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Financial inclusion, migration and digital interventions in the UK

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Osservatorio Nazionale
sull'Inclusione Finanziaria
dei Migranti

L'Osservatorio Nazionale sull'Inclusione Finanziaria dei Migranti costituisce un'esperienza unica in Italia e in Europa, che offre un'analisi e un monitoraggio costante e organico del fenomeno dell'inclusione finanziaria dei cittadini immigrati nel nostro Paese, quale condizione necessaria per favorire il processo di integrazione, fornendo ad operatori e istituzioni strumenti di conoscenza e di interazione che consentano di individuare e definire strategie integrate per il suo rafforzamento e ampliamento. Il Progetto, finanziato dalla Commissione Europea e dal Ministero dell'Interno (Fondo Asilo, Migrazione e Integrazione) è stato assegnato, sulla base di una gara pubblica, al CeSPI (Centro Studi di Politica Internazionale).
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1. Introduction

Financial inclusion has risen up the global development agenda and is recognised as being key to poverty alleviation, economic development and the realisation of the Sustainable Development Goals (CPMI, 2016, Demirguc-Kunt et al.; 2014; Klapper et al., 2016; World Bank, 2014). While levels of financial inclusion vary significantly across rich and poor nations, universal access to financial services remains a challenge even in advanced financialised economies such as the UK. Here, recent reports note that just under 2 million adults are unbanked, 8.8 million are over-indebted, 13 million people do not have sufficient savings to cover their monthly expenses if their wages were to decline by 25% and 50% of households in the lower half of the income distribution do not have home contents insurance (FIC, 2015).

Migrant experiences of financial ex/inclusion have attracted some attention in recent years (Atkinson, 2006; Datta, 2012; Mitton, 2008). This can be attributed to a range of reasons including, inter alia, the growing significance of migration as well as the incidence of financial exclusion among this population. Taking these in turn, 13.5% of the UK population is identified as foreign born, and a further 8.9% as foreign citizens (Vargas-Silva and Rienzo, 2016). Further, the incidence of financial exclusion among migrant communities is relatively high. In the UK for example, banking exclusion is reported at 13% of migrants versus 3% for the total UK population (Datta, 2012; FITF, 2010). While part of the drive to address financial exclusion among migrants is undoubtedly shaped by the fact that these communities represent a market opportunity for the financial services industry, it is also recognised that migrant integration and well-being in host countries is increasingly dependent upon financial access as well as broader socio-economic and political factors (Datta, 2012).

Set within this context, this review is arranged in three parts. The first section focuses on financial inclusion programmes, institutional arrangements and financial services available in the UK. In the second section, the report documents migration to the UK and the impact of financial inclusion initiatives on migrant populations. The third and final section focuses specifically on *digital* financial inclusion which is positioned as offering innovative opportunities for addressing persistent exclusion, exploring these among Brazilian migrants in London. The report is based upon primary research undertaken by the author complemented by a review of cross disciplinary academic and grey literatures.

2 An overview of financial inclusion in the UK

Beginning with a definition of financial inclusion in the UK, this section identifies key stakeholders, financial products and services in turn.

2.1 Defining financial inclusion

Public policy understandings of financial inclusion in the UK have shifted over time from an initial focus on the supply of financial services to demand side factors which shape how financial services are accessed and used (see *Box 3*; also Datta, 2012).

Box 1 – Defining Financial Inclusion

Financial inclusion in the UK is understood as comprising of three key components:

I. Access to appropriate and well-regulated financial services: "'Financial inclusion' means that individuals, regardless of their background or income, have access to useful and affordable financial products and services…This definition is supply-focused and captures banking, insurance, pensions and savings products, credit, transactions and payment systems, and the use of financial technology." (Department of Works and Pension (DWP), 2017: 4).

II. Access to free and appropriate financial advice and education: "'Financial capability' means that people have the ability to manage their money well, and therefore captures people's ability to use, and maximise their use of, products made available by the financial services industry. Government policy regarding 'financial capability' is therefore consumer centred and focuses on guidance and advice services that help individuals to manage their finances, financial literacy among young people, and attitudes and motivations concerning budgeting and saving." (DWP, 2017: 4).

III. A secure income which meets Minimum Income Standards understood as covering "more than just food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society." (Rowlingson and McKay, 2016: 7).

Sources: DWP, 2017; Rowlingson and McKay, 2016.

Three points are worth further elaboration here in relation to this definition of financial inclusion:

- Access remains a focal point of public policy attention. While earlier studies distinguished between 'no access', 'inappropriate access'[1] and 'full access' (Gloukoviezoff, 2006), more recent work has sought to highlight key barriers which limit access. The FCA (2016) suggests a typology identified as: (a) 'the void' which refers to physical and digital barriers to access; (b) 'the maze' relating to complicated bureaucratic procedures and (c) 'the fog' which refers to a lack of transparent and simple information which hampers understanding. These barriers are shaped by an evolving financial landscape including digital transformation (particularly in relation to banking); shifting compliance and crime prevention; segmented insurance markets, automated processes in the credit market as well as the (unmet) credit needs of an ageing population (FCA, 2016).
- The importance of a secure income for financial inclusion has been identified in more recent years. This is significant in the aftermath of the financial crash and ensuing recession in which individual and household incomes have been eroded and household debt has soared. As Rowlingson and Mckay (2017) argue, access to, and more critically usage of financial services, is crucially dependent upon a secure income.
- The role of financial technology is acknowledged such that digital access is recognised as playing a significant role in shaping access to, and usage of, financial services.

2.2 Key UK Financial Inclusion Stakeholders

A number of stakeholders are active in the financial inclusion arena including the national and devolved governments, local authorities, voluntary third sector organisations and the financial services industry which have collaborated to offer a range of delivery mechanisms, including direct provision, community partnership and limited ad hoc partnerships (FIC, 2015; Wallace and Quilgars, 2005).[2]

UK Government

Successive UK Governments commitment to promoting financial inclusion has varied over the past twenty years. While financial inclusion entered the realm of UK public policy following the New Labour electoral victory in 1997, and the Blair/Brown governments (1997-2010) were credited for engaging in "strong government action" incorporating elements of "coercion" and "moral persuasion" in furthering their financial inclusion agenda (Carbo et al., 2007: 23), this focus slipped somewhat under subsequent Coalition (2010-2015) and Conservative (2015-present) regimes (see Datta, 2012). As such, government leadership arguably flagged in the crisis years of the financial recession when a growing number of households were exposed to economic precarity, rising unemployment and insecure employment, reduced and/or stagnating wages and rising living costs (Appleyard, 2015).[3]

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[1] 'Inappropriate access' refers to the misselling of products to individuals which are unsuited to their needs and/or who do not understand all the intricacies of the products that they have acquired.

[2] Examples include collaborations between the Treasury and the Bank of England in conjunction with the umbrella organisation of Community Development Financial Institutions to look into credit for entrepreneurs, and the partnership between the UK Treasury and Halifax Bank to pilot Savings Gateway accounts (Wallace and Quilgar 2005).

[3] The Coalition Government arguably exacerbated household precarity by seeking to reduce the public debt through austerity measures which partly entailed the introduction of Universal Credit in a bid of 'simplify' the benefit system and push individuals back into employment. The resultant squeeze on households had significant ramifications for financial inclusion.

From this period of relative obscurity, a renewed public policy commitment to promoting financial inclusion has been evidenced more recently. This is illustrated by the formation of the Financial Inclusion Commission (see *Box 4*) in 2015, a House of Lords Select Committee on Financial Inclusion charged with the responsibility of 'considering financial exclusion and access to mainstream financial services' in May 2016 and the appointment of the first Minister for Pensions and Financial Inclusion in June 2017.

Key government departments tasked with providing leadership/delivering on financial inclusion are the Treasury, the department responsible for the financial services industry and the sponsor department for the industry regulator, the Financial Conduct Authority (FCA, see Section 2.2.2 below). With specific regards to financial capability, the Treasury and FCA work alongside the (i) Department of Works and Pension (DWP) which provides services to improve the capability of welfare claimants and will be the lead department responsible for the planned Single Financial Guidance Body; (ii) the Department for Education responsible for financial education in schools and (iii) the Department for Communities and Local Government which has oversight of guidance and advice services provided by local authorities.

