

TACKLING FINANCIAL EXCLUSION IN IRELAND

Sept 2008



1. Introduction

Market forces alone might not be sufficient. In order to benefit all citizens, appropriate structural policies are needed to accompany the Internal Market.

Charlie McCreevy, European Commissioner for Internal Market and Services¹

Financial services are a critical resource to enable people to manage their income efficiently, plan better for the future and protect themselves against poverty. People on lower incomes need appropriate products to pay bills, store money in a safe place, build up savings and pay back loans.

Managing a low income can be challenging without a bank account because different social welfare payments are paid weekly, monthly, quarterly or annually and there are numerous potential weekly, monthly and annual outgoings (see figure 1).

¹ Charlie, McCreevy. 2008. 'Ensuring access to basic financial services – a shared responsibility'. Conference on Financial Inclusion, European Commission, 28 May, 2008

Low-income consumers without bank accounts face several negative consequences:

- they lack security in holding or storing money (which is therefore at risk of loss or theft)
- bill payment can be more time-consuming and costly
- charges can be higher for basic financial transactions (e.g. cheque cashing)
- people without a payment card (debit or credit card) are unable to take advantage of the lower prices of goods and services bought in this way
- it can be more difficult to take up employment and find accommodation without a bank account.

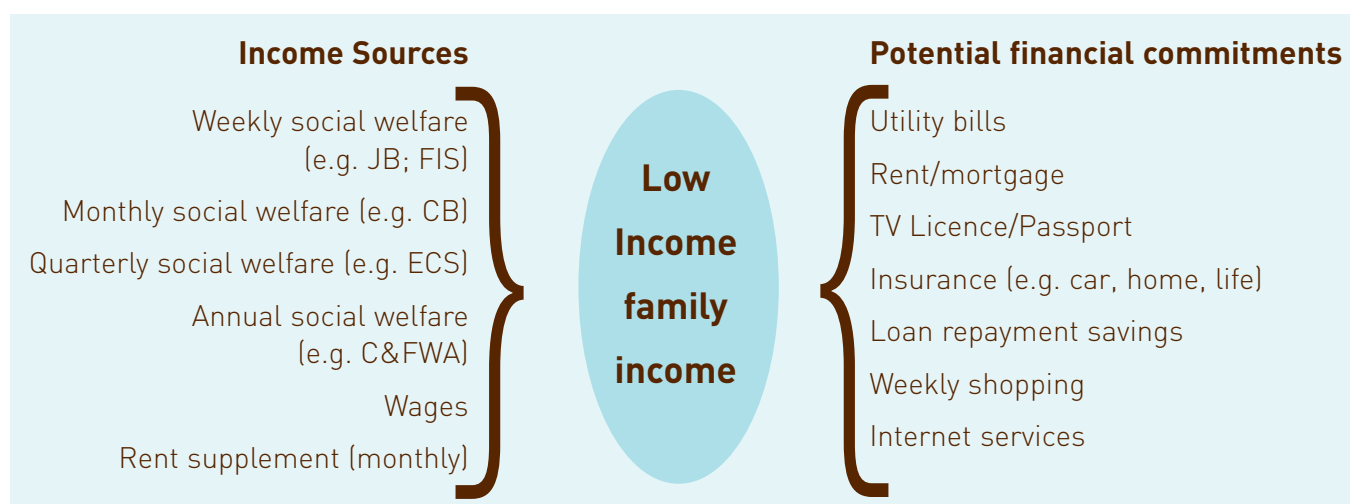
Difficulties accessing and using financial services can exacerbate experiences of poverty. This is commonly referred to in the policy literature as financial exclusion. Experts carrying out research at a European level propose the following definition²:

Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs.

In 2006 Combat Poverty produced the first study of financial exclusion in Ireland, with the support of the Financial Regulator. This study examines the nature of financial exclusion from the perspectives of low-income consumers. It also draws on the views of various stakeholders, as well as international research, to suggest ways to improve the design and delivery of financial services for low-income consumers. The study examined four key areas:

- Access to bank accounts;
- Access to affordable credit;
- Access to savings; and
- International policy responses to financial exclusion.

