# Consulting the community

## Advancing financial inclusion in Newcastle upon Tyne, UK

Duncan Fuller, Mary Mellor, Lynn Dodds and Arthur Affleck
*Northumbria University, Newcastle upon Tyne, UK*

### Abstract

**Purpose** – The purpose of this article is to highlight the multifaceted nature of financial exclusions, the range of potential needs that require addressing via financial inclusion policy and grounded initiatives, and emphasise that future "new models of affordable credit" must be framed by, and embedded in local communities.

**Design/methodology/approach** – Documentation and analysis of an innovative participatory consultation that explored the perceptions and financial needs of a local population through use of participatory appraisal is used, one of a growing family of participatory approaches that is recognised as taking a "whole community approach" to conducting action research.

**Findings** – Provides evidence of the range of services actually available to the "financially excluded" in a so-called disadvantaged area, reasons for their use (or lack of), and the needs, wants, and/or desires to be fulfilled by any local "ideal" form of financial service provision.

**Research limitations/implications** – The research suggests any financial inclusion solution must be sensitive and responsive to the varied circumstances and multifarious financial needs of local communities – one-size-fits-all models of financial inclusion will have limited success due to the heterogeneous local manifestations of financial exclusions, the variety of perceived needs, and the variances of both of these over space and across social groups. More research is needed in other locations to explore geographical/social differences in such problems and needs.

**Originality/value** – This paper presents the findings of an innovative participatory consultation used to directly underpin and inform a local financial inclusion initiative.

**Keywords** Financial services, Social policy, Social inclusion, Citizen participation, United Kingdom

**Paper type** Research paper

### Introduction

In recent years, the British financial system has undergone profound restructuring as a consequence of complex global financial processes and pressures. From the late 1980s onwards the financial services industry in Britain has been beset by large-scale redundancies and major reductions in income, if not major financial losses (see for example, Moran, 1991; O'Brien, 1991; OECD, 1992; Gentle, 1993; Atkinson, 1995; Ryle, 1996; Leyshon and Thrift, 1997). In response, financial service firms have been actively engaged in a "flight to quality", with revised operational strategies (and their manifestations on the ground) widely regarded and critiqued as being inherently exclusionary towards many geographical areas and social groups within British society (for example, Conaty, 1993).

Responses to this financial flight have emanated from a range of sources; from national government via a seemingly ever-increasing range of initiatives and taskforces, through to a sustained emphasis on the potential for locally-based organisations and collectives to effect inclusionary change within their own communities. This paper documents the development of one such form of initiative, Financial Inclusion Newcastle, with a particular focus on its initial grounding within, and shaping by, the communities in which it was created to serve through an innovative participatory consultation exercise conducted between February and May 2001. This exercise designed to:

- examine the actual extent of the perceived gap in local financial service provision;
- document the range of services/sources available in the two organisation/project areas;
- explore perceived problems with this provision; and
- explore perceived solutions to these problems through an assessment of the needs of the local population/communities in relation to future financial service provision in their area(s).

The paper begins by outlining the theoretical background to issues of financial exclusion and inclusion, before concentrating on the consultation exercise in more detail. This focuses on the main approach to the consultation, participatory appraisal, how it was employed during the consultation, and the main issues that were identified by the local populations during this exercise. The paper then presents brief details of the FIN "model" that emanated from attempts to match the needs of the local populations (as defined in the consultation) with a new form of financial service provision inspired by innovative schemes and initiatives already considered to be enhancing financial inclusion in other areas of Britain, and overseas. The conclusions offer tentative reflections on the impact of the consultation on the FIN initiative, and financial inclusion policy more generally.

**Background**

The British financial services industry "exclusionary turn" began in the mid-1980s with the "developing countries debt crisis". As Leyshon and Thrift (1993, p. 239) noted, "a process of financial infrastructure withdrawal took place on an international scale, as credit and offices were withdrawn from the developing countries, with disastrous economic and social consequences." Financial service firms turned their attention to seeking out new customers in the developed world. As a consequence of over-zealous and (arguably) irresponsible lending practices, however, a new debt crisis was ushered in, with the "process of withdrawal and exclusion ... repeating itself, but this time within the space economies of the developed nations" (Leyshon and Thrift, 1993, p. 239). This crisis has been characterised by the redirection of credit and financial capital within developed countries, away from poorer groups and areas towards a "middle-class heartland". Such processes have been increasingly observable in Britain (Leyshon and Thrift, 1993, 1994, 1995, 1996), with certain sections of the community finding it increasingly difficult to gain access to the "mainstream" financial system. As noted, these matters have led to a growing recognition of issues of both exclusion and inclusion in relation to the financial system, with attention increasingly being focused on how these processes and their effects can be resisted and managed in order to advance financial inclusion in local areas.

For example, recent concern about financial exclusion is illustrated in an array of published reports and studies that have emphasized its socio-spatial basis and dynamics

(Oppenheim and Harker, 1996; Kempson and Whyley, 1999; Office of Fair Trading, 1999; Rogaly *et al.*, 1999; Joseph Rowntree Foundation, 1999, 2000; Financial Services Authority, 2000; Social Exclusion Unit, 2000; Department of Social Security, 2001; DTI, 2001; Collard *et al.*, 2001; Sinclair, 2001; HM Treasury, 2004; Collard and Kempson, 2005). These publications have noted the continuing physical withdrawal of affordable and reliable financial services (in terms of branch reduction or relocation programmes), the difficulties poorer people (in particular) face in accessing the "mainstream" services that remain due to discrimination, self-exclusion, and/or (perceived) cost barriers, and, just as importantly, the ease by which many people can (and do) access less reliable, or more predatory lenders, ultimately to their financial cost and health (see Collinson, 2005; Ford and Rowlingson, 1996).