The Financial Services Industry

The UK financial sector is recognised as world leading with London positioned as a key financial node in the global economy. With an estimated two million people working in financial services, it is also a leading UK industry. The Financial Conduct Authority is the industry regulator. Set up in 2013, it took over from the Financial Services Authority, with the specific remit of regulating the conduct of financial services in the UK. Its mission is to protect customers, enhance the integrity of the UK financial system and promote competition in the interests of consumers. It is estimated to regulate over 56 000 firms.

In relation to financial inclusion, while it is agreed that the financial services industry has been very successful in creating and sustaining wealthy niche markets, it has been slower in developing products and services to meet the needs of excluded groups. Prompted by the government to adopt a more proactive stance, banks have established dedicated financial inclusion teams. Section 2.3 below highlights key financial products offered by banks.

Third Sector Initiatives

In turn, the involvement of third sector organisations has also been important. Comprising of a diverse range of organisations, including most prominently Toynbee Hall, Citizens Advice and Housing Associations, a range of programmes have been developed to tackle financial exclusion in deprived communities. As an example, Toynbee Hall has over fifteen years of experience working on the provision of financial inclusion services. Based in Tower Hamlets, this has included the establishment of a national forum for financial inclusion (TRANSACT), providing financial inclusion training and consultancy services; the creation of a web-based tool, MAP, to support organisations to assess need and track impact of financial advice on inclusive services and support as well as its Money Mentors Programme which seeks to create a financially inclusive borough.

Box 2: The Financial Inclusion Taskforce and the Financial Inclusion Commission

Government, industry, third sector, local government and customer advocacy groups have come together to form two overarching bodies, the Financial Inclusion Taskforce (2004-2011) and the Financial Inclusion Commission (2015 to present), to drive UK financial inclusion initiatives.

The Financial Inclusion Taskforce (FITF), an independent and cross cutting body was set up in 2005. Created to advise the Treasury, the mission of the FITF was to prioritise banking inclusion, improve access to credit, savings, insurance and appropriate money advice, as well as monitor and coordinate the government's progress in reaching its goals. Initially commissioned for a period of four years, its term was extended to 2011. FITF was able to draw upon the Government's Financial Inclusion Growth Fund to pump prime financial inclusion initiatives. Set at £120 million in 2004, a further £130 million was allocated to this fund for the FITF's second term. The role of the FITF in providing a focal point for public initiatives to further financial inclusion in the UK was significant. Both the FITF and the Financial Inclusion Fund came to an end in March 2011.

In a bid to raise the profile of financial inclusion in the run up to the 2015 election, a non-partisan cross-party commission, the Financial Inclusion Commission (FIC), was established. Supported by Mastercard, some of the members of the FIC previously served on the FITF. Its key output, the Financial Inclusion: Improving the financial health of the nation report was published in 2015 in which it argued for a stronger government lead and role in promoting financial inclusion, advocating for a national financial inclusion strategy. While it lacks the resources of the FITF, the FIC continues to work with policy makers and wider stakeholders including industry, regulators and third sector to devise deliverable policy proposals.

Sources: Datta, 2012; Rowlingson and McKay, 2016.

2.3 Financial products and services

Moving on, this section details banking, savings, credit, pensions, insurance and financial advice and capability products and services available in the UK.

Banking products and services

Banking inclusion has long been identified as the "bedrock of financial inclusion" (Collard, 2007: 14),[4] with widespread consensus that it enables individuals to manage their day to day financial transactions. In 2003, a joint FITF, banking sector and the Post Office initiative sought to address banking exclusion through the introduction of a basic money management products: a basic bank account (BBA) and Post Office Card Account (POCA). The BBA enabled income to be paid in by automated credit transfer, cheques and cash; cash withdrawal at convenient access points and direct debit payments. Further, customers would not be charged for everyday account usage or entail any risk of unauthorized overdrafts (FITF, 2010). In turn, POCAs served as a delivery mechanism for pension and welfare payments and had limited functionality restricted to a swipe card which enabled cash withdrawal over post office counters (Reagan and Paxton 2003). Banks contributed £180 million to the cost of developing and running the POCA while also providing access to BBAs at Post Office counters (FITF, 2010).

There is some evidence that these initiatives were successful in addressing banking exclusion. A review undertaken by the FITF (2010) reported that over 3 million new accounts had opened since April 2003 of which 2.4 million were accessed via Post Offices while the remainder are provided by 17 major retail banks in the UK.[5] However, despite evidence of a (more or less) steady decline in the number of adults living without access to a bank account from a high of 4.38 million (equating to 8% of the total population) in 2002-03 to 1.52 million by 2015-16, it is evident that progress towards banking inclusion has stalled in the last 4-5 years (Rowlingson and McKay, 2017: 21).

Table 1- Banking inclusion, 2002-03 to 2015-16

Year	*Adults without current or basic bank account (including 'did not state')*	*Adults living in households without access to a current, basic or savings account (including 'did not state')*	*Adults living in households without access to current, basic or savings account – positively affirmed no account*
2015-16	1.52m	0.88m	0.71m
2014-15	1.64m	0.89m	0.64m
2013-14	1.71m	1.02m	0.73m
2012-13	1.50m	1.00m	0.66m

[4] The prioritisation of banking inclusion in the UK is attributable to the fact that bank accounts are identified as a 'gateway' financial product facilitating access to formal credit, saving, insurance and investment products. In turn, a public policy ambition to channel a growing volume of payments – wages, benefits, pensions – directly into bank accounts has driven universal banking initiatives (Carbo et al., 2007).

[5] The inclusion of POCA account holders in estimates of banked populations is debateable given the particularly limited functionality of these accounts.

Criticisms of the BBAs include: (i) failure by retail banks to market BBAs widely partly due to their unprofitability (FITF, 2010). (ii) Considerable variance across banks, and bank branches, in the criteria used to open accounts[6] (Datta, 2012; FITF, 2010). (iii) Imposition of penalty charges for failed direct debit payments by some banks or a fee to use ATMs.[7] (iv) Failure of BBAs to serve as a conduit to 'Citizen Banking Products' including savings, credit and mortgages such that a FITF report of 2010 suggested that a significant number of individuals and households continued to manage their everyday living costs in cash due to a perceived lack of transparency and flexibility in the banking system and the ever-present threat of bank charges.

2011-12	1.87m	1.37m	0.70m
2010-11	1.97m	1.51m	0.77m
2009-10	2.36m	1.78m	0.87m
2008-09	2.54m	1.85m	0.87m
2007-08	2.71m	1.85m	0.89m
2006-07	3.00m	2.09m	1.01m
2005-06	2.85m	1.97m	1.00m
**			
2002-03	4.38m	2.83m	2.02m

*** Figures not available for 2003-04 and 2004-05. In those years the Family Resources Survey did not distinguish between BBAs and POCAs which have generally not been counted as a relevant account in past monitoring figures.*
Source: Rowlingson and McKay, 2017: 18.

In a bid to address these failings, and to comply with the EU Payments Account Directive passed in September 2014 which established a right to a BBA without prejudice based on nationality, place of residence race, age, sexual orientation and disability, the UK Treasury undertook a review of BBAs in 2015. Subsequently, a revised BBA agreement has been introduced whereby 9 banks (which collectively provide 90% of all accounts) agreed to introduce new 'fee-free' BBAs, made available from January 2016, thus redressing one of the most serious access barriers to these accounts. However, despite this, concerns remain that (i) banks might continue to 'under-sell' these accounts; (ii) following Brexit, the UK is no longer held by the EU's directive to offer BBAs; (iii) bank branch closures (10% of bank branches closed in 2015-16) will adversely impact upon financial inclusion among groups who also suffer from the digital divide and (iv) continued customer aversion due to lack of bank transparency particularly regarding overdraft charges (Rowlingson and McKay, 2017).

