



East End Fair Finance

APPROACH TO FINANCIAL EXCLUSION

Good Practice's title

"East End Fair Finance and its approach addressing financial exclusion"

Main objective

To provide a fair deal, products and services in the simplest and most accessible way through honest and trustworthy financial advice, affordable credit and investments that reinvest profits for the benefits of the customers.

Key words: Debt advice, business, personal loan, micro-enterprise.

Type of organization:	MFI registered as <i>Industrial & Provident Society</i>
Country:	United Kingdom
Year of inception:	2005
Services and products provided:	Personal loans, Business Loans, Fair Money Advice
Portfolio (€):	1.254.157,6 EUR ¹
Avg loan size (€):	<i>Personal loans:</i> € 599 to € 839 ² <i>Business loans:</i> € 4.195 for start-ups, € 8.389 ³ for micro-enterprises
# of clients:	2032

Ashwin Street, 18
E8 3DL, London
United Kingdom

<http://www.fairfinance.org.uk/>

Institutional profile

Fair Finance is an Industrial & Provident Society (IPS) registered with the Financial Conduct services (FCA). By law the society must be for the benefit of community and all profits must be reinvested for purposes of furthering the society's mission. **Fair Finance** is organised in a Hold-co / Op co structure.

¹ £ 1.046.302 (exchange rate on 2nd Octobre 2013)

² £ 500 to £ 700 (exchange rate on 2nd Octobre 2013)

³ £ 3.500 to £ 7000 (exchange rate on 2nd Octobre 2013)



Fair Finance is set up as an IPS and it is the holding company owning the operating companies which deliver services to promote financial inclusion. These are:

- Fair Personal Loans – a limited liability company by shares
- Fair Business Loans – a limited liability company by shares
- Fair Money Advice – a registered charity

Mission

1. To revolutionize both personal and business finance starting with the people whom the mainstream has left behind.
2. To compete directly with usurious and predatory lenders, offers people advice and support.
3. To manage clients finances in a sustainable manner and campaigns locally and nationally for change.

Governance structure

Fair Finance's management reports to a board that is composed of nine experienced professionals. On top of being responsible for strategic changes and decisions, the board provides on-going guidance and support to management on several specific areas through various "committees".

Good Practice

Fair Finance was launched in April 2005 after a 5 year pilot of a successful microcredit project which helped over 600 women on peer groups circles and made over 300 loans to excluded women in East London, proving that the poor repaid; and a debt advice project which worked with local Housing Associations to provide debt advice to hundreds of indebted tenants, that proved the business case that paying for debt advice made long term financial sense.

Since then, **Fair Finance** has grown significantly and developed into an organisation reaching thousands every year with advice and lending services.

Products and services:

1. Fair Personal Loans offers term loans with a fixed interest rates and fixed repayments for periods ranging from 6 months to 2 years. Typical size and maturity are € 718.9⁴ over 12 months.
2. Fair Business Loans offers term loans with fixed interest rates and fixed repayments for periods of up to 5 years. It also provides advice and guidance through partnering business advice organizations. Typical size and maturity are € 5.991⁵ over 3 years.
3. Fair Money Advice provides case work advice for over-indebted people facing eviction from their home, one-off advice and prevention workshops and trainings.

Target group and accessibility

⁴ £ 600 (exchange rate on 2nd Octobre 2013)

⁵ £ 5000 (exchange rate on 2nd Octobre 2013)



Fair Finance supports all financially excluded individuals, micro-entrepreneurs and social enterprises which have difficulty or lack of access to formal finance and show evidence of trust, commitment and ability to repay. Fair Finance targets the city of London, in particular East London.

Fair Finance's clients tend to be receiving benefits on low income, living in deprived areas or being from ethnic minorities. More specifically, around 80% of borrowers were out of work and in receipt of benefits; around 75% were women, many single mothers (65%); and around 60% were from one of the many minority ethnic communities found in London. On average the income of clients were around € 16.775⁶ per annum or on full state benefits.

