

Report Introduction

The purpose of this study is to examine the causes and effects of living without a current account in 2016 by the presentation of experiences of a sample of clients of the Money Advice and Budgeting Service (MABS). This study was motivated by the researcher's experiences of meeting with over-indebted people who are unbanked and the difficulties that they face in maintaining or regaining control of their financial situation without access to mainstream banking services.

The paper first provides the reader with an overview of the research issue, the MABS Service and the justification for the research.

Access to a current bank account is a key dimension of financial exclusion, processes by which individuals or households face difficulties in accessing financial services. Literature on financial and social exclusions are presented in this paper to allow the reader to discover what effects, if any, living without access to a current account may have on consumers.

To explore this underexplored phenomenon the researcher secured data from two sources, MABS Money Advisers and from a sample of MABS clients by way of interview. The findings presented in this paper reveal common themes in MABS clients' experiences, not only of the effects of being unbanked but also the causes of them living outside the banking system. These themes include forced closure of accounts, penalties for cash preferring consumers and exclusions from products and/or services. Themes are examined further by analysis of consumer protection measures in place in Ireland, supported by codes of practice and legislation, assessing their effectiveness in addressing this dimension of financial and social exclusion.

The paper concludes by arguing that public policies in place are not sufficiently protecting MABS clients from being unbanked and financially excluded, putting forward recommendations to address these gaps.

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Introduction to Study

The European Commission (2008:9) define financial exclusion as *a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong*. Financial services and products include access to a current account, a bank account,¹ affordable credit, insurance products and savings. Corr (2006) purports that exclusion from suitable and affordable products and services results in low-income consumers falling into poverty or being unable to escape from poverty. The European Commission (2008) considers access to transaction banking services as a universal need. While there are many facets of financial exclusion, this research will focus on the lack of access to a current account.

This study examines the causes and effects of living without a current account in 2016 as experienced by a sample of clients of the MABS Service. MABS is the only free, confidential, independent and non-judgmental service for people who are over-indebted, or in danger of becoming over-indebted, in Ireland. Therefore the clients of the MABS Service may be determined as vulnerable and financially excluded as per the European Commission's definition and provide an appropriate data source for this study.

While there remains limited data available in Ireland on who is without access to current accounts, the unbanked Irish citizen appears to be from the marginalised and vulnerable sectors of society.

Combat Poverty Agency (2008) state that *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)*.² It also acts as a gateway to a range of other financial products such as credit and insurance. For the purposes of this study being unbanked refers to a lack of access to a current account does not include access to savings or deposits accounts, or other financial services.

This study also explores whether the lack of access to a current account further compounds MABS clients' exclusions. This objective is supported by the literature

¹ A bank account refers to transaction bank accounts, savings accounts and deposit accounts.

² Tackling Financial Exclusion In Ireland, a Policy statement, September 2008, Combat Poverty Agency

presented in chapter two allowing the reader to explore the complexities of financial exclusions in modern Europe and how financial exclusions impacts on people's daily lives.

The Money Advice and Budgeting Service (MABS)

MABS has developed from five pilot services in 1992 to a network of over sixty offices nationwide, as well as two national companies, a national Helpline and a website (www.MABS.ie) and the Mortgage Arrears Information Helpline. Since 2009, the Citizens Information Board has statutory responsibility for MABS, including the provision of funding.

The mission statement of the MABS Service is *to work towards the elimination of over-indebtedness through the provision of a free, confidential, independent community and rights based Money Advice and Budgeting Service, which identifies, supports, educates and empowers those experiencing or at risk of over-indebtedness, especially those on low income and to use the knowledge and experience gained to bring about policy change towards this end.*³

Following the introduction of the Personal Insolvency Act 2012, MABS also carries the statutory responsibility for the processing of applications for Debt Relief Notices, one of four new debt discharge options available to debtors under the 2012 Act. During 2015 and 2016 a new dedicated mortgage arrears support service was introduced to MABS and further schemes to support this specialised service are in development at the time of writing this report.

MABS has a further legislative responsibility to *support, promote and develop the provision of information on the effectiveness of current social policy and services and to highlight issues which are of concern to users of those services.*⁴

³ www.mabs.ie

⁴ The statutory functions of the Citizens Information Board are set out in the Social Welfare (Miscellaneous Provisions) Act 2008, the Citizens Information Act 2007 and the Comhairle Act 2000.

Research Question and Study Objectives

What are the causes and effects of living without a current account in 2016 as experienced by a sample of clients of the Money Advice and Budgeting Service (MABS) in the Republic of Ireland?

Population and sample

The population for the study is the users of the MABS Service nationally. Clients of the service without a current account, during the study period of Monday June 13th to Friday June 17th 2016, were asked to participate in a further interview. Only nine MABS clients volunteered. However it was ascertained that one client had since secured a bank account, and therefore this interview was not included in the analysis of findings as it was deemed outside the scope of the study.

Data collection methods

Quantitative methods

A quantitative questionnaire survey strategy was employed to provide descriptive statistics of the MABS client population during the study period. However insufficient quantitative data was secured rendering the data set unsuitable for analysis. Therefore no quantitative data is presented in this report.