In response to this growing awareness of the extent of financial exclusion and the manifold problems that it creates within local communities, the British government has sought many ways to further financial inclusion (Marshall, 2004). These have included putting pressure on the main four banks (HSBC, NatWest, Barclays, Lloyds TSB) to support a system of basic bank accounts accessed through Post Offices (see MacErlean, 2000; but also NCC, 2005a), action plans from the Department of Trade and Industry (DTI) and the Department for Work and Pensions (DWP) to tackle the problem of over-indebtedness, alongside attempts to improve financial literacy (Kettles, 2004). Other initiatives have included the development of a Financial Inclusion Fund of £120 million, a Financial Exclusion Taskforce to address access in three areas: banking, affordable credit and financial advice, the pilot Savings Gateway, Child Trust Funds and direct payment scheme (see HM Treasury, 2004; Treanor, 2004; Osborne, 2005). The government has also been looking to locally-based organizations within disadvantaged communities to provide solutions, particularly credit unions (HM Treasury, 1999a, b, c; Social Exclusion Unit, 2000; Hayton, 2001; Fuller and Jonas, 2002a,b, 2003). However, a recent report from the National Consumer Council has argued for the "development of a policy agenda of market-based solutions for a new model of affordable credit". According to the NCC, "affordable credit" needs to offer the key elements identified below (NCC, 2005b):

- Access to loans that are simple and transparent and available for any purpose.
- Lenders that: are familiar and perceived to be trustworthy; understand low-income consumers' ircumstances; do not penalize borrowers for occasional missed repayments; and will not pursue people through the courts who are genuinely unable to repay.
- Application procedures that: are simple, accessible and non-judgmental; can accommodate numeracy and literacy problems; and result in quick and relatively predictable decisions.
- Loans that are: small; short-term; and available in cash.
- Repayments that: are set at an affordable level; are compatible with a household budgeting cycle; combine the discipline of weekly home collection with occasional, penalty-free missed payments; and can be deducted direct from income.

The NCC (2005, p. 6) states that "over the coming months, we will be working with a range of partners and stakeholders to develop detailed proposals for a new model of affordable credit". However, attempts to create forms of financial service provision that meet such requirements are not new. The "Advancing Financial Inclusion in Newcastle upon Tyne" initiative was one such attempt, launched in Newcastle upon Tyne in the north east of England in 2000 in response to a growing awareness of the problems associated with gaining access to cheap and reliable sources of credit and other financial services within disadvantaged communities in the West End of the city.

It emanated from informal discussions and a series of meetings that took place in and around the "Reviving the Heart of the West End" (RHWE) Single Regeneration Budget-funded project during the summer of 2000. These discussions concerned the apparent problems local people encountered in gaining access to cheap and reliable sources of credit and finance, whilst evidence suggested that the West End represented a local economy disproportionately reliant upon cash, with available credit and finance being provided at relatively high rates of interest by such generally less socially-committed sources as "doorstep credit companies", pawnbrokers, catalogue companies, money shops and moneylenders. Part of the area had previously been a focus of work undertaken by Speak and Graham (2000). They had explored the link between deprived neighbourhoods and service sector provision, or more specifically, the degree to which "private sector services are withdrawing from *disadvantaged* neighbourhoods and the experience of living in such neighbourhoods" (Speak and Graham, 2000, p. v – emphasis added). In a case study of two areas, one of which was the Benwell area in Newcastle, Speak and Graham noted how in "all four service sectors investigated [retail shopping, energy, financial services and telecommunications] there was evidence of a physical withdrawal from the area, or of service providers distancing themselves from their customers", with a "clear and continuing closure of retail and banking facilities, even as the areas were undergoing urban regeneration" (Speak and Graham, 2000, p. v).

With a broad-based alliance of potential project partners quickly identified, all stakeholders agreed, however, that it would be misguided to carry forward proposals for the development of a new, socially and financially inclusive form of financial service (a new model of affordable credit?!) based on limited, and/or anecdotal evidence (or indeed the musings of the "partners and stakeholders") alone. The stakeholders therefore requested an exploration of issues of need and potential future financial service development and provision in the West End.

Key features of the four main wards that comprise the consultation exercise area (Source: adapted from City profiles - 1996 Inter-Censal Household Survey, Research and Information Services Department, Newcastle City Council):

(1) *Elswick. A relatively small ward, with a population of 9,200 people*:

- High proportion of children (25 per cent of residents under 16 years, compared to city average of 18 per cent).
- Large Asian population, accounting for one quarter of ward population.
- High unemployment rates, with male full-time employment rates 14 per cent lower than City average.
- High proportion of men in part-time employment (10 per cent compared to city average of 5 per cent).
- High proportion of females economically inactive (58 per cent – second highest level in Newcastle).