Figure 1: Money management in low-income families³



² This definition is based on the following work: Gloukoviezoff, G., 2006. 'From Financial Exclusion to Overindebtedness: The Paradox of Difficulties for People on Low Incomes?'. In Aderloni, L., Braga, M. D. and Carluccio, E. (eds.). *New Frontiers in Banking Services: Emerging Needs and Tailored Products for Untapped Markets*. Berlin: Springer Verlag

³ JB = Jobseeker's benefit; FIS – Family Income Supplement; CB = child benefit; ECS = early childcare supplement; C&FWA = clothing and footwear allowance

Financial Exclusion in Ireland: An exploratory study and policy review

Caroline Corr. (2006).

Published by: Combat Poverty Agency

Available to download at: www.combatpovertypublications.ie

This policy statement summarises the main findings of the research and makes recommendations for how best to tackle the problem. It also draws on international good practice identified in a recent European Commission study in which Combat Poverty participated as a research partner⁴.

Key messages

- Ireland has relatively high levels of financial exclusion compared to the EU-15 (12% vs. 7%).
- Lack of a transaction bank account is the key indicator of financial exclusion. One-in-ten Irish *adults* (340,000) are without any type of bank account and over one-in-five *households* (330,000) do not have a current account.
- The problem is more prevalent among low-income households with 61.1% in the lowest income decile without a current account compared to 2.7% in the highest income decile.
- Several factors contribute to banking exclusion including societal, supply and demand factors.
- In the absence of mainstream provision, low-income consumers turn to alternative credit providers. Moneylenders remain an important source of credit for low-income consumers, despite the high charges involved.
- Low-income consumers would be more likely to access and use financial products if it were easier to open a bank account, if they had more information on how to use financial services, if the products available were designed to meet their needs and if financial institutions were more welcoming of their business.

Policy Recommendations

1. There is a need to establish a steering committee on financial inclusion, representing all the key stakeholders in order to recognise the inter-connection between social and financial policy.
2. Access to bank accounts for low-income consumers should be improved and facilitated through the regulatory framework.
3. Basic bank accounts (i.e. low-cost, no-frills current accounts) should be introduced and provided on a universal basis.
4. The government should support basic banking services as services of general economic interest (Article 86 of the EC Treaty) and remove stamp duty on such accounts.
5. The provision of financial information, advice, education and advocacy to low-income consumers should be increased.

⁴ European Commission. 2008. *Financial Services Provision and Prevention of Financial Exclusion*. Brussels: European Commission

6. There should be greater provision of social lending for low-income consumers and a wider range of affordable credit options offered.
7. A special savings scheme should be piloted among low-income consumers.
8. Uptake of electronic payment of benefits should be promoted alongside the development of appropriate financial products such as basic bank accounts.

2. Financial exclusion: an emerging policy issue

The need for low-income consumers to have access to financial products in order to manage their (limited) resources has been recognised in Irish welfare policy. The Money Advice and Budgeting Service (MABS) was set up in 1992 to provide assistance to people, in particular people on low incomes who were over-indebted and need help and advice in coping with debt problems. This service is widely regarded as a model of best practice in other European countries⁵. The Irish government has also recognised the need to address financial exclusion in its work in the British–Irish Council⁶. There is also growing policy concern about the high cost of credit for low-income consumers. Consequently, financial exclusion is becoming increasingly part of the discourse on tackling social exclusion in Ireland.

There is a growing awareness among the financial services sector of the need to increase access to financial services. This is reflected in the Financial Regulator's goal of fostering access to financial services⁷. The Irish banking sector proposed the development of a universal bank account in 2002⁸. The most recent development has been within the National Payments Implementation Programme (NPIP) which is committed to examining policies which could encourage the 'unbanked' to become involved in banking services.

Financial exclusion has become an important issue at an EU level. In 2006 the European Commission made a commitment to develop more coherent and integrated policies in relation to financial exclusion with a particular emphasis on disadvantaged groups. More recently (April 2007), in a Communiqué the European Commission advised that Member States should reflect on how progress could be made to ensure that, 'by a certain date, nobody is denied access to a basic bank account'⁹.

