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Principles in Finance Financial Inclusion Report

This report is that of the opinion of Simone Haynes. It is in no way representative of Barclays Bank PLC or any of the prison services that I have operated in.

In June this year I opted to take voluntary redundancy from Barclays Corporate, after nine years of service. Throughout my employment with Barclays Bank PLC, I have worked within numerous sectors varying from Retail Banking, Wealth and Intermediaries, Commercial and finally Corporate. In my final two years at Barclays Bank PLC, I initiated a Financial Capability volunteers program, delivering money management workshops within prisons. These programs currently take place within Bronzefield HMP, Wormwood Scrubs HMPS and Feltham YOI. The training devised was based on the findings developed in the 'Time is Money' report, by the Prison Reform Trust and Unlock. I enrolled several of my colleagues as volunteers and due to its success founded my own charity 'Principles in Finance' in 2010. Principles in Finance deliver financial literacy training to offenders, through the use of our financial services specialist knowledge. Today our course provides 30 hours of guided learning and is in the process of being assessed for an accredited Edexcel BTEC Level 2 qualification.

Whilst working within the prison service, there were two issues that became very apparent. The first was that the financial knowledge of offenders was very poor, presenting several barriers to their success upon release. The basic understanding of differentiation between bank accounts and various financial products was extremely limited. The consequences of offenders not having this understanding had a discouraging effect on their lives. The second issue was the banking institution itself. The internal processes and various banking legislations presented substantial challenges. Despite the good intent of the Financial Capability training I was delivering, financial institutions would still struggle to provide a thorough mainstream service for offenders. This I believe is due to several elements involved with the banking process, which would hinder the ideology of increasing the number mainstream accounts available to offenders. It is my intention to provide my comments on the arduous experiences providing financial skills to offenders for the last two years, how this conflicted with my financial services experience and suggestions for improvement.

Reputational Risk

All banks when engaging in any activity will need to consider the impact of those events on the brand and the business. Protecting the brand is paramount to the banking business. The idea of tarnishing the brand through the association of unbecoming behavior or unsuitable banking products can result in

negative publicity. This will have a direct effect on the perception of the bank, its reputational status as well as the profit margin. Last year there was an article in the press, highlighting the money management workshops conducted by Barclays Retail within prisons, in the South East of the UK. The suggestion was that Barclay's staffs were intentionally targeting prisons, as a way of increasing brand awareness and sales. This was not the case. The article failed to acknowledge the lack of financial awareness amongst offenders or the persisting need to provide a financial literacy service. As demonstrated by this example, behaviors and actions can be misconstrued, sometimes resulting in counter productivity. Whilst all banks are fully aware of their Corporate Social Responsibilities, there is a fine line between providing a service for the community and protecting your customer base. The latter increases profit and ultimately financial institutions may view this as a priority.

At Barclays I was continually conscious of not promoting products through my training program. Most of the offenders within Feltham YOI ask my opinion on the best high street bank accounts or credit cards, they should obtain upon release. I always remain neutral and explain it depends on your financial needs. I reinforce the idea of banking products being needs driven. Their needs are established throughout the training, which will allow them to choose the right products for their situations. As a facilitator I assist with their learning experience through cohesion. As an ex banker, it is my belief that financial institutions ask questions around how to mitigate the risk of over exposure within custody. This should be taken into consideration in order to prevent negative publicity.

KYC (Know Your Customer)

All banks are by law required to adhere to KYC procedures. These are statutory to account opening within any financial sector. KYC involves a rigorous process of fully identifying the individual that the account will belong to or remain parted to. Due to resources and internal procedures, the average account opening for a new customer can take several days, due to internal compliance. The bank has to be seen to obtain all relevant identification and verification (ID and V) documentation in order to comply with current FSA legislations. The majority of the offenders I have trained do not have acceptable ID and V documents. Wormwood Scrubs HMPS upon release from custody provide offenders with specific release documents, agreed by the relevant officials, in order to comply with current account opening regulations. This is not the case within Bronzefield HMP or Feltham YOI, as they are released with the standard HMP discharge documents.