Savings levels and products

Savings are a cornerstone of financial inclusion policies. In part, this is attributable to the fact that savings are key in enabling households to meet one-off expenses (both anticipated and unanticipated) without leading to an erosion of assets, managing a decline in income without recourse to debt, as well potentially capitalising on investment opportunities (Rowlingson and McKay, 2017). Furthermore, the expectation in financialised societies that individuals and households will assume greater responsibility for securing their immediate and long-term futures has led to public policy interest in inculcating savings behaviour while providing savings products (Datta, 2012).

Notwithstanding this, a significant 'savings-gap' is noted in the UK. For example, in the early 2000s, a quarter of all households had no savings at all, while half had savings of less than £1500. In addition, close to ten million people were reported as either not saving at all or not saving enough for their retirement (Collard and McKay, 2006). More recently, in 2013-14, just under half (45.6%) of households had less than £1500 in savings, while 27.5% had between £1500 and £20 000 (Rowlingson and McKay, 2017). Research highlights a range of barriers to save, including a mismatch between financially excluded households' savings patterns, formal savings products, bank branch closures in deprived areas, minimum savings thresholds and a lack of tax relief. Particularly evident in the context of the last ten years of financial recession and the pursuit of austerity policies in the UK, is an inability to save due to rising living costs and stagnating or declining wages as well as a lack of incentive to save due to very low interest rates.

Among a range of savings products, three key initiatives to incentivise savings were created in the early 2000s: Individual Savings Accounts (ISAs), the Child Trust Fund (CTF) and the Savings Gateway. Both the CTF

[6] Despite guidance from the FSA that identification procedures could be relaxed, high street banks interpreted this differently resulting in considerable uncertainty among both bank staff as well as customers. For example, Citizens Advice reported that potential BBA customers were refused accounts due to poor credit scores despite the fact that these accounts do not support credit facilities (Herbert and Road, 2006).
[7] With an average penalty of £140 per annum, these were most evident in the poorest households and resulted in a high rate of account failures (FITF, 2010; Herbert and Road, 2006).

and the Savings Gateway were designed to address inter- and intra-generational inequality in the ownership of assets. The CTF sought to ensure that all children reached adulthood with a financial asset which would help them improve their life chances (Paxton, 2009), while the Savings Gateway sought to encourage low income working age adults to save in a government matched saving scheme (Harvey et al., 2007). With mixed assessments of the success of both schemes, concerns that they were aggravating inequalities between rich and poor households and a tightening fiscal context, both initiatives came to an end in 2010 (Ben-Galim, 2011).

ISAs, which are tax-free savings accounts, continue to be offered by banks, building societies, credit unions, friendly societies and stock brokers. The threshold for adult ISAs in 2017-18 is £20 000 with savers offered a choice of Cash, Stocks and Shares, Innovative Finance (entailing peer to peer lending and crowd funding), Help to Buy (designed to aid young people build a deposit for a mortgage), and Lifetime ISAs (topped up by a state bonus). In turn, Junior ISAs - positioned as a more "cost-effective replacement for the CTF" - were introduced in January 2011 (Ben-Galim, 2011: 13). Parents/carers can invest up to £4128 tax free with government contributions reserved only for children in care. However, there is some consensus that as savings products, ISAs favour middle to high income households – and indeed those on the highest incomes who pay the highest amount of tax – disproportionately (Appleyard, 2015).

Borrowing

Moving on to consider public policy interventions relating to the provision of affordable credit, it is important to recognise the distinctions between credit, debt and over-indebtedness. There is a consensus that access to credit, particularly for poorer households, is positive playing a significant role in smoothing consumption, enabling people to meet their emergency needs as well as acquire assets (Cox et al., 2011; Rowlingson and McKay, 2017).[8] However, those who are excluded from affordable/mainstream credit are forced to revert to regulated and unregulated sub-prime credit, with growing alarm about the prevalence, precariousness and rising levels of indebtedness and particularly over-indebtedness (Henry et al., 2017). The FIC (2015) reports that an estimated nine million people in the UK do not have access to mainstream credit, either because they are unbanked or because they are not able to access credit facilities through their bank. The number of individuals who are over-indebted ranges from 2.9 million-8.8 million.

In this context, public policy responses have coalesced, inter-alia, around increasing access to affordable credit and addressing the worst excesses of the sub-prime credit industry.[9] It is evident that a full range of barriers (void, maze and fog) curtail access to, and usage of, affordable credit. While concerns about the reliance of the financially excluded upon sub-prime credit were evident pre-financial crisis, they have particularly escalated in recent times. The payday lending market has grown from £330 million in 2006 to £3.7 billion in 2012 (Pew Charitable Trusts, 2012). Amidst heightened public concern about predatory lending practices, the UK Parliament mandated the FCA to impose a cap on high cost short term credit which seeks to limit the cost of credit for consumers to twice the value of the loan (FIC, 2015). While this move has been welcomed by many, it is also the case that these measures exclude other forms of subprime credit including doorstep lending, credit cards and overdrafts.

These measures have been matched by policies which seek to increase the availability, capacity and sustainability of alternative not-for profit lenders via support for Credit Unions (see *Box 5*) and Community Development Finance Institutions (CDFIs) (Appleyard, 2011). As Wright (2013: 3) explains "the community finance sector is made up of not-for-profit institutions which lend primarily on the basis of social gains. They exist to improve the financial welfare of their clients and the overall health of the local economy".

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[8] It is important to recognise that the dependency on borrowing to meet the costs of everyday living is shaped by stagnating and/or declining wages and income and dropping savings rates.

[9] The UK is recognised as having a highly diverse sub-prime credit market including regulated and unregulated credit providers such as home credit companies, pay day lenders, sale and buy back shops, mail order catalogues, rental purchase outlets, pawnshops and money lenders (Cox et al., 2011).

Box 3: Credit Union Expansion and Modernisation in the UK

Credit Unions (CUs) are membership based not-for-profit cooperatives. The UK sector has existed for some 25 years with commentators noting that CU have connections with other long established mutual self-help organisations such as provident societies (Wright, 2013). Given their origins, CUs are associated with promoting thrift in local communities and identified as 'ethical lenders' serving a "specific group of people or region (or both) by sourcing funds - in the form of member deposits and savings – from the community to lend to other members, reinvesting inactive money in the same community" (Wright, 2013: 3). The Association of British Credit Unions (2018) reports that in the year ending 2017, there are 305 CUs in England, Scotland and Wales with over 1.29 million members. The sector has assets worth £1.5 billion, loans amounting to £803 million, deposits of £1.25 billion and an annual turn-over of £113 million.

CUs remit is three-fold: to provide low interest loans, to encourage people to save and to offer financial advice. Average loan interest rates are 1% per month with maximum interest rates capped at 3% (or 42.6% APR). In turn, CUs have been at the forefront of offering innovative financial products like jam jar budgeting accounts and cash savings deposit accounts. The former are designed to facilitate money management through allowing customers to split their account balance into jam jars dedicated to spending, saving and bill payment.

In 2011, the DWP commissioned research into the modernisation and expansion of the CU sector in recognition of an unmet demand for affordable credit which banks were unlikely to fulfil without being mandated, low levels of CU membership, poor financial sustainability within this sector and issues with internal management. In 2013, the Association of British Credit Unions Council was awarded a contract of £38 million to undertake the task of ensuring CUs were financially self- suf-ficient (having hitherto been dependent upon grant income from the DWP, local authorities and social landlords) and to grow their membership. It is estimated that CU membership has expanded particularly in the years of recession although the targets remain to be met.

This initiative was given further impetus with the formation of the Archbishop of Canterbury's Task Group on Responsible Credit and Savings in 2014. Created in response to the excesses of predatory payday lending, the Taskforce raised awareness of CU among its membership partly through a dedicated website, launched the Churches Mutual Credit Union for church employees and initiated the Church's Credit Champions Network which aims to recruit over 3000 new CU members in the London, Southwark and Liverpool dioceses.

Reform is also underway to modernise the CU sector through the introduction of digital technolo-gies. Organised through the Model Credit Union initiative, this was halted in 2017 due to techno-logical issues with only 3 of 35 CUs which had signed up for this launching mobile banking apps.

Sources: DWP, 2011, 2013; ABCUL 2018, Wright, 2013.