- High proportion of semi- and unskilled manual workers.
- High levels of private renting (20 per cent compared to city average 8 per cent).
- Higher than average housing mobility (14 per cent compared to city average of 11 per cent).
- Higher levels of limiting long-term illness (twice as many females under 16 have a limiting long-term illness as city average, and proportion of males 65-74 is 40 per cent compared to city average of 29 per cent).
- Higher proportion of carers.
- Lower levels of consumer durables than city average (with 34 per cent owning a car, compared to 50 per cent city-wide).
- "Alternative" shopping patterns (60 per cent shopping at local shopping centres rather than superstores (13 per cent) or district centre (7 per cent)).
- Walk to shops (45 per cent).

(2) *Benwell. One of the city's smaller wards, with a population of 7,800*:

- High proportion of lone parents (33 per cent of children live in households with one adult).
- Low proportion of residents from ethnic minority groups (1 per cent).
- Higher unemployment rates (23 per cent compared to city average of 16 per cent).
- High youth unemployment (over half of males and a third of females aged 16-24 are unemployed).
- High proportion of females economically inactive (over 50 per cent in 16-24 age group);
- High housing association tenure (14 per cent compared to city average of 6 per cent).
- Lower levels of housing mobility (9 per cent compared to city average of 11 per cent).
- High levels of limiting long term illness amongst working age groups.
- Higher proportion of carers (8 per cent compared to city average of 8 per cent).
- Less households with consumer durables than city average.
- Less car ownership than city average (42 per cent compared to city average of 50 per cent).
- Low level of superstore use (52 per cent shopping at local shopping centres).
- Bus use/walking to shops higher than city averages.

(3) *West City. The city's smallest ward, with a population of 6,500*:

- Very high proportion of children in lone parent families (46 per cent compared to city average of 25 per cent).
- Very high proportions of households comprising one non-pensioner adult (41 per cent compared to city average of 16 per cent).

- Extremely high levels of unemployment (female unemployment is 30 per cent compared to city average of 9 per cent, and male unemployment is 42 per cent, twice the city average).
- Large proportion of semi- and unskilled manual workers (40 per cent of females, compared to 25 per cent city-wide, and one third of workers employed in the distribution and catering sector compared to 19 per cent city-wide).

  Uncharacteristic housing mix (12 per cent owner occupied, 63 per cent council, 18 per cent Housing Association).
- Very high household mobility (21 per cent of household heads had moved within the previous year, compared with 11 per cent city-wide).
- High incidence of limiting long term illness.
- Very low car ownership (19 per cent compared with city average of 50 per cent).
- Very few use food superstore (3 per cent, with 58 per cent shopping locally).
- Percentage walking to shops – 64 per cent.

(4) *Scotswood. The city's second smallest ward, with a population of 7,200*:

- High proportion of children aged under 16 (~25 per cent, compared to less than 20 per cent city-wide.
- High unemployment and fewer males in full time work (40 per cent lacking full-time jobs, compared with 25 per cent city-wide).
- Above average levels of manual workers, and lower proportions of professional and intermediate professional workers.
- Tenure split between owner occupancy and council rented.
- Average household mobility.
- Below average consumer durables and car ownership levels (40 per cent).
- Alternative shopping destinations, with 54 per cent using local shopping centres.
- High bus users, and lower levels of walking to shops.
- Large decline in number of private households (decreasing by 800 to 3,100 between 1986 and 1996).

This exploration was grounded in the use of participatory appraisal.

### Consulting the community: participatory appraisal

Alongside action research (Elliot, 1991) and participatory education approaches (Freire, 1985) participatory appraisal (PA) is one of a growing family of participatory approaches that contribute to "a growing body of international work on community research methods through which the views of local people can be heard and by which they can consequently be involved directly or indirectly in defining policy" (Sellers, 1996, p. 1). In discussing the origins and practice of Participatory Rural Appraisal (PRA), Chambers (1994, p. 953) notes the "fuzzy" and dynamic identities of these methodological forms and approaches, suggesting that "the approaches and methods described as PRA are evolving so fast that to propose one secure and final definition would be unhelpful".

Chambers identifies a number of traditions and antecedents that have impacted on the development of PRA, which have, "like flows in a braided stream, intermingled more and more over the past decade, and each also continues in several forms; but directly or indirectly all have contributed to a confluence in PRA; and as with other confluences, the flow has speeded up, and innovation and change have accelerated" (Chambers, 1994, p. 954). These traditions include activist participatory research, agroecosystem analysis, applied anthropology, field research on farming systems, and rapid rural appraisal (see Chambers, 1994 for more details). As Caldwell *et al.* (2003) have noted, "People using it in the UK have tended to drop the 'Rural' and refer to it as Participatory Appraisal (PA). More recently, the International Institute of Environment and Development (IIED) adopted the name Participatory Learning and Action (PLA), to better describe the family of methods and the contexts in which they are increasingly being used." Inglis argues that the omission of the "rural" element from PA reflects more overt acceptance of the manner in which "PRA represents a quiet methodological revolution applicable in a variety of environmental contexts (urban as well as rural)" (Inglis, 1995, p. 4).