A bank can only accept ID and V documentation that is in accordance with account opening regulations. Unfortunately the standard HMP discharge documents do not adhere to any of the FSA compliance procedures, resulting in many of the offenders not having bank accounts. I believe that high street banks would like to assist with opening accounts for offenders, however they risk being fined if the correct documentation is not made available. When opening accounts as a personal banker, there were many factors to consider in addition to KYC that would determine the type of account I could offer customers (for legal reasons I am unable to disclose this information). On some occasions this would involve branch manager discretion.

Account opening is a meticulous and painstaking diligent task. The exercise remains consist irrespective of the area of business you work within the bank. Whilst working in Corporate on a portfolio of larger business clients, it was not uncommon for our KYC department to decline an account opening, if the ultimate beneficiary had not been fully identified. The same principle applies to personal account holders. From a banks perspective, I would expect names to be cross referenced with sanctions lists, internal rigour as well as the prison service for their convictions. This will be a lengthy process and one that a bank needs to get right first time, as the financial consequences due to fraud or

FSA fines are too great. As an ex banker I would ask how a financial institution is to manage this stringent, yet necessary procedure, if the number of account opening for offenders was to be increased.

Bank Accounts

There is a reoccurring theme amongst all of the training sessions, within the three prisons I facilitate and that is "We need the ability to be able to open more bank accounts". This remains as one of the biggest challenges for offenders, prison staff as well as the banks. Some offenders, not all, do not have bank accounts when entering custody. An offender will need a bank account for receipt of benefits and employment. It is my role to provide them with the ability to identify the difference in bank accounts, how to effectively manage one and what not to do after feeding an account for six months with a regular salary.

Jenny* had been on release from Bronzefield for five months. Prior to release she opened a bank account through the prison service, for receipt of her benefits. The intention was that once Jenny* commenced full time employment, she would increase the credits entering her account. Unfortunately Jenny* did not secure employment, neither did she use the bank account that was opened through the prison service. This is not an isolated case and causes a big problem for banks, as the account effectively becomes dormant. There are similar stories within Wormwood Scrubs HMPS and Feltham YOI.

For each dormant account, there is a cost incurred to the bank. Accounts that go unused affect the bottom line and have a negative effect on your income. From a banks perspective a system in place to ensure that the accounts would receive a regular income, would be desirable. At Bronzefield HMP an agreement between a local branch and their offenders was reached. The lead housing officer negotiated for a proportion of their resettlement budget to be allocated for all account openings, upon release from custody. A £10 credit was transferred into new accounts, in an attempt to resolve the issue of account dormancy. Despite their efforts, the branch unfortunately terminated the arrangement until further notice. My experience within Barclays dictates that the credit amount allocated to new accounts would fail to cover the costs sustained due to dormancy. A larger amount may rectify this problem, however who would be expected to source these funds? Would this be the responsibility of the prison service or central government?

From the banks perspective, I would also request an amicable timescale for dormant accounts to be closed, over a period of time. At present 45 prisoners are released every week from Wormwood Scrubs HMPS. The numbers of accounts opened on a monthly basis are ten. If account opening was numbers driven, potentially 180 accounts require opening, in order to fill that need. As an example, if each dormant account cost the bank £15 and 50% of those accounts were rendered dormant within the first six months of opening, the branch is looking at a potential monthly loss £1350. This equates to a £16,200 annual loss in profit. It is my belief, as stated earlier is that the driving factors for acquiring accounts should be individual offender's needs. Once the need has been established, the correct number of accounts can be ascertained, and accounts allocated. Questions such as "Does the bank have the resources in place to provide this service?" would appear easier to manage, once the initial needs assessment has taken place. If an increase of accounts is required, this method could reduce the risk of incurring a loss.

