-specific standard—not to be confused with the Money Advice Service, but its own, Scottish Government one. That is quite interesting, and we are looking at that with interest as well. Working towards a set of standards so that the outcome for the individual is the right one is hugely important. As part of the advice services review, the Welsh Government can certainly ask the question as to what standards are out there and how we work together, but we are hoping—I do not know off the top of my head whether that is in the next six to 12 months—to develop a standard, and we would be very happy for the Welsh Government to help us identify what would be the right, appropriate standards in Wales, and whether you

would then want to sign up to that. We would encourage you to do that, because having a consistent set of outcomes across the UK for debt advice would be good. You are right—it is quite easy for somebody to not get the right advice if the service does not have a particular set of quality standards attached to it.

[112] **Ann Jones:** Our half hour has gone—we started three minutes late. Thank you very much for coming today. I realise that it was at short notice.

[113] **Ms Phillips:** It was my pleasure.

[114] **Ann Jones:** You will be sent a copy of the transcript to check for accuracy, but the clerks will follow up your offer to give us more detail on the financial institutions that are providing some help. There may be a couple of other things that we ask you to provide as well. Thank you for coming.

[115] **Ms Phillips:** Thank you for having me. Diolch yn fawr iawn.

10.32 a.m.

**Y Wybodaeth Ddiweddaraf am yr Adroddiad ‘Cynhwysiant Ariannol ac Effaith  
Addysg Ariannol’—Tachwedd 2010  
Update on the ‘Financial Inclusion and the Impact of Financial Education’  
Report—November 2010**

[116] **Ann Jones:** We move on to our next evidence session. I am delighted to welcome the Community Housing Cymru Group. Nick, would you like to introduce yourself and your colleagues? Then, if you do not mind, we will go straight into questions because we have just a short time to take evidence.

[117] **Mr Bennett:** Bore da i chi i gyd; good morning to you all. I am joined today by two colleagues. Nigel Draper is head of neighbourhoods for Valleys to Coast, the stock transfer body for the Bridgend area. He has done a huge amount over the past few years as chair of Moneyline Cymru, and so has come very much with that hat on. Then we have Clare Williams, who is financial inclusion officer for Community Housing Cymru and has obviously done a lot with our members to make sure that we are doing as much as we can to assist our tenants.

[118] **Ann Jones:** Could you give us your assessment of the Welsh Government’s financial inclusion strategy? Has it had the impact that you thought it would?

[119] **Mr Bennett:** No, it has not. I think it has failed and lacks ambition, and I think this committee, if it is to hold the Government to account, has to be clear about the difference between what is sufficient and what is necessary for genuine change. You are likely to face a tsunami of poverty over the next year or two, with further welfare reforms. Things were bad enough in Wales before the credit crunch. We know about the massive amount of financial exclusion that exists in Wales, with over 200,000 people borrowing from illegal lenders or doorstep lenders before the credit crunch. There is a lot of talk from a lot of areas, but not enough action.

[120] **Peter Black:** In 2010 it was noted by our predecessor committee that 16 associations had their own financial inclusion strategy. How successful have these strategies been in facilitating financial education and combating financial exclusion?

[121] **Ms Williams:** I think it is now fair to say that all of our members have a strategy, or

if they do not have a strategy, they certainly have an action plan. They have been very successful. We did not submit any written evidence, I am afraid, because the invitation to attend was at such short notice, but we can submit evidence if necessary.

[122] **Mr Bennett:** Before you carry on, Clare, we have some statistics on strategies and action plans that I will ask Nigel to refer to, which might give you a better picture in terms of the impact.

[123] **Mr Draper:** I will give you two perspectives and then I will come to Nick's figures. The first perspective is that—and I echo Clare's point—there is no doubt that the RSL sector as a whole has responded since 2010, but it has primarily been in response to the tsunami of welfare reform. My organisation, and many of the organisations and housing associations that I work in partnership with, has now been recruiting financial capability and financial inclusion staff specifically to deal with welfare reform. So, on top of the work that we were doing, which was more in-principle work—that is, recognising that it is a good idea to provide certain things and that we are part of a network that provides such support—we are now moving to a position where we are trying to defend our own organisations and communities against these impacts. Financial inclusion, financial capacity and capability is one of the key responses to that.

[124] Secondly, I will give you some figures early on about what Moneyline has done most recently. This follows on, in part, from the evidence that you have just had from Lee. We are an affordable and a responsible lender and, since about 2010, we have opened 250 new bank accounts for our customers; we have helped them to save for probably the first time in their lives, as 100% of Moneyline customers now become savers. Some £450,000 has been saved by our customers to date. These are the most impoverished people; the highest-risk borrowers that there are in Wales. They are now saving and have saved over £450,000. There is currently £200,000 sitting in savings accounts for these people.

[125] Therefore, the response from the sector has been twofold: first, responding to the first question of financial capability, advice, support and so on, and, secondly, putting an alternative product in the market to respond to some of this high-interest challenge.

[126] **Mike Hedges:** Recommendation 7 of the 2010 report called upon the Welsh Government to encourage individual housing associations to identify senior individuals who would have an overarching responsibility for financial inclusion and financial education work across the association. Has that been carried out by every one of the associations?

[127] **Ms Williams:** Sorry, which recommendation was it?

[128] **Mike Hedges:** Recommendation 7.

[129] **Ms Williams:** I believe that a lot of good work has gone on here. We have certainly seen a move away from the traditional rent-collector role. A great number of our organisations have whole teams dedicated to financial inclusion, not just a single person. Financial inclusion officers have been coming into organisations and they have then brought in funding to tackle financial inclusion. If you were to ask me whether every single one of our members does that, I could not answer you now, but I could certainly find out. I am very confident that it is the vast majority of our members.

[130] **Mike Hedges:** It would probably be useful if you could provide a paper identifying what each of the associations is doing.

[131] **Ann Jones:** Yes, that would be handy. Are you okay with that, Mike?

[132] **Mike Hedges:** Yes.

[133] **Janet Finch-Saunders:** What are housing associations doing to improve the financial capability of their tenants within particular social groups, such as those who do not speak English?

