

POVERTY, FINANCIAL EXCLUSION AND HEALTH IN NORTHUMBERLAND: BRIEFING FOR NORTHUMBERLAND STRATEGIC PARTNERSHIP - MARCH 2008

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EXECUTIVE SUMMARY

Overview

This Briefing aims to raise the profile and increase awareness of financial exclusion, debt and poverty in Northumberland and to outline possible options for intervention. Financial exclusion is the experience of poverty affecting people who have low incomes, and who may have no access to affordable credit, bank accounts, savings, insurance cover, or impartial debt advice. It tends to affect the most vulnerable in society, including people with mental health and/or physical health problems, children, lone parents, people on pensions, and poorer people living in rural areas. Financial strain can affect relationships, families, children, health, and the ability to contribute and participate fully in society and local communities. Financial exclusion and debt are barriers to employment and entrench social exclusion.

Poverty and Debt: The National Picture

- 1 in 8 people are financially excluded in the UK.
- 22% of the population were living below the low income threshold in 2005-2006.
- While real incomes have increased in the UK, income differentials have widened.
- Poverty is most prevalent in households with children. Relative child poverty in the UK is high, and debt can exacerbate the problems. Low income can lead to debt when families need to borrow for basic necessities or unexpected expenditure.
- Debt and poverty is costly for society. For instance Shelter estimates that the cost to a Local Authority for evicting a tenant for rent arrears is between £1913 and £3190.
- In rural areas, poverty affects 32% of the population, particularly women. Many people in rural areas are financially disadvantaged, particularly older people, migrant workers, those with no or low qualifications, those used to operating in a cash only economy and those who are self-employed. Expenditure on everyday commodities and services such as heating fuel and power, and transport is demonstrably higher and there is more restricted access to financial services.
- It is thought that in excess of £1 trillion is now owed in the UK in secured and unsecured borrowing and for some people their debts are out of control. There has been a 20% increase in the number of debt enquiries to Citizen

Advice Bureau (CAB) staff over the last year. A change in interest rates or an increase in fuel costs can be enough to tip some people from credit to debt which can result in people having less disposable income to spend on essentials such as heating. Although consumer credit debt problems make up more than 50% of the case load of CAB staff, fuel debts were up by a third on last year, and council tax debt problems went up by 25%. Citizens Advice Bureau clients have an average of £13,000 of debt which is nearly 17.5 times their monthly income. On average it would take CAB clients 77 years to pay back their debts in full.

- 4% of UK residents have problem debts but this rises to 64% of those on annual incomes less than £9,500.

Poverty and Debt: Northumberland

- Northumberland has a population of 309,900, a working age population of 187,600 (60.5%), and an unemployment rate of 6.9%, compared to a country wide rate of 5.5%.
- 2.3% of the working age population are in receipt of Job Seekers Allowance (compared with 2.1 % nationally) and 8.3% are claiming Incapacity Benefit and Severe Disablement Allowance.
- Average gross weekly pay for full time workers is £389.70 compared to £448.60 nationally.
- Annual average income per head for Northumberland is £12,833 and £13,302 for the UK.
- The average cost of a house in Northumberland is £187,237. House prices cost over ten times incomes in Berwick, Alnwick, Castle Morpeth and Tynedale, and a house in Berwick costs 13 times more than the average annual wage.
- 18.6% of children in Northumberland live in a low-income household; that is households with below 60 % of the median income, before deduction of housing costs.
- 20.0% of the population has a limiting long-term illness.
- 22.6% of Local Authority housing is classed as non-decent.
- In Northumberland during 2007, Debt Advisors from Citizen's Advice Bureaux saw 1439 clients, with debts totalling £21,426,517. That is an average debt of £14,889 for each person seen. Of all clients seen in Northumberland, 33.4% have priority debts (where the creditor's ultimate sanction may result in the client losing her/his liberty, home, or essential supplies), and 60.8% have an income of less than £14,500.
- 2.2% of all clients seen by Northumberland CAB debt advisers in 2007 did not have a bank account, 32.2% were using high interest credit providers and 85.1% did not have any savings.
- Northumberland Warm Zone state that of the houses in the county they have assessed, 17% are in fuel poverty and 50.4% of those living in Local Authority Housing are in fuel poverty.

Health Effects of Poverty and Debt

- People who are worse off socio-economically suffer with worse health and higher death rates than those who are more economically well-resourced. 45% of men (45-64 years) in the poorest fifth of the population report illness/disability, compared to 10% of men in the richest fifth.

- Ill health associated with low socioeconomic status is more common in societies with bigger differences in income between rich and poor people, and greater income inequality is associated with proportionally higher death rates for people who are more deprived. Increased income differentials are also associated with increased incidents of violence.
- There is a very strong association between under-five child mortality and income inequality among the wealthier OECD countries. Infant mortality and rates of low birth weight are higher in countries with higher levels of income inequality, as are rates of teenage pregnancy, rates of overweight children, the proportion of children who report being bullied, and a lower proportion of young people in further education.
- Children from poorer backgrounds are most likely to be diagnosed with mental health problems in childhood.
- There is a strong association between the incidence or prevalence of psychiatric disorders and social class; the risk of mental health problems are increased for people living in poverty. Socioeconomic and employment status have been linked with increased suicide rates among young men.
- Income-related inequalities are associated with the extent of severe mental health problems.
- Debt is a major influence on mental health problems and the seriousness of attempted suicides has been linked with levels of debt. The ratio of credit card debt to income and payment defaults have been found to be associated with increased anxiety, and high debt compared to income is also significantly associated with worse physical and self-reported health. Financial strain, owing money and being in receipt of benefits, have been shown to be important underlying features of maternal depression.
- Mothers dependent on income support for longer than two years have been found to be more likely to report depression.
- Work demands of high demand/low control and job insecurity are linked with psychological distress.
- People with mental health problems are 3 times more likely to report debt compared with individuals without such difficulties.
- Mental health problems can lead to financial problems and mental health service users have reported on the difficulties they can have coping on benefits and with moving into employment.