If definitions of P(R/L)A are somewhat hard to pin down, the principles behind such approaches appear to be regarded with slightly more certainty. For example, according to Sellers (1996, p. 1) "principles of community research generally include valuing local knowledge, using an interactive rather than an extractive approach to information gathering, and verifying each stage of the process by using a variety of methods to elicit the same information. It requires the full involvement of local people and a regard for them by outsiders as the main subjects rather than objects of research". Likewise, for Caldwell *et al.* (2003) such principles include: the need to recognise and work with the knowledge and experience of local people; the need for local people to have more say and control in the development process; the need to understand the context for different groups and the constraints on people; rapid progressive learning; and "optimal ignorance" and "appropriate imprecision" – not finding out more than is needed, and not trying to measure more accurately than needed or what does not need to be measured.

Like other forms of community research, PA is the sum of three inter-related activities (and more than the sum of each of these three individual parts) – research, education and collective action.

A key aspect of PA concerns the involvement of local people within the research process, not as objects of research (as is perhaps the case in more "traditional" forms of, and approaches to research), but as experts in the situation – as people who "know how things really are". PA is particularly effective in group situations (although it can work equally as well with individual respondents) as the potential for discussion is increased, with (through effective facilitation) opinions being voiced, issues being debated, and differences being noted. The type of information obtained through participatory appraisal is usually qualitative and in-depth, often providing an effective complement to data derived from other sources, and is specific and relevant to the community concerned. Data reliability is constantly checked and verified through triangulation (by using different "tools and techniques" to ask the same question – see below), with all information being carefully and systematically recorded so that comparisons can be made throughout the process.

Education occurs within the PA process at many levels:

- self-education – asking someone to think through their own issues and solutions, which they may not have had an opportunity to do;
- educating other local people – for example, when people participate within a group-based PA session, one person may talk about a specific problem that are experiencing; others in that group may have had that same problem and talk about how they dealt with it, or identify a local service that they found helpful; and
- educating service providers and policy makers – for example, via a group discussion between local people and service providers, or via the dissemination of "research findings" to those involved in the research, and all relevant and interested parties.

Perhaps the most fundamental aspect within PA, however, concerns the way in which the participatory nature of the PA approach enables respondents to be more involved with decision-making processes by actively contributing their knowledge of local needs, and suggesting appropriate solutions. The wider community can begin to gain a sense of empowerment from collective action and the experience of having their views taken seriously. Actions can then be identified, planned, owned and executed.

During the consultation exercise a range of participatory tools were drawn upon to help participants analyse the current situation, identify problems and explore appropriate solutions. Primarily these tools included:

- Mapping of services – participants were asked to map the locations of past and present financial services, highlighting both the "reality" of current provision, and their knowledge and perceptions of it.
- Timelines – participants were asked to construct timelines of financial service provision in their local area, highlighting changes in provision over time.
- Spider diagrams – participants were asked to "brainstorm" sources of credit and finance available in their local areas and comment on their positive and negative features.
- H-Forms – based on the drawing of a large letter "H", participants were asked to identify perceived positive and negative features (on either side of the H bar), or were asked to provide this information on mini-H-Forms within their spider diagrams.
- Pictorial representations – participants were asked to produce pictorial representations of their ideal form of bank/financial service and/or state all of the services they would wish to see within the building, including aspects such as the physical characteristics, fixtures, fittings, location, opening times, security, staff personality and appearance.
- Semi-structured interviews.

PA sessions were carried out across the whole area by accessing community groups. In addition to the PA session work (and semi-structured interviews), used largely, though not totally in indoor, organisational and/or work-based settings, a "rapid appraisal" questionnaire was also utilised. The rapid appraisal questionnaire was used in order to reach those people who would not necessarily come into contact with those organisations and institutions accessed during the PA sessions. This questionnaire was explicitly designed to focus on what sources of credit and finance local people would access if they required additional money, specifically in terms of a "loan". In addition, comments made relating to the positive and negative features of any local services were recorded in order to inform any future service of what would be considered "best practice". See Fuller *et al.* (2003) for a more detailed overview of PA, and in-depth discussion of the consultation.

A total of 531 people gave their views during the consultation exercise, 129 people attended participatory appraisal sessions, 229 people completed the rapid-fire questionnaire, and 286 people attended "verification" meetings. These meetings provide an opportunity for research respondents to verify, or "check" the provisional research findings, whilst also allowing those who have not participated in the research to do so. A specific aim of the verification meetings is to try and identify more solutions to the issues raised. Of this 286,113 had previously been spoken with through either the participatory appraisal sessions or the questionnaire. The number of people who were consulted, but declined to give their views was very low in the case of the PA sessions and verification events. For the rapid appraisal questionnaires, rejection levels were approximately 30 per cent, one person declining in every three consulted.

## Consulting the community: advancing financial inclusion in Newcastle upon Tyne

The first focus of the consultation exercise concerned an exploration of available sources of income, credit, finance, advice and information within the participant's local area(s). This exploration was subdivided into where respondents access money (both their own, and additional amounts that are acquired when necessary as credit and/or loans), where they keep this money (where they store or "save" money), and identified advice and information sources.

### *Sources of income and/or credit and finance, options for storing, and information sources*

The participatory consultation exercise respondents identified a very wide range of sources of income and/or credit and finance. Many of these were outside of what is typically considered to be the "mainstream" bank and building society sector. The sources included (in order of frequency of comment): banks, salary, benefits, Post Office, cash points, pensions, family and friends, catalogues, building society, DSS, Provident, credit company, pawnbrokers, credit union, internet banking, cash-back, crime, "investing in things", HP, lenders, cheque-cashers, property, telebank, employment services, antiques, loan shark, overseas accounts, private pension, working tax credit, child support, career development loan, "sell property privately", student loan, and the social fund.