[134] **Mr Bennett:** It would have been helpful if we had had an opportunity to submit some written evidence and get some facts for you on that point. Our big message for today comes back to the difference between what is necessary and what is sufficient. We have members that serve a range of different linguistic groups, as you would imagine. Some champion housing, regeneration and the Welsh language, particularly in areas where Welsh is a community language; others will have a more mixed linguistic profile in an urban context and they will be sensitive to that as well. However, the big-picture issue here is that we could have perfect financial knowledge across all tenant groups, but they are still not getting the options that they require. So, even if you fully understand that you are being ripped off by the doorstep lender, you might still have to take that route, despite the fact that it is a very expensive form of finance, because the banks are not lending to you anymore and the credit union would expect you to have savings for at least six months. It comes back to the point made by the previous witness: none of us has a silver bullet, but, if we are going to increase our capacity, that is where our frustration lies right now. We do not think that Moneyline would be the perfect answer for everyone, but, equally, with regard to financial education, perfect levels of knowledge are not the only solution here either. You need an approach that has several different weapons in the armoury to fight what is such a widespread problem.

[135] **Janet Finch-Saunders:** Okay, I want to come back on that point. Joyce Watson AM asked earlier why we are not educating people to go to credit unions instead of these loan sharks. Are you saying that that is not a feasible option?

[136] **Mr Bennett:** Not at all. What I am saying is that that is very necessary but not sufficient, because, if someone had had that education and had therefore decided that they were going to try to go down a more affordable or fairly priced route, such as a credit union, there might still be a problem. The credit union might decide that that person was too high a risk or that, because they did not have six months of savings built up—

[137] **Janet Finch-Saunders:** Are we sure of the—

[138] **Mr Bennett:** Yes, we are. Perhaps Nigel can describe the typical client for Moneyline.

[139] **Mr Draper:** What I am sure everyone around this table is most concerned about are the most impoverished, excluded and challenged individuals, whether because of a language issue, an education issue, a social issue, a health issue. There are the people that we are trying to—

[140] **Janet Finch-Saunders:** We deal with those in our casework that comes in. We all—

[141] **Mr Draper:** I will give you one answer. The silver bullet of credit unions as an alternative is not actually able to address that level of risk of the most indebted and most difficult client group. So, there have to be market alternatives because these people will borrow. If they do not have an opportunity to borrow from elsewhere, they will be forced into the hands of high-cost lenders. The context for that—perhaps the committee is not aware of this context—is that, in the UK at the moment, we have US investment coming through Money Shop. Money Shop has an avowed intention of quadrupling the number of shops it has. It has 300 in the UK at the moment; it wants 1,200. Jeffrey Weiss, the chief executive, sees his chance to quadruple their ‘universe’, because of this opportunity for high-cost

lending. Similarly, Peter Crook, the chief executive of Provident, talks about the sweet spot in the market of unsecured credit.

[142] The market is massively rushing to fill this gap. To echo Nick's point, we absolutely need 100% wonderful financial capability and advice, but, if we do not have a product alternative, we will train people to choose between high-cost alternatives.

[143] **Ann Jones:** Absolutely.

[144] **Janet Finch-Saunders:** Okay, but I would like to put on record that I understand that, today, the UK Government is looking at restricting licences. What more could the Welsh Government be doing? I have sat through many debates where we have discussed the subject of loan sharks and massive interest rates on loans. I have even been approached when I have been out and about by people who think that I live in a particular neighbourhood who ask whether I want to borrow money. When you look at the detail, it more than makes your eyes water. What can this Welsh Government do, and what should it be doing, to cut this down, as the UK Government is doing with its initiative, proven by today's action?

[145] **Ann Jones:** Except that we do not have the finances.

[146] **Mr Bennett:** I am happy to give you one simple recommendation: support Moneyline.

[147] **Ms Williams:** It is about promoting choice as well.

[148] **Mr Bennett:** Yes. Please do not support Moneyline as the silver bullet but as one element in a range of practical solutions. It must be frustrating for you because you get the evidence of this problem in your constituency postbags and so on. In many ways, financial inclusion is not devolved because financial regulation, the FSA and so on are not devolved. However, there has been a lack of action here for a number of years. The Cohen report about five or six years ago talked about the Community Reinvestment Act 1977 in the States. It forced the banks to reinvest in what were red-lined communities, where they had stopped providing services because they believed that those communities were too poor and represented too high a risk. The then Government threatened to come up with a community reinvestment Bill in the UK if it did not see a step change in the way in which the banks were providing additional services in poorer areas. I do not really think that we have seen that step change.

[149] Moneyline is not a silver bullet, but it is an appropriate not-for-profit response, which can complement and supplement what the credit unions can do.

[150] **Ann Jones:** Joyce and Peter Black have supplementary questions on this point.

10.45 a.m.

[151] **Joyce Watson:** We have to take this from the top. You said that our policy has failed, that it is all talk and no action. Now you are going on to say that there is no silver bullet. What I want from you is this: if that is this case—and you have said that it is multi-complex and there are various options—are you not able to say this morning that any of the action that has been taken by the Government, where it can, because it does not have all the tools, has produced anything that is positive?

[152] **Mr Bennett:** Not without having some data to evaluate. We have come here at short notice. We are very glad that, since you published this report, we have provided loans through Moneyline for 11,000 people, which adds up to lending of over £5 million. We have assisted

the opening of 4,600 savings accounts and over 250 basic bank accounts, and assisted with cumulative savings in the community of over £200,000. If you have a corresponding set of figures that would demonstrate similar savings from your recommendations, then great, but I am afraid that it is difficult to evaluate in any informed way, two years on, what has really happened.

[153] **Mr Draper:** I think, Clare, you could give us the data from the money advice service. We deliver a money advice service through Moneyline, but through the registered social landlord sector. That has some clear impact, but what we struggle with—Nick has put his finger on it—is that while I do not deny, and I do not think that we as a sector would deny, that advice services and so on are important and useful, we do not have metrics depth of their impact. You are asking whether they are successful, but we can only tell you about what we have metrics to show you where we have had success. We are not really able to tell you. My instinctive view, as somebody who manages 6,000 homes in Bridgend, is that our rent arrears are going up—we have been one of the best rent collectors in Wales since we started and our rent arrears are now going up—and that is a proxy indicator to me of what is going on in communities.

[154] For those seven years, we have been providing financial advice and support and guiding people towards credit unions, setting up Moneyline, providing pre-tenancy advice and support about debt and money, the cost of living and all of that. If our rent arrears are starting to go up now, and welfare reform is coming at us, then I think—I am just giving you an instinctive response—it is probably not enough. There may be metrics that will show you the impact; we do not have that, but I would say that that it is getting worse and it seems not to be enough to just train people and give people advice and support as to how to better manage their money if they have less in their pocket and the cost of living is going up. It is getting worse.