Approaches to Address Financial Exclusion

This briefing identifies eleven approaches to promote financial inclusion:

1. Setting strategic priorities nationally and locally which enable a multi agency approach to prevent and address hardship and financial exclusion
2. The expansion of credit unions and not for profit lending
3. Financial awareness raising and debt management
4. Independent and impartial financial advice
5. Accessible banking facilities
6. Free accessible welfare rights advice
7. Innovative saving schemes
8. Affordable warmth
9. Tax and benefit changes so that the value of benefits and tax credits rise above the rate of the fastest growing prices or earnings

10. Soft regeneration such as literacy and numeracy schemes
11. Additional support for people with physical and mental health problems and their carers

Recommendations from Current Evidence and Practice

- The development of a multi-agency working group to establish anti-poverty objectives and to inform policy, debate and discussion locally and nationally.
- Set targets for tackling financial exclusion and poverty at a strategic level (e.g. uptake of benefits; full use of financial services; increased use of credit unions and/or community based lenders; access to impartial advice and guidance; reduce numbers of people in fuel poverty).
- Encourage partnership working between the whole range of agencies providing services for people who are financially excluded.
- Engage communities in initiatives to tackle financial exclusion and poverty.
- Prevent and reduce financial difficulties by developing the awareness, understanding and skills of the public and all who work with people who may be experiencing poverty and debt (e.g. staff in health and social care; education; local government; employment).

Poverty, Financial Exclusion and Health in Northumberland: Briefing for Northumberland Strategic Partnership, February 2008

1. Purpose of this report

This report aims to raise the profile and increase awareness of financial exclusion, debt and poverty in Northumberland and to outline possible options for intervention.

2. What is financial exclusion and why does it matter?

Financial exclusion is the experience of poverty which affects people who have low incomes, and who may have no access to affordable credit, bank accounts, savings, insurance cover or access to impartial debt advice. It is thought that one in eight people in the UK are financially excluded. The most recent figures suggest that up to four million people in this country are unable or reluctant to access mainstream financial services. Recent estimates suggest that around 27% of households in the UK are either at the fringes, or do not use financial services at all (McKillop and Wilson, 2007).

Financial exclusion tends to affect the most vulnerable members of society. It also contributes to the inter-generational cycle of disadvantage. Those living on low incomes, and experiencing multiple forms of disadvantage, are most likely to be affected by financial exclusion.

Those who are financially excluded face the risk of becoming further indebted. Some people have no option but to borrow money from high interest door step lenders, pay more for utility bills as they are unable to utilise the direct debit savings, or rely on the higher charging pre payment meters. They may have to use cheque converters to obtain cash, are unable to replace household necessities after unexpected events, such as a burglary or flooding, and lack the financial safety net and security of savings. Financial strain can also contribute to the breakdown in relationships. Relate (2003) state that the most common reason for rows within a relationship is money. Financial exclusion affects families, children, health, and the ability to contribute and participate fully in society and local communities. Financial exclusion and debt can be barriers to work and entrench social exclusion.

For society as a whole, financial exclusion is also costly. The Child Poverty Review (HM Treasury, 2004) highlighted the links between financial exclusion and child poverty by pointing out that paying more for certain financial services and the impact of debt on family life can exacerbate the harm caused by child poverty. Costs to the benefit and health system can be high and there can be a significant loss of productivity. Shelter estimates that the cost to a Local Authority for evicting a tenant for rent arrears is between £1913 and £3190. (Neuberger, 2003)

A woman of 19 with an 11 month old baby and another due imminently was told by her local authority benefit section that she was not eligible for any Housing or Council Tax benefit. Later calculations showed that she was in fact

entitled to receive 100% of both. She now has £700 of rent arrears and is suffering great hardship and poverty.

As financial services expand for the benefit of the majority, those without access to them are left further behind. This can lead to a spiral of debt, poverty and hardship.

A man with long standing mental health problems and gambling and drink addictions, who cannot mix socially and lives a solitary life, has run up debts of £17,000. His health is steadily deteriorating because of the worry of being in debt and he is finding himself drinking and gambling more and more.

In rural areas, it is thought that 32% of the population is living in poverty, particularly women. (Commission for Rural Communities, 2007a) Many people in rural areas are disadvantaged in a variety of ways and some specific groups of people are more likely to experience both low incomes and wider forms of financial exclusion. These include older people, migrant workers, those with no/low qualifications, those used to operating in a cash-only economy and those who are self-employed. Expenditure on everyday commodities and services such as heating fuel and power, and transport is demonstrably higher for rural residents and there is more restricted access to financial services.

Housing that is affordable to those on a low wage is an issue in all areas, but in the rural and coastal areas second home ownership is causing particular problems. Local people are finding it harder and harder to find somewhere they can afford to live. Small populations in areas that look affluent can hide deprivation and affect the viability of local services such as a Post Office, village shop, public transport and even access to advice.

Due to a mix up with his benefit entitlement, a single man of 20 was left with no money for food or electricity for 11 days. He made an application for a crisis loan which was accepted, but because of his rural isolation, he was unable to go to his nearest town to collect it. It costs £9 return to get a taxi to his nearest village and then £4.50 to get to town.