Qualitative Methods

All service users who said they were currently unbanked were asked at this time if they were willing to be interviewed further. The interview was arranged, independent of the MABS service, at a time and venue suitable for the interviewees. The researcher conducted semi-structured interviews, as the full extent of the effects of being unbanked had not been explored in detail before, providing flexibility to explore the responses given by interviewees with spontaneous follow-up questions as appropriate.

Limitations of this study

Given the short timeframe to complete the research there are many limitations to the study, with particular reference to the study population, sampling and limited amount of data returned from MABS services. The researcher does not purport that the experiences presented in this study represent the experiences of all MABS clients or of all citizens

living without a current account, however the data presented in this report does provide some insight into life without access to a current account and allows the reader to align the interviewee feedback to the literature presented and subsequently support the reader to understand how the phenomenon affects society as a whole.

The rich qualitative data provide themes that are likely to be relevant to all MABS users and which provide a basis for future research to further explore these themes.

Background to Study

2.1 What are the effects of living without a current account?

The Combat Poverty Agency (2008:5) state that *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).*⁵ So what, if any, effects does the unbanked consumer suffer in Ireland 2016?

Many reports to date suggest the following effects of living without access to a bank account:

- Inability to gain employment, employers favour/insisting on non-cash wage payments,
- Lack of security in storing cash,
- Reduction in a consumer's access to financial advice or information regarding options to improve their financial situation, such as savings schemes or pension options,
- Managing limited household resources, limited income and bill payments outside the banking system are more costly and time-consuming, with many companies charging surcharges for cash based payments.

2.2 Why are citizens unbanked?

Russell (2011) and Corr (2006) report the following reasons for citizens to remain living without access to a current account or other banking facilities, which are mirrored in the EU SILC 2008 data.

- Self-exclusion,
- Access issues including identification and credit scoring,
- Unstable or low incomes,
- Geographic isolation and exclusion,
- Banking charges and price factor.

⁵ Tackling Financial Exclusion In Ireland, a Policy statement, September 2008, Combat Poverty Agency

2.3.1 Future Effects of being unbanked on social transfers/State payments

The Department of Social Protection announced that by 2017, 75% of social welfare payments will be paid directly into accounts in financial institutions, with the remainder to be paid electronically into a prepaid card or via a mobile phone. The Department states *that this move is aimed at removing the very high levels of cash usage in the Irish economy and will contribute to improved national competitiveness* as part of the new National Payment Plan.⁶ The Department's Payment Strategy seeks to deliver their vision that *all customer payments will be fully electronic, recognising both the DSP and customer need.*⁷ For those without banking facilities the Department of Social Protection has voiced its support for the proposals for a Standard Bank Account.⁸

2.3.2 Potential future issue in access to bank accounts in Ireland

The Personal Insolvency Act 2012 introduced reforms to the Bankruptcy Act 1988 and introduced three new forms of non-judicial debt settlement arrangements: Debt Relief Notices, Debt Settlement Arrangements and Personal Insolvency Arrangements. At the core of the 2012 Act is the provision of a principle of a Fresh Start which not only provides benefits to the debtor but also to the State's economy. On completion of the debt settlement arrangement, the debtor returns to solvency, enabling them to re-enter the financial society in which they live, with access to credit and other financial services, again actively contributing to national GDP⁹ through consumption. The experiences of access to current accounts for insolvent citizens in the UK has not been very positive. Citizens Advice Bureau (2010) reported that only two banks were willing to provide a bank current account for applications who were subject to insolvency arrangements. Similar to the Irish 2012 Act, insolvency legislation in the UK does not prohibit the debtor from holding and operating a bank account during the proceedings or when adjudicated bankrupt. However neither the Irish or UK legislative measures provide for the protection of a current account for the debt. Some banks in the UK reported risk

⁶ National Payments Plan, A Strategic Direction for Payments, April 2013 Available at <<http://www.centralbank.ie/paycurr/paysys/Documents/National%20Payments%20Plan%20-%20Final%20Version.pdf>>

⁷ <https://www.welfare.ie/en/downloads/Payment-Strategy.pdf>

⁸ <https://www.welfare.ie/en/downloads/Payment-Strategy.pdf>

⁹ GDP Gross Domestic Product The total value of goods produced and services provided in a country during one year. <http://www.oxforddictionaries.com/definition/english/gross-domestic-product>

factors as the reason for refusal to offer bank accounts to debtors subject to insolvency.¹⁰ The Law Reform Commission (2010) reported that problems in obtaining a bank account had been encountered in other jurisdictions with insolvency legislation in place. The legislation in Ireland is still relatively new and to date there have been no reports on this issue. This does not mean the issue will not emerge in the future, potentially increasing the already excluded population.

¹⁰ https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/called-to-account2.pdf

Research Findings

Initial analyses of the eight case studies have indicated common themes arising. These themes will be explored.