CDFIs are organisations which lend to individuals, social enterprises and business, emerging in response to the socio-spatial withdrawal of banks and decline in affordable credit (Appleyard, 2011). Perceived as being part of a more "socially responsive economics", the twin ambition of CDFIs is to fill finance gaps and re-circulate finance in local economies and "democratise economic involvement" through the promotion of enterprise development and regeneration of local communities (McGeehan, 2006: 85; also Appleyard, 2011). CDFIs were therefore identified as working towards a "double bottom line" comprising of both social and economic objectives linked to job preservation and creation, supporting environmentally and ethically sound businesses and affording equal opportunities to the credit excluded (Appleyard, 2011: 250). CDFIs utilise finance as a tool to leverage community development outcomes. However, despite some growth and diversification of products, the UK CDFI sector remained small, offering limited types of finance with patchy geographic coverage (Appleyard, 2011). The British Business Bank is commissioning new independent research into the sustainability of CDFIs (see *Box 5*).

Collectively, the FIC (2015) concludes that while the potential demand for community finance is about £6 billion per year, in 2013-14, CU lent £676 million and CDFIs £174 million leaving a substantial credit gap of £5 billion. However, pressures to 'scale up' and become financially sustainable may lead to weaker ties with local communities, and the watering down of social agendas as both Credit Unions and CDFIs search for more profitable customers and financial sustainability.

Pensions

In comparison to 'basic' financial services related to banking, savings and affordable credit, pensions are identified as more sophisticated products. A number of different pensions plans are available of which key are: (i) workplace pensions which comprise of defined benefit schemes (based in individuals earnings and length of time they have been a member); defined contribution pensions where contributions are invested and cash balance plans which are a combination of the two schemes above. (ii) State pensions comprise of regular payments paid by the UK government, funded through National Insurance Contributions, to people who have reached pensionable age. These are subject to a five yearly review cycle. (iii) Contract pensions are provided by various pension providers, including insurance companies, and are a contract between an individual and pension provider.

A range of pension reforms have been undertaken, partly necessitated by low levels of long term savings and rising life expectancy. Perhaps the most significant has been the Automatic Enrolment initiative rolled out in October 2012 whereby all employers are obliged to enrol their employees on pension schemes and pay into these schemes. Partly attributable to this, membership of occupational pension schemes increased significantly between 2014-2016, more than doubling from 2.7 million to 5.6 million in the private sector.

However, the amounts contributed are low and, indeed, some members are not contributing anything at all. Data from a key provider of workplace pensions, NEST, evidence that as of March 2017, out of a total of 4.6 million members only 2.7 million were actively contributing to their pension pot (Rowlingson and McKay, 2017).

Insurance

Insurance take up has declined in recent years with the proportion of working adults who had home contents insurance declining from 65% in 2008–09 to 59% in 2015-16 (Rowlingson and McKay, 2017). While this decline is partly a reflecting of tighter household budgets when household insurance might be perceived as a luxury, it is particularly marked among poorer households who might own relatively few possessions which require insurance as well as a mismatch between the insurance products on offer and their needs.

There has been some attempt to increase the proportion of households covered by home contents insurance, including involving third sector organisations and designing products more appropriate to low-income households in terms of the minimum amount that needs to be covered.

Financial capability

Financial capability – composed of financial literacy (an understanding of financial concepts) and capability (the skills and motivation to plan ahead and seek financial advice) – is an integral component of financial inclusion (see *Box 3*). Building on the 2006 FSA report on a National Strategy for Financial Capability, the UK's Financial Capability Strategy was launched in 2015. Produced by Money Advice Services in consultation with a wide range of stakeholders, the strategy identifies low levels of financial capability in relation to a range of financial products and services.

In recognition of a changing financial and technological environment, as well as the introduction of a series of wide reaching and significant welfare and pension reform, the strategy focuses its attention on four key demographics:

1. Children and young people with a view to shaping financial capability among young children.
2. Young adults identified as facing particular challenges as they transition from education to work and independent living.
3. Working age people who potentially face a range of financial shocks from redundancy to divorce at a time when they might also be starting families, buying property as well as planning for retirement.
4. Older people in retirement who have to deal with a rapidly changing pensions and care environment.

Set within a ten-year frame, the Financial Capability Strategy aims to measure progress in relation to three key dimensions: day to day money management, planning for, and managing, life events and dealing with financial difficulties.

3 Migration and financial inclusion in the UK

Turning our attention to focus on migration and migrants in the UK, this section of the report documents key migration patterns and migrant men and women's experiences of financial in/exclusion in relation to banking, savings, credit and financial advice. Where applicable it identifies key initiatives which have sought to promote financial inclusion among migrant communities.

3.1 Documenting migration to the UK

It is estimated that between 1993-2015, the foreign-born UK population doubled from 3.8 million to around 8.7 million while the number of foreign citizens increased from nearly 2 million to more than 5 million. In percentage terms, by 2015, 13.5% of UK's population was foreign-born (up from 7% in 1993) while 8.9% were foreign citizens (up from 4% in 1993). London is a particular magnet for migrants with over a third (36.8%) of all foreign-born people residing in the capital city. Foreign citizens comprise 24% of Inner London and 21% of Outer London populations (Vargas-Silva and Rienzo, 2017). The UK, and London's migrant population in particular, is identified as being 'super-diverse' in terms of ethnicity, country of origin, language, religion, migration channels and immigration status (Vertovec, 2007).

Three broad migration trends can be detected in post war UK. These are (i) the migration of people from the British Commonwealth, predominantly in response to labour market vacancies; (ii) significant European migration following the expansion of the European Union in 2004 and 2008[10] and (iii) a diversification of migrant flows. The latter two trends have occurred in tandem with a radical overhaul of the UK immigration system over the last twenty years which has entrenched differences between migrants with different pathways carrying discrete conditions of entry and entitlements to work and reside in the UK. Between 1999-2009, seven major pieces of immigration legislation were enacted with 47 changes to immigration rules occurring in the five years between 2004-2009 (Spencer, 2011). This bid to create a set of 'managed migration' policies reflects three key immigration priorities: (i) encouraging highly skilled migration to address sector specific skills shortages; (ii) clamping down on so-called 'bogus' asylum seekers, refugees and irregular migrants and (iii) encouraging European migration over and above migration from the global South (Datta, 2012).

Undoubtedly the key change in UK immigration in recent times has occurred in the aftermath of EU expansion. Prompted by labour market shortages in both highly but particularly low skilled sectors, the UK was one of only three European countries to grant immediate employment rights without work permits to A8 migrants. It is estimated that by 2009, nearly 1.5 million workers (comprising half the of the total labour immigration flow) from the A8 countries had migrated to the UK. Partly due to alarm at this 'invasion from the east', the terms of entry for A2 nationals were more constrained (Datta, 2012). Notwithstanding this, Poland is the most common country of birth among the foreign-born as well as top of the list of foreign citizens in the UK (Vargas-Silva and Rienzo, 2016). In turn, while EU migrants have been generally more dispersed outside of London, they still comprise between 9.9% and 6.8% of Inner and Outer London respectively (Vargas-Silva and Rienzo, 2016). It is clearly evident that the anti-immigrant sentiment which shaped the Brexit referendum was crucially shaped by EU in-migration to the UK, and that this migration has begun to decline in response to the decision.

Importantly, migration to the UK has also diversified beyond the Commonwealth/EU dichotomy which dominates popular discourse. Research reflects that migration from, for example, Francophone Africa as well as Latin America has not only occurred for significant periods of time but has also, in the case of the latter, increased in recent years (Evans et al., 2011; Evans and McIlwaine, 2017). Arriving in the UK for a range of reasons from seeking asylum, to study and in response to economic opportunities, the dynamics of these migrations is outlined in further detail below in relation to Brazilian migration (see Section 4).

[10] The A8 EU countries are Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. The A2 EU states are Romania and Bulgaria.

3.2 Migrants and financial inclusion initiatives in the UK

Despite some academic and policy attention to migrant communities, there has been a lack of systematic attention - particularly in recent years – on the impact of financial inclusion initiatives on migrant populations in the UK. On the basis of available studies, the following trends can be observed (Atkinson, 2006; Datta, 2012; Gibbs, 2010; Mitton, 2008).