Thousands of people owe money whether it is for their mortgage, car, bank loans for furniture, and re-paying these may mean deferring payment for fuel bills. It is thought that in excess of £1 trillion is now owed in the UK in secured and unsecured borrowing (Financial Services Authority, 2006). There is a fine line between credit and debt, and for some people, when a life event or an unexpected incident takes place, their debts can become a problem. The triggers are usually a change in circumstance, for example illness, job loss or relationship breakdown, as well as over-commitment. General low income can also lead to debt when families need to borrow for the basic necessities or unexpected expenditure, such as a new freezer or a school uniform. A change in interest rates or an increase in fuel costs can be enough to tip some people from credit to debt. Debt can result in people having less disposable income to spend on essentials such as heating their home and food, making illness

through cold or poor nutrition more likely. In addition, poor financial and budgeting skills and the easy availability of credit can lead to problem debt.

A tax credit overpayment of £9500 has left one family with a reduced weekly income of £80 while the overpayment is repaid. They are very worried that they will be unable to fully meet their mortgage and fuel bill liabilities.

3. Poverty and debt: The national picture.

Recent reports from the Joseph Rowntree Foundation (Palmer et al, 2007) and Credit Action (Talbot, 2007) stated that:

- In 2005/06, around 13 million people in the UK were living in households below the low income threshold of 60% or less of the average (median) household income. This is around a fifth (22%) of the population and is an increase of $\frac{3}{4}$ million compared with the previous year. The rise takes the overall number of people in poverty back to where it was three years earlier, in 2002/03.
- In contrast to a generation ago, poverty in the UK is now most prevalent in households with children (Darton et al, 2003). 3.8 million children were living in poverty in 2005/06, and in the UK in 2002/3, 28% of children lived in households with incomes below 50% of the mean after housing costs, giving the UK the fifth highest rate of relative child poverty in the EU (Bradshaw, 2005).
- Tax credits are taking greater numbers of children out of poverty but as the number of children helped by tax credits has increased, so too have the number of families needing tax credits to do so. The net result is that the number of children who are both in working families and in poverty has risen and is similar to a decade ago. Half the children in poverty belong to working families.
- Half of all people in social housing are in income poverty compared to one in seven of those in other housing tenures
- At least a quarter of 19-year-olds lack the minimum levels of qualification that are likely to be needed in order to gain work that is well paid enough to avoid poverty.
- Three-quarters of working age adults in long-term receipt of out-of-work benefits are sick or disabled. At 30%, the poverty rate among those aged 25 to retirement who are disabled is twice the rate for those who are not disabled.
- Adults in the poorest fifth of the income distribution are twice as likely to be at risk of developing a mental health problem as those on average incomes.
- Among those receiving disability benefits for two years or more, 40% have mental health or behavioural problems.
- Among men aged 45 to 64 years, 45% of those in the poorest fifth of the population report a limiting long-standing illness or disability, compared with 25% for men on average incomes and barely more than 10% for men in the richest fifth.
- Around a third of pensioner households entitled to Pension Credit are not claiming it.

- 4¼ million adults aged 22 to retirement were paid less than £6.50 per hour in 2006. Two thirds of these were women and half were part-time workers.
- At the end of October 2007 total UK personal debt stood at £1391 bn, an increase of £122bn from the previous twelve months (Talbot,2007).
- Average household debt in the UK is £8,920 (excluding mortgages). This figure increases to £20,741 if the average is based on the number of households who actually have some form of unsecured loan.
- The average household debt in the UK is £55,877 (including mortgages).
- The average owed by every UK adult is £29,311 (including mortgages). This grew by £250 over the previous month.
- The average outstanding mortgage for the 11.8m households who currently have mortgages is £99,090.
- The average interest paid by each household on their total debt is approximately £3,744 each year (this equates to 9% of take home pay).
- 14,000 properties (77 a day) were taken into possession in the first six months of 2007. This rose by nearly 18% compared with the previous half-year. Around three quarters of total household borrowing is made up of mortgage debt.
- Almost 300 people are becoming insolvent each day.

A mother of three, whose husband is in low paid work, suffers from depression and high levels of anxiety and has had a recent cancer scare. She has many priority and non priority debts, as well as benefit overpayments. Because of her illness, she feels unable to open mail or fill in forms, and does not want to face her financial problems. She has been using credit cards to pay for day to day living expense because she doesn't have enough available money to feed her family. She is receiving regular telephone calls from one of her creditors, usually three or four times a day, but once they 'phoned 19 times in one day. The calls can be as late as 10.00 at night. Her bank has just offered her another loan of £15,000, even though she is already struggling with payments towards a current loan and has a large overdraft.

The Council of Mortgage Lenders (CML, 2008) has just released figures that show that the number of people whose homes were repossessed last year has risen by 21%. 27,100 homes, the highest figure since 1999, were taken over by lenders after people fell behind with repayments. And the CML warns that the number of repossessions is likely to rise again in 2008 as the credit pressure increases. Homeowners also face added cost pressures owing to higher energy and food bills, while more than a million people are coming off fixed-rate mortgages.

A single housing association tenant is finding himself with £29.13 a week to live on after deductions for fuel and other debts are taken off. He is very distressed as he has not enough money to life comfortably. His mental and physical health are suffering.

Citizens Advice (2007) have stated that their bureau advisers across the country have been dealing with a 20% increase in the number of debt enquiries over the last year with over 1.7 million new debt problems in 12

months. One in three of all enquiries are about debt. Additionally, queries about bankruptcy rose by 53%. Although consumer credit debt problems make up more than 50% of the case load, fuel debts were up by a third on last year, and council tax debt problems went up by 25%. Government research indicates that although only 4% of all UK residents have problem debts, this rises to 64% among those on annual incomes less than £9,500 (DTI 2005). Citizens Advice Bureau clients have an average of £13,000 of debt which is nearly 17.5 times their monthly income. On average it would take CAB clients 77 years to pay back their debts in full (Phipps and Hopwood Road, 2007).

