



**Westminster Hall Debate:
Basic Bank Accounts in Scotland**
January 19th, 2011

Summary

In November 2010 Citizens Advice Scotland (CAS) published *Banking on the Basics*¹, a report on the accessibility of basic bank accounts in Scotland. CAB across Scotland report of clients who have been unable to access a basic bank account because of an undischarged bankruptcy, a poor credit history, for having no credit history, because of set ID requirements and for having debt with a bank. A public survey conducted for CAS's research on the issue found that one in 10 respondents did not have a bank account though two thirds of these had tried to access one. This number increases to one in 5 for those living in the 15% most deprived areas in Scotland. The inaccessibility of basic bank accounts affects those who are vulnerable, those who need the service the most. Subsequently, CAS calls for the establishment of a universal right to a bank account for all.

Access to Bank Accounts

Basic bank accounts were introduced into the UK financial system to increase financial inclusion. Subsequently the UK Government and the financial industry entered into an agreement with a Shared Goal to halve the unbanked population – a goal that was realized in 2009. CAB evidence however suggests that many people, due to their financial circumstances, are still unable to access basic banking services.

In *Banking on the Basics*, CAS found that one in 10 public survey respondents did not have a bank account, increasing to one in 5 people who live in the 15% most deprived areas of Scotland. Currently, at least 123,808 households in Scotland would benefit from access to basic bank accounts. According to CAS's research, those who have a poor credit history, have no credit history, those who are unable to meet the set ID requirements, undischarged bankrupts and those who have a debt with a bank find it most difficult to open a basic bank account.

A basic bank account has no credit provisions and is a risk averse product – there is no reason for banks to carry out credit checks for people looking to access a basic bank account. According to the former Banking Code, banks are instructed to assess whether a potential customer is best served by a basic account and offer one accordingly². Citizens Advice Bureaux clients and CAS survey respondents report that this is not the case – clients who have specifically asked for a basic bank account have been denied one.

¹ Citizens Advice Scotland, *Banking on the Basic*, November 2010

² *Banking on the Basics*, p14

Impact

The inaccessibility of basic bank accounts is particularly hard for people who have become bankrupt. With the introduction of the Low Income Low Asset (LILA) route to bankruptcy³ in 2008, bankruptcies in Scotland increased by 154% within the year. Undischarged bankrupts who are denied access to a basic bank account are forcibly financially excluded and are at risk of ending up in further financial difficulty.

Most benefit payments are made through bank accounts and for UK benefits payments are made by giro only if a client is unable to gain access to a bank account.

CAS has found that a number of people are unable to take up employment because they do not have a bank account to have their wages paid into. They cannot get a bank account because they are unemployed and have a discharged or undischarged bankruptcy, have a poor credit history or have no credit history at all – a vicious cycle.

Basic bank accounts are not only important for the payment of wages, but also for money management, access to affordable credit, housing and lower utility payments⁴ – and greater financial inclusion over all.

Conclusion

Basic bank accounts are essential for people who are financially excluded, those who are vulnerable and unable to gain access to a bank account with credit facilities. Even though the number of people without a bank account has been halved in the past few years, it is worrying that those who are most vulnerable are unable to access this most basic service. A basic bank account is the first step to increased financial inclusion, leading to access to affordable credit, discounts on energy bills, increased access to housing and helping with employment. The UK Government needs to establish a universal right to a bank account for all and banks need to ensure that they market the basic service to those who need it. CAS also recommends increased support for alternative providers of bank accounts, including Credit Unions and Community Development Financial Institutions (CDFIs).

For a list of CAS's recommendations please see our *Banking on the Basic's* report at www.cas.org.uk or contact Alizeh Hussain at alizeh.hussain@cas.org.uk for an emailed copy.

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³ The LILA route to bankruptcy is a debt remedy for people who have severe and unsustainable debt problems, little income and hardly any assets.

⁴ people who make their energy payments by direct debit pay less than those who pay into a prepayment meter

Appendix

The Citizens Advice Service in Scotland

Citizens Advice Scotland and its CAB offices form Scotland's largest independent advice network. Citizens Advice Scotland (CAS) is the umbrella organisation for Scotland's network of 81 Citizens Advice Bureau (CAB) offices. These bureaux deliver frontline advice services throughout nearly 200 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities.

There are citizens advice bureaux in 30 of the 32 local authorities in Scotland, making the network the only independent advice body in the country with truly national on the ground coverage.

Citizens Advice Bureaux traditionally help vulnerable people in their communities, although clients come from every section of society. An Ipsos Mori poll in 2009 found that one in five members of the public in Scotland had visited a bureau for advice in the last three years. In 2008/09, more than 250,000 clients brought new issues to bureaux in Scotland.

In 2009/10, bureaux across Scotland dealt with almost 18,000 issues relating to financial products and services, a quarter of which were on bank accounts and Post Officer Card Accounts.