Migrants and banking services

Banking access is a significant priority for migrants. In a study involving 310 migrants drawn from five communities in London, previous research by the author details how the majority of migrants reported that having a bank account was necessary to access the labour market as well as benefit payments (Datta, 2012). Four key findings in relation to banking were: (i) relatively high levels of bank ownership with 87% of all migrants interviewed owning a bank account.[11] While a range of accounts were identified, and a few migrants had more than one account, Polish migrants in particular had taken advantage of BBA initiatives while Somali migrants had POCAs. (ii) These relatively high levels of banking inclusion were despite significant issues with access. Of these the most important was the documentation required to open accounts. Despite clear guidance that BBAs could be opened with alternative forms of identification (see above), a number of migrants had their applications rejected primarily due to issues with the documents they were able to produce (Datta, 2012; Gibbs, 2010). (iii) Access to bank accounts does not guarantee financial inclusion which is dependent upon the depth of engagement. To this end, while the majority of migrants used ATMs, only 47% paid their utility bills through direct debit and a very small minority used internet or digital financial services. In part the preference for cash was due to low wages and income, a fear of surveillance and language difficulties. (iv) Unbanked migrants comprised 13% of the sample. Among this group, lack of access was linked to irregular immigration status and a transient population which made it difficult to verify residence well as the fact that many were recent migrants.

Within this context, there have been calls for the development of targeted and tailored financial products and services for migrant communities (Datta, 201; Gibbs, 2010). The remittance market in general has served as an important incentive for banks to engage with migrant populations. However, while there is some evidence of product innovation with global banks taking the lead in developing banking products designed for migrant clients, this is mediated by nationality and class. Both the HSBC's Passport Accounts and the NatWest's 'Welcome' accounts have specifically targeted migrants through the simplification of documentation requirements and provision of multi-lingual services while wealthier segments have benefitted from schemes such as Barclays Banks enabling migrants to initiate, and hence speed up, account opening even before they have left their home countries.

Product innovation has also not necessarily been accompanied by sufficient investment in human resources which are critical in the delivery of these products. Besides locational inconvenience and banking service hours, research particularly highlights the importance of addressing language barriers and cultural differences in relation to the development of financial services for migrant populations. Customer relations in particular have been identified as being critical in moving migrants from entry level products to more profitable higher end products such as mortgages, pensions and insurance. There are some examples of innovation with a number of high street banks expressing a particular interest in the 'Polish Pound' as evidenced by the employment of Polish speaking staff as well as training of staff to deal with the needs of Polish customers. However, a key hurdle in developing migrant specific products and services is how to scale up such initiatives which have predominantly remained confined to a handful of banks and targeted at a narrow range of migrant communities.

The requirement since January 2018 that banks and building societies carry out regular immigration checks on all their customers will potentially be a significant barrier particularly for undocumented migrants. Part of a broader 'outsourcing' of the policing of migrants and its crack down on 'illegal' migrants, the 2016 Immigration Act, requires banks to close any accounts operated by people who do not have leave to remain in the UK. This is to be done through cross checking personal details of account holders against a Home Office database of 'illegal' or 'disqualified' persons. It poses a challenge for financial institutions which have had to ensure that

[11] These figures are high in comparison to, for example, banking exclusion in the US where 35% of Ecuadorian, 64% of Salvadorans and 75% of Mexican immigrants did not have a bank account (Rhine and Green, 2006).

they have the know how to carry out these checks, while also managing regulatory or contractual risks that might arise if and when accounts are shut. Banks failure to comply with these requirements could lead to financial penalties, restrictions on deposit-taking permissions as well as criminal sanctions.

Saving practices among migrants

The proclivity of migrant groups to save is recognised. In research conducted by the author, 59% of all migrants identified themselves as savers with the majority saving less than £100 per month (33%) although this said 28% were able to save between £301-400 per month. Furthermore, in terms of this saving habits, migrants could be identified as 'dedicated savers' who ensured that they saved relatively large sums through the intensification of work as well as cutting back on consumption, while others were 'circumstantial savers' who saved as and when their low incomes permitted. Migrants reported that they saved for a variety of reasons ranging from being able to respond to emergencies to planning for investment (see Section 4 below also). Importantly, a number were also saving for others as evidenced by the fact that remittances sent to family members were funded through a mixture of wages, savings and in some cases even loans.

Importantly, migrants' usage of formal savings instruments and programmes is restricted (Gibbs, 2010). Broader research suggests Black and Asian groups are also less likely to save in mainstream saving products such as ISAs and Premium Bonds due to low incomes (Khan, 2008). Further, non-EU migrants were specifically excluded from the Savings Gateway Scheme even while those who had had children while in the UK were eligible for Child Trust Fund. This said, in research conducted by the author, while 60% of savers were accumulating their savings in current and/or savings accounts, none had a ISA or CTF. More informal mechanisms of savings – through participation in Rotating Savings and Credit Clubs – were evident in Somali and Turkish communities which entailed saving through family and friendship groups to accumulate savings (see Datta and Aznar forthcoming). The key factors explaining these trends was a preference for holding savings in accounts which could be readily accessed in times of need, a lack of awareness of banking products as well as – in the Somali and Turkish communities – a preference among some, predominantly female, migrants to utilise forms of savings which they were more familiar with.

Migrant borrowing

A similar picture emerges in relation to migrants' access to affordable formal credit which is particularly circumscribed. In previous research undertaken by the author, 47% had acquired a loan in the 12 months preceding the research. There were significant inter-community differences in relation to access to these facilities which Polish migrants suggested were freely available and Brazilian migrants struggled to access (see Section 4 also). A key obstacle in accessing formal credit relates to the thin or non-existent credit histories that migrants have. Their credit practices in their home countries do not carry forward to host countries while the lack of a bank account can further inhibit the development of a financial history here.

In turn, the need for credit arose out of an inability to cover everyday expenses, unanticipated demands for money from relatives in home countries, to repay debt acquired in order to migrate as well as in response to investment opportunities in home countries. The three key sources of credit were, in order of importance, friends and families (69%) and through banks in the form of credit cards, overdrafts and personal loans (24%). Only 2% had resorted to subprime loans.

In relation to accessing alternative credit institutions, patchy evidence suggests that new migrant populations have typically shown little interest in Credit Unions. In Northern Ireland where 70% of the population belong to Credit Unions, research highlights that new migrants have shunned these organisations (ABCUL, 2018; Bryne et al., 2007). Gibbs (2010) attributes this to a lack of understanding and knowledge of how they operate, poor English language capability and the fact that Credit Union accounts are seen as being 'too local' hence constituting a risk to migrants who only intend to stay in Northern Ireland for a short period of time. If the focus shifts from migrant to Black and Minority Ethnic populations, then there is evidence supporting that Credit Union membership was relatively popular among first generation African Caribbean communities but has declined among second and third generation descendants. In turn, some of the more successful Credit Unions are located in ethnically diverse areas including the Tower Hamlets Credit Union in East London which was rebranded as the London Community Credit Union in 2010. It has 15 000 members and 5 branches

CDFIs such as Fair Finance in East London and Oakham in South London have taken a lead in interacting with ethnic communities with potential impact on migrants (see *Box 6*).

Box 4: Fair Finance: A Community Finance Organisation

Formed in 2005, Fair Finance has three key programmes designed to (i) help bank unbanked individuals; (ii) give loans to small businesses and individuals and (iii) offer debt and financial capability advice. Heavily influenced by microfinance ideals, it has worked with public, commercial and charitable partners. Its founder has been awarded an OBE, and the organisation itself is highly regarded winning the 2014 Alternative Lender of the Year award. Founded in East London, it has since spread its operations across London through initiatives like the Dedicated Fair Business Loans programme in 2013 and a dedicated charity to offer debt and money management advice in 2011. These successes have built upon previous initiatives such as updating clients' payment histories on Experian (a consumer credit agency) to improve their credit rating and therefore potentially accessing formal loans. In 2015, Fair Finance celebrated its 10-year anniversary noting among its key milestones the fact that it has assisted 30 000 financially excluded individuals, lent £17 million, prevented 6000 residents from being evicted and helped set up 200 small businesses.