[155] **Ms Williams:** As Lee said earlier—we were listening to Lee Phillips give evidence earlier—credit union membership has increased, but I am not sure what the outcomes of that are. We do not know anything about that; we do try to get the statistics, but we have been unsuccessful. Community Housing Group Cymru has a money advice project that is linked to Moneyline Cymru. We are delivering financial capability through that all the time. In fact, last year, 64% of the people advised said that they felt their financial capability had increased and that they were empowered to make better decisions about their finances.

[156] **Peter Black:** We talked in an earlier session about prevention and education and, in particular, about the fact that people come to advice services very late. Therefore, you have to pick up some quite serious consequences arising from the fact that they have asked for help so late in the day. Housing associations are in a very good position, as are councils as landlords, to identify early on where people are getting into problems. What systems do you have in place to ensure that, when you identify people very early on, you are able to refer them to advice services much earlier than they would go themselves?

[157] **Mr Draper:** I will give you an example from Bridgend, which I think is a representative example across the rest of the sector. The way that we have changed our approach is that we have tended to move away from being reactive, as you described. We used to be reactive and would often react to an increase in rent arrears, for example. What we have done—I did this two years ago with teams in our own organisation—is that we now have pre-tenancy teams, which mean that everybody, prior to their tenancy, gets financial inclusion advice, advice about how to run a household, and advice about what it means to be a tenant and what your contract is with the landlord. So, we are trying to ensure that, before the tenancy starts, we pre-empt advice and support to ensure that people can sustain that tenancy for longer. I know, from attending conferences and from hearing this issue being discussed on conference platforms, that this, in a sense, is the current paradigm for how housing

associations are choosing to respond to that reactive or preventative agenda with individual tenants. That only affects our new tenants, who are not housed with us. I can only talk about my own organisation, but we then piggyback on that process to talk to our existing tenants.

[158] As an organisation with ex-council stock, the bulk of our customers are older people—we have a big cohort of older people, which relates to the ageing society issues. One issue that we are beginning to find, which will interest you as a committee, is that older people now need financial capability advice and so on. Before, there was always an assumption that, if you were post-55 or 60, you were a saver. We have faith in the fact that older people somehow manage their money better; it is the same as thinking that we all used to keep our doors open in the past, which is also a bit of a myth. So, we are beginning to identify those issues. The work with existing tenants on preventive measures is identifying an issue in an older cohort of customers, which none of us expected or understands yet. I do not know if there is a broader issue from the sector that Clare can share with you.

[159] **Ms Williams:** One point that I have tried to make in the review of advice services is that the smaller advice provider is largely ignored. We do a great deal of preventive work. We need Welsh Government to send the message that it is not just the larger providers who do great work. In fact, we are at the more preventive end of the scale and are able to get to places that may be unreachable for the larger providers.

[160] **Ann Jones:** We have around 10 minutes left and are only halfway through the questions. Nick, you have said a couple of times that you have not had a chance to submit written evidence, but we will accept written evidence. This is a short inquiry, slotted in between legislation; we have a brief window, as we expect to see legislation coming forward. However, we will accept your written evidence and we can consider that. I will shut up now, because we are short of time. Gwyn has the next question, on welfare reform.

[161] **Gwyn R. Price:** Universal credit will be gradually introduced from 2013. What impact do you expect welfare reform and, in particular, the introduction of universal credit to have on the demand for money and advice services on social housing and tenants?

[162] **Mr Bennett:** We are worried, for some of the reasons that I mentioned earlier. If we knew that we had a problem with over 200,000 people being preyed upon by illegal lenders or doorstep lenders, imagine the opportunity that some less reputable or less ethical lenders are going to get if they now know that the rent payment that used to go straight to the landlord will go to the tenant.

[163] **Mr Draper:** They are getting a month's payment in advance; so they are getting £800 to £1,000 cash, effectively, at the beginning of the month. We are challenging here a whole series of norms that we have grown to understand.

[164] **Mr Bennett:** Evidence tells us that 90% of tenants would prefer—if we are talking about being citizen-centred and providing choice—the current arrangements to continue, with housing benefit paid to the landlord rather than to them directly. We are worried that this could lead to a whole variety of frightening incidents for people receiving those payments. Anyone who saw the recent *Panorama* investigation, which managed to go undercover with some of the legal lenders, would be worried. The trick is that you never want anyone who is borrowing from you to repay what they borrowed in the first place—give them more, more and more. There is a great risk here that £800 would be used to finance a massive amount of unsustainable debt in communities. So, that is a real, practical concern.

[165] The other issue has to be around the cost of private finance. We are very grateful for the grant funding that we receive from the Welsh Government to support the provision of social housing. Traditionally, we have received about £100 million a year, which is going to



be cut. I know that people have done their best to make sure that those cuts will be minimal, but at some point there will be cuts, given what you receive from the Treasury. We know that there is huge pressure on the public sector grant funding for social housing.

[166] The other half comes from banks. The Council of Mortgage Lenders claims that there is risk associated with insisting on direct payments to tenants rather than to landlords. Banks are now saying that they will have to charge members an extra 1% for private finance if that reform comes into play. What a great time to be increasing the cost of private finance. We have already seen the international banking system have one heart attack. I think that it was last week that Paul Tucker, the deputy governor of the Bank of England, said that the worst could be yet to come. I would not recommend now as a great time to be increasing the risk or the cost of private investment into social housing, given that there are enough pressures there already, and an increase in demand. That is my main concern. Claire, would you like to raise any other issues?

[167] **Ms Williams:** Only that we are working with our members. Our welfare reform events are terrifically over-subscribed. We completed an impact report in June/July—I can certainly forward that to you—and we will be building on that report in January. We hope to have an even better picture of how this will impact on our member organisations at that time.

[168] **Mr Draper:** I would like to make one point about universal credit being digital by default. The people we are most concerned about in our communities are the most digitally excluded. Digital by default effectively means that they will be more excluded; they will have to query or respond to questions from DWP about their benefit through a digital platform. You were asking what our response is from the sector: it is twofold. First, we are putting a Wi-Fi link in our own reception, so people can get free Wi-Fi through their hand-held devices in our shop rather than at home. Secondly, we are providing fixed workstations, which are open to anybody—not just our tenants—to do their DWP forms online. We are training all of our front-line members of staff: from horny-handed operatives who repair taps to housing officers and our customer service teams. We are training those people on the issues of digital by default and the DWP welfare platform. So, digital issues are piling on to this financial issue as well.