When a man separated from his wife, he was paying the mortgage, loan and credit cards on his wage, which had formerly been paid by them both. He has now been told by one of the companies that he must pay his arrears in full, an amount of nearly £1000, or they will apply for a County Court Judgement.

Poverty and debt: Northumberland

Northumberland has:

- A population of 309,900. (ONS Aug 2007)
- A working age population of 187,600, which is 60.5% of the population and an unemployment rate of 6.9%, compared to a country wide rate of 5.5% (ONS Aug 2007)
- 2.3% of the working age population are in receipt of Jobseekers Allowance compared with 2.1 %nationally) and 8.3% are claiming Incapacity Benefit and Severe Disablement Allowance (ONS Nov 2007; DWP 2007)
- Average gross weekly pay for full time workers is £389.70 compared to £448.60 nationally (ONS December 2006)
- Annual average income per head (Gross Value added) for Northumberland is £12,833 and £13,302 for the UK. (Reed et al, 2007)
- The average cost of a house in Northumberland is £187,237. (Land Registry of England and Wales, 2007)
- House prices cost over ten times incomes in Berwick, Alnwick, Castle Morpeth and Tynedale, with a house in Berwick costing 13 times more than the average annual wage (The National Housing Federation, 2007)
- 18.6% of children in Northumberland live in a low-income household, that is households with below 60 % of median income, before deduction of housing costs (Northumberland Infonet, 2005)
- 20.0% of the population has a limiting Long-term illness (ONS 2001)
- 22.6% of Local Authority housing is classed as non-decent (DCLG, 2007)

The man is so stressed that he is having time off work.

In Northumberland, during 2007 the Financial Inclusion Funded (FIF) debt advisers based in Citizen's Advice Bureaux saw 1439 clients, with debts totalling £21,426,517. That is an average debt of £14,889 for each person seen. Of these people seen 15.9% claim to have a disability and 13.6% a long term illness. 9.3% are in receipt of Job Seekers Allowance (income and contribution based), and 13.3% claim Income Support. 22.2% receive Housing Benefit and 24.8% Council Tax Benefit. 14.3% claim working tax credit and 18.1% claim child tax credit. 22% are buying their own home and have a mortgage, 16.3% are private tenants, and 32.7% live in social housing. Of all clients seen in Northumberland, 33.4% have priority debts (that is one where the creditor's ultimate sanction may result in the client losing her/his liberty, home, essential supplies, e.g., gas or electricity, or essential goods), and 60.8% have an income of less than £14,500.

4. Fuel poverty

A household is in fuel poverty if it needs to spend more than 10% of its income on all household fuel use to keep their home in a 'satisfactory' condition. This is generally defined as 21°C in the living room and 18°C in the other occupied rooms – these are the temperatures recommended by the World Health Organisation (Ranson, 1991)

A 53 year old woman with severe arthritis has high energy oil filled radiators in her council house which costs £5 per day to run. She has an income of £57.50 a week and pays £35 on electricity.

Fuel poverty can be caused by a combination of factors including poor housing, energy efficiency, fuel costs, household income, heavy debt, and low benefits take-up. The National Consumer Council recently identified a significant rise in the number of households living in fuel poverty, estimating that four million households are affected by fuel poverty in the UK (National Consumer Council, 2007).

A woman in debt, which is relatively small but at her level of income it is seen as enormous and unsolvable. She is in receipt of £57.45 Job Seekers Allowance per week. She finds it hard to find money for fuel and food. She used to put £10 per week on her gas bill, but gas prices have risen extortionately while benefit levels haven't. She is spending more on fuel than she is on food and other necessities.

The Office for National Statistics (ONS, 2007a) estimated that during 2005/06 there were 25,700 excess winter deaths (December-March) in England and Wales compared to deaths over the non-winter period.

A lady in severe financial difficulties is struggling to meet her heating costs and has arrears of over £600. The payments she is making do not cover her current usage, let alone the arrears. Because of her physical and mental ill health, which means she rarely leaves her house, she is unwilling and unable to cut back on her current usage, but if she continues to use heat at the level she requires, her bills will continue to rise and she will face disconnection. She

fears hospitalisation as a result of being unable to afford to heat her home, which will not only be a burden to the NHS, but will also unsettle his other financial arrangements and may precipitate further problems.

Pre-payment meters (PPMs) are most commonly used in the poorest households despite being the most expensive way of paying for fuel. Ofgem estimates that around 25% of all PPM customers are living on incomes of less than £10,000 (Buchanan, 2006). On average PPM users continue to pay much more than those who pay by direct debit – on average 12.1% more for gas and 9.5% more for electricity. The difference paid between those paying by direct debit and those paying by standard credit (cash or cheque) is also high (BMRB social research, 2006). According to the Financial Inclusion Taskforce (2007), the majority of people who use PPMs are paying higher tariffs but are unaware that they are doing so, and PPMs are generally liked because they are seen as convenient and a way of keeping on top of bills and budgets. Users of antiquated electricity token PPMs are further disadvantaged when their suppliers are incapable of recalibrating meters to reflect the increase in fuel costs. This results in a situation where token meter users are forced into an unanticipated debt when these suppliers back charge their price rises. In instances where recalibration has not taken place for a year or more this has resulted in an overnight price shock and debt levels that run into hundreds of pounds.