Source: www.fairfinance.org.uk

Financial advice available to migrant communities

Research also documents a dearth of financial advice programmes specifically directed at migrants (Gibbs, 2010). Citizens Advice Belfast (2010) reported that over 70% of new migrants' clients using their services were seeking financial advice relating to the opening of bank accounts, acquiring credit, accessing debit cards and transferring money home. They recommended the development of tailored financial education programmes utilising advisors from migrant communities who would have greater awareness of the needs of new migrants as well as products and services such as welfare benefits which they are eligible for. In the absence of such services, and predominantly due to language difficulties, many migrants approach their family, friends and own migrant communities for advice which they may or may not be able to provide (Datta, 2012; Gibbs, 2010).

Even while trust plays a vital role in determining where advice and information is sourced, language specific facilities in bank branches may enhance financial literacy and capability among migrant men and women (Mahwinney, 2010). As discussed further in Section 4, language barriers continue to shape access to financial advice.

4. Digital financial inclusion as a panacea for financial exclusion?

Digital financial inclusion is defined as "digital access to, and use of, formal financial services by excluded and underserved populations" (CGAP, 2015: 1). It entails a shift away from a 'bricks and mortar' approach to promoting digital access to financial services, as well as a preference for electronic/mobile money over cash (Mader, 2016). The significance of digital innovation in addressing persistent financial exclusion in the UK is increasingly evident (also see Section 2.1 above).[12] However, despite the fact that digital solutions was popularised by initiatives like M-Pesa[13], research on migrants' digital financial practices outside of remittances remains scarce.

Table 2 - Socio-Economic Characteristics of Brazilian Migrants

	Number (%)
AGE	
18 – 29	3 (8.8)
30 – 39	9 (26.5)
40 – 49	11 (32.4)
50 – 59	9 (26.5)
60 – 69	1 (2.9)
>69	1 (2.9)
EDUCATION	
Secondary education	2 (6.1)
Graduate	10 (30.3)
Post-graduate	21 (63.6)
HOUSEHOLD COMPOSITION	
Lives alone	9 (23.1)
Conjugal partner	20 (51.3)
Children	5 (12.8)
Friends/acquaintances	4 (10.3)
OCCUPATION	
Formally employed	17 (50)
Informally employed	3 (8.8)
Self-employed	5 (14.7)
Housewife	1 (2.9)
Student	7 (20.6)
Retired	1 (2.9
WAGES (ANNUAL)	
Up to £10 000	6 (18.2)
Between £11 000 – 20 000	14 (42.4)
Between £21 000 – 30 000	6 (18.2)
Between £31 000 – 40 000	4 (12.1)
Over £41 000	3 (9.1)
HOUSEHOLD INCOME	(N = 31)
(ANNUAL)	23%
Up to £20 000	19
£21 000 – 30 000	16
£31 000 – 40 000	19
£41 000 – 50 000	23
>£51 000	

Source: Questionnaire Survey 2018.

Within this context, we now report on primary research exploring digital/financial practices among Brazilian migrants in London. Drawing upon a questionnaire survey and focus group discussion,[14] this section begins with a brief description of the socio-economic and household characteristics, and migration history, of the participants, before moving on to explore migrant men and women's understanding of financial in/exclusion and their banking, savings and credit practices. This is followed by a final section which interrogates their digital financial practices and explores the extent to which digital financial inclusion can be a panacea for financial exclusion. As the evidence gathered shows, while usage of financial technology is highly significant, research participants highlight both some reservations about digital access as well as a preference for face to face interaction in relation to specific products and financial advice.

4.1 Socio-economic characteristics and migration history of participants

Key demographics of the research participants are captured in Table 2. With 85% of participants between the ages of 30-59 years, this project reflects broader research which notes that Brazilian migrants in the UK tend to be highly educated (Evans et al., 2011). Correspondingly, 93.9% of participants held graduate or post graduate degrees. In turn, just over half of Brazilian men and women who participated in the survey had moved to London in the last ten years. This corroborates previous research which notes that while Brazilian migration to the UK dates back to the 1970, it has gathered pace in more recent times with 81% of Brazilians living in England and Wales, and 84% in London, arriving between the years 2000 to 2011.

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[12] For example, the UK government's newly published Industrial Strategy which sets out the government's plan "to create an economy that boosts productivity and earning power throughout the UK," specifically focuses on financial technology, and the potential for fintech to develop innovative products which will increase financial access

[13] M-Pesa started off as a mobile phone-based money transfer scheme in Kenya which was launched in 2007 with the support pf the largest mobile network operators in the country. Since then it has expanded its remit to allow M-Pesa allows users to deposit, withdraw, transfer money and pay for goods and services easily with a mobile device.

[14] The questionnaire gathered information on the socio-economic profile of migrants; their migration histories; digital access and usage and financial practices. The latter included face to face, on line and mobile banking practices. In total 26 women and 7 men completed the questionnaire. The focus group explored issues related to understandings, and significance of financial inclusion/exclusion; and migrants use of digital financial technologies. In total, 5 men and 4 women participated in the group discussion.

According to the 2011 Census, there are 52 000 Brazilians living in the UK, although experts believe that this is almost certainly an undercount arguing that if the undocumented population is taken into account then the UK Brazilian population is nearer to 100 000 (Evans and McIlwaine, 2017). Echoing a broader trend on on-ward migration whereby almost a third of Brazilians have an EU passport acquired either through marriage or ancestry, (Evans and McIlwaine 2017), just under a quarter of participants in this study had first migrated to Spain, Portugal, Canada or Italy where they had lived between 5 months to thirteen years before moving to the UK.

Employment profiles ranged with participants distinguishing between formal, informal and self-employment statuses. Both skilled and semi-skilled occupations were identified including cleaners, dog walkers, nannies, waiters, Portuguese teachers, administrators, teachers, directors and an NGO worker. The majority of men and women earned between £11 000 – 20 000 per annum.

4.2 Documenting the financial practices of Brazilian migrants

While migrant men and women struggled to define financial *in*clusion, highlighting instead various aspects of exclusion, after some discussion it was identified as "activity, when you are financially active," as well as "cash" and "money and wages". This corresponds to the fact that a secure and stable income is now regarded as a fundamental component of financial inclusion (see *Section 2.1* above). Importantly, within this context, almost half of the survey participants (16) reported that their wages did not cover their expenses which meant that they had to 'take on an additional job'; 'dip into their savings'; 'take a loan' or 'rely on spouse or parents for financial help.'

In turn, a range of financial products and services were identified as being crucial to financial inclusion which included savings (with one participant arguing that financial inclusion entailed "not leaving money under the mattress"), loans, investments, credit cards and remittances. The survey reflected that the top three products used were current accounts (34 people in total), savings accounts (21) and credit cards (23). In addition, a smaller number of participants had acquired a bank loan (6), mortgage (5), used bank remittance services (9), insurance (10) and investment products (4).

Banking Inclusion

Table 3 - Bank Account Ownership, by country

	In the UK	*In Brazil*	*Elsewhere*
Yes	34 (100)	21 (61.8)	7 (20.6)
No	0	13 (38.2)	27 (79.4)

Source: Questionnaire Survey 2018

All the survey and focus group participants owned bank accounts in the UK in a bank, building society or any other financial institution, with an additional number also banking transnationally though accounts held in Brazil and/or in Ireland, Portugal, Switzerland Spain, Australia and the USA (see *Table 3*). The majority of participants (31) had not encountered any difficulties when opening bank accounts suggesting that some of the barriers identified in earlier research by the author have been addressed (Datta, 2012). In turn, nearly three quarters of all participants lived in households where spouses, children and/or friends and flatmates also had bank accounts.