3.1 Case study themes: reasons for being unbanked.

The Report of the Financial Inclusion Working Group on the Standard Bank Account Pilot Project (2013) suggests that the main reason that customers do not have access to a current account is due to the lack of need for one. The Banking and Payment Federation of Ireland (BPMFI) in their response to Department of Finance Public Consultation July 2015 Directive on Payment Accounts, reports its Member Banks are of the view that customers are well served should they wish to access banking services. However analyses of transcribed interviews with eight MABS clients indicate varied reasons for being unbanked at this time;

- **Bank closure of account:** Of the eight case studies, five interviewees reported that their account was closed by the bank, all due to financial difficulties and inability to maintain other credit contracts with their bank.
- **Closure of bank branches**, particularly in rural areas.
- **Low income:** (bank closure of account and self-closure) and/or **Bank fees** (self-closure), Seven of the interviewees referred to bank charges or low income during the interviews. Some reported not having to pay fees as a benefit of being unbanked. Others reported that paying fees is something they can no longer afford with their low income. The BPMFI (2015) state that their Member Banks are of the opinion that customers who are unemployed or have low income, a bad credit history or subject to personal bankruptcy are seen as commercially less attractive. Supply-side exclusions due to low income was also reported by interviewees.
- Miscellaneous, including **identification requirements and self-exclusion.**

3.2 Case study themes: Consequences of being unbanked

Analyses of transcribed interviews with eight MABS clients report the following consequences they experience as a result of being unbanked at this time:

- **Exclusion from products or services:** Three interviewees stated that they had been unable to avail of a service as they did not have a bank account and direct debit as an option of payment. One interviewee said that they *never tried because I hadn't got a bank account so there was no point*. A further three interviewees currently use a family member's bank account to make payments by direct debit to secure a product or service.
- **Surcharges on cash payment of bills:** Surcharges on cash payments at PayPoints had been highlighted by MABS Service nationally in 2014. Only one interviewee confirmed that they are aware that they pay surcharges for making payments by way of cash. While two interviewees confirmed that they did not pay any additional charges, four were unaware whether they were charged or not and the remaining confirmed that they knew charges were applied but were currently using a family member's account and therefore not being charged at this time.
- **Loss of income:** Three interviewees, reliant on the Post Office to collect their social welfare income, reported being unable to attend the Post Office during opening hours due to unforeseen circumstances. Two reported that their weekly payment was then returned to the Social Welfare and they experienced delays in securing this outstanding payment. Only one interviewee was waged at the time of interview. Her account had been closed by her bank after she was adjudicated bankrupt. She advised that the bank had since removed all access to banking facilities, no longer allowing any payments from the account. The bank however allowed receipt of her wage payment and then required her to attend the branch to withdraw her wage by way of meeting with the branch manager. She was advised that this arrangement was however no longer acceptable and is anxious as to how her employer will now pay her.

- **No consequences:** Not all interviewees expressed concern or anxiety about being without a current account. While two interviewees stated that they feel no consequences of not having a bank account, it is notable that they both had a network of family or friends who allowed use of their credit card or current accounts for direct debit payments. Therefore they had developed a ‘work-around’ mechanism which aided them in perceiving no consequences of being unbanked.
- **Lack of security:** All interviewees were asked if they felt unsafe having to carry their cash or store it at home. Only two interviewees reported feeling less safe carrying all their social welfare in cash, one reported being robbed of his Social Welfare following a fall while collecting his welfare payment.
- **Budgeting:** Three interviewees felt having a current account would help them budget their (limited) income better.

Conclusions and Recommendations

To achieve the final objective of this study, this chapter will discuss the main conclusions identified from the qualitative data detailed in chapter four with a view to providing some recommendations to address these issues of financial exclusion and inform the transposition of the EU Payment Directive.

Conclusion 1 Closure of current account due to financial difficulties:

European Commission (2008) report that debt counsellors have regularly reported closure of accounts due to arrears. This issue has been reported in this study by both MABS clients and Money Advisers.

Ireland enacted Personal Insolvency Legislation in 2012 that provides debtors with a write-off or discharge at the conclusion of an insolvency process. Under the 2012 Act there are four options of debt discharge available to debtors, Debt Relief Notice (DRN), Debt Settlement Arrangement (DSA), Personal Insolvency Arrangement (PIA) and bankruptcy. Since the enactment of the legislation to end of Quarter 1 2016, the Insolvency Service of Ireland reported a total of 2,057 new form insolvency arrangements (DRN, DSA, PIA) have been granted and a further 1,096 debtors have been adjudicated bankrupt. As of 31st December 2015 the Central Bank of Ireland reported 68,918 credit cards in arrears and a further 45,090 personal loans in arrears.¹¹

The terms and conditions of current accounts with AIB, Bank of Ireland, Permanent TSB and KBC Bank, could result in these customers in arrears or those insolvent being refused a current account or suffering the closure of a current account they hold at the time of financial difficulties.

¹¹ <https://www.centralbank.ie/regulation/processes/consumer-protection-code/compliance-monitoring/Documents/Consumer%20Protection%20Bulletin-%20Personal%20Credit.pdf>

The Insolvency Service of Ireland states that debtors who are adjudicated bankrupt may maintain a bank account.¹² This was not the experience of the MABS clients who had recently been adjudicated bankrupt.