5 Korcak, D., 2004. *The Money Advice and Budgeting Service Ireland. A Service to Help People with Financial Problems and to Tackle Over-Indebtedness. Synthesis Report*. Peer Review and Assessment in Social Inclusion Programme: www.peer-review-social-inclusion.net

6 British–Irish Council (BIC), 2004. *Report on Financial Inclusion Work since November, 2002: For Social Inclusion Ministers' Meeting, July, 2004*. Dublin: Office for Social Inclusion

7 See the Financial Regulator's *Strategic Plan 2007-2009* and the *Consumer Protection Code*

8 Irish Payment Services Organisation (IPSO) in conjunction with Participant Banks and An Post, 2002. *Development of Universal Account Solution: Discussion Paper for Government*. Dublin: IPSO

9 *Initiatives in the Area of Retail Financial Services*. Communication from the European Commission, Brussels, COM (2007) 226, 30.4.2007

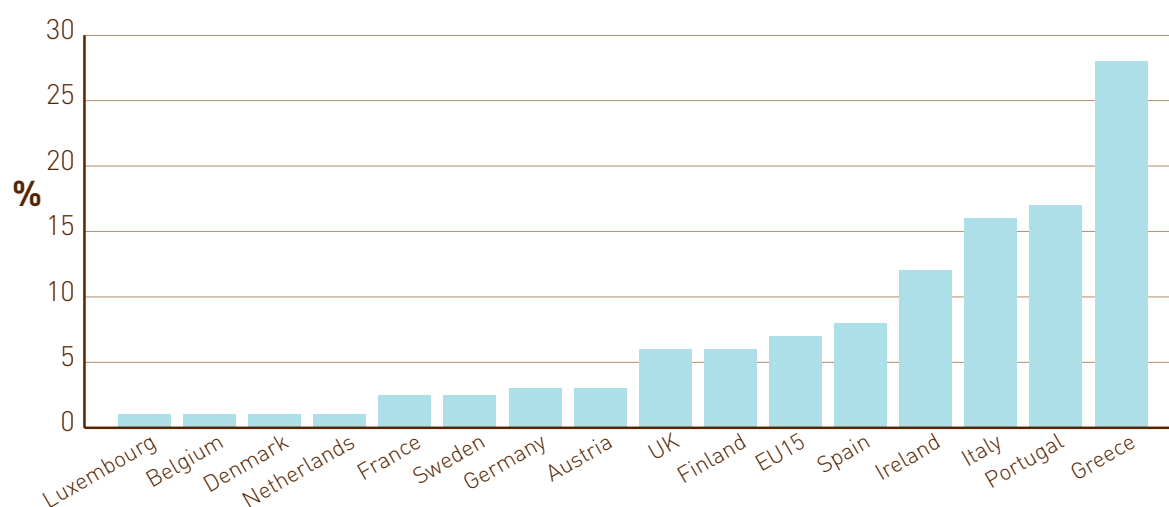
3. Nature and extent of financial exclusion in Ireland

3.1 Financial exclusion in a European context

The Eurobarometer Survey 60.2 measures levels of financial exclusion in Europe¹⁰. Ireland (12%) has the fourth highest level of financial exclusion among the EU-15 and this is substantially higher than the EU-15 average (7%)¹¹.

Countries with low levels of income inequality tend to have lower levels of financial exclusion. Eurostat figures from 2006 show that Ireland's inequality of income distribution and at-risk-of-poverty rate are higher than the EU average and this is likely to contribute to higher levels of financial exclusion¹². Other factors include popularity of cheque payments and cash usage as well as the lack of banking products designed specifically for vulnerable groups.

Figure 2: Financial Exclusion in Europe (2003)



3.2 Financial exclusion: bank accounts

A *current account* is the most important financial product as it offers a range of services including access to cash, bill payment facilities and money transmission (through direct debits and standing orders). It also acts as a gateway to a range of other financial products such as credit and insurance. Figure 3 shows the percentage of households without a current account in 2000 and 2005. In 2005 over one fifth (22.8%) of households had no current account. This had decreased by a third since 2000 (32.7%)¹³. There is a clear linear relationship with current

¹⁰ Adults over 18 years were defined as being financially excluded if they did not have a transaction bank account; a savings product and revolving credit (e.g. credit card; overdraft etc.).