A similarly wide range of options was identified for storing or "saving" money: bank, money jar/money box, post office, building society, ISA, ATM, credit union, "budget with stamps for electric, gas etc", family, "in the house", "in my pocket", saving stamps, "investing in things", credit companies, "save", "in the sock drawer", "in the cupboard", "overseas account", Tessa, "post money to yourself", and investment insurance policy. Some of the responses suggested a different conceptualisation of "saving" from the traditional sense of accruing interest on an amount of stored money (as in a bank of building society "savings account") – some respondents appear to have identified sources on the basis of general use, or as representing a place where money can be "saved" through their use. Importantly, a significant proportion of respondents argued that they were unable to save. Most younger people did not save with "mainstream" sources, preferring the use of moneyboxes, or places in the home.

As in the previous two categories, a further wide range of sources of information and advice was highlighted – however, a significant proportion of participants suggested they would either ignore problems, or not know where to go for advice if it was needed (especially that provided outside of family and friends). In all three sections, variations in the identification and usage of services were apparent between project study sub-areas (Benwell, Cruddas Park, and Arthur's Hill).

*"Money problems", and perceptions of service providers*

Respondents identified a similarly wide range of "money problems" within the consultation exercise area. Some participants commented on issues relating to the area as a whole (suggesting that issues of disadvantage, marginalisation, and low income form an important back-drop for many people throughout the area), whilst others directed their opinions towards aspects of financial service provision or specific service providers. Of these 24 main themes were identifiable, a majority of which related to issues concerning bank and building society provision in the study area. The other main problems identified concerned the Post Office, "Provident" (Provident Financial – a well known door-step lender/home credit provider), and local credit unions. In addition, at other stages of the consultation exercise, a range of positive and negative factors relating to many of the other sources was highlighted. Responses from the consultation exercise participants emphasised that, whilst the wide range of options identified previously are notionally available (and known about locally), their use is often strongly affected (and often curtailed) by issues of accessibility, cost, ease of use, range of services provided, and most importantly (and often over-riding these issues), personal circumstances. Research participants highlighted that whilst a notional choice of which service to use does exist, these choices are often mediated by the exclusionary tendencies of some of these sources, self-exclusion on the part of participants, and the "inclusionary" practices of others.

For example, throughout the research the negative perceptions of the building societies and banks strongly outweighed their perceived positive features. These negative features revolved around problems in accessing banks and building societies *per se* (incorporating issues of branch closures, poor opening times, transport and travelling issues, and availability of cash points; access problems once banks have been found (such as problems in opening accounts, and self exclusion from banks as a consequence of their forms, associated jargon, intimidating nature and image, and the hassle accessing banks represents); the role played by staffing issues in accessing their services, both in terms of a perceived lack of staff provision, alongside a range of service-related problems; loan availability and cost, and low income problems relating to repayments; and issues concerning direct debits, and bank charges. Such views were augmented by analysis of the large scale withdrawal of (primarily) bank branch infrastructure that has occurred since 1983 in areas of West End, amounting to a 69 per cent loss in bank and building society branch provision, with the remaining branches now being situated on one of the area's main arterial transport routes, the West Road.

Overall, respondents viewed other sources more favourably for a variety of reasons. For instance, key positive features concerning services offered by (the seemingly widely used) "Provident" and other credit companies concerned the "inclusionary" willingness to lend, that this can be "straight away", and that they will "come to you". For many their relationship to the lender (or more accurately, the lender's agent) had been maintained and developed over a number of months, if not years, becoming much more than a business or financial arrangement (and somewhat ironically resembling the rosy customer/bank manager relationship of times gone by). However, these sources were also strongly criticised in relation to the high interest rates charged, the over-zealous issuing of "top up" loans, their "unregulated" nature, lack of flexibility, and claims of "bad practice". However, a number of respondents emphasised that often, when credit was needed quickly, the ability to access it would greatly override (at time of need at least) any concerns regarding potential negative implications that might occur through the source being accessed. By contrast, and despite criticisms concerning their opening times, their image in comparison to banks and building societies, and loan availability, the three local credit unions were generally perceived as holding more positive features than negative (mainly through experiences. These positive features included their "local" nature, the "cheap (low) interest 1 per cent" on loans, and that they represent an "easy way to get money at acceptable rates". They were also complimented in respect of "listening, advice, a sort of social thing", the ability to take out small or large loans, and the "ability to discuss need and take out what you can afford to pay back".

*Solution-focused consultation*

A key focus of the consultation exercise revolved around moving respondents beyond identifying problems with the financial service provision, and instead engage them in the identification of solutions to the kind of problems highlighted above. Hence, against the backdrop of such "money problems" an extremely wide, and often imaginative, range of both general and more detailed features were enthusiastically identified during the consultation exercise, collated within four main (and highly generalised) themes: location, premises, staffing, and services. In terms of location, a large majority of respondents argued that the service should be based in the local area, making it easy to get to (or for the service to go to them), and with accessible opening times. In many ways, the overriding message was that the service, in the words of one respondent, should be "local to me". The ideal service premises would have a huge potential range of features, based mostly around making the interior environment accessible, pleasant to be in, and welcoming for all. A further key requirement was for the premises to be safe and secure, with pleasant and friendly staff, who would live in the local area so that they would understand and be sympathetic to the kinds of issues and problems faced by their customers, and conversant in the languages used by all sectors of the local populations. Finally, a cornucopia of potential services to be offered by any form of ideal service were highlighted. In general terms many people stressed the need for any ideal service to be "more than just a bank", outlining the need for it to be flexible and community based – "needs to be more thoughtful". It was also argued that people would need confidence in, and information about the ideal form of financial service, in that, for example, "people do not know how good the credit union is".