Innovativeness

Fair Finance has developed three innovations that have helped it scale successfully.

1. Customer centric model with high flexibility level. The procedure requires staff training and technological support to ensure that transactions have turnaround times of 24 hours standard after approval. and
2. Commercial finance: funds racing without public, charitable or subsidy support.
3. Financial Advice model funded through a performance related system of social investment.

Relevance given the context

According to data that was published by New Philanthropy Capital (Blake and de Jong, 2008) in the UK, 2 million adults do not have access to a transactional bank account; 5 million adults are excluded from mainstream credit; 3-4 million adults having some access to mainstream credit also make use of expensive Sub-prime credit (i.e. doorstep and payday lenders).

Adaptability to other contexts

Between 2008-2011, **Fair Finance** has worked with local organizations and activists in Australia and helped them develop a business plan, raise funds and launch Fair Finance Australia. The society has worked across the European Union – from Germany to Italy to develop local organizations, second our staff or provide key consultancy on business model development. The **Fair Finance** model is now taught at London Business School as part of the executive MBA program inspiring many people on the power of microfinance and social enterprise in the UK.

Efficiency

Initial funding took the form of gifts or grants from a variety of institutions, including mainstream banks, grant-giving trusts, and charities concerned with financial exclusion. In 2005–6, the first trading year, self-generated income covered only 20% of the costs; by 2009/2010, the fifth trading year, self-generated income accounted for around 85% of the costs, with the residual 15% covered by gifts and donations. However, in 2010, **Fair Finance** became the first organization to raise social investment in the UK and committed commercial financing from three banks without any public or philanthropic support. This financing package is funding the growth of **Fair Finance** across London and eventually the country.

⁶ £ 14.000 (exchange rate on 2nd Octobre 2013)



Outcomes

1. 6000 people saved from eviction with timely advice and financial management.
2. 500 entrepreneurs supported and € 71.890.215⁷ spent to the over indebtedness management and resolution.
3. 300 loans in 2005 given to excluded women in East London, proving that the poor repaid and a debt advice project which worked with local Housing Associations to provide debt advice to hundreds of indebted tenants, that proved the business case that paying for debt advice made long term financial sense.

Sustainability

At the root of **Fair Finance**'s sustainability strategy are the clients and their own sustainability. In particular, **Fair Finance** makes sure our services place them on a sustainable financial path and eliminate or reduce the financial exclusion they suffer from. Financial sustainability also derives from providing an outstanding level of service in order to develop customer satisfaction and loyalty.

Sustainability metrics are rather low in 2011 and 2012 due to the fact that **Fair Finance** is in the "investment" phase. However, we can already see improving profitability metrics at the end of 2012 and the beginning of 2013. The trend is expected to strengthen in 2013 and 2014.

In practice: Kevin's success story

Kevin has 52. He was born in Lewisham but when he was 3 years old his parents decided to go back to Jamaica. He grew up in Jamaica: he went to school and lived there with his parents in their farm with bananas plants and pigs. Life was not the best though and he came back to UK in 1983. He was a clock repairer. He started his business with his own unit in Birmingham market. When he decided to go self-employed, he went to his bank but because he did not have any income he was refused the loan. He had some profits but he also has to live and to eat: the money was coming in and out and there was nothing left on his bank account. He applied for an overdraft but the bank was unsure and answered "at the moment it is no". He asked them "why?" He did not have a credit history: his credit check was clean. So, why? The bank told him that it was because he hadn't been long enough with the bank.

He heard about Fair Finance and he decided to give it a try. He heard that they give loans to people who are refused by their banks, like him. During the interview, they asked him to explain his project and listened to him. He received a lot of time to clearly explain what he wanted to do with the business.

He had to provide some documents, which took him some time, but as soon as all the information was compiled he was given an answer very quickly.

Further readings

<http://www.fairfinance.org.uk/>

⁷ £ 60 m (exchange rate on 2nd Octobre 2013)