[169] **Mr Bennett:** We have a meeting with Government officials next week, or the following week. We need to look at what has been done and at how we can make sure that we do as much as possible, so that people are not digitally excluded from universal credit.

[170] **Mark Isherwood:** Professor Steve Wilcox previously told this committee that, when universal credit is finally announced, there will be safeguards within it to address the concerns that you raise. The Association of British Credit Unions Ltd, which is coming in later, has told me and others that it has been licensed to receive direct payments for the most financially excluded people, then it will pay those direct to landlords. So, there are possible solutions down the road, but only if we all work together now. On that basis, what impact has the situation since our original report had on demand for your loans and advice through Moneyline Cymru?

[171] **Mr Bennett:** It has increased and we are keen to move forward with Moneyline. It has had support from a number of different areas, including the DWP, but we have not received any support from the Welsh Government. It has been supported by a significant number of members in south-east Wales, and we want to make it a Wales-wide initiative, offering a not-for-profit and as inclusive as possible alternative to people who would otherwise have to depend on illegal money lenders or doorstep lenders. This is a UK-wide issue. I was at a housing conference in Birmingham last week where it was said that the only growth industry in the west midlands over the past year has been money lending.

11.00 a.m.

[172] **Mark Isherwood:** Is there any growing disparity between the 11 areas where stock transfer has gone ahead and the 11 areas where it has not, in terms of the availability of this service and its impact on tenants?

[173] **Mr Draper:** The Moneyline service is not delivered just by large scale voluntary transfer partners; it is delivered by the mix of partners in a geographic area. So, at the moment, we operate in the south-east Wales—we have, effectively, six outlets now in south-east Wales—geographic area, and all forms of housing associations in those areas participate, be they small community, specialised or LSVT associations.

[174] The next phase of our delivery is, again, through that same cross section of housing associations across the rest of Wales. The key challenge for Moneyline is that we serve a very discrete and particular part of this market, which is those at the highest risk, the most highly in debt, the most highly challenged and people with thin, and no, credit foil. So, we deal with the lowest strata. Those people exist in all communities in Wales, and a universal response is required; that is what we are trying to build. We want to build Moneyline as an institutional response to this, and not simply as a localised housing-based response. This is about creating an alternative institution, in the same way as credit unions have become an institution in their own right, and in the same way as other financial services have become institutionalised. So, this is not a particularised, local response, just supported by large scale voluntary transfer.

[175] **Mark Isherwood:** Could local authority tenants who voted against transfer access the services?

[176] **Mr Draper:** Absolutely. It is open to the community. It is universal. In fact, 50% of our customers have private tenure of some sort. It is all by word of mouth, just by local community members telling others in the local community.

[177] **Mark Isherwood:** Is there any direct co-operation between Moneyline and the credit unions?

[178] **Mr Draper:** Yes. It is interesting. Lee, who spoke earlier, was talking about the North Wales Credit Union. It is our most potent partner for discussion.

[179] I am in danger of going off-piste a bit, but credit unions can only serve a particular audience, because of their constitutional framework and their own regulatory constraints. So, our relationship with them is more about understanding that there is room in this market, which is growing, for everyone. So, our relationship with the credit unions, particularly in north Wales, is about how we make sure that we do not inadvertently tread on each other's toes, which is an issue of geography. For example, Moneyline has agreed not to open a shop alongside the new credit union shop in Llandudno Junction. That is a kind of pragmatic response. It is also about: should we be doing joint marketing with our registered social landlord partners? Why do we not promote these two alternatives to this range of customers? We could do that with our RSL partners, getting the landlords to pay for the marketing to give the customers that choice of alternatives. So, the North Wales Credit Union is certainly the best interlocutor in the credit union movement. It is less good in other parts of Wales, for sure.

[180] **Joyce Watson:** I will ask a question that you have alluded to, just to get it on record. Is illegal money lending to social housing tenants now still as prevalent as it was two years ago? What impact has partnership working between housing associations and the Wales illegal money lending unit had on addressing that particular issue?

[181] **Ms Williams:** We suspect that it is worse, because of the figures that were released earlier in the year from the Wales illegal money lending unit. We are aware of the work of the Wales illegal money lending unit. Awareness is the most important thing. I am sure that you have seen our campaign, which raised the profile of illegal money lending. The illegal money lending unit has always been very supportive of Moneyline Cymru, because we offer choice. So, to go back to an earlier theme, it is not just about one or the other. It is about offering people choice. At the moment, as far as the Welsh Government is concerned, there are sub-prime lenders and there are credit unions; however, that is not the case—Moneyline Cymru is also a choice.

[182] Our members promote the illegal money lending unit through their tenant newsletters and their communications, and also face to face, encouraging people if they suspect that that is happening to contacts and hand-holding them to get them there to make that first step.

[183] **Rhodri Glyn Thomas:** Rwyd ti wedi bod yn glir iawn yn dy dystiolaeth am ddiffrifoldeb y sefyllfa. Bu iti gyfeirio at y math o tsunami a allai ein hwynebu gyda'r holl newidiadau i'r system budd-daliadau yn ychwanegu at y problemau sy'n bodoli yn barod o ran dyled. Hoffwn gyfeirio at un elfen arbennig, sy'n codi yn fy ngwaith fel Aelod Cynulliad, sef fod mwy a mwy o fudiadau a chyrff yn cynnig cyngor yn y maes hwn, ac maent yn gwneud hynny gyda'r bwriadau gorau. Nid wyf yn sôn am y math o bobl sy'n ceisio manteisio ar y farchnad i wneud arian. Maent yn gwneud hyn gyda'r bwriadau gorau, ond mae gen i bryderon ar adegau nad oes ganddynt yr arbenigedd na'r cymhwysedd i gynnig y cyngor. A wyt ti'n credu bod perygl bod pobl yn cael gwybodaeth gamarweiniol gyda'r bwriadau gorau, a bod hynny'n creu sefyllfa lle maent yn mynd i fwy o ddyled, a'u problemau yn mynd yn fwy difrifol?

**Rhodri Glyn Thomas:** You have been very clear in your evidence about the seriousness of the situation. You referred to the kind of tsunami that we could be facing with all the changes to the benefits system adding to the existing problems in relation to debt. I want to refer to one particular element, which arises in my work as an Assembly Member, namely the fact that there is an increasing number of organisations and bodies offering advice in this area, and they do so with the best of intentions. I am not talking about the kinds of people who are trying to take advantage of the market to make money. They have the best of intentions, but I am sometimes concerned that they do not have the expertise or competence to offer such advice. Do you think that there is a danger that people are given misleading information with the best of intentions, which creates a situation where they get into more debt and their problems get more serious?