**From "research" to reality**

The variety of "ideal service" features identified by the consultation exercise respondents highlight that the requirements and needs of different groups within the area (and presumably elsewhere) are extremely diverse and wide-ranging. What has emerged is a picture of demand that where local services are offered, they should be people-focussed, meshed well into the local community, emphasising that financial inclusion is a social as much as a monetary demand. The most over-riding demand was that financial services should be "local to me" – people want friendly and welcoming services in their own area. As such, and whilst it may be argued that the services identified by the respondents were both generic and predictable, the environment and manner in which they would be delivered certainly were not – and in many ways it is the latter elements that hold key importance in determining use of financial services.

Arising from this research was a financial product built on the knowledge and requirements of the community, tailored to their specific needs – Financial Inclusion Newcastle. Funding for the initiative was provided by Newcastle New Deal for Communities, the European Regional Development Fund, the local "Reviving the Heart of the West End" SRB project, Home Housing Association, Lloyds-TSB and the Neighbourhood Renewal Fund. The company Financial Inclusion Newcastle (FIN) Ltd was registered with credit union members (who would be the main delivery arm of the new service) as the main signatories in February 2002. A constitutional structure for the future FIN Board was developed on the basis that when fully established the organisation would be run by a Board with a majority representation from the credit unions and the local community. Those stakeholders with no direct link to the community would become a team of advisors, augmented by other people with suitable expertise where necessary. A Business Development Group was also initiated consisting of Board members and advisors. For most of its activities the financial services project operates alongside the mainstream credit union activities.

The project employed a project manager, two project officers to co-ordinate the whole project, a dedicated money advice worker, three credit union support workers, a micro-business adviser, and administrative support. The project staff operated on a peripatetic basis at the premises of the credit unions and have their office behind the Cruddas Park Credit Union shop front office. In addition, the project funding was used to create shop/office front premises for the credit unions and to staff them with credit union volunteers whose efforts are augmented by the support workers, with the overall aim being to substantially increase access to, and membership of, the local credit unions. In addition it has enabled the creation of an IT system with server and network support (initially to provide backup for the credit unions' own systems, whilst also having the potential to be extended to incorporate additional credit unions in the future within a linked network).

Whilst the activities of the paid project workers and the volunteer effort of the credit union were complementary, one of the main areas of overlap concerns the granting of secured credit union loans administered through an innovative partnership between FIN, the local Citizens Advice Bureau (who manage the dedicated money advice worker), and the participating credit unions. FIN staff were to support the efforts of the credit union volunteers and signpost prospective service users to the specialist providers who operate on a clinic basis at the same service outlets. In its mission statement, FIN notes that it is "a community owned organisation that aims to reduce financial exclusion and offer an accessible choice of essential financial services, by encouraging Credit Union expansion, developing new services and community partnerships, and raising financial literacy levels, to enable local people to enjoy increased opportunities and a better quality of life through financial empowerment". The range of services that FIN intended to ultimately offer were as follows:

- financial advice and debt counselling, made available through a dedicated worker managed by the Citizens Advice Bureau;
- loan facilities, made available through extension of credit union loan arrangements by the establishment of a guarantee fund to help residents in the target area out of high interest borrowing and thus break the debt cycle;
- financial education and advice, seeking to improve local people's financial awareness and the benefits of entering into and using mainstream financial services;
- "basic" bank accounts, provided through an arrangement with a major clearing bank;
- insurance services, likely to be a signpost service to arrange an interview with suppliers external to the core service; and
- locally delivered micro-business advice, signposting, and mentoring, with the intention of developing a "soft" loan package in conjunction with local partners to be accessed through the FIN network.

By 2005 the project had expanded to include an Enterprise Support Team (EST), making a total of 18 full- and part-time staff, with total funding of almost £1 million. The local credit unions were able to draw upon a £25,000 guarantee fund provided by Lloyds TSB bank to make "Special Loans" to non-members referred by a Community Money Advice Worker, employed by the Citizens Advice Bureau, but funded by FIN. FIN also established (via EU funding) a "PAY4IT" project to raise financial awareness in the community in collaboration with a local Further Education College. The four local credit unions have also been provided with a visible high street presence through the provision and redevelopment of modern premises. This had helped the credit unions gain 381 new members by 2005.

Despite these successes, and apparent grounding in the communities in which it served, however, its development has not been without difficulties (see Fuller and Mellor, 2004a). The basic bank account never materialised, because a lack of interest from the banking sector, the credit unions needing to expand their own customer base, and the introduction of the Post Office Card Account. The partnership with the CAB eventually faltered, again due to operational difficulties, although alternative providers covered the service. Sadly, in 2005 FIN was unable to renew its revenue funding for many of its services and the organisation will gradually shut down its operations. The Enterprise Support Team has gained additional funding for the next few years, but, at present, the future of the personal finance and financial education aspects of the organisation is very uncertain (see Fuller and Mellor, 2004a).

