

# Banking on the Basics

Citizens Advice Scotland's latest report, *Banking on the Basics*, is based on a public<sup>1</sup> and bureau adviser survey on the accessibility of basic bank accounts. The report highlights the problems experienced by both CAB clients and the Scottish public in trying to open a bank account.

Barriers to basic bank accounts are disenfranchising vulnerable people - those who need them the most.

## The experience of CAB clients based on the bureau adviser survey:

Our report found that clients are unable to access basic bank accounts for a variety of reasons, including undischarged bankruptcy, being in debt to a bank, or having a poor credit history.

- Almost a third of CAB clients reported encountering *problems opening* a basic bank account because of an undischarged bankruptcy. Two in five clients who were undischarged bankrupts were *unable* to open a bank account at all, with a majority using a family member's bank account in order to receive wages and/or benefit payments
- Three in five CAB clients whose account was *closed* had a debt with their bank. Clients in financial difficulty, particularly those living in rural areas with few banking options, have found it difficult to open and retain accounts with any of their local bank branches due to past and present debts owed
- A quarter of clients with poor credit histories had *problems opening* a basic bank account and almost two thirds of these clients had their bank account closed because of debt.

**Lack of even a basic bank account leaves clients unable to access affordable credit, manage their debts, or even in some cases, pursue employment opportunities.**

<sup>1</sup> More than 400 respondents (including CAB clients) filled out the survey through the CAS website or Adviceguide.

**||** *I was denied a bank account by most banks because I have a poor credit rating. I had to plead with the bank and tell them the account was only to have wages paid into. I was [both] refused jobs and had to refuse jobs as I didn't have an account for wages.*

### Contact

Alizeh Hussain, Social Policy Officer  
Susan McPhee, Head of Social Policy and Public Affairs

### Citizens Advice Scotland

1st Floor, Spectrum House, 2 Powderhall Road, Edinburgh, EH7 4GB  
t: 0131 550 1000 f: 0131 550 1001 w: [www.cas.org.uk](http://www.cas.org.uk)  
need advice? [www.adviceguide.org.uk](http://www.adviceguide.org.uk)

The Scottish Association of Citizens Advice Bureaux - Citizens Advice Scotland  
(Scottish charity number SC016637)

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Introduced in order to decrease the number of people who were unbanked and to increase financial inclusion, basic bank accounts still remain to be realised as a universal product for all.

### Key findings from the public survey<sup>2</sup> conducted for this report show that:

- One in ten do not have a bank account, although two thirds of people without an account have tried to open one
- Almost half had been denied a bank account because of a poor credit history, a third due to lack of appropriate identity documents, and almost one in five because of current or historic debt with the bank
- The research also found that those who had become bankrupt through the Low Income Low Asset (LILA) route to bankruptcy were more likely to have a basic bank account compared to those who had been made bankrupt through other routes. Although subject to the same stringent checks by banks, these clients were more likely to have received advice to sort out their banking services prior to becoming bankrupt
- One in ten of those in employment did not have a bank account although four in five of these had tried to open one unsuccessfully
- Of those who had no credit history at all, three out of ten did not have a bank account, although half had tried to open one. Hardly any of these respondents had debts
- Many were denied basic bank accounts for reasons such as a lack of identity documents (ID), a lack of household bills paid in the applicant's name, or because the applicant had only recently moved to Scotland and lacked a financial history here.

### Citizens Advice Scotland's proposals for change:

Those who are financially vulnerable find it hard to meet the requirements set out by banks for accessing their services. The CAB service in Scotland recommends that:

- **Mainstream banks adopt principles of universal no cost basic banking, allowing undischarged bankrupts and individuals in financial difficulty to access basic banking products**
- **The UK and Scottish Governments support Credit Unions and alternative financial institutions – including the establishment of a Post Bank - in their work on increasing access to basic banking services**
- **On the commitment to universal banking within the 2010 UK budget, the universal right to a basic bank account needs to be established without any conditions - enabling access for all, including undischarged bankrupts.**

**||** *A North of Scotland CAB reports of a lone parent with extensive debts who is currently off sick from work. As the client's only sustainable option may be to become bankrupt she was advised that she should open a basic bank account. She has since approached various banks, all of whom have refused to let her open a basic bank account with them.*

**||** *An East of Scotland CAB reports of a client with a disability who is now in debt due to difficulties in managing his money. The client has tried to open a basic bank account with nine local banks and has been refused by all. Without a bank account, the client is finding it difficult to make payments to his creditors and is unable to receive his pension as his pension provider will only pay into a bank account.*

<sup>2</sup> This survey included responses from CAB clients and members of the public visiting the CAS website or Adviceguide