The current right of closure of accounts, illustrated in Table 3, held by AIB, Bank of Ireland, Permanent TSB and KBC Bank, do not support the principle of the Personal Insolvency Act 2012. These terms imposed on customers in financial difficulties or party to insolvency arrangements appear contradictory to the Fresh Start principle at the core of debt discharge.

Considering the potential future earnings of excluded customers, the economic implications for the banks of excluding customers party to insolvency arrangements cannot be ignored. The Insolvency Service reports the most frequent applicant age profile for DRN, DSA or PIA (from 2013 Q4 to 2016 Q1) is between 35 years and 44 years of age. The CSO report in Quarter 1 2016 that the average industry gross wage is €36,823¹³, giving a net income of €29,351¹⁴ per annum for a single person with no children. Using the mean applicant age of 40 years of age for a DRN, PIA and DSA and the national average retirement age of 65 years, the future earnings of €733,775 of a debtor over 25 years of employment is then lost by the banks as revenue generating income.

Recommendation 1 Current account terms and conditions

Recommendation 1a The Central Bank of Ireland

In August 2006 the Central Bank of Ireland introduced the Consumer Protection Code, to ensure a consistent level of protection for consumers availing of financial services regulated by the Bank. The scope of the updated 2012 Code are binding on regulated entities and must, at all times, be complied with when providing financial services.¹⁵

¹²https://www.isi.gov.ie/en/ISI/BOT_Information_About_Bankruptcy_2016.pdf/Files/BOT_Information_About_Bankruptcy_2016.pdf

¹³<http://www.cso.ie/en/releasesandpublications/er/elcq/earningsandlabourcostsq42015finalq12016preliminaryestimates/>

¹⁴ <http://taxcalc.ie>

¹⁵ The legislative basis for the Code is issued pursuant to powers;

Section 2.11 of the Code sets out guiding principles whereby a regulated entity must ensure that in all its dealings with customers *without prejudice to the pursuit of its legitimate commercial aims, does not, through its policies, procedures, or working practices, prevent access to basic financial services.*

The terms and conditions and right of the bank to close a current account as detailed do not uphold this guiding principle. It is therefore submitted that the Central Bank of Ireland, under its powers set out in the 1942 Act, investigate as to whether the terms and conditions permitting the closure of current accounts for indebted or insolvent customers contradicts the Consumer Protection Code 2012.

Recommendation 1b The Department of Justice

It is submitted to the Department of Justice to review amendments to the current Personal Insolvency Act 2012 to provide for the protection of banking services/current accounts, for debtors subject to insolvency proceedings.

Recommendation 1c The Department of Finance and the Bank and Payment Federation of Ireland

Under Section 45 of Credit Institutions (Financial Support) Act 2008 credit institutions in the State must discharge their Corporate Social Responsibility which includes the promotion of financial inclusion. The termination of current account clauses contained within the aforementioned terms and conditions do not support financial inclusion. It is submitted that the Member Banks amend their terms and conditions in line with Section 45.

(a) Section 117 of the Central Bank Act 1989;

(b) Section 23 and Section 37 of the Investment Intermediaries Act 1995;

(c) Section 8H of the Consumer Credit Act 1995; and

(d) Section 61 of the Insurance Act 1989.

Under Part IIIC of the Central Bank Act 1942, The Central Bank of Ireland is responsible for the monitoring of the Code and has the power to issue sanctions as deemed necessary by The Bank.

Right of Closure of Current Accounts

(Sourced directly on each respective bank's website July 2016)

Allied Irish Banks Trading as AIB Bank	<p>13.1 We can suspend or close your Account immediately in any of the following circumstances:</p> <p>13.1.1 if you are adjudicated bankrupt under Irish law or we have received notice of a foreign bankruptcy court order having been made against you in another jurisdiction or if you enter into a voluntary arrangement with your creditors;</p> <p>13.1.3 if judgement is obtained against you and remains unpaid for a period of fourteen days from the date of such judgement;</p> <p>13.1.6 if you are no longer, in our opinion, able to manage your financial affairs;</p> <p>13.1.10 if you are in breach of any other agreement with us;</p>
Bank of Ireland	<p>22.4 We may close your Account immediately or block any payments from it if:</p> <p>(ii) you are declared bankrupt or insolvent (under Irish or other law);</p> <p>(iii) you seek legal protection from your creditors or enter a composition or settlement agreement with your creditors whether under a statutory scheme or otherwise;</p> <p>vii) the balance on your Account is between zero and €10.00 and you have not carried out an account transaction on it for a period of 12 months or more; or</p> <p>22.5 We do not have to notify you beforehand if we close or block your Account for any reason listed in Clause 22.4.</p> <p>We are not liable to you or anyone else if we close or block your Account for any reason listed in Clause 22.4. We will tell you how the block on your Account can be removed (if it can be).</p>