An elderly gentleman has fallen into arrears of £250 because his pre-payment meter was not automatically updated following price rises. He is unhappy that he is paying a higher tariff for his pre-payment meter, but has still ended up falling into debt. He was intending to change supplier to take advantage of cheaper prices, but will now have to wait until his arrears are below £100, which could take up to a year.

The proportion of households who are in fuel poverty is much higher in the most rural areas - 13% compared to 8% in village centres and 6% in urban areas (DCLG, 2007). National Energy Action (NEA, 2005) has found a widening gap between levels of fuel poverty in urban and rural areas. Fuel poverty is declining much less rapidly in rural areas than in towns and cities. Factors contributing to this include such things as the solid walls that many older rural houses have and lack of fuel options on top of low incomes.

A man with oil fired central heating had no oil in the tank. The minimum amount required by the supplier to fill the tank is £250 which the man cannot afford. The company does not offer a budget scheme unless the consumer has already paid for a delivery in full. He has health and debt problems and is concerned about getting through this winter with no heating.

Northumberland Warm Zone state that of the houses in the county they have assessed, 17% are in Fuel Poverty. 50.4% of those assessed living in Local Authority Housing (including stock passed to Arms Length Management Organisations) are classed as being in fuel poverty. These figures do not yet take into account the recent rises in fuel prices – it is expected that when they do, the figures showing people living in fuel poverty will rise significantly.

6. Bank Accounts

Access to bank accounts is crucial if financial exclusion is to be tackled successfully. Having a bank account enables people to obtain cheaper deals on such things as fuel, insurance and credit. Basic bank accounts can help prevent over indebtedness since they do not offer overdraft facilities.

A single mum dependent on benefits has reduced a catalogue bill from £87.47 to £29.47 by paying £2 per week. Because she has no bank account, she has been paying via the Post Office with postal orders. The price of this method of payment, as well as the cost of stamps, means that she has actually been paying £2.90 per week, which if she was able to pay towards her debt would mean it would be paid off more quickly. The catalogue company has refused to issue her with bank giro payment slips which would allow her to pay through a bank without incurring any extra charge.

The Joseph Rowntree Foundation (Palmer et al, 2007) recently stated that the proportion of households without a bank account has come down sharply, to just 6% for households in the poorest fifth and 3% for households with average incomes, and this is associated with the direct payment of state benefits.

Similarly, according to the most recent Family Resources Survey (Department of Work and Pensions, 2007a), in 2005-06 there were 2.0 million adults living in 1.3 million households lacking any kind of bank account. This compares to 2.8 million adults living in 1.8 million households in 2002-03.

In rural areas, residents have the extra challenge of overcoming isolation and transport barriers, making it harder to access what limited financial services there are. 300,000 people in rural areas do not have a bank account (Commission for Rural Communities, 2007b). People living in rural areas have more restricted access to financial services. The State of the Countryside report (Commission for Rural Communities, 2007a) recorded that around one in eight banks and building societies are in rural areas, though these areas contain one fifth of the population. Under one tenth of all cash points are in rural areas; furthermore, fewer of these are free to use – around 45% compared with 60% in urban areas.

Many of these households have access to either a basic bank account or a Post Office Card Account (POCA), both of which have limited functionality. The only money that can be paid into a POCA is that from social security benefits and tax credits, and the only way of withdrawing money is via cash over the counter at a post office. If the latter are not counted as a proper account, the proportion of low income households without an account in 2005/06 rises from 6% to 11%. Because of its limited functionality, people whose only account is a POCA are not regarded by the Treasury as 'fully' financially included. (HM Treasury, 2004). Half of all households with a POCA only are in the poorest fifth of households, with most of the remainder in the second poorest fifth. Although some 2% of households with above-average incomes have no account whatsoever, almost none have a POCA only (Palmer et al, 2007).

Around 20% of lone parents and pensioners are estimated to lack a bank account (Treasury Select Committee, 2006a). This finding is consistent with much of the research into financial exclusion, including that conducted for the Taskforce (BMRB Social Research, 2006). This research has repeatedly found that older people, particularly those who live alone, are more likely to be excluded from financial services, and that this is likely to be a result of a preference for managing in cash.

People in or shortly to leave prison, those living in homeless hostels or in shared accommodation, and migrant workers are other groups who don't appear in the statistics and who possibly require special requirements to meet their needs. (Treasury Select Committee, 2006b).

The Citizens' Advice report 'Banking Benefits' (Herbert and Hopwood Road, 2006) provided evidence that people continue to experience difficulties with bank accounts. The report highlighted:

- Difficulties opening accounts because of a lack of acceptable evidence of identity and address, the people who are most affected include discharged prisoners, non-UK citizens, people on benefits and homeless people.
- Most banks do not promote their basic bank accounts, or may sell unsuitable products, for example, the upgrading of basic accounts to full current accounts with overdrafts where this may not be in the individual's best interest.
- Delays in opening basic bank accounts at some banks which can leave people without any income for up to several weeks
- The practice of taking money out of accounts to pay other debts to the bank without checking the customer's circumstances first
- The charges levied by banks for items such as failed direct debits and
- A poorer service for some to basic account holders, such as extended times to clear a cheque or preventing basic account holders from withdrawing cash at the counter.
- Only a few banks allow people in debt to open accounts. As a result they cannot manage their income or make repayments to creditors.

As a result of attempting to deal with her debt problems, a woman wanted to open a basic bank account. Because she doesn't drive and doesn't have a passport, the bank refused to let her open an account, stating that no other identification would do.

The processes for opening and operating bank accounts, including basic accounts, continue to leave people financially excluded, and threaten the successful rollout of reforms to Housing Benefit. It is not just the number of people who do or do not have bank accounts which is excluding, but also how these bank accounts are being used, whether they are being used to their full potential, and with full knowledge and understanding.

