

# All Party Parliamentary Group on Credit Unions

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## Savings for Low Income Families

**Notes of breakfast meeting held jointly with the All-Party Parliamentary Group on Debt & Personal Finance on 3 March, Dining Room A, Palace of Westminster**

**Chair of the All-Party Parliamentary Group, Robin Walker MP, welcomed members, peers and guests to the breakfast meeting and noted the apologies of Heather Wheeler MP, who chairs the All-Party Parliamentary Group on Financial Services which is supportive of the subject. He introduced the topic of supporting savings for low income families citing the Prime Minister's recent Life Chances speech which announced the Government's intention to launch a 'help to save' initiative in Budget 2016. He remarked at how he was often struck by the transformative power of small scale savings as recounted by credit unions in his work as Chair of the group.**

**Yvonne Fovargue MP, Chair of the All-Party Parliamentary Group on Debt & Personal Finance then spoke highlighting her pleasure at seeing this subject on the Government's agenda after many years campaigning on this issue. She noted the inclusion of a savings trigger in the revised Common Financial Statement for those undergoing debt relief and thanked the creditor community for their support for this. She stressed strongly the fact that any scheme to support saving in this demographic has to understand the pressures and challenges that low income families face and the nature of their incomes and expenditure otherwise it would not be a success. In this respect she noted the importance of tangible rewards for savings noting the irrelevance of tax breaks for this group.**

**David Haigh, Director of Financial Capability for Money Advice Service, the meeting sponsors, then spoke on the findings of Money Advice Service's research into savings as part of its Financial Capability Strategy. He noted how 21 million people have less than £500 in savings leaving them with little financial resilience in the face of a spike in expenditure. This can easily lead to problem debt as well as undermining well being and exacerbating mental health problems. He noted that MAS finds that while income is a key driver of savings, evidence suggests that attitudes and behaviours are just as important. This suggests that any scheme to promote saving should be developed with a basis in the evidence and should trial different approaches. Any initiative should have features which drive behaviour change and works with peoples' behavioural biases. As such, MAS are keen to promote mechanisms such as payroll savings – which make saving pain-free and straightforward - , goal-focussed saving which demonstrate a capacity to save and prize-linked savings such as “save to win” in the US which make saving more enjoyable.**

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**Mark Lyonette, ABCUL Chief Executive, then spoke about the ways in which credit unions promote saving. He remarked how delighted ABCUL and the credit union sector is to see savings on the government's agenda it being a key focus of credit unions' work. He noted the efforts many credit unions had previously put into preparing for Saving Gateway. He highlighted three ways in which credit unions promote savings: payroll deduction in the workplace to work with behavioural biases and make saving as easy as possible; linking saving to the repayment of a loan, thereby using the opportunity of repaying debt to demonstrate a capacity to save (as recognised by the Fairbanking Foundation); and, working with the flow of people's lives to help people save towards key annual expenses, notably, Christmas savings.**

**He then introduced Dr Paul Jones of Liverpool John Moores University who has recently undertaken a research project into the feasibility case for a national, co-ordinated approach to credit union Christmas savings which might be supported as part of 'help to save'. Paul set out some foundational principles behind the research, any scheme should: allow for short term saving which can be withdrawn readily; be simple and straightforward to administer for both credit union and member; be a standardised offer; be sufficiently attractive to credit unions; and, retain savings on the balance sheet of the credit union. Within this, the scheme should offer a strong consumer proposition, underpinned by retail rewards and the potential for a national prize offer. The target market would be low-to-moderate income employed workers. The research found a good deal of interest from employers in such a scheme. The research concluded that a scheme would be feasible with a small required investment provided it has a sufficient focus on a diverse membership base.**

**Finally, Mike O'Connor Chief Executive of StepChange Debt Charity set out their experience of promoting saving in the context of helping clients with problem debt. StepChange deals with 10,000 cases of problem debt each week and in many of these cases such problems might have been avoided by people having access to some savings to enhance their financial resilience. He explained that StepChange recognise it is not an easy problem to solve and that there are challenges around the different savings needs of different groups in society. The problem is not driven solely by income and the cost to society of problem debt is in the region of £8.3 billion. He highlighted that the country has crossed the rubicon in recent years with making saving compulsory through the auto-enrolment of pension saving and this presents a potential opportunity in that the first £1,000 could be made available to savers as a short term emergency savings fund. They are also interested in the role of National Insurance and how this could be used to encourage saving, similarly prize-linked savings should be explored – perhaps through a revamp of premium bonds. Finally StepChange are keen to explore how the welfare system can be used to encourage saving,**

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perhaps through reducing the severity of the taper under Universal Credit if some of the increase in income is used for saving.

**Robin Walker MP** then echoed the sentiments around premium bonds and save while you borrow models before opening up the meeting to roundtable discussion:

- **Paul Blomfeld MP** queried how the lumpy incomes of the modern worker can be accounted for in a scheme to promote saving. In response **Sian Williams** of **Toynbee Hall** made the point that any intervention should take account of the whole of people's money and not restrict itself to certain aspects, in this regard she alluded to the work of the Payments Strategy Forum and how it is seeking to give greater security around payments.
- **Joanna Elson** of **Money Advice Trust** suggested that a key missing component in the debate is the need for clear messaging around the importance of saving, highlighting the recent change to the Common Financial Statement.
- **Paul Jones** highlighted the importance of commitment saving and the locking away of funds in shaping behaviours and habit forming which the Christmas saving proposal addresses. **Mark Lyonette** reinforced this point in highlighting the ways in which requiring saving alongside repayment of borrowing, as credit unions commonly do, reinforces behaviours.
- **Roger Marsh** from **Bank of England** highlighted the importance of effective distribution networks to ensure all parts of society have access to any initiative and cited the **Post Office** network in this regard. It was noted that discussions have taken place about credit union services being made available in the **Post Office** and that the Cornerstone platform may allow this.
- **Mike O'Connor** made the important point that any scheme must meet the needs of financial services providers and noted the lack of appetite expressed in providing Saving Gateway from mainstream providers.
- **Colin Purtil** from **Department for Work & Pensions** highlighted the importance of trust and control in financial matters for lower income households and the appeal of cash in this regard.
- **Lord Hunt of Wirral** suggested that in his experience of being in Government it was always useful to have suggestions from interested parties going into a Budget and that the Groups ought to co-ordinate a submission to the Chancellor setting out the meeting's suggestions.
- **Mike Kane MP** highlighted the role he had played in supporting his local credit union in Manchester to engage with the local NHS trust for a payroll deduction partnership. He suggested that all government departments should support the provision of payroll deduction for credit unions

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consistently. There was broad support for this as well as the importance of strengthening credit union representation in the private sector.

- **Sian Williams** stressed the importance of having an outcomes-focussed approach to encouraging savings and a clear focus on the types of savings we're trying to engender with this initiative.
- There was a general consensus about helping people to be better able to cope with the pressures that they face to consume through advertising and the media and that this highlighted the importance of reaching people young. This also emphasised the importance of linking saving initiatives to the goals of saving rather than trying to motivate people through saving for saving's sake.

In summing up, **Robin Walker MP** and **Yvonne Fovargue MP** thanked the speakers for their input and participants for their attendance.

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**For more information contact the Group secretariat, ABCUL.**

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