[184] **Mr Bennett:** Nid wyf wedi dod ar draws sefyllfa o bobl yn camarwain. Gofynnaf i Nigel a Clare a ydynt wedi dod ar draws hynny—

**Mr Bennett:** I have not come across the situation of people misleading others. I will ask Nigel and Clare whether they have seen cases of that—

[185] **Rhodri Glyn Thomas:** Nid wyf yn awgrymu eu bod yn camarwain yn fwriadol.

**Rhodri Glyn Thomas:** I am not suggesting that they are deliberately misleading people.

[186] **Mr Bennett:** Na, ond y peth arall yw—ac eto, nid yw'n fwriadol—o safbwynt strategol, ledled Cymru, efallai mai'r broblem sydd gennym yw bod gormod o gyngor a dim digon o ffynonellau i bobl sydd wir mewn angen benthyg, ac nid ydynt eisiau troi at siarcod benthyca na benthycwyr ar y stepen drws. Felly, i ryw raddau, nid oes balans o ran cyngor. Dim ond hyn a hyn o weithiau y byddwch eisiau mynd i weld

**Mr Bennett:** No, but the other thing—and, again, this is not intentional—is that, from a strategic point of view, throughout Wales, perhaps the problem is that there is too much advice and not enough funding sources for those who really need to borrow and do not want to turn to loan sharks or doorstep lenders. So, to a degree, the balance of advice is not there. There are only so many times that you will want to go to see someone and

rhywun ac egluro nad oes gennyh arian. tell them that you do not have any money.  
 Rhaid inni sicrhau balans, ac nid yw'r balans We need to ensure that a balance is struck,  
 yno ar hyn o bryd. but I do not think that it exists at present.

[187] **Ms Williams:** One of the things the CHC does is promote—more than promote, really; we try to ensure—licensing of our members to provide advice by ensuring that they are members of the Institute of Money Advisers, for example. To become a member of that body, you now need to sit an exam; it no longer just comes down to time served. At the moment, it is not necessary to be a member, but our money advisers certainly have that qualification and we promote that to the rest of the sector. We are finding that, more and more, people are coming to us saying that they need to make sure that they are doing the right thing, so we can say that we are part of a network and that we understand case law and new developments. So, that is happening.

[188] **Mr Draper:** Again, we are talking about the direct provision of advice and whether that in itself is misleading. I very much doubt that it would be deliberately misleading although, occasionally, I think that it can be misguided. However, the number of people who access this sort of advice and get support from that sort of service is so small that we are talking about very limited numbers. My biggest concern is where people are getting information on, and an understanding of, the likely impact of welfare reform, given how the press covers the issue of welfare, which is to focus on scroungers and skivers and so on. My customers tell me—and I can give you this example because I have seen it with three other RSLs who are asking the same questions—that, when they ask their customers what they think the impact of welfare reform will be on them, they say, ‘That doesn’t apply to me; it’s about those scroungers and skivers, not about me’.

[189] So, we have a big disconnect here because a huge number of people will be affected by these changes but they do not think that they will have an impact on them. Our biggest challenge is communicating the advice that, actually, they are going to be affected. So, the challenge is not, if you will forgive me, this relatively small number of people who access existing advice services, a small proportion of which may be providing misguided advice. That is insignificant compared with the huge amount of misinformation that comes out of the press about people on benefits and people who are disabled, who they, effectively, portray as scroungers and skivers. So, 70% of our customers tell us that it does not affect them. They think, ‘It doesn’t mean me’.

[190] **Ann Jones:** We are out of time, but Joyce has one quick question.

[191] **Joyce Watson:** In that group, will you be able to tell us—in the near future, not now—how many of those affected by the bedroom tax will be elderly?

[192] **Mr Draper:** People over the age of 61 and a half are not affected by the bedroom tax. This is what I was trying to get at earlier, namely that group of older people post 55 but before 61 and a half. They will be affected, and my answer would be ‘a lot’, but I will get you some data on that.

[193] **Ann Jones:** We have run out of time, perhaps thanks to poor chairmanship. No, it is not. I am not going to say that about me. *[Laughter.]* I thank all three of you for coming and for your evidence. It has been very useful. The clerk will be in touch, Nick, to arrange to get some written evidence when you have the time.

11.11 a.m.

**Y Wybodaeth Ddiweddaraf am yr Adroddiad Cynhwysiant Ariannol ac Effaith  
Addysg Ariannol: Tachwedd 2010  
Update on the Financial Inclusion and the Impact of Financial Education  
Report: November 2010**

[194] **Ann Jones:** We are very late in moving on to our final session for today with the Association of British Credit Unions Limited. We are delighted to have Matt Bland with us. Sorry that we are running late. Sometimes, we need to gather certain information and it can take some time to get to it. We got lively in the middle of that session, so let us see what we can do this time.

[195] Thank you for coming at such short notice. It has been short notice for everyone who has come before us today, because we had this brief slot in which to revisit the financial inclusion report. Indeed, I think that it was the letter from the Association of British Credit Unions Limited that has brought us down this route, so thank you very much for that. Given the time, and if it is okay with you, we will move straight into the questions and we will see how we get on. Mike, do you want to take the first question?

[196] **Mike Hedges:** I will preface my remarks by saying that I am a member of a credit union. What is your assessment of the success of the Welsh Government's financial inclusion strategy and the credit union action plan, and have these had the positive impact upon the credit union sector that you hoped for?

[197] **Mr Bland:** The first thing to say is that we are grateful for all the support that the Welsh Government has given to the sector in Wales. That has had a positive impact, given that, at the start of the programme, the action plan membership was in the low 40,000s and now it is around 60,000, which is a substantial increase. Likewise, there has been almost a doubling in the amount of loans that credit unions have given out, from around £20 million before to around £30 million now. The numbers are relatively small, but the increases are significant. So, the sector has grown quite a lot in that time.

[198] On the other hand, there are some ways in which the programme could be improved. Credit unions remain reliant on external support to continue their work. It is therefore our ambition as an association—and ABCUL represents 17 of the 21 credit unions in Wales—and the ambition of our members for credit unions to be self-sustaining, independent organisations. It is possible for credit unions to help people who are in need and who are financially excluded, but, at the same time, not make them reliant on outside support. That is what we want to achieve in the next stage of the development.

[199] **Janet Finch-Saunders:** What discussions have you had with the Welsh Government about taking forward the credit union action plan, which is due to end in 2013?