EBS Limited	Terms and conditions for a current account or MoneyManager account with the EBS Limited does not make any reference to closure of account due to financial difficulties or insolvency.
KBC Bank	<p>28 Closure of the Account</p> <p>28.3 We may immediately close the Account or block payments from it if:</p> <p>28.3.1 if we have reason to believe that you or any joint Account holder are no longer able to manage your financial affairs;</p> <p>28.3.5 you are in breach of any other agreement with us;</p> <p>28.3.8 you enter into any arrangement with your creditors, are declared bankrupt or insolvent or have a judgment registered against you or are the subject of any analogous insolvency processes or proceedings in another jurisdiction;</p> <p>28.5 We do not have to notify you prior to closing the Account or blocking a payment from the Account for the reasons set out in these Terms and Conditions.</p>
Permanent TSB	<p>20 CLOSURE:</p> <p>(a) We can close your Account immediately in any of the following circumstances:</p> <p>(i) if you become bankrupt or go into liquidation or if you enter into a voluntary arrangement with your creditors;</p> <p>(iii) if you are no longer, in our opinion, able to manage your financial affairs;</p> <p>If we take such action we will immediately give you notice in writing that we have done so.</p>
Ulster Bank Limited	Terms and conditions for a current account with the Ulster Bank Limited does not make any reference to closure of account due to financial difficulties or insolvency.

Conclusion 2

Bank fees and charges

Banking services are the gateway to other financial services, including affordable credit, savings, insurance and other suitable financial products (Corr 2006, Tasc 2010, Kempson et al, 2000). As outlined in chapter four, low income consumers report that they feel bank charges are disproportionate to their income levels. As a result self-exclusion occurs, with customers removing themselves from banking services.

The Department of Finance undertook a review of regulation of bank charges in Ireland in 2013. The review is a comparative analysis of bank fees and charges imposed in Ireland and in the developed European market banks. The review acknowledged low customer mobility, as reported by the National Consumer Agency, and stated that *low customer mobility may mean that banks can increase prices without fearing a loss of customers.*¹⁶ The report concluded that the data reviewed suggested that the Irish banks have lower levels of income derived from customer fees and commission than their UK and EU peers. However The Central Bank (2011) reported that Irish banks charge more for day-to-day customer transaction charges compared to the UK and Northern Ireland.

Section 149¹⁷ of the Consumer Credit Act 1995 requires credit institutions to submit to the Central Bank if they wish to introduce new customer charges or increase existing customer charges in respect of services such as making and receiving payments, providing and granting credit, and maintaining and administering transaction accounts.

The Central Bank on receipt of such submissions may approve the charge as submitted or may direct institutions not to impose the new or increased charge or approve it at a lower level than submitted.

The CCPC operate a free information website www.consumerhelp.ie which allows consumers to compare financial products including personal current accounts. At the time of completion of this research the CCPC reported fees and charges as outlined in below Table 4.

¹⁶Department of Finance - Report of the Review of Regulation of Bank Charges in Ireland page 23

¹⁷ Section 149 of the Consumer Credit Act 1995 obliges all regulated credit institutions to notify customer charges to the Consumer Director under the Office of the Director of Consumer Affairs ('ODCA'). Central Bank of Ireland assumed the role of the Consumer Director as per Section 149 in 2003.

Table Overview of Current Account General Fees

Sourced www.consumerhelp.ie updated July 23rd 2016

AIB	A 35c fee is charged for each ATM withdrawal and in branch In-branch automated transaction. A 20c fee applies to each debit card purchase, phone and internet transactions and direct debits. Contactless payment fees are waived until August 26 th 2016. A quarterly fee of €4.50 is also charged.
Bank of Ireland	A 25c fee is charged for each ATM withdrawal and In-branch automated transaction. A 10c fee applies to each debit card purchase, phone and internet transactions and direct debits. Contactless payment fees are 1c. A quarterly fee of €5.00 is also charged.
EBS Limited	A 30c fee is charged for each ATM withdrawal and In-branch cashier assisted withdrawal transactions. No fee applies to each debit card purchase, phone and internet transactions and direct debits. Contactless payment is not available. No quarterly fee is charged.
KBC Bank	A 30c fee is charged for each ATM withdrawal. No fee applies to each debit card purchase, phone and internet transactions and direct debits. There are no fees for contactless payments. A quarterly fee of €6.00 is also charged
KBC Bank Current Account Extra	The account maintenance fee, ATM transaction fee and cheque lodgement processing fee are waived if customers lodge a minimum of €2500 into their account every month. Without this required €2500 minimum balance this account is not available to customers.
Permanent TSB	Fees are not charged on a transaction basis, only a quarterly fee of €12.00 is applied to the account.
Ulster Bank	Fees are not charged on a transaction basis, only a quarterly fee of €12.00 is applied to the account.

Bank charges are in many cases driven by customer behaviour and usage, requiring customer change in behaviour and banking usage to affect the charges applied.

The European Central Bank (2013) state that Ireland has the highest number of cash withdrawals per card, yet cash withdrawal charges are the most expenses of transaction based bank charges. Under the National Payment Plan: Cash Efficiency (Chapter 6) the Irish Government committed to increase the dispensing of €10 notes in ATMs in respect of low income bank users and the number of low value cash transactions reported.¹⁸ Therefore the current ATM charges applied by AIB, the Bank of Ireland, EBS and KBC Bank appear to be at odds to the intentions of the Irish Government under the National Payment Plan, discouraging smaller withdrawals as charges are applied per transaction.