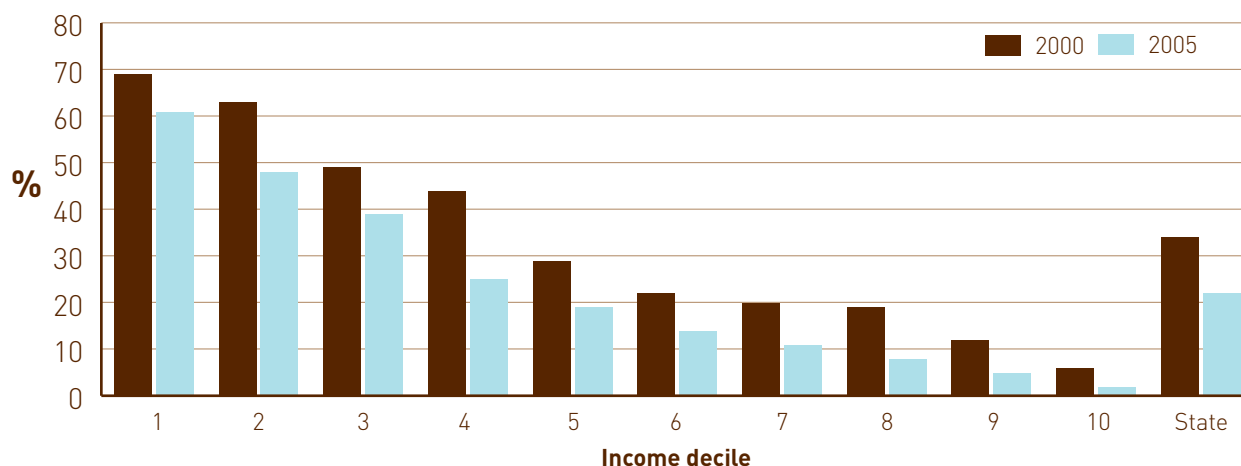
¹¹ The Eurobarometer survey is regularly undertaken on behalf of the European Commission on the attitudes and experiences of consumers relating to financial services. Approximately 1,000 interviews are carried out in Ireland for each survey.

¹² See ec.europa.eu/eurostat survey

¹³ These figures are based on the Household Budget Survey which is carried out by the Central Statistics Office every five years. It is a survey of households' income and expenditure and is a representative sample of 7,000 households in Ireland.

account ownership and income. In 2005 61.1% of households in the lowest income decile had no current account compared to 2.7% in the highest income decile¹⁴.

Figure 3: Percentage of households with no current account (HBS, 2000 & 2005)



A more extreme measure of banking exclusion is lack of any form of bank account. Market research surveys in Ireland¹⁵ have found that between 10% and 11% of individuals over 15 years in Ireland do not have a bank account.

Focus groups with low-income consumers revealed that there are gradations of financial exclusion:

1. Unbanked: people with no bank account at all.
2. Marginally banked: people with a savings/deposit account that have no electronic payment facilities or payment card and/or people who have a current account but make little use of it.
3. Fully banked: Those who have a bank account and have access to a wider range of transaction services that suit their needs.

Numerous factors contribute to financial exclusion:

Societal factors

- In 1994 the first Anti-Money Laundering Directive was transposed into Irish legislation under the Criminal Justice Act. As a result, financial institutions are required to obtain 2 separate documents (usually a passport/driving licence and a utility bill) from potential customers to prove their identity and address. This is the main barrier for low-income consumers in accessing bank accounts in Ireland, many of whom do not have the relevant documents.
- The government stamp duty on payment cards (€5 for an ATM card and a further €5 for a debit card and €30 for a credit card) is a major barrier to greater financial inclusion.

¹⁴ Income deciles are constructed as follows. Households are ranked in ascending order of gross income (direct income plus state transfers). They are then evenly divided into 10 groups of households. The first group of households having the lowest incomes is called decile 1 (i.e. the poorest). The tenth group of households (decile 10) has the highest incomes (i.e. the richest).

¹⁵ These are based on samples of approximately 1,000 respondents.

- The number and complexity of financial products and providers has increased in Ireland. This can lead to confusion, particularly among low-income consumers.
- The increase in employment in Ireland has led to more people accessing banking services. However, there is also an increasing flexible labour market and research has shown that these groups are at much greater risk of poverty than those in permanent employment and hence of being excluded from banking services.
- The demographics of the population is changing which has an impact on banking exclusion. The growing number of older people is likely to be excluded from new technology and immigrants are likely to face specific barriers in accessing banking services.

Supply factors

- Geographical access can be an issue for low-income consumers who live in disadvantaged areas not served by banks or where branches have closed.
- Access to banking services has improved due to the increase in the number of ATMs and developments in telephone and Internet banking. However, these developments have not necessarily increased access among low-income consumers as they face difficulties accessing money at ATMs (e.g. ATMs being out of order and not being able to take out small amounts of money).
- Many low-income consumers are also excluded from telephone/Internet banking due to their low income (and hence lack of access).
- Despite a move towards 'free' transactional banking, penalty charges for unauthorised overdrafts, failed standing order/direct debits and bounced cheques remain a barrier to low-income consumers.
- Terms and conditions attached to current accounts can also discriminate against low-income consumers.
- Some people risk becoming unbanked as a result of poor credit rating.