A number of factors explicate high levels of banking inclusion among Brazilian migrant men and women (see Datta, 2012). In this research while focus group participants initially argued that financial inclusion was not a priority for migrants, there was a consensus that banking inclusion was a necessity in the UK:

> *"Here you can't go to the GP, you can't work, one thing is linked to the next, you need to have a bank account to be able to live, without one you don't pay taxes".*

This meant that those who were likely to be excluded – for example undocumented migrants[15] – attempted to overcome such exclusion by sharing or 'borrowing' a friend's bank account (see also Datta, 2012). In addition, others "sen[t] money to Brazil. I think that 60%-80% of Brazilians here send money to Brazil. I was un-

[15] Evans et al. (2011) research estimated that one third of their sample were irregular and undocumented population with Brazilian men more likely to be irregular than women (42% compared to 34%).

documented here for five years I did all to work and save every day and send it away, that is the aim of any undocumented to earn and save as quickly as possible."

Savings products and practices

A significant proportion of the survey participants (71%) saved on a monthly basis which were deposited in savings accounts (see *Table 4*). While the motivations to save ranged from being able to cope with an emergency to wishing to invest in the future, the proclivity to save was identified as being shaped by family members and in particular mothers pointing towards gendered financial practices with women noted as being more prudent and more risk averse.

Table 4 - Saving practices among Brazilian migrants

% of monthly income saved (n)	*Where are savings kept (n)*	*Purpose for saving (n)*	*Who influences saving behaviour (n)*
Up to 1% (5)	Current account (7)	Daily needs (3)	Father (8)
1-5% (9)	Savings account (19)	Investment (8)	Mother (12)
5-10% (4)	Remit back home (3)	Emergency (19)	Grandparents (2)
10-15% (3)	Elsewhere (3)*	Other purposes (6)**	Non-Brazilian friends (2)
20-30% 1			British institutions/adverts (3)
More than 30% (3)			Other (7)

Source: Questionnaire survey 2018
** Mortgage, shares and ISA*
*** Travelling for leisure, for son/future; property and pension; retirement*

Importantly, migration and saving were seen as being positively correlated with focus group participants concurring that they began to save in earnest after they arrived in London. This connects with wider research which evidences key financial and economic motivations to migrate (Datta and Aznar, forthcoming). Perhaps contradictorily, some focus group participants argued that they were forced to save in London because:

> *"Being here, somehow, forces you to have control, because you are on your own, you have to have control, to put money aside, because say, if you don't have money to pay for your rent tomorrow, to ask your family in Brazil to send it, for them it is four times worse".*

However, others argued that it was easier to save in London precisely because "here you don't have family or many friends, so it seems like a solution [for saving], but when you go to Brazil, they finish you off!".

Credit/Debt

Over half of those who completed the survey (59%) were in debt which ranged from over £20 000 (4 participants) to under £1000 (3). The majority of participants were between £2-5000 in debt (4). Despite being in debt, only 5 people reported having acquired loans in the twelve months preceding the interview, borrowing from friends (2), banks (2), pay day lenders (1) and family (1).

Three key issues were identified in relation to credit/debt in the focus group discussion. First, participants agreed that a credit culture was more pervasive in Brazil than in the UK. They noted that they "used credit cards a lot more" in Brazil which they attributed to "[you] are just pushing your debt, something Brazilian, to be always owing money." Paying for goods in 'instalments', they said, was a common practice. Second, interest rates in the UK were significantly lower in comparison to Brazil leading one participant to conclude that "You have a certain margin of financial tranquillity, you get a loan and you know that it is 3% interest per year, a lot lower, a lot!". Third, migrants felt that their access to bank loans was restricted due to their real or perceived immigration status (see also Datta, 2012). One participant argued that:

> *"There are so many migrants who work and save money but are totally excluded. And I have a bank account, but I feel totally excluded ... I went to ask for a loan, with very low interest rates, I went to Barclays. When I asked for it, and because I was renewing my student visa, which I didn't have yet, they said ... they sent a letter last September saying that the Home Office now forces them to check [it] immigration status ... and if it was not OK [had a visa] they would summarily close down my account ... I went there last week to sort this all out. I felt horrible!".*

Besides illustrating restricted access to bank credit facilities, this participant's experience also highlights the implementation of the Home Office requirement that banks carry out immigration status checks.

Financial advice and information

Migrant men and women reported different experiences of accessing financial advice and information. While some argued that this was freely available, others identified barriers in relation to both language and cultural difference. To this end, while one focus group discussant argued that there was a "language barrier, the better English you speak, the more access you'll have to information," another retorted that:

> *"Yes, language is a barrier, but culture is the main barrier. They don't want you to know, that is their way. You can speak as good English as you want, but some of the cultures within the bank, they are not going to do the work for you. The culture is like, 'It is up to you to ask, we don't have to tell you!' Which is the opposite in Brazil, there the person will explain it to you, here if you don't ask, they won't tell you".*

They also criticised the tendency to refer people to on-line resources even when they enquired in person (see below).

4.3 Digital financial practices of Brazilian migrants

All the research participants were digitally connected with access to home internet connections which was accessed via mobile phones (only one survey participant did not have a mobile phone) and/or a laptop, tablet or computer (all but three participants had one of these). In turn, the cost of being connected to the internet varied from up to £20 a month to more than £51. 94% of participants reported that they were always connected to the internet. A range of apps and social media were used as highlighted in *Table 5*.

Table 5 -App and social media usage by Brazilian migrants

App or social media used	Number (%)
Whatsapp	33
Facebook	30
Twitter	9
Instagram	8
Email	5
Linkedn	2
Pinterest	2
Other	13

Source: Questionnaire Survey 2018.

With regards to digital *financial* practices, the survey explored Brazilian migrants use of on-line and mobile banking services. A ranking of how Brazilian men and women banked in the UK highlighted that 21 participants (63.7%) used online banking, 11 (33.3%) used mobile banking while only 1 participant used only bank branching. Similarly, among focus group participants, 4 used online banking and 4 mobile banking, with 2 among these using both. Only one participant did not use either. Moreover, over a third of the survey participants reported that the quality of digital services influenced their decision on which bank to open their account in.[16] The cost of using digital banking services in the UK varied with the majority of respondents not charged (26 in total), while the rest paid between £5-10 per month. This said one respondent reported paying between £20-30 per month.

Types of financial services accessed digitally

A range of digital financial services were used by both on-line and mobile banking users. These included checking account balances (29% and 30% respectively), paying bills (29% and 21%) and transferring money between accounts (26% and 19%). Mobile banking users also reported using apps to make payments (24%), to apply for loans (4%) and access financial advice (1%). Both on-line, and particularly mobile banking, were used regularly on a daily and weekly basis. In response to a question asking if they preferred mobile to online banking, 58% replied affirmatively on the grounds that the former was faster, safer, easier and convenient. For those who disagreed, on-line banking was identified as offering a 'more complete menu on internet banking' as well as being "more secure than via an app" because it was password protected.

[16] In this context, quality was defined in relation to customer facing software focusing on reliability and consistency.

The pervasiveness of digital financial practices was further illustrated by the fact that 35.3% of the participants also used digital means to manage their accounts held elsewhere (in Brazil or another country) with only 15% relying on their families to do their banking services. However, during the focus group discussion, it was evident that participants felt more at ease using on-line and/or mobile banking to purchase goods and services in the UK in comparison to Brazil. In a debate dominated by disclosing the 3-digit security pin at the back of a credit card, one participant recounted how when asked to give this information to book a hotel in São Paulo, he thought: "well, you can buy a car with the card, so I told them 'I am not going to give you these numbers, are you mad?" His compatriot went on to say that while "I had this fear [giving the three-digit code] in Brazil, here I don't. When I arrived here I was very scared to give this info on the phone, because we have this concern that they will steal it, that there will be fraud. But here, it is OK." Despite the opinion of one that the Russian mafia was operating in the UK, participants agreed that if they were some unauthorised charges then banks acted quickly to rectify these.

> *"When I had an unauthorised charge, I was refunded by the bank straight away, so any type of fraud that happens here is much easier to report, there is more security than in Brazil. I feel much safer making transactions here than I felt in Brazil. But that is my experience, maybe if somebody has been hard done [in the UK] will not feel safe".*

However, digital use was not perceived as being risk free in the UK either by some participants who noted issues related to viruses, hackers, fraud and so on.