[200] **Mr Bland:** A process was set in train earlier this year. The Minister for Local Government and Communities, Carl Sargeant, came to an event in Wrexham arranged by the Welsh Government—in March, I think. That was to start the ball rolling, to start discussions with the credit union sector on what it wants from the Welsh Government and how, together, credit unions can be taken to the next stage in their development. Since that time, a working group has been set up and some progress has been made. Our message in that whole process, as I said in the previous response, is to ensure the sustainability of credit unions. We want to see the sector stand on its own two feet and be independent, while serving the people at the lowest end of the market. That is really our goal.

11.15 a.m.

[201] The work that has been done at a UK level with the Department for Work and Pensions on the credit union expansion project, which is coming into effect next year to the tune of £38 million, is aimed exactly at that sustainability question. The principal area that it is looking to develop through that is collaboration between credit unions, so developing shared services and business models that can reduce costs but also increase the consistency of the services that credit unions can provide. For example, we have already developed products and services along those lines, such as the credit union current account, which the North Wales Credit Union Ltd provides. It is the only credit union in Wales to do so, but it is one of 25 across Britain that does. That is a fully functional current account that you or I would recognise as the sort of thing that you could get from a bank, and it is supported by the Co-operative Bank. It is those kinds of services that, together, we can develop but, independently, credit unions are not able to. They will also bring more affluent people into the membership who can then use the credit union for their everyday needs. The profit from serving those groups can subsidise the less profitable work at the bottom end. In a nutshell, that is what we have been telling the Welsh Government that we think it should do.

[202] **Mark Isherwood:** What effect has or can the changes made in January to the Credit Union Act 1979 have, alongside the £38 million expansion plan that you referred to, which is to deliver self-sustainability to credit unions in England and Wales in order to provide wider services and address some of the concerns that we heard about earlier? What, if any, further actions are required from the Welsh Government to achieve the maximum impact from those?

[203] **Mr Bland:** Briefly, for those who might not know, the legislative changes that came in in January do three main things. First, they allow credit unions to serve a wider range of people. Previously, credit unions were restricted in who they could serve by the concept of the common bond, which restricted them to one group, but credit unions are now able to elect to serve various different groups, so it might be people living in Cardiff or people employed by X large employer in the Cardiff area or elsewhere. So, they can access new groups and new markets in that way, and it is far less restricted. The second main change is that they can now serve businesses and organisations as well as individual persons. Thirdly, they can pay interest on savings as well as a dividend. Combined, they will allow credit unions to serve new groups and to develop new products and services—the interest element being one.

[204] There was also a more minor reform to do with fee-charging services. So, credit unions will be able to provide services that are ancillary to the basic savings and loans services that they have traditionally provided, and they can do so by charging a reasonable market rate rather than the previous provision, which was to cover costs only. So, there are all sorts of opportunities there. I know of several credit unions in Wales that have already started taking advantage of that. Neath Port Talbot Credit Union Limited is working with Tata Steel, which is a big employer in the area, and is providing services to its employees. It can do that with people who do not necessarily live in the area but who are employed by that company.

[205] Mergers are enabled, which they were not before. So, the maximum area that credit unions could cover previously was just the one local authority area, but now new mergers have been able to happen. The one in north Wales is an early example, and that came about because this was coming down the track. If it had not been, that merger might not have happened. So, those kinds of things are possible.

[206] On the second point about what the Welsh Government can do, as I said, and it should be reiterated, what the Welsh Government has done so far has had a big impact, but it could take a closer look at what the UK Government and the DWP particularly are doing, to try to learn some of the lessons that have come from that. Principally, I am thinking about the growth fund, which closed last year, but which preceded the credit union expansion project and was the previous central Government's support programme. It was based on tight contractual arrangements that stipulated that you had to meet certain targets to receive

finances and the support that was forthcoming. They were very much to do with specific developmental issues concerning the efficiency of processes in the back office and that kind of thing. It was really trying to ramp up the capacity of the credit unions, rather than having vague or overarching targets that, while also important, do not necessarily drive the specific developments that we need. Obviously, these targets would be developed in collaboration with the credit unions; it is a reciprocal process in that respect.

[207] It was also to harness some of the benefits that can come out of collaboration, which we think are very important. I mentioned something in the written evidence that was submitted about credit unions in other parts of the world: in the US, in Canada and in Australia, for example, more than a quarter of the population belongs to a credit union. In all those areas, the collaborative model, behind-the-scenes, is a common feature and something that we want to replicate here. By working together, we think that the impact can be maximised in Wales, if the Welsh Government and the UK Government could work with us to achieve some of our ambitions.

[208] **Mark Isherwood:** Given the point raised earlier about direct payments, can you explain the role that credit unions have agreed with the DWP that you can play in relation to direct payments for housing benefits?

[209] **Mr Bland:** That is something that has developed recently. You might be aware that the local housing allowance has for some time been paid directly to the tenant, and in some of the local areas—I am thinking of Bristol in particular as an example that is close to home, if you like—credit unions would receive the housing payment and then pass it on to the landlord, leaving any excess amount for the tenant to access. That came about in response to a big spike in arrears that occurred when the local housing allowance first came in. For the privilege, the landlord would pay a fee for that service, and that is essentially the model being proposed in response to universal credit, which presents similar challenges for the housing sector—the social housing sector in this case.

[210] Alongside that is this wider issue about jam-jar and budgeting accounts, which has had a lot of attention recently, and how this housing challenge and the welfare reform agenda can be a stimulus to the development of budgeting accounts more widely. Recently, the DWP announced that it was thinking of funding such a service—this budgeting account—principally for the transmission of housing payments and rent, but also for the wider benefits that it can bring for financial inclusion. I was watching the evidence given by the last witnesses, and some of the things that they were saying were slightly off, I think. Principally among them was the fact that you have to save for six months to borrow from a credit union. Traditionally, you did have to save to borrow from a credit union, but that is something that more and more credit unions have progressively moved away from, because of the self-imposed restrictions in doing that. Those are the kinds of things that we want to move away from.

[211] The other thing for me to say is that the fact that credit unions are able to take deposits and are protected by the compensation scheme is a big plus on our side, in that this whole universal credit project would not be possible under the Moneyline Cymru model that you see. The fact that we can accept deposits and then use that money to lend to other people is a big benefit in the credit union model.

[212] **Peter Black:** In terms of how the credit unions are meeting the needs of specific groups in Wales, what extra work are they doing on ethical products, such as dealing with prisoners and their families to help prevent reoffending?