Demand factors

- Low-income consumers may prefer to operate a cash budget as they have more control over their resources.
- Low-income consumers lack the confidence to engage with banks and may feel mistrustful of financial services.
- Some feel banks are not interested in poor people.
- Low levels of financial capability can be a problem, with related literacy and numeracy issues.

3.3 Financial exclusion: credit

Affordable credit is important for low-income consumers for necessary expenditure such as child-related expenses (e.g. school and clothing), consumer goods (e.g. fridges and washing machines), emergency situations (e.g. funerals and unexpected bills) or changes in personal circumstances (e.g. separation, divorce, relationship breakdown, disability or illness).

Credit unions provide a vital source of access to affordable credit to low-income consumers. Many of the barriers associated with accessing loans in banks (e.g. credit scoring, minimum amount loaned, monthly repayments etc.) do not apply to credit unions. Credit union loans are often viewed by low-income consumers as accessible, interest rates are regarded as low and loan repayments are perceived to be flexible and negotiable. Other appealing features for low-income consumers include no conditions in terms of loan size or a minimum savings amount and in most cases no waiting period.

Yet not all low-income consumers find credit unions appropriate to their needs. The main barrier to accessing a credit union loan is not being able to build up a savings history (a prerequisite for most credit union loans). There are also demand-side barriers as low-income consumers may be unaware of the services offered by credit unions, or feel credit unions are less likely to give credit to more vulnerable groups. There is also a perception that credit unions are focusing less on low-income groups.

Credit exclusion in Ireland refers to those who cannot gain access to affordable credit or access inappropriate credit and therefore have to pay charges that are consistently in excess of those in the mainstream credit market.

The most popular alternative credit providers in Ireland are moneylenders who make door-to-door calls offering credit, usually for small cash loans. There are 50 authorised moneylenders in Ireland serving approximately 300,000 customers. This represents approximately 10% of the population of the Republic of Ireland over the age of 20 years¹⁶. Combat Poverty's research found that pull factors include accessibility, reduced bureaucracy, convenience, transparency, simplicity, no credit history is needed and repayments are collected in cash on a weekly basis. Low-income consumers are also drawn to moneylenders out of tradition or because of an established relationship. The main cost is the high interest rate ranging from 23% to 200% APR.

3.4 Financial exclusion: savings

Those living in poverty usually employ sophisticated budgeting strategies to manage their low income. However, as figure 4 highlights, many are unable to save due to lack of resources. The vast majority of those in the lowest income decile are unable to save regularly due to lack of income (87%) compared to only a quarter (24.5%) in the highest income decile¹⁷.

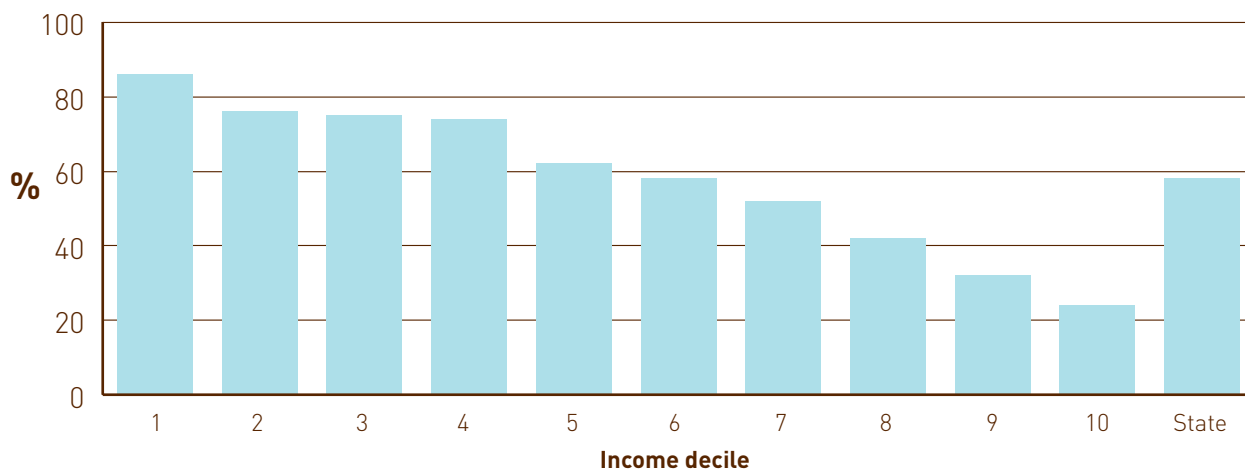
Accumulating debt is often a common result in the absence of savings. While more affluent households in Ireland can experience over-indebtedness, poorer households are much more likely to be in persistent and multiple debt¹⁸.