Motivations for using digital services

The consensus among focus group participants was that the shift to digital financial services was part and parcel of a broader 'automation' of daily life. The majority adopted online and/or mobile banking due to convenience with speed/time saving, 24-hour access and practicality/ease of use featuring prominently in both the questionnaire survey and focus group discussion. As one participant said:

> *"I use it because it is convenient, I can use it everywhere, it is practical, it is fast, and faster than the internet, I have the app too. I only go to the bank to withdraw money, and I do a lot through my mobile. I buy books, I buy tickets on the tube".*

Mobile banking in particular also meant that a closer eye could be kept on personal finance as "on my mobile, I open my app all the time and I see exactly what is happening in my account, what money has left my account, what goes in" (focus group discussant). Similarly, another participant noted that: "I think I have a better control, yes. I have more access, every day I can check what had gone into my account, what the balance is, what my payments are, I have things more under control." Mobile banking was also used in cases of emergency.

Interestingly, research participants also reported that they had been nudged to use digital services by the banks with one discussant arguing that "The bank itself has stimulated this, it began to send info and adverts'". Indeed, much to the amusement of some participants: 'I tried to open a bank account and when I went to the bank, when I got they told me 'You can open it online', they told me open it online'. It was funny, you have the customer service person there to do the job, and they tell you to go and open it online.' Importantly this also applied to financial advice whereby one focus group discussant told us that:

> *"You go to the bank and then they'll tell you 'Do it on the internet'. So, I am asking him, he says 'Go to the internet', but 'I am here, you fool'! In Brazil, they'll open all leaflets, 'This is like this and that', you can ask 'What do you suggest?', and they do make suggestions. You ask the English chap 'What do you suggest?' and he'll tell you 'Check it on the internet, we have several options".*

In turn, on-line banking usage could lead to the adoption of mobile banking practices as once people went on-line, they received information about bank mobile banking apps. The ubiquity of mobile phones – and in particular smart phones (see above) – also meant that most people were able to access these apps.

Enduring importance of bank branches

Despite the ubiquity of digital financial use, bank branches were identified as being important by survey participants with 67.6% reporting that they still visited their bank branches despite using online and/or mobile banking. In their opinion a range of financial services were better provided through face to face services. However, it is important to bear in mind that these visits were often quite spaced out with the majority of migrants visiting their banks less than once every two months.

Table 6 Services which are provided better by banks

Services	*Number (%)*
Current account services/queries	14 (35.9%)
Credit card services/queries	3 (7.7%)
Loan services/queries	4 (10.3%)
Mortgage services/queries	4 (10.3%)
Investment services/queries	2 (5.1%)
Money transfer abroad services/queries	2 (5.1%)
Other	10 (25.6%)

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Elaborating on why they went to their bank branches, survey participants reported that "need[ed] to withdraw large amounts of money," to "pay in money", to talk to the manager when they encountered "problems that could not be sorted out on-line or over the phone" and particularly if they were concerned about on-line fraud. For one focus group participant, the human interaction this entailed was positive:

> *"I like both, because there is also the human side, I use my computer too much, I get my vision blurred, it is too much, so it is nice to go out, get some air, buy things, and it is not simply going to the supermarket to buy and use the self-service till".*

The digital footprint: the benefits and costs of using digital financial services

Digital footprints can be broadly defined as personal information which exists on the internet as a result of individuals online activity. Kumar and Muhota (2012) identify financial transactional data as one of the 4 key types of data available which in combination with other types of 'active' and 'passive' data can be used by banks to build a profile of individuals and tailor credit, insurance and savings services. Within this context, personal data privacy is of increasing concern.

Participants identified the key benefits of utilising digital financial services as "be[ing] within a network," by which they were referring to being incorporated into the formal financial system. This was seen as being particularly advantageous for undocumented migrants. While there was some disagreement about whether opening bank accounts on-line required documentation, one participant argued that "[the undocumented] they don't have the means to send money, or to do anything but digital banking is favouring them. The bank won't accept them if they don't have papers, but on the internet, you can open an account without needing show your papers.' In reality, while it is possible to fill in an on-line application to open an account, this has to be followed up with the production of both primary and secondary documentation.

Furthermore, digital financial transactions also enabled a constant movement of money through accounts which participants felt was important in relation to building up a credit history. While there was some misunderstanding about the *digital* dynamic, a focus group participant recounted that:

> *"When I spoke to the bank about my scholarship being in jeopardy because of my visa, a lady there told me "Look, as long as there is movement in your account, if you keep paying money in and using your card, you run no risk at all". So, I have to use so there will be a footprint".*

Her argument was reinforced by another participant who said that the "this movement of money makes it easier for you to go and ask for a loan, and that record will help they trust you, if there is no record, it will be difficult for them to trust you".

Echoing the point made above, there was some consensus that while anti-immigrant sentiments meant that migrants had difficulty accessing information, on-line access levelled the playing field. To this end, one focus group discussant argued that "But it is a reverse relationship to what they 'display', like, they place it online, but, for instance, as there is this barrier that we are talking about here, this stance towards immigrants, online it seems that it is all easy. I had this impression, that online it seems easier, and indeed, they keep pushing those products, but in person, the stance is something else".

However, others were not so enthusiastic. While one focus group participant noted that the shift to digital services was problematic on the grounds that "we are being led to it, we are being induced," another argued that:

> *"Today we live in a Big Brother, whatever we say here, somebody is listening, on your mobile, if I say 'I want to travel, I want to go to Ibiza', next time I open my mobile then there it will appear 'Flights to Ibiza, Hotels in Ibiza' and I didn't even keyed anything in the mobile, so I think they know a lot more about us than we imagine".*

Issues related to 'digital privacy' were discussed in the focus group with some consensus that young people were less concerned about their digital privacy then older people. Cultural differences were also articulated with one participant arguing that: "It is a cultural issue. I am Jewish, and we don't like that you learn about our financial life. We are raised in this way, so the bank would have access to everything that I do. But if I just withdraw £100, the bank won't know what I'll do with that money. So, if I use online, I'll be leaving a footprint, and I don't like that, it is a cultural issue".

Again, while unsubstantiated there was some discussion about the how digital/financial footprints could be risky particularly for the undocumented as recounted in the focus group:

> *I know of this case, a man who was illegal, he lived in a house with seven people, and all he had was a bank card. He was illegal, he was working as a motorbike courier, he was working, and the police caught him about 1 km from his home, through the bank card. He never told anyone where he lived, but through the bank card, they discovered where he lived, they went to his place at 6:30 am, and they took three people away, so all because of his 'footprint'.*

5. Conclusions

This report has provided an overview on financial inclusion, migration and digital interventions in the UK. Beginning with a broad overview of the financial inclusion landscape in relation to definitions and key stakeholders, the report has identified key banking, savings, credit, pension and insurance products and services. It has also elaborated on the UK's Financial Capability Strategy which is critical in shaping financial inclusion.

Migration to the UK, and migrant communities experiences of financial inclusion have been outlined. Reporting on available data, it is evident that while banking exclusion is higher among migrants in comparison to non-migrant populations, it varies across different migrant communities. A significant proportion of migrants save, doing so for a variety of reasons ranging from saving for emergencies to investment. The majority of savings are deposited in bank accounts (and in some cases dedicated savings accounts). Migrant take up of ISAs is low. Access to affordable credit is cited as problematic although the demand for this varies across migrant communities. Few migrants are members of Credit Unions. The most common forms of credit used are credit cards, overdrafts and bank loans. Dedicated financial advice for migrants is in short supply.

The report provides insight into digital financial practices among Brazilian migrants in London. This is a community which is characterized by high levels of banking inclusion, a propensity to save and with unmet credit demands. Shortcomings in financial advice are attributed to both language and cultural differences as well as growing trend to direct customers to on-line resources. Perhaps attributable to high levels of education, use of both online and mobile banking is prevalent. A range of reasons are identified for these from ease of access and convenience to being nudged by banks to start using digital services. While the majority of people interviewed highlighted digital access as beneficial particularly for undocumented migrants, others were mindful of digital footprints which some argued would heighten the surveillance of migrants.

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