[213] **Mr Bland:** One thing that springs to mind is from your area, Swansea. It is the Loans and Savings Abertawe Credit Union Ltd and the Sharia-compliant products that it is trying to

develop. That is one area where the LASA credit union is trying to provide. So, credit unions do try to innovate around the edges.

[214] You mentioned prisons; I am not sure what is happening specifically in Wales, but a research project is due to be published soon by Liverpool John Moores University and Unlock, the penal reform organisation, which is looking at the role that credit unions can play in providing savings accounts in prisons. There was some research done around the Co-operative Bank and the work that it did with prisoners in providing bank accounts to people upon release. They found, tentatively, that it seemed as though there was a link between having a bank account and a reduced rate of reoffending, because being financially excluded upon release can lead you straight into criminal activity to get by, especially if that is what you are familiar with and if you have done that in that past. So, we are exploring that further with this new research report, which is looking at the role that credit unions specifically can play in prisons, rather than the Co-operative Bank. It is looking positive and I know that there are lots of schemes around the country in that respect.

[215] **Peter Black:** LASA is in Swansea prison as well. What support is the Welsh Government giving to those initiatives?

[216] **Mr Bland:** I am not sure, to be honest. I do not think that it is part of the action plan funding. There may be other funding that is accessed in respect of those initiatives. I could not say any more than that, really.

[217] **Rhodri Glyn Thomas:** Cyn cwstiwn Peter Black, dywedoch fod peth o'r dystiolaeth yr oeddem wedi'i derbyn oddi wrth y tystion blaenorol ychydig yn gamarweiniol, yn benodol ynglŷn â gallu undebau credyd i gynorthwyo pobl sydd heb gynilion o gwbl ac sydd, hwyrach, mewn sefyllfa o ddyled. Nid wyf yn credu bod neb yn cwstiynu bod gan undebau credyd rôl bwysig iawn i'w chwarae yn y sefyllfa bresennol. Rwyf i, fel eraill yma, yn aelod o undeb gredyd ac yn gweld y rôl honno yn glir iawn. Ond beth am y bobl fwyaf bregus? A ydych yn dadlau bod gan undebau credyd y gallu i gynorthwyo'r rheini?

**Rhodri Glyn Thomas:** Before Peter Black's question, you said that some of the evidence that we had received from the previous witnesses was a little misleading, specifically in relation to the ability of credit unions to support people who do not have any savings at all and who are, perhaps, in debt. I do not think that anyone is questioning the fact that credit unions have a very important role to play in the current situation. I, like others here, am a member of a credit union and see that role clearly. However, what about the most vulnerable people? Are you arguing that credit unions have the ability to support those people?

[218] **Mr Bland:** I do not want to start an argument with people who are not here, but—

[219] **Rhodri Glyn Thomas:** No, I just want to clarify the situation.

[220] **Mr Bland:** I guess that some of what they were saying was misinformed; that is what I was trying to say. So, on saving for six months, it has never really been six months. Three months was the traditional model, never six months, so I do not know where that came from. That was repeated several times, so I just wanted to clarify that. On the wider point of serving people in the direst need, I think that there is a limit to what credit unions can do at the moment. One of the proposals that the UK Government has put forward recently is about increasing the interest rate that credit unions can charge and I think that that is an important part of the package. It seems counterintuitive, but at the moment, credit unions are restricted to 2% a month on the reducing balance of a loan, which calculates to about 26.8% APR. That seems like a lot for a mortgage or a large loan for a car or something like that, but for several hundred pounds over a few months, it equates to a few pounds in revenue for the credit union. If you compare that to the high-cost lenders, who charge hundreds or thousands per cent, in



the case of pay-day lenders, we think that a small increase to 40% APR could allow credit unions to take on more risk in their lending and address some of the restrictions that the previous witnesses alluded to.

[221] So, there are restrictions—I am not saying that there are not—and I do not think that credit unions can serve everyone, but I think that they can serve more people than perhaps was suggested. I also think that the model that credit unions have provides a wider solution to people, because credit unions can accept deposits, so they can encourage saving. One of the key things that credit unions do when people are repaying loans, for example, is stipulate that they have to make a contribution to savings as they repay that loan, so, when the loan is repaid, they have a pot of savings that they have begun as they have been repaying the loan. That has been found to be a really positive thing for encouraging people to move off a cycle of indebtedness and into a more healthy financial position more generally. There is a range of other things that credit unions are able to provide—current accounts, for example. Moneyline Cymru is an organisation like that; it can address some of the issues around lending, but cannot do anything directly other than that. It refers people to the bank to open a current account, whereas a credit union can provide a suite of services and take a more holistic approach to someone's problems.

11.30 a.m.

[222] **Rhodri Glyn Thomas:** Gan dderbyn bod opsiynau felly ar gael a bod undebau credyd yn gallu cynnig ystod o wasanaethau, i ba raddau ydych yn ceisio sicrhau bod pobl yn ymwybodol o hynny, yn benodol plant a phobl ifanc? A ydych yn gweithio gydag ysgolion er mwyn sicrhau bod y negeseuon hynny yn mynd yn uniongyrchol at blant a phobl ifanc i sicrhau, pan fyddent yn rheoli eu harian eu hunain, eu bod yn ymwybodol iawn o'r modd y gall undebau credyd eu cefnogi a'u cynnal yn y sefyllfa ariannol bresennol?

**Rhodri Glyn Thomas:** Accepting that such options are available and that credit unions can offer a range of services, to what extent are you trying to ensure that people are aware of that, particularly children and young people? Do you work with schools to ensure that those messages go directly to children and young people to ensure that, when they begin to manage their own money, they are very aware of the way in which credit unions can support them in the current financial situation?

[223] **Mr Bland:** A lot of credit unions work with schools. I come back to Neath Port Talbot as an example, which is very keen that we promote the work that it does with schools. I think that it works with something like 30 primary schools in the area, so it is getting lots of children into its membership and encouraging them to save at an early age. One of the things that lots of credit unions do in that respect is not just to tell them about credit unions and open an account for them, but to get them involved in the running of the credit union in the school—so, collecting the money and doing some of the basic bookkeeping, and so on, which enhances their financial capability. So, that is one of the big roles that credit unions play.

[224] Other than that, in terms of promotion, the Welsh Government, in collaboration with credit unions and the social investment business, which provides the support services for the project, ran a tv advert earlier in the year. Some of the results that have come from that have been quite positive. There was a market research project, a survey, undertaken recently, which seemed to show that awareness of credit unions has increased since that tv advert ran, and I think that there are plans to repeat it with a different focus. Previously, the focus was on borrowing, and I think that the new focus would be on using credit unions as a place to save.