16 Financial Regulator. 2007. *A Report on the Licensed Moneylending Industry*. Dublin: March, 2007

17 These figures are based on the European Survey on Income and Living Conditions (EU-SILC) which is an annual survey carried out by the Central Statistics Office of a representative sample of 5,000 households or 14,000 individuals in Ireland.

18 Stamp, S., 2006. 'Research Highlights Need to Focus on Higher Persistent Debt Risk to Poor Households'. *Action on Poverty Today*. 14: 12-13, Autumn

Figure 4: Percentage of households unable to save due to lack of income (Eu-SILC, 2006)



4. Recommendations: Tackling financial exclusion

From a policy perspective, tackling financial exclusion can enhance the capacity of low-income consumers to better manage their resources and to make greater use of key financial products, such as bank accounts, affordable credit and savings. It can also lead to be a more inclusive society which is more economically efficient. The following proposals are based on learning from international experience as well as consultation with key stakeholders and low-income consumers. These proposals require action at a number of different levels:

- reform of policy and regulation;
- design and delivery of basic banking services;
- provision of information, advice, education and advocacy; and
- the development of targeted social policy initiatives.

4.1 Steering Committee on financial exclusion

- A Steering Committee on Financial Inclusion should be set up by the Department of Finance. This Steering Committee should develop a national strategy on financial inclusion and monitor progress towards agreed targets.
- The Steering Committee should work closely with the National Payments Implementation Programme which is currently examining ways of bringing the ‘unbanked’ into the banking system.

Although, financial exclusion forms part of the wider concept of social exclusion, the issue has received scant attention until recently. The latest *National Action Plan for Social Inclusion 2007 – 2016* highlighted financial exclusion as an issue for the first time. However, there is only one target to develop the MABS by establishing it on a statutory basis.

While MABS has a key role to play in tackling financial exclusion, it is important that all the key stakeholders from both social and financial fields are involved in a partnership process (including government departments, state agencies, the financial services sector and organisations working with people living in poverty). Similar committees exist in other countries (e.g. Financial Inclusion Taskforce in UK; Comité Consultatif du Secteur Financier in France; Maatschappelijk Overleg Betalingsverkeer in the Netherlands).

4.2 Access to bank accounts for low-income consumers

- The European Commission has advised that nobody should be denied access to a basic bank account. Policy measures should be put in place to ensure that every adult has access to a bank account and an automatic right to a bank account should be guaranteed for children when they reach 18 years.
- When new guidelines are developed under the Third Money Laundering Directive it is important that a range of identification documents are identified in consultation with organisations working with low-income consumers which will be accepted by financial institutions¹⁹.
- There is a need for financial institutions to improve awareness among their staff of the difficulties that low-income consumers face and foster a more enabling approach to account opening and operation. Training should be provided to ensure that counter staff are aware of the variety of documentation that is acceptable for account opening and to encourage staff to be proactive in assisting people to open accounts²⁰.

4.3 Introduction of basic bank accounts, provided on a universal basis

- Financial institutions should promote financial inclusion and develop basic banking services as part of their corporate social responsibility.
- The government should support basic banking services as services of general economic interest (Article 86 of the EC Treaty).
- Government stamp duty on debit (ATM and point of sale) cards should not apply to basic bank accounts.

19 E.g. Money Advice and Budgeting Service (MABS); OPEN (One Parent Exchange Network); Saint Vincent de Paul (SvP); Irish National Organisation for Unemployed (INOUE), National Traveller MABS (NTMABS), Integrating Ireland etc

20 Further details are set out in Combat Poverty's *Submission on Criminal Justice (Money Laundering) Bill 2008*

The main initiative introduced internationally to bring financially excluded people into the banking system has been the provision of basic banking services in Belgium, Germany, Italy, France, the Netherlands and the United Kingdom. Basic banking services involve the provision of simple, low-cost, 'no frills' current accounts designed for people who want to ensure that they cannot overdraw their account or who might not meet the banks' criteria for opening a standard current account.