Research by the Financial Inclusion Taskforce and the British Banking Association (HM Treasury, 2007) has gathered evidence on bank account

usage in the month of September 2007, and has found that over one third (34%) of basic bank accounts currently have at least one active Direct Debit instruction, with an average of 2.5 payments per month amongst these accounts; two-fifths (40%) of basic bank account holders make three or more ATM withdrawals per month; and fewer than 8% of basic bank account holders carried a low enough average account balance to suggest that their income was being withdrawn in one transaction. This suggests that basic bank accounts are being used as more than just a vehicle to access money as soon as it is paid in, but also reveals that there is a huge proportion of basic account holders who are not utilising their accounts to their full potential. This research found that when people do have basic bank accounts: almost one in five (19%) basic bank account holders has subsequently opened a saving account or ISA; 8% of basic bank account holders have gone on to take out a credit card from their bank, increasing access to mainstream credit; and more than 10% of basic bank account holders go on to open a full service current account, offering greater account functionality. These figures show that banks do provide a potential route into wider inclusion for people whose first step into engagement with financial services is through a basic bank account.

When a woman approached a bank to open an account, she was offered a credit card, which she accepted and intended to use only in emergencies. She is unemployed with two small children, one of whom is disabled, and has a partner who is unable to keep jobs due to problems with depression and alcohol. She herself is suffering from post-natal depression. She has ended up using the credit card to buy food and necessary items for the children. Because she cannot make the monthly payments, she has ignored the monthly statements. The current balance is now £2305, much of which consists of interest accruing daily.

In Northumberland, 2.2% of all clients seen by FIF debt advisers in 2007 did not have a bank account (Northumberland CABx debt statistics, 2007)
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7. Insurance

Government policy has led to an increased availability of banking services, but not insurance services. Exclusion from insurance services is very problematic given that the financially excluded are often most vulnerable to risks such as sickness, unemployment and mortgage arrears, which can be reduced by insurance contracts.

The New Policy Institute has found that half the poorest households lack home contents insurance, compared with one in five households on average incomes and 10% of households in the richest fifth (New Policy Institute, 2007a) but research shows that the odds of being burgled are much higher for people living on low incomes or in deprived areas than for the rest of the population. The Institute of Public Policy Research (Sodha and Lister, 2006) has found that households with an annual income of under £5,000 are almost twice as likely to be burgled as those with an annual income of more than £30,000. Almost half (49%) of those who say they would find it 'impossible' to find £100 at short notice report being 'very much' affected by experiencing burglary.

Because poorer people are less likely to be insured, the impact of crime can be 'amplified' by disadvantage. Far more households in the poorest fifth of the population lack home contents insurance than lack a bank account - 50% compared with 10 to 20% (ONS, 2007b). It could be that there is a lack of understanding of the benefits of insurance as well as concerns about affordability.

The Financial Inclusion Taskforce Insurance Working Group (IWG) has reported that those living in rented accommodation can be particularly at risk from insurance exclusion (HM Treasury, 2007). Renters tend to move more frequently than owner-occupiers, have less control over the security and risk factors that affect premium prices, and cannot purchase home contents insurance bundled with mandatory buildings cover. They also tend to have lower income levels. Private landlords do not offer affordable schemes to private renters, however for some social renters, a variety of schemes offering affordable insurance have been developed, including insurance with-rent. However, the availability of such schemes is patchy. Smaller housing associations, in particular, may struggle to offer schemes because of the set-up cost and need for specialised expertise. The Financial Inclusion Taskforce found that only 2% of new basic bank account holders then move on to take up such things as home contents insurance.

8. Credit

More people than ever are currently able to borrow money or set up credit arrangements. However, for people on low or insecure incomes who are unable to access mainstream credit or loans there is sometimes little alternative but to rely on the alternative credit market where APRs range from 100% to 400%. Lack of access to affordable credit and resulting reliance on more expensive forms of credit can be a main reason for getting into debt which can then affect credit rating.

More than one in five adults in the UK are denied access to mainstream sources of credit. Instead they are forced to use 'alternative credit such as home credit, pawnbrokers, sale and buy back shops, mail order, rental purchase outlets and loan sharks. One in ten people have used home credit at some time in their lives. Home credit use is much more prevalent among women than men, Home credit use is much more prevalent among women than men, which reflects the home-based delivery of the product and the purposes for which loans are used. While married and cohabiting couples, and single never-married people make up the bulk of home credit customers, people who are divorced or separated are over-represented compared to the general population, which suggests a link between relationship breakdown and home credit use. (Brooker and Whyley, 2005)

It is not only lack of entry into mainstream credit arrangements that encourages people to use high interest credit options. They are also influenced by the recommendations of local friends and relatives, a limited awareness of alternatives, and a familiarity with borrowing on the doorstep. The availability of accessing cash quickly and easily, and affordable repayments are

given higher importance than the total cost of credit (Brooker and Whyley, 2005; Collard and Kempson, 2005).

The Competition Commission (Freeman et al, 2006) has found that home credit providers face little competition from alternative credit options used predominantly by low-income customers. Home credit is thought to make annual loans of £1,320 million, with Providential Financial holding 60% of this market.

Credit unions and other community-based lenders have an enormously important role to play in expanding the provision of affordable credit. Credit unions offer the opportunity to borrow small amounts of money with competitively low interest rates, and also encourage members to save and manage their future finances more effectively. However, across the UK, only one in a hundred of the adult population belongs to a credit union (Goth et al, 2006). Research indicates that up to 6.2 million people of working age could benefit from access to more affordable credit (Collard and Kempson, 2005).

