

SOCIAL EXCLUSION

tackling financial exclusion

Barclays Bank is supporting the creation of a microcredit scheme accessed through a bank account for people on low incomes in northern England. Salford Money Line is an example of how banks can work in partnership with the local community to provide services that are tailored to the needs of the financially excluded

Doorstep trading and very high interest rates offer the only access to credit for many in Salford. In the most run-down areas of this once thriving conurbation just a couple of miles from Manchester city centre, those who have no access to credit from conventional lenders typically borrow money at interest rates of more than 40 and sometimes over 100 per cent a year.

Now Barclays – which, like all the main high street banks, has attracted criticism for not adequately addressing financial exclusion – has taken what it believes is a significant step towards providing Salford residents with a more socially inclusive banking package.

LENDING TO THE LOCAL COMMUNITY

Thanks to a partnership involving almost all sections of the local community, the bank has been instrumental in setting up an innovative new company, Salford Money Line, that provides unsecured loans to individuals and small businesses unable to borrow money from a bank or building society. Money Line opened its doors to borrowers in December 2000 and is offering loans in its first year to the residents of Seedley and Langworthy, an area of Salford blighted by economic

decline and social deprivation. Its ageing terraced houses periodically feature on BBC's *Newsnight* programme, which is following the progress of attempts to regenerate the area. If the pilot is successful, Money Line will expand to other parts of Salford and Manchester.

Thanks to a two-year secondment of Barclay's area manager Steve Unsted and financial support of £250,000 from the bank, Barclays – with Money Line's other founding partners, Salford city council and the University of Salford – has managed to pull together more than £2million of funding available over the next five years. Unsted began work on the scheme in August 1999, when the bank offered him the chance to spend the two years before his retirement working as project manager while it paid him his normal salary.

He has raised money from several sources. Salford city council has loaned £500,000 over five

Money Line is not just involving local people as customers – its board is also made up of locals

■ Money Line was set up in Seedley and Langworthy, an area of Salford that has been in economic decline since the 1970s



SALFORD MONEY LINE

years. The Phoenix Fund, a new central government fund, has put in £434,000. The university and three local housing associations have each put in £25,000. This funding is underpinned by £188,000 of European Union money over two years and a promise of £637,000 over six years from the UK government's single regeneration budget, which helps local authorities to regenerate run-down inner city areas.

Using this money, Money Line plans to make 150 loans totalling £150,000 in its first year. The loans, of between £50 and £10,000, have been tailored to fit the needs of the target market. The Fresh Start Loan helps pay off accumulated debts in one go, the Getting to Work Loan is for items such as a suit for a new job, and the Small Business Loan is for start-ups. One of the strengths of Money Line is that it does not give the financially excluded special treatment. Instead it offers them tailored services, just as other financial providers provide for wealthier market segments.

WIDENING THE SCOPE OF FINANCIAL HELP

The response has been encouraging: local newspaper advertisements and word of mouth have resulted in around 60 loans made to date. 'We're getting the level of business we want and we're reaching the people we want,' says Unsted. Clients can discuss a loan with two full-time staff and if approved, the money is put into the client's existing bank account or a Barclays 'no frills' cashcard account is opened.

By providing the loan through a bank account, Money Line hopes to fulfil its long-term aim of helping people on low incomes to enjoy a full banking package. According to the Financial Services Authority (FSA), this is one of the top priority needs for financial products identified by financially excluded households, and not having a bank account is seen as a barrier to obtaining a job.

Bank account holders can also save money by using direct debits to pay bills, which can save up to £46 a year, according to research cited by the FSA.

In the future Money Line hopes to provide clients with insurance, mortgage and other financial services. 'If all we do in the long term is provide loans then I think we will have failed because we are closely linked to the financial needs created by regeneration,' says Unsted. 'It's really about how we bring more money into the area, how we help people create their own businesses, get jobs and provide better living standards for themselves.' Ultimately, he says, the intention is for loan income to cover overheads, with any surplus put back into the community. The target for 2002 is to lend up to £400,000 in total to 400 individuals. Money Line then plans to make 1000 loans a year to clients in other parts of Salford and to cover costs by 2005.

Money Line is not just involving local people as customers: its board is also made up of locals. Board members include three local residents from Seedley and Langworthy, plus representatives from a firm of local solicitors, the city council, local housing

the company

One of the UK's largest high street banks, Barclays employs around 75,000 people in some 60 countries and has more than 15 million customers. Last year it made profits of £3.5 billion before tax on operating income of £9.6bn. It:

- published its first social report in November 1999
- has written off £1.4bn of debt owed by developing countries
- offers unsecured loans of up to £5000 through the Prince's Trust charity to help young unemployed people in the UK start a business
- was a founding member of the Cares Incorporated programme, which encourages UK companies to release staff for community work
- was one of the first financial institutions to agree to support the UK's Universal Bank, which will provide basic banking services for the financially excluded
- in response to the recommendation of the Social Investment Taskforce, Barclays was the first UK bank to disclose its activities in under-invested communities.

the background One in 10 UK households have no bank or building society account, according to the UK government's policy action team on financial exclusion. More than three million households owe money to door-to-door lenders.

associations, and the Single Regeneration Budget partnership working to revive the area.

Community involvement has produced clear benefits for Barclays' reputation in the Salford and Manchester area. 'There are people who say "what's in it for them?"', but others have said, "Barclays are having the guts to do this – let's give them credit"', says Unsted. 'For a lot of people it's their first contact with the bank, and it's a favourable one.'

Unsted warns other businesses considering such ventures that partnership projects are not easy to pull together, but is adamant they will only work if all parties are on board. 'The partnership approach is our bedrock. This is public and private sector, local and national government, local businesses, university and local residents, all involved. It's not just an example of how you get people credit. It's an example of how to get a partnership together.'

■ Further information: Salford Money Line on +44 (0) 161 832 3033 or Rachael Barber at Barclays on +44(0) 20 7977 3627



comment **BARCLAYS BANK**

This case centres on a large business's relationships with the community. Barclays wanted to learn about the large number of people in parts of Salford with no bank account. The deprived local community wanted access to reasonably priced loans. Local, national and international programmes to help poor areas joined the venture. Barclays provided some cash and the know-how; others saw their grants begin to change attitudes and lives.

Features about Barclay's Money Line plan that impress are:

- A company's willingness to provide seed money can leverage significant sums to help socially deprived people
- The realistic expectations about the venture working out in reasonable time
- The make-up of the board, which engenders trust in the area
- An equal partnership approach, used in other countries to include the excluded. Though public corporations are responsible to shareholders for the use of their money, the disposition of funds for schemes like this can be justified if the bank's reputation and its increased knowledge about small-scale banking are both enhanced.

SIMON WEBLEY, INSTITUTE OF BUSINESS ETHICS