Key features of a basic bank account

- Debit (ATM and point of sale) card with no government stamp duty
- Flexible account opening requirements
- No minimum opening or monthly balance
- Free transactions
- No account-keeping fees
- Electronic funds transfer facilities
- Direct debit/standing order facilities
- No overdraft facility or chequebook
- Buffer zone of €20 (allows customers to withdraw a little more money than is allowed)
- Weekly bill payment account (suits the budgeting needs of low-income consumers)
- Financial advice and information

The basic banking service is closely associated with universal banking services, where basic bank accounts are provided through intermediaries (e.g. post offices or credit unions).

In Belgium, France and the UK, post offices play an important role in the provision of basic banking services. The new Irish postal bank is developing financial products suited to the needs of low-income consumers and therefore could play an important role in universal banking services. Similarly some credit unions are currently piloting a new service account which may be suited to the needs of financially excluded people.

4.4 Provision of financial information, advice, education and advocacy for low-income consumers

- The National Steering Group on Financial Education should develop information, advice, education and advocacy which is appropriate to the needs of low-income consumers. This should include appropriate information on the benefits of appropriate financial products, particularly bank accounts.
- Financial institutions need to be aware of and responsive to the literacy and intercultural issues that some low-income consumers face.
- MABS should expand its community education role by developing its links with community groups in order to reach those most in need of its service.
- MABS should promote access to financial services for its clients and wider target group²¹.

It is important that low-income consumers are enabled to use bank accounts effectively through the provision of financial information, advice and education. International research has found that the most successful financial education initiatives are targeted to the specific needs of excluded groups and delivered in partnership through trusted organisations²². In 2006, the Financial Regulator established a National Steering Group on Financial Education, with a working group specifically examining the educational needs of disadvantaged groups.

Voluntary organisations and state agencies working with low-income groups provide crucial assistance with the opening of personal bank accounts. These organisations can help overcome barriers to financial services as they tend to be more trusted and familiar to low-income consumers. However, it is important that they reach out to the most excluded.

21 For example, debt counselling organisations in Germany play an important role in defending consumer rights to transaction banking services.

22 Sodha, S. and Lister, R. 2006. *The Saving Gateway: From Principles to Practice*. London: Institute for Public Policy Research

4.5 Greater provision of social lending for low-income consumers

- The credit union should continue to develop its social finance policy and within it make a clear commitment to reach out to low-income consumers. It should prioritise its emergency loan facility for low-income members and for those who need money for an emergency or unexpected event. It should also be used to assist those who have current loans from moneylenders.
- The credit union should develop a national educational campaign targeting low-income consumers and those living in disadvantaged areas. This material should be used by all credit unions to market the benefits of becoming a member, the services offered by credit unions and the attractiveness of the credit union as an alternative to moneylenders.
- Credit provision to low-income consumers should be provided alongside appropriate support and advice to ensure informed, responsible and effective use of such services.

Both the government and financial institutions have a responsibility to increase the range of affordable credit options to low-income consumers. In September 2007, the Minister for Social and Family Affairs expressed his concern over the cost of credit for those experiencing financial exclusion and his commitment to ensuring a broader range of options for these customers²³. The government could look at ways to encourage partnerships between banks/credit unions/post offices in order to increase the availability of credit to low-income consumers.

In other European countries, partnerships have developed to provide loan guarantees to people on low incomes. These have involved partnerships between financial institutions (e.g. France; UK, Poland), credit unions (e.g. UK) not-for-profit organisations (e.g. Belgium, France; UK), postal bank (e.g. Belgium), regional authorities (e.g. Belgium) and the state as third partner providing a loan guarantee (e.g. France). The UK government also provides interest-free loans to people claiming social assistance through the Social Fund. These types of initiatives should be examined and an assessment made on the feasibility of introducing some type of loan guarantee scheme in Ireland.

4.6 Asset-based initiatives for low-income consumers

- The government should allocate resources to pilot a savings scheme among low-income consumers. MABS is in an ideal position to pilot the scheme and, if successful, this scheme could be extended over time to a wider pool of low-income consumers.