Bank accounts are very much needs driven. A thorough assessment of the offender's financial awareness requirements should be undertaken upon entering custody, half way through the sentence and prior release from custody. Through the training I have delivered I have managed to secure many

of the participant offender's trust and respect. They appear to become more open regarding their financial situations throughout the workshops. This in turn allows me to assess their financial needs more accurately and match their training. Many offenders choose not to disclose their financial circumstances within custody. The number of bank accounts required on a monthly basis will vary depending on the offender's requirements. Without a concise initial financial awareness assessment, it is not possible to estimate the correct number of accounts needed.

The Training

During my time at Barclays Bank PLC, I was fortunate to be exposed to a variety of banking products, robust processes and financial training that would provide me with the courage to set up my own charity, Principles in Finance. Barclays, has been instrumental in providing me with the knowledge, skills and ability to provide the financial literacy training I deliver today. Since commencing the workshops my findings suggest that participant offenders have made gains in their financial knowledge. 90% of offenders have found the training "Brilliant" and "Useful" (according to evaluation sheets to date). The feedback received demonstrates that offenders have made increased their financial literacy skills and have found the training to be of much benefit. The response from prison staff and officials has been overwhelmingly supportive and encouraging.

My experiences from corporate banking to working with offenders in custody have been diverse. The workshops are of great assistance to offenders as they prepare to reenter today's society. The current economic climate in the United Kingdom is growing ever more complex. Consumers have a growing number of financial decisions that they must make. Increased advertising and marketing can lead the average citizen to make inappropriate decisions. Government statistics illustrate that money management is of immediate concern, as petitions for bankruptcy have more than double in the last few years. Many of the participant offenders within my training sessions affirm these statistics as they generally have low incomes, are from a minority background and little or no previous banking experience.

Kelly* is currently serving a six year sentence in Bronzefield HMP, for couriering drugs. Her boyfriend sold crack cocaine and would ask her to deliver the packages to various users. Kelly* was in love and unaware that her boyfriend's requests would jeopardize her future, with a criminal record. She did not believe that her behavior, "as a delivery person" could put her behind bars. Kelly* first attended one of my workshops nineteen months ago and we have been working very closely since. She* has undergone several workshops around money management where I was able to identify her as an offender that was serious about changing her future. Following the workshops, I have undergone monthly one to one coaching sessions with Kelly*. I have helped her to write and develop a business plan and assess the viability of her business idea. Kelly is now in the process of completing additional courses, in order to improve her prospects of becoming a successful SME.

Since commencing the training Kelly* states "I did not really understand how to manage my money. The bit you do on credit profiles and rebuilding bad credit is great. Now I know how to approach the debt collectors rather than ignore their letters (she laughs). I like the fact that you're not stuck up and we can ask you questions when we don't understand. You talk in English and don't make us feel stupid. I love asking you questions as you give a straight answer and always come back with information, like the Business Link print outs for the business plans. Since our private classes I feel confident approaching companies and have contacted Business Link for advice. I'm definitely focused and didn't understand business before you explained it". I am hoping to work with Kelly* upon release and continue the work she has successfully achieved to date.

Kelly* is the epitome of my charity. One of my objectives is to replicate this experience within prisons across the UK. Whilst writing this report, there have been riots in London, which have spread across the nation. According to Sky News Magistrates, Solicitors and the police are working through the night, to bring the accused to justice. Apparently there are only ten places left in London prisons and a vast number of alleged rioters are still waiting to appear before the courts. If there was ever a prevailing demand for Financial Capability workshops for offenders, I would argue it is now. Employment is low and tension is high. Providing offenders with an alternative thought process and skill to obtaining financial and materialist success will not solve all of the social issues presented today. However I would argue that their contributions towards reducing these concerns are undeniable. I do not profess to have all the answers or experience required to solve the current crisis for offenders. However through the work I deliver and with the support of the prison and probation services, I intend on providing a service that will contribute towards the solution.

*All names within this report have been changed, in order to protect the identity of the offenders.

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