The National Consumer Agency (2014) reported that 34% of customers claimed they lost their free banking during 2014.¹⁹ Some banks offer free banking options to customers under certain conditions. At the time of completion of this research the CCPC reported the terms as outlined in Table 5 were required to secure free banking facilities.

The income received by a single person claiming Social Welfare income supports is €814.04 every four weeks. An employee working 35 hours per week in receipt of minimum wage of €9.15 per hour earns €1,387.75 gross per month. The EBS offers benefits to customers with a minimum lodgement. However unemployed customers and lower earners appear excluded from this offer.

The Household Finance and Consumption Survey (2013) reports that those unemployed have a median savings value of €1,000 and that single parent household median savings value is €300. Therefore these low income vulnerable households would not meet the minimum credit balance required by all banks offering fee-free banking at this time.²⁰

¹⁸ <http://www.centralbank.ie/paycurr/paysys/Documents/National%20Payments%20Plan%20-%20Final%20Version.pdf>

¹⁹ <http://www.independent.ie/business/personal-finance/one-in-three-hit-with-new-charges-for-daily-banking-29996869.html>

²⁰ It is noted that KBC Bank offers customers over 60 years of age and those in third level full-time education and exemption from Account Transaction Fees.

Conditions for Free Banking

AIB	To qualify for maintenance and transaction free banking on your personal current account you must maintain a minimum daily credit statement balance of €2,500 in the account for each fee quarter.
Bank of Ireland	A quarterly fee of €5 always applies, but customers can avoid account transaction fees by maintaining a minimum credit balance of €3,000 in their personal current account throughout the full fee quarter
EBS Limited	Fee free banking is not available however customers can avail of the following: Customers can get 5 free withdrawals each month by ATM or in branch (cash or cheque) if either at least €1,500 is lodged to the account each month, either in one lump sum or in instalments or a minimum balance of €500 is maintained in the account each month.
KBC Bank	ATM and Cheque Processing Fees are waived if customers maintain a minimum daily credit balance of €2,000 in their account Customers aged 60 years or over or customers who are in full time third level students attending an Irish Third Level Institution are exempt from Account Transaction Fees (Account maintenance fees, ATM transactions fees and cheque lodgement processing fees).
KBC Bank Current Account Extra	Provides for the account maintenance fee, ATM transaction fee and cheque lodgement processing fee are waived if customers lodge a minimum of €2500 into their account every month.
Permanent TSB	No fee free banking is available to customers.
Ulster Bank	To avoid this fee (monthly maintenance fee of €4 customers can maintain a cleared balance of at least €3,000 in their account.

Sourced www.consumerhelp.ie updated July 23rd 2016

Recommendation 2.1 Provision of fee free and reduced fee basic banking

Discretion 15 of Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 (known as the Payment Accounts Directive) requires that basic services be offered by each Member State free of charge or at a reasonable fee.²¹ Paying fees is something participants in this study feel they can no longer afford due to having low incomes. Similarly in the UK those who were now unbanked but had previously held a bank account reported being deterred from banking due to the fear of bank charges.²²

On transposition, each Member State may instruct credit institutions to implement various pricing schemes depending on the level of banking facilities offered to the consumer, allowing for more advantageous conditions for the unbanked vulnerable customers. The BPF in their response to the consultation on the Directive state that their members feel it would be inappropriate under competition law to offer an opinion in relation to pricing schemes.

It is submitted that while the competition of services is appreciated, the provision of a standard basic banking facility across all providers can only be achieved if pricing schemes were set out by the Department of Finance in discharging its responsibilities to transpose The Directive. It is therefore submitted that customers dependent solely on State income supports and those on minimum wage be provided with basic banking facilities at a flat fee of €12.00 per annum chargeable per month to each account. This nominal fee of €12.00 has been calculated with reference to the allowable personal costs as set out in the Reasonable Living Expenses under the Personal Insolvency Legislation 2012²³, attached in appendix 6.

²¹ <http://eur-lex.europa.eu/legal-content/EL/TXT/?uri=OJ:L:2014:257:TOC>

²² Banking the unbanked: banking services, the Post Office Card Account, and financial inclusion Thirteenth Report of Session 2005–06 Report

²³ http://isi.gov.ie/en/ISI/RLEs_Background_Information_July_2015.pdf/Files/RLEs_Background_Information_July_2015.pdf Reasonable Living Costs Tables included in Appendix XXX

Recommendation 2.2 Provision of regular information on fees and charges

As outlined in chapter two, many Irish consumers are reported to be unaware as to how their bank charges are applied and are unlikely to shop around for better bank charges. Discretion 6 of the Payment Account Directive provides for the establishment of at least one fee comparison website providing consumers with access to independent information on fees and charges. The BFPI submit that the website managed by the CCPC is sufficient for this purpose. It is submitted to the CCPC that a long term national awareness media campaign on access to this website should be undertaken in conjunction with the National Payment Plan.

Conclusion 3

Protection for the cash preferring customer

Post transposition of the Payment Directive, with the envisaged general availability of a basic current account, research indicates that a cohort of consumers may choose to remain unbanked (Corr 2006, Kempson et al 2007). Having access to a current account and banking facilities does not necessarily provide for meaningful financial inclusion.