## Conclusions

In many ways, FIN has been innovative from the outset, striving to underpin its operations and identity, and embed its structures within the local community – the services provided by FIN were an attempt to cater for the specific needs of the community as a direct result of action and research coming together in a dynamic consultation emanating from observations at grass roots level. The participative process confirmed and expanded on the observations in such a way as to maintain maximum input from the community and respect for their expertise in defining solutions to their own, diverse financial needs.

In so doing it has suggest (at least) three key lessons for any further attempts to develop new models of affordable credit. First, they emphasise that financial exclusion is much more than a simple lack of access to money and/or credit, both in the range of "money problems" that consultation respondents said they were experiencing, and in the huge range of features that they perceived would represent aspects of any "ideal" form of financial service provision. In many ways, the findings present clear evidence (if not the detail, due to space constraints) of the multifaceted nature of financial exclusions (contributing factors that lead to under-usage of "mainstream", "regulated", "non-predatory" (and so on) financial services), reminiscent of the OECD Development Assistance Committee's (OECD, 2001) polygonal conceptualisation of "poverty". Second, (and also echoing the DAC Guidelines on poverty reduction) the "ideal" service features highlight the range of potential needs (social, political, and even environmental – not just economic) that require addressing via financial inclusion policy and grounded initiatives. In so doing they, thirdly, emphasise that financial inclusion initiatives, and policy surrounding financial inclusion more generally, need to be flexible and imaginative, quick to respond to, and embedded in those very communities in which it is intended to address issues of financial exclusion. Top-down generated, spatially-homogenous, one-sized fits all financial inclusion solutions (or models) are likely to have limited success as a result of the heterogeneous manifestations of financial exclusions on the ground, and their variance over space and across social groups – any solutions must be equally heterogeneous in nature, and responsive to the needs of local communities.

## References


Atkinson, D. (1995), "Bank unions fear loss of 75,000 jobs", *The Guardian*, 3rd April, p. 1.

Caldwell, C., McGann, G. and Flower, C. (2003), *Have You Been PA-d? Using Participatory Appraisal to Shape Services*, Oxfam, Glasgow, available at: www.oxfamgb.org/ukpp/resources/index.htm

Chambers, R. (1994), "The origins and practice of participatory rural appraisal", *World Development*, Vol. 22 No. 7, pp. 953-69.

Collard, S. and Kempson, E. (2005), *Affordable Credit: The Way Forward*, Joseph Rowntree Foundation/The Policy Press, Bristol.

Collard, S., Kempson, E. and Whyley, C. (2001), *Tackling Financial Exclusion: An Area-based Approach*, Policy Press, Bristol.

Collinson, P. (2005), "Doorstep lenders scrutinised", *The Guardian*, available at: www.guardian.co.uk/business/story/0,,1462990,00.html (accessed 19 April 2005).

Conaty, P. (1993), "Communities", in Mayo, E. (Ed.), *Bank Watch*, New Economics Foundation, London, pp. 18-23.

Department of Social Security (DSS) (2001), *Saving and Borrowing: DSS Research Report No. 125*, HMSO, London.

Department of Trade and Industry (DTI) (2001), *Tackling Load Sharks – and More: Consultation Document on Modernising the Consumer Credit Act 1974*, available at: www.dti.gov.uk/CACP/ca/consultation/loanshark.htm

Elliot, J. (1991), *Action Research for Educational Change*, Open University Press, Philadelphia, PA.

Financial Services Authority (2000), *In or out? Financial Exclusion – A Literature and Research Review. Consumer Research 3*, Financial Services Authority, London.

Ford, J. and Rowlingson, K. (1996), "Low-income households and credit: exclusion, preference, and inclusion", *Environment and Planning A*, Vol. 28, pp. 1345-60.

Freire, P. (1985), *The Politics of Education*, Macmillan, London.

Fuller, D. and Jonas, A.E.G. (2002a), "Institutionalising future geographies of financial inclusion: national legitimacy versus local autonomy in the British credit union movement", *Antipode*, Vol. 34 No. 1, pp. 85-110.

Fuller, D. and Jonas, A.E.G. (2002b), "Capacity-building and British credit union development", *Local Economy*, Vol. 17 No. 2, pp. 157-63.

Fuller, D. and Jonas, A.E.G. (2003), "Alternative financial spaces", in Lee, R., Leyshon, A. and Williams, C. (Eds), *Alternative Economic Spaces: Rethinking the "Economic" in Economic Geography*, Sage, London.

Fuller, D., Mellor, M., Affleck, A. and Dodds, L. (2003), *"Local to me": Advancing Financial Inclusion in Newcastle upon Tyne*, Northumbria University, Newcastle.

Fuller, D. and Mellor, M. (2004a), "Banking for the poor: addressing the needs of financially excluded communities", *Urban Studies* (under review).

Fuller, D. and Mellor, M. (2004), "Advancing financial inclusion in Newcastle upon Tyne UK", paper presented at the "Countering Urban Segregation" Working Conference, Free University of Amsterdam, 14-15 October 2004. Copy available from the authors.

Gentle, C. (1993), *The Financial Services Industry: The Impact of Corporate Reorganisation on Regional Economic Development*, Avebury, Aldershot.