[225] One of the things that we want to do, which has always been a contentious issue within the credit union sector, is to promote ourselves. We have always stressed the importance of getting the credit union sector to a certain level of consistency of service before

driving volumes of people towards credit unions that might not be able to provide what they want. However, I think that the sector is now getting to the stage where we can start to promote ourselves more because of the developments we have seen and the pace of change in the sector in terms of the current account and services of that kind that are now coming through.

[226] **Joyce Watson:** I would like to ask you, very briefly, about what you can do to encourage and enable people to borrow from you rather than accessing more expensive forms of credit, such as pay-day loans et cetera.

[227] **Mr Bland:** As I mentioned earlier, raising the interest rate for credit union loans is a key point. It seems a bit counterintuitive, but it will allow credit unions to lend to people who might be unable to borrow from them now. It would generally increase the amount of lending that they are able to do.

[228] I should sound a note of caution around pay-day loans. There is a train of thought that says that social lenders should provide pay-day loans in competition with that sector. To an extent, we agree with that. Any credit union or lender that wants to do that in an ethical way is free to do so. However, as an association, our position has been for some time that the pay-day model seems to be harmful in and of itself, because of the amount that is lent over such a short period of time. In the case of, perhaps, a one-off windfall, or something like that—and I think that the example that is often used is that you are getting your student loan and you want to go to Glastonbury, or something like that—it might work, but in most cases people are on a fixed income, they have a wage every month, and where will that extra few hundred pounds come from at the end of the month? The only option seems to be to borrow more and continue that cycle of indebtedness. We can and should increase what we do—there are limits to what we could and perhaps we should do in terms of competing directly with those flawed business models, as far as I can see.

[229] **Ann Jones:** Are credit unions seeing people who have had pay-day loans and have been encouraged to take more borrowing to pay the first pay-day loan and get themselves to a situation, and then suddenly someone advises them to go to the credit union across the road from the pay-day loan people? You said that people have to save for a minimum of three months, so are you able to help those sorts of people?

[230] **Mr Bland:** My point was that, in most cases nowadays credit unions do not require you to save at all and will just lend to you on the basis of your capacity to repay. Credit unions do see many people in that situation all of the time. An example that comes to mind is a guy in Scotland who runs a credit union for the transport workers. He received a person who had different 10 different pay-day loans at the same time. The interest that was expected at the end of the month was £1,000, on top of the principal sum. It was just impossible for him to get out of that situation. The really scary thing was the fact that none of those loans appeared on the credit check that the credit union ran on this person. So, had he come through the door and said, 'I want a loan', and had not owned up to the situation and faced up to his debt problem, he could have received another loan, because these debts were not appearing on the system. In a more general sense, that should be changed and more effort should be made to make those data available. In that kind of situation, if a credit union feels that a person wants to turn a corner and get out of a situation, it could consolidate the debt and wipe it out with one single loan at a reasonable rate of interest over several months. I think that that would be the solution that we would encourage generally: to take a longer term view of the finances, rather than lending over very short periods of time.

[231] **Mike Hedges:** In Swansea East, working with the credit unions and Communities First, a large number of people have been moved off very expensive loans and onto loans with the credit union. Is that model used anywhere else in Wales?

[232] **Mr Bland:** Do you mean working with Communities First?

[233] **Mike Hedges:** Yes.

[234] **Mr Bland:** That is the main example that I have heard of. There was a review of Communities First not so long ago—a few years ago, perhaps—and that was the best example that I got. To be honest, I am not sure how much work is done. In terms of getting people off high-cost debt, I think that that is one of the principal reasons for credit unions across Wales and across Britain. Perhaps the effectiveness differs in different areas, but that is the main focus for many credit unions.

[235] **Mike Hedges:** Perhaps you could try to promote it among credit unions to try to work with some of the Communities First areas in order to try to get to work and identify the success that had existed in Swansea East.

[236] **Mr Bland:** Yes, absolutely.

[237] **Ann Jones:** That is a comment that you do not need to answer.

[238] **Gwyn R. Price:** You will be glad to know that this is the last question. What are the main challenges facing the credit union movement in Wales, and how can these be addressed by the Welsh Government?

[239] **Mr Bland:** I am going to repeat myself slightly here, but this was the main message that I wanted to get across, namely the issue of sustainability for credit unions, particularly with public finances as they are and the Welsh Government grant being cut, just like that of everyone else. Credit unions need to be helped towards a place where they do not need that ongoing support in the future. Where you have this sort of collaborative business model—so, behind the scenes, these extra services and products are developed, and boring, mundane backroom services are done collectively—costs are reduced through economies of scale. So, basically, by bringing down costs and increasing revenues, we can put credit unions in a sustainable place, but also a place where, through cross-subsidy between the work that they do at the higher end with higher-income people and the people in a financially excluded place, they are still able to provide those services to the people who most need them at the bottom end. Working with the Department for Work and Pensions at the UK level, that is what we are trying to do.

[240] I should stress that this is open to credit unions in Wales. I know that the north Wales credit union and several others are part of a consortium that ABCUL and a subsidiary of ours are putting together to bid for this money. It will, therefore, be available to credit unions in Wales, but the Welsh Government could try to complement—not necessarily replicate—some of the work that is going on in the Welsh context. It could learn some of the lessons, because the process that we have followed at the UK level has been that we had a growth fund project under Labour, which provided cash that the credit unions loaned on. There was a subsidy alongside that, a revenue grant, which was tied to contractual requirements to meet certain targets, and that drove up standards in the sector. There are specific things about the organisation of credit unions, such as how quickly they lend and how much it costs per loan, that have come down significantly. Big sustainability gains have been made, and I think that those kind of lessons could be applied in Wales through the Welsh Government's policies, just as they have been at the UK level.

[241] **Ann Jones:** Thank you. We managed to do that in the allotted time, although we started late. Thank you for coming here, Matt. You will receive a copy of the transcript of this section of the meeting to check for accuracy. You will then receive a copy of our findings

when we have deliberated on them.

[242] **Mr Bland:** Thank you very much.

11.42 a.m.

**Papurau i'w Nodi**  
**Papers to Note**

[243] **Ann Jones:** Are Members happy to note the papers? I see that you are. Our next meeting is on 8 November. Thank you.

*Daeth y cyfarfod i ben am 11.42 a.m.*

*The meeting ended at 11.42 a.m.*