Third sector lenders have real potential to deliver more affordable credit but, despite recent expansion, their coverage is patchy. The key challenge is one of scale and capacity, which the government's Growth Fund aims to help the sector achieve.

Since 2006, the Financial Inclusion Fund has provided Growth Funding for third sector lenders. The Growth Fund is a £42 million initiative run by the Department for Work and Pensions (DWP), which has contracted with over 100 third sector lenders around Great Britain. The Fund provides capital for lending to financially excluded customers, with revenue support to meet costs. To date, over 46,000 loans have been made, totalling more than £20 million and 85% of these have reached low income consumers (Treasury Select Committee, 2006c). The fund is also providing training support for staff within third sector lenders, and funding to allow more credit unions to offer current account banking.

In Northumberland, 32.2% of all clients seen by FIF debt advisers in 2007 were using high interest credit providers (Northumberland CABx debt statistics, 2007)

9. Savings

Savings can play an important role in helping people deal with unexpected expenses or falls in income and prevent them from becoming indebted. One study found that 43 % of households had no savings. (Financial Services Authority, 2006). Research (Credit Action, 2007) shows that nearly one in three did not save during 2006 and over half of British people have less than two months' salary in savings. Half the population (52%) could survive financially for just 17 days, should they suffer an unexpected loss of income.

Research has shown that people who have difficulty in making ends meet are better than average at keeping track of their finances (Sodha and Lister, 2006). It also says that those who are more likely to face financial insecurity are the least likely to have savings to fall back on. It is thought that three in five

In Northumberland, 85.1% of all clients seen by FIF debt advisers in 2007 did not have any savings

people in households with net weekly incomes of below £150 have no formal savings, compared with only one in three of the population as a whole. Families in the lowest fifth of the income distribution or with no full-time earner are least likely to save. Only 12% of people in the lowest fifth of the income distribution, 13% of lone parents and 16% of couples without a full-time earner save regularly.

10. Financial capability

The four strands of financial capability are managing money, planning ahead, choosing products and staying informed. At least half of the UK population needs reminding that it is dangerous to make no provision for changes in circumstance, unexpected expenditure, or retirement. In addition, with the low levels of financial capability it is likely that mis-selling of financial products will continue (Atkinson et al, 2007). The ever increasing complexity of financial services provision has made it more difficult for the average consumer to be sure they have made appropriate provision for the future.

In 2001 Citizens Advice talked of a 'financial literacy divide' in the UK and explained why ill-informed consumers end up paying more for their financial products (Citizens Advice, 2001). Research undertaken for the UK Financial Inclusion Taskforce shows that lack of knowledge of financial products has deterred many from engaging with financial services providers (Atkinson et al, 2007).

Research by Credit Action (Talbot, 2007) has found that a quarter of Britains have no idea how much they spend in a week, and a similar number (26%) have no idea of their monthly cash flow. This lack of knowledge extends into other financial aspects of life. Only half (51%) the population know the balance on their credit cards and nearly half (46%) have no idea what interest rates they receive on their savings or are paying on their accounts and debts. A high number of people regularly fail to budget effectively each month resulting in 64% of people running out of cash on average 5 days before their next pay cheque.

An FSA report (Loumidis & Middleton, 2000) showed children from poorer families have a higher awareness than children from more affluent backgrounds of how much money comes into their family each week, the range of household bills family income is spent on, and how bills are paid. By contrast, children from more affluent backgrounds are more knowledgeable about banking and other financial services, such as insurance. This not only mirrors the extent of financial exclusion amongst lower income families but also reveals that children from higher income families have little grasp on the concepts of money skills.

To address the prevention of problem debt through better financial decision-making, the government has already announced that personal finance

education will be strengthened in schools. From 2008, 'Economic Well-being and Financial Capability' will become a new strand within Personal, Social, Health and Economic (PSHE) Education. Over the next 20 years, there are also plans for all adults in the UK to have access to high-quality generic financial advice to help them to engage with their financial affairs and make effective decisions about their money and a range of Government programmes focused on improving financial capability, particularly to help those who are most vulnerable to the consequences of poor financial decisions.

A 19 year old who has recently started work for a low wage, has already run up debts of £8000. As soon as he reached 18 he was sent numerous offers of credit which he accepted without considering the consequences. He has now reached the limit on all his loans and credit cards, and has just opened another account with another bank to get further credit.

Classes on personal finance and budgeting in schools could make children richer by up to £32,000 between the ages of 35-49 according to the ippr (Dixon, 2006). Dixon (2006) highlighted evidence from the US where they taught children basic finance skills including budgeting, credit management, balancing chequebooks, compound interest and other investment principles. It has been argued that much of the financial education work to date has focused on managing money yet this is the area where levels of capability are highest, apart from in households that are seriously over indebted, suggesting that such initiatives should be targeted at this section of the population and not the population as a whole (Atkinson et al, 2007). They argue that policies targeted at consumer education and protection, improved information and prepurchase advice to improve financial capability, would leave consumers more competent and confident to select financial products appropriate to their needs.

11. The Health Effects of Financial Exclusion, Poverty and Debt.

11.1 Physical Health Effects

People who are worse off socio-economically suffer with worse health and higher death rates than those who are more economically well-resourced, (Schoon and Bartley, 2008). The everyday factors that are linked with poverty such as poor nutrition, poor housing conditions, financial strain, adverse events, reduced social cohesion and insufficient services are associated with poorer physical health. Thus the likelihood of living with pain and disability is greater for poorer people, as is their exposure to the illnesses of their friends and families who need care and support. Individual poverty has been shown to have a highly detrimental effect on the health of individuals in spite of neighbourhood affluence having a generally beneficial effect on self-rated health at a neighbourhood level, (Wen et al, 2003). In addition, ill health associated with low socioeconomic status is reported to be more common in societies with bigger differences in income between rich and poor people, and greater income inequality is associated with proportionally higher death rates for people who are more deprived.