The Review of the Standard Bank Account (2013) reported that most participants were satisfied with their cash-based bill payment regime. The EU Commission (2012) reported that three quarters of Irish respondents without a bank account said they neither needed nor wanted a bank account.²⁴ Corr (2006) reports that consumers feel a greater sense of control when using cash and the Social Finance (2011) report that approximately half of people with a basic bank account in the UK still choose to manage bills in cash.

Bill payments outside the banking system are reported as more costly and time-consuming (Kempson et al 2000, Corr 2006, Russell 2011 and SVP 2012). Cash paying customers may incur further costs by way of surcharges applied at PayPoint or Payzone agents.²⁵ Included in the National Payment Plan is a commitment to increase the dispensing of €10 notes in ATMs²⁶, an inclusive measure for low income bank users. Yet some companies require a minimum payment of €20.00 per transaction for cash payments.²⁷ The MABS clients' experiences presented in chapter four strongly suggests that product and service exclusions will still exist for those who remain unbanked, by choice or by another force out of their control. This cohort of consumers must also be considered.

²⁴ Special Eurobarometer 373, Retail Financial Services Report (March 2012). Available at http://ec.europa.eu/internal_market/finservices-retail/docs/policy/eb_special_373-report_en.pdf

²⁵ <http://www.irishtimes.com/news/social-affairs/energy-regulator-tells-firms-to-enforce-ban-on-top-up-charges-1.1913627>

²⁶ Automated Telling Machines, known as also *Banklink* machines

²⁷ www.eir.ie www.virgin.ie

Recommendation 3.1 Restrictions on surcharges for cash paying customers

Following submission by MABS in 2014 regarding surcharges it was reported that the Commission for the Energy Regulator wrote to energy suppliers and Bord Gáis Networks requesting that they actively seek enforcement of the current terms and conditions between third-party providers, PayPoint and Payzone outlets, prohibiting the charging of top-ups for prepayment energy supply meters.

However as reported by the interviewees and Money Advisers in this study surcharges on cash payments are not unique to top-ups. It has also been reported by MABS that this practice still continues. It is submitted to The Competition and Consumer Protection Commission that surcharges by PayPoint and Payzone outlets be investigated.

**Recommendation 3.2 Removal of surcharges applied by Government
 Department for cash payments**

It is submitted to the Department of Finance to remove all fees applied to cash based payments to any Government Department until the Payments Account Directive has been transposed and the availability of free and/or appropriate banking is available to all citizens.

Conclusion 4 Direct debits and basic banking

Many utility companies offer discounted rates for people paying their bills electronically. (European Commission, 2008; Corr, 2006; Kempson and Whyley, 1998; Kempson et al, 2000). Consumers who cannot pay by way of direct debit in some cases are unable to apply for any service from some providers, while others are unable to avail of discounts as the providers stipulate that these deals are only available to customers who pay by way of direct debits (European Commission, 2008). While service can be secured by way of cash payments or pay as you go plans for many providers, there are no discounts available on these plans. Energy companies are reported to charge cash and cheque customers a premium on both their standing charge and unit rates when compared to customer paying by direct debit.²⁸

Recommendation 4.1 Direct debit as feature of a Standard Bank Account

The Review of the Standard Bank Account 2013 provided anecdotal evidence from the stakeholders that some customers did not participate in the pilot scheme as the standard bank account did not provide for direct debits as a feature of the account. However while most utility providers offer services to cash and non-cash paying customers, the providers do offer benefits to direct debit customers that they do not extend to cash paying customers.

The Review reports that the inclusion of direct debit facilities may result in a loss of control or debt for the account holder. The Working Group submitted that there was still a case for the exclusion of a direct debit facility. Direct Debits are a successful feature of a Basic Bank Account in the UK²⁹. The Payment Directive however does provide for the inclusion of direct debits as a feature of the account. Discretion 13 of the Directive asks for the Member State to determine a specific number of transactions, including direct debits, subject to the proposed reasonable rates.

Difficulties with budgeting are likely to occur when consumers are budgeting and paying bills outside of their income frequency, i.e. being paid weekly versus bill payment

²⁸ <https://switcher.ie/gas-electricity/guides/paying-for-energy-by-cash/>

²⁹ <https://www.moneyadviceservice.org.uk/en/articles/basic-bank-accounts>

monthly (Corr 2009). This may be more evident in low income and social welfare dependent households.

It is submitted to the Department of Finance that as a budgeting tool for those who meet the criteria for a standard bank account that a second budget account be also available, allowing the account holder to transfer weekly amounts to a separate bill payment account.

It is also submitted to the Department of Finance that the restrictions on direct debits is not transposed under The Payment Directive for direct debits in relation to essential household expenses such as housing payments and light and heat bills.

It is finally submitted to the Department of Finance that penalty charges for unpaid direct debits are not a permissible charge of a Standard Bank Account.

Conclusion 5

Consumer awareness and education

The Combat Poverty Agency (2009) state that not only do vulnerable and low income consumers need assistance in accessing basic banking, but also need support in using bank accounts. The Agency recommended the need for the provision of financial information, advice, education and advocacy for low-income newly-banked consumers.