Asset-based welfare is a new policy approach (particularly in the UK e.g. Child Trust Fund; Savings Gateway Scheme), which aims to increase the number of people benefiting

²³ See: <http://debates.oireachtas.ie/DDebate.aspx?F=DAL20070926.xml&Node=H3-4#H3-4>

from asset ownership (e.g. savings and insurance). Asset-based welfare has also been encouraged in Ireland (through SSIAAs and PRSAs) although no initiative has been targeted at low-income consumers. A savings scheme specifically targeted at those on low incomes has the potential of helping low-income consumers build up a financial buffer and reduce some of the financial insecurities of poverty. A proposed savings scheme was designed by MABS in 2001 and supported by Combat Poverty and Saint Vincent de Paul (SvP). This scheme is based on the UK's Savings Gateway Scheme which is being rolled out nationally due to the success of the pilots²⁴.

4.7 Electronic payment of benefits

- The electronic payment of benefits should be promoted alongside the development of appropriate financial products, such as basic bank accounts. Social welfare recipients should continue to be able to choose the institution in which to receive their benefits.

Direct payment of welfare benefits into bank accounts has the potential to bring financially excluded people into the banking system. The UK offers an effective example of how the move towards electronic payments was complemented by the development of basic bank accounts. Almost 1.5 million welfare payments are made every week in Ireland to the value of almost €6 million. The number of social welfare customers being paid by electronic funds transfer (EFT) in Ireland has increased from 38.7% in October 2004 to 47.5% in March 2008. The Department of Social and Family Affairs is implementing a three-year strategy to change paper-based payments (e.g. cheques and social welfare books) to social services card (swipe) payments at post offices. This will reduce fraud and be cost-effective. However it is unlikely to lead to greater financial inclusion (as people will continue operating a cash budget and will not have the facilities provided by a bank account to manage their money). This is concerning as this can leave them vulnerable to theft or burglary. Money management in cash can also be more time-consuming and costly.

4.8 National to local linkages

- One of the functions of Combat Poverty is to develop pilot approaches to tackling poverty. It should apply this function in the development of a financial inclusion pilot project and work with a variety of local organisations in the financial services sector and the anti-poverty sector to develop new approaches for tackling financial exclusion.

Combat Poverty recognises the importance of strong local and national linkages in tackling poverty and social exclusion. The research on financial exclusion underlined the contribution of local organisations in assisting low-income consumers to access and use bank accounts

²⁴ For further information see: www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_gateway.cfm

and other financial products. The European Study on access to financial services highlighted initiatives introduced in a number of countries to address financial exclusion at a local level e.g. Belgium, the Netherlands and France. Similarly, a recent study in the UK recommended that local partnerships should be developed and supported between the financial services industry and the voluntary sector as a way of meeting local needs²⁵.

5. Conclusion

Financial exclusion is an emerging issue in Ireland and 340,000 adults have no bank account. Ireland is behind EU Member States in terms of awareness of financial exclusion and policies to address the issue. In other European countries a range of initiatives have been introduced:

Some governments have intervened and have passed legal requirements ensuring that every citizen or resident should have access to transaction banking services. Other governments have played a crucial role in facilitating contact, dialogue and negotiations between key stakeholders. In several countries, pressure from the government and public opinion has encouraged the banking sector to adopt codes of conduct.

Charlie McCreevy, European Commissioner for Internal Market and Services²⁶

Nevertheless, Ireland does have certain advantages: diversity of financial providers (private, state, not-for-profit), existence of financial advocacy groups, and the leverage potential of the social welfare system. Financial exclusion is predominantly associated with low-income consumers, due to a failure of the market to respond to their distinct financial needs. Action to address financial exclusion must begin at high-level policy (through legislation and regulation), at an industry level (through product development by mainstream service providers) as well as at a local level (e.g. through credit unions).

The Combat Poverty Agency is a state advisory agency which develops and promotes evidence-based proposals and measures to combat poverty in Ireland. One of its functions is to advise the government on all aspects of social and economic policy pertaining to poverty. Combat Poverty, recognising that financial exclusion is both a cause and consequence of social exclusion, carried out the first Irish study on financial exclusion in 2006 with the support of the Financial Regulator. In 2007 it was a research partner in the European Commission study on Financial Services Provision and Prevention of Financial Exclusion.

²⁵ Mitton, L. 2008. *Financial inclusion in the UK: Review of policy and practice*. Kent: University of Kent

²⁶ Charlie, McCreevy. 2008. op. cit.



Bridgewater Centre, Conyngham Road, Islandbridge, Dublin 8

Tel: 01 670 6746 Fax: 01 670 6760 Email: info@combatpoverty.ie Website: www.combatpoverty.ie