



Scotcash

Category of Good Practice: MFI & Bank Partnership

Good Practice's title:

Financial inclusion in the community.

Main objective

The main objective of this partnership was to improve financial inclusion for the population of Glasgow. The partners operate together to facilitate access to basic bank accounts, provide financial advice and disburse affordable loans to the most vulnerable.

Key words: Partnership, Banks, MFIs

Type of organization: Community Development Finance Institution (CDFI)

Country: UK

Year of inception of the good practice:

Services and products provided: microfinance loans, access to basic bank accounts.

Portfolio (€): 1,044,388

Avg loan size (€): 581

of clients: 1,944

Website: <https://www.scotcash.net>

Address: Scotcash, 55 High Street , Glasgow, G1 1LX

Tel: 0141 276 0525

Institutional profile:

The aim of Scotcash is to challenge financial exclusion and offer access to financial products and services that would otherwise be difficult to obtain. Scotcash offers a direct alternative to doorstep lending, illegal money lending, and other expensive forms of credit whilst providing holistic financial inclusion services. This CDFI opened its doors in 2007 in Glasgow city centre. Since 2008, it has received various rewards from UK institutions, such as the Guardian Public Service Awards, the COSLA Excellence Awards and a £ 1 million Funding Award from the Big Lottery Fund.

Mission of the organization:

Scotcash is an independent Community Finance Organisation, contributing to a reduction in financial exclusion by increasing access to affordable loans, basic bank accounts, high quality money advice and other financial products. Its CREDO is: “In carrying out our objectives, we treat our business, our staff and our clientele with Care and Respect while striving to continually Educate ourselves and others. We will engage with a Diverse population, creating Opportunity and a chance for self-improvement.”

Governance structure:

Scotcash is led by a strong Board of Directors with direct experience in the financial sector, extensive social regeneration experience and sound financial management skills. The Board is composed by seven Directors who represent four Scotcash partners. Scotcash is regulated by the Financial Conduct Authority and Community Interest Company Regulator.

Good Practice

Introduction:

Scotcash provides access to basic bank accounts through partnerships with the Royal Bank of Scotland and Barclays Bank. The “Trusted Partner Status” with the Royal Bank of Scotland allows Scotcash staff to open a bank account on the client’s behalf without the need for them to visit a branch. Part of the “Trusted Partner Status” is the ability to be less rigid in identification requirements, thereby making it easier for those underserved in the community to provide non-photographic identification documents. Alternatively, Scotcash can offer a Barclays bank account via an integrated partnership arrangement. This then provides a gateway to other services such as affordable credit, money advice, saving accounts and financial capacity support—all designed to help those on a low income make the most of their money.

Target group and accessibility:

Scotcash targets those on low incomes who have extremely limited financial resources and are often ignored by the mainstream financial sector. A typical customer is aged fewer than 35, living with young children, in rented housing and on a low income.

Innovativeness:

A Social Enterprise that provides a holistic and forward-thinking financial service for its customers is unique within the UK Community Development Finance Institution sector. The project has demonstrated:

- Ability to translate research into action in a very short space of time;
- Efficient public/private sector partnership;
- Proven financial benefits for the targeted client group;
- Holistic customer services based on robust research;
- The value of linking the provision of financial support to effective financial advice; and,
- The ability to be financially self-sustaining in the long term and capable of scaling up to include areas without Glasgow.

Relevance given the context:

Financial exclusion has remained persistent in Scotland for some and it is most commonly linked with poverty and deprivation. According to recent statistics, 16% of Glasgow inhabitants have no bank account, which results in the most vulnerable individuals being unable to manage their money securely, gain access to other financial products, etc. there is a clear need to ensure disadvantaged groups have access to bank accounts to limit the negative impact of all the above. Scotcash catalyses and supports partners' aspirations, as its partner banks recognise that tackling financial exclusion is crucial to supporting their customers and improving access to an underserved market.

Adaptability to other contexts:

This type of model could be replicated in other settings; the model is simple and, with willing partners, could be a cost-effective way of engaging with those who are excluded by mainstream financial services. The initiative could be emulated in different settings and contexts.

In order for the initiative to be successfully implemented by other providers, the following determining factors would apply:

- An agreeable credit union or bank partner to offer a saving account as part of loan repayments;
- An agreeable bank partner to offer bank accounts for customers; and,
- A supportive financial inclusion sector who will help promote and actively support the service by forwarding other clients to the service or accepting new clients from it.

Efficiency:

Scotcash is not yet fully self-sustainable but plans to be by 2018. At present, we still have some reliance on funding.

Outcomes:

To date, as a result of the partnership with RBS and Barclays Bank, Scotcash has opened 2,344 bank accounts.

Sustainability:

Glasgow City Council has established a strategic multi-agency group and five operational groups called Area Delivery Groups (ADGs). Each ADG has identified access to affordable credit and bank accounts as a key driver towards financial inclusion and a priority for local services, particularly in the context of welfare reform and the introduction of Universal Credit. Scotcash promotes the services within the local ADGs, ensuring that project delivery plans are clearly linked to wider local area action plans. The "Trusted Partner Status" relationship Scotcash has with the Royal Bank of Scotland is replicated across the city. This allows for an efficient and effective process for opening basic bank accounts across local communities in Glasgow.

By linking existing services, there is less need for additional financial resources and therefore the model presented in the initiative offers sustainability by default.

In practice: Specific description of a success story

A bank account for John:

John first came to Scotcash to open a bank account with RBS to be able to pay his housing benefit. He did not have proper ID and therefore could not open the account at that time. John suffers from severe depression and he was feeling very low, so he did not try to get sufficient ID. He did not even

attend a medical examination at the department for Work and Pensions (DWP) and this resulted in a suspension of his state benefits, including a subsidy for housing expenses.

Fortunately, John had some savings and he used them to live and to pay his rent. When his savings were down to £7.5 (approx. €10.5) he came back into the office to see a Scotcash staff member. He still did not have sufficient ID to open a bank account, but Scotcash was able to get a crisis loan of £70 (approx. €98) for him and the letter he received from DWP confirming this payment was used as part of his ID. Scotcash also succeeded to get his state benefits reinstated and John was finally able to open his bank account. John now has access to financial products he was previously unable to consider and has stabilised his finances.