Financial health and consumer well-being are affected by our financial literacy and financial behaviours. We are moving towards a more cashless society, supported by many Government initiatives such as the National Payment Plan, and managing our finances in the ‘cloud’ will become the norm. This in turn could bring difficulties for cash-preferring money managing citizens. Financial education is also viewed as a tool to combat financial exclusion in many European countries. The European Commission (2008) recommend the promotion of financial education in Member States to encourage the use of financial services by those reluctant to do so and to raise levels of financial capability among all citizens.

Research outlined in chapter two indicates that higher percentages of unbanked are likely to be unemployed and in receipt of Social Welfare payments. Section 45 the Credit Institutions (Financial Support) Scheme 2008 provides that credit institutions in the State must discharge their corporate social responsibility which includes development of financial education. The newly banked in many instances become banked due to a trigger event in their life (The BPFI, 2015; Corr, 2006). The Review of the Standard Bank Account state that this trigger for many currently unbanked could be provided by the Department of Social Protection’s move to electronic payments under the National Payment Plan.

It will be however, critical that the Department marry this digital banking evolution and the development of social welfare recipients’ financial skills.

There are a number of institutions in Ireland mandated or focused significantly in the area of personal finance education.³⁰

³⁰ <http://www.financialeducation.ie/index.jsp?p=575&n=584>

MABS has a statutory remit to promote and develop education in respect of money management. MABS National Development Unit states that money management is a life skill, as important as being able to read and write and feels that money management should commence in schools.³¹

The BPFII, on behalf of its members have developed a range of resources and interactive online tools that assist in teaching primary and secondary school students about money and its management. Other organisations, such as credit unions, provide financial capability programmes for schools.

While most financial education programmes are targeted at schools, developing financial capacity in our future consumers, Mandell (2008) reports that a number of early school leavers lack much needed financial literacy skills, increasing their vulnerability in society. Kim and Chatterjee (2013) support this view recommending that policy makers need to look to reach young adults through workplaces and communities not just the formal education system.

The CCPC is required to increase awareness amongst consumers of the costs, risks and benefits of financial products and services. The CCPC has an active consumer website which allows free access to independent information regarding financial products, enabling the consumer to compare and choose the most appropriate financial product suitable to their needs.

³¹ www.MABS.ie

Recommendation 5 Department of Social Protection: Banking awareness campaign

The Department of Social Protection commits in their Payment Strategy to convert at least 75% of payments to EFT payments into a financial institution by 2017. The Department recognises its responsibilities in supporting customers through the transition, stating that a strong communications strategy and supporting networks will be key to building an understanding of the Department's need to move to electronic payments.³²

It is submitted that to support currently unbanked social welfare recipients through the transition to banking, that the Department of Social Protection extend this communication commitment to include an education strategy. A national campaign to raise awareness of the benefits of banking, awareness of bank charges and support of community-based financial education programmes will protect consumers at risk of becoming more marginalised by the move to electronic payments. Programmes can be designed and delivered by the aforementioned groups seen as experts in the area of financial education and awareness.

³² <https://www.welfare.ie/en/downloads/Payment-Strategy.pdf>

Report Conclusion and Recommendation for Future Research

Whether the Credit Unions, the Banks or the Post Office are the vehicle to provide a Standard Bank Account following the transposition, this report concludes that the lack of access to a current account, as reported by the European Commission, is a need for Irish citizens in 2016.

It is recommended that a study be undertaken to evaluate the availability of basic banking following the transposition of the Payment Directive. It would be recommended that the study include newly banked and those returning to banking. This will enable policy makers to address difficulties as they arise and to support the newly banked citizen.

The MABS Service casework process provides a rich data source in relation to the population experiencing over-indebtedness and its related social and financial exclusion dimensions. As outlined in Chapter 3 and 4 the current MABS client software system is limited and does not provide for the recording of expansive data sets. This system is however under review and has potential to enable services to gather statistics on banking and other financial exclusions. It is recommended that measurements of financial exclusion be a feature of the new software, enabling MABS to make informed submissions and recommendations to relevant agencies or bodies.

	 One Adult no car	 One Adult with car
From July 2016		
MONTHLY		
Food	€ 250.98	€ 250.98
Clothing	€ 35.34	€ 35.34
Personal Care	€ 33.06	€ 33.06
Health	€ 31.34	€ 31.34
Household Goods	€ 26.38	€ 26.38
Household Services	€ 32.54	€ 32.54
Communications	€ 41.21	€ 41.21
Social Inclusion & Participation	€ 126.10	€ 126.10
Education	€ 23.72	€ 23.72
Transport	€ 149.70	€ 237.79
Household Electricity	€ 60.37	€ 60.37
Home Heating	€ 70.80	€ 70.80
Personal Costs	€ 0.97	€ 0.97
Home Insurance	€ 12.25	€ 12.25
Car Insurance	€ 0.00	€ 24.25
Savings & Contingencies	€ 43.38	€ 43.38
Total set costs	€ 938.14	€ 1,050.48