Hayton, K. (2001), "The role of credit unions in tackling financial exclusion", *Policy and Politics*, Vol. 29 No. 3, pp. 281-97.

HM Treasury (1999a), "Initiatives to tackle financial exclusion", HM Treasury News Release, 190/99, 16 November.

HM Treasury (1999b), "Enhanced role for credit unions", HM Treasury News Release, 191/99, 16 November.

HM Treasury (1999c), *Credit Unions of the Future, Report of the Credit Union Taskforce*, November.

HM Treasury (2004), *Promoting Financial Inclusion*, HMSO, Norwich.

Inglis, C. (1995), "Participatory appraisal: Proceedings of a PRA workshop: Department of Public Health Medicine, University of Hull" in *Introduction to Participatory Appraisal Training Pack*, Division of Geography/PEANuT, Northumbria University.

Joseph Rowntree Foundation (1999), *Understanding and Combating Financial Exclusion. Joseph Rowntree Foundation Findings*, March, Joseph Rowntree Foundation, York.

Joseph Rowntree Foundation (2000), *Poverty and Social Exclusion in Britain, Joseph Rowntree Foundation Findings*, September, Ref. 930, Joseph Rowntree Foundation, York.

Kempson, K. and Whyley, C. (1999), *Kept Out or Opted Out? Understanding and Combating Financial Exclusion*, Policy Press, Bristol.

Kettles, N. (2004), "Why we must make the next generation a credit to us", *The Observer*, available at: http://observer.guardian.co.uk/cash/story/0,6903,1125359,00.html (accessed 18 January 2004).

Leyshon, A. and Thrift, N. (1993), "The restructuring of the UK financial services industry in the 1990s: a reversal of fortune?", *Journal of Rural Studies*, Vol. 9 No. 3, pp. 223-41.

Leyshon, A. and Thrift, N. (1994), "Access to financial services and financial infrastructural withdrawal: problems and policies", *Area*, Vol. 26, pp. 268-75.

Leyshon, A. and Thrift, N. (1995), "Geographies of financial exclusion – financial abandonment in Britain and the United States", *Transactions of the Institute of British Geographers*, Vol. 20 No. 3, pp. 312-41.

Leyshon, A. and Thrift, N. (1996), "Financial exclusion and the shifting boundaries of the financial system", *Environment and Planning A*, Vol. 28, pp. 1150-6.

Leyshon, A. and Thrift, N. (1997), *Money/Space: Geographies of Monetary Transformation*, Routledge, London.

MacErlean, N. (2000), "Bringing banking to everyone", *The Observer*, available at: http://observer.guardian.co.uk/cash/story/0,6903,389400,00.html (accessed 29 October 2000).

Marshall, N. (2004), "Financial institutions in disadvantaged areas: a comparative analysis of policies encouraging financial inclusion in Britain and the United States", *Environment and Planning A*, Vol. 36, pp. 241-61.

Moran, M. (1991), *The Politics of the Financial Services Revolution*, Macmillan, London.

National Consumer Council (NCC) (2005a), "Basic banking: getting the first step right", National Consumer Council factsheet, available at: www.ncc.org.uk/moneymatters/publications.htm

National Consumer Council (NCC) (2005b), "Affordable credit: a model that recognises real needs", National Consumer Council factsheet, available from www.ncc.org.uk/moneymatters/publications.htm

O'Brien, R. (1991), *Global Financial Integration. The End of Geography*, Pinter, London.

OECD (2000), *DAC Guidelines on Poverty Reduction: Volume 1 (Draft: June 2000)*, OECD Development Assistance Committee.

OECD (2000), *Banks Under Stress*, OECD, Paris.

Office of Fair Trading (OFT) (1999), *Qualitative Research into Ethnic Minorities and Financial Services*, Report No. 255e, OFT, London.

Oppenheim, C. and Harker, L. (1996), *Poverty: The Facts*, 3rd ed., Child Poverty Action Group, London.

Osborne, H. (2005), "Basic bank accounts 'fail to help the poorest'", *The Guardian*, 24 August.

Rogaly, B., Fisher, T. and Mayo, E. (Eds) (1999), *Poverty, Social Exclusion and Microfinance in Britain*, Oxfam Publishing, Oxford.

Ryle, S. (1996), "Unions say branch closures break Halifax jobs promise", *The Guardian*, 22 February.

Sellers, T. (1996), "Participatory appraisal – what is it?" in *Introduction to Participatory Appraisal Training Pack*, Division of Geography/PEANuT, Northumbria University, Newcastle.

Sinclair, S.P. (2001), *Financial Exclusion: An Introductory Survey*, Centre for Research into Socially Inclusive Services (CRSIS), Edinburgh.

Social Exclusion Unit (2000), *Compendium of Policy Action Team Reports: PAT 14 – Financial Services*, HMSO, London.

Speak, S. and Graham, S. (2000), *Service Not Included: Social Implications of Private Sector Restructuring in Marginalised Neighbourhoods*, Policy Press, Bristol.

Treanor, J. (2004), "Aim to halve excluded in two years", *The Guardian*, available at: www.guardian.co.uk/budget2005/story/0,,1365375,00.html, 3 December.

**Corresponding author**
Duncan Fuller is the corresponding author and can be contacted at: duncan.fuller@northumbria.ac.uk