Increased income differentials are also associated with increased incidents of violence. (Wilkinson & Pickett, 2006; Wilkinson & Pickett, 2007).

Quality of work conditions and work status are also relevant to physical health. The Whitehall studies conducted in the Civil Service have demonstrated that work conditions of high demand and low control, and of high cost/low gain (where the perceived effort expended at work exceeds the available rewards), are associated with a greater risk of developing coronary heart disease (Bosma et al 1997). Cherkas et al (2006) looked at cell aging in manual and non-manual workers in London and reported that manual workers age faster than non-manual workers of the same age, even when factors such as smoking, drinking and obesity are taken into account.

A woman who is currently undergoing extensive treatment for cancer lives with her partner in a flat which they rent from the client's employer. The flat is damp and very cold and on occasions slugs infest the kitchen floor. Since her diagnosis the client has been in receipt of Statutory Sick Pay and her partner works variable hours at the minimum wage. The couple have some outstanding non-priority debts which they were managing to pay their creditors prior to the client being diagnosed with cancer. The woman's health is being detrimentally affected both physically and mentally by both her financial status and her living conditions.

Drentea and Lavrakas (2000) found that both credit card debt and stress regarding debt are associated statistically with poorer health.

11.2 Childhood Health and Well-Being

A recent Unicef report (2007), which used 40 indicators of child wellbeing in rich countries, concluded that children in Britain and the USA fared less well than in any of the other 21 countries included in its analysis. Collison et al (2007) found a very strong association between under-five child mortality and income inequality among the wealthier OECD countries using data drawn from the 2003-2006 'State of the World's Children' reports published by Unicef. They also reported that these have worsened since 1960.

Wilkinson & Pickett (2007) examined child wellbeing and income inequality using the Unicef indices of child wellbeing and its components for rich countries across 23 rich countries, and across states within the USA. They found health and safety behaviours, and risks, were significantly worse in more unequal countries. Infant mortality and rates of low birth weight were higher in countries with higher levels of income inequality, as were rates of teenage pregnancy, rates of overweight children, the proportion of children who reported having been bullied, and a lower proportion of young people in further education. Within the US, income inequality was significantly correlated with rates of teenage births, juvenile homicides, infant mortality, low birth weight, child overweight, mental health problems, and high school dropouts as well as with worse educational scores.

Inequalities in the distribution of resources are known to have marked impacts on child health and wellbeing, which Roberts (1997) has called the

“long shadow forward” that can be cast over physical and emotional health of children who have lived in poverty during childhood. Currie (2005) found that children from poorer backgrounds were most likely to be diagnosed with mental health problems in childhood.

11.3 Mental health

A number of UK studies have found a strong association between the incidence or prevalence of psychiatric disorders and social class (Thornicroft, 1991; Jenkins et al, 2003; Lewis et al, 2003). Past reviews of research on psychiatric problems among the general population in western countries have analysed the prevalence and treated incidence of schizophrenia. Results show that low socioeconomic status confers a relative risk of schizophrenia that is 2-3 times greater than for the general population.

The impact of poverty is illustrated in two follow-up studies. The first, cited by Reading and Reynolds (2001) is a large population based study in the USA (Bruce et al, 1991), which found that adults living in poverty with no histories of depression were at twice the risk of experiencing depression than those not living in poverty. The second is Brown and Moran’s study in 1997 which followed up 404 mothers over 2 years and found that the risk of the onset of depression was almost double for those women in financial hardship. Single mothers were twice as likely to experience humiliating or entrapping life events as the married women, and were more likely to experience depression if they worked full-time rather than part-time. Brown and Moran point out that those women experiencing a painful event rarely developed depression in the absence of risk factors such as a poor relationship in their household or a negative self-evaluation. They also argue that poverty affects the quality of relationships and “is probably capable of influencing every factor in the model” (p.32, line 24-25).

Mangalore et al (2007) reported evidence that income-related inequalities exist in mental health in Britain and that the extent of inequality for severe mental health problems is much higher than that reported for general health.

McLoone (1996) links socio-economic status with increased suicide rates in Scotland where financially deprived young people were approximately twice as likely to commit suicide as their contemporaries in more affluent areas. Hatcher (1994) looked at attempted suicide in men and found the seriousness of the attempt was related to the extent of debt.

Research in different countries has suggested that lower social class and/or socioeconomic disadvantages are risk factors for suicide and attempted suicides (Goldney, 2004; Beautrais 2003). Goldney (2004) using data from the Danish longitudinal registers has shown that low income has a stronger effect on male rather than female suicide risk. The Government’s White Paper, *Saving Lives: Our Healthier Nation* (DoH 1999) reported that unemployed people are twice as likely to suffer from depression and are at greater risk of committing suicide.

Self-reported financial strain has been found to be a powerful predictor of the onset and longer duration of mental health problems (Weich and Lewis, 1998); but the same study found that poverty and unemployment were associated with the longer duration of mental health problems rather than their onset. Financial strain has also been found to increase the chances of people experiencing psychological stress after major life changes (Kessler et al, 1988). Nettleton and Burrows (1998) analysed British Household Panel data from the early and mid-late 1990s and reported that the onset of mortgage indebtedness is associated with poorer subjective well-being. It is also associated with men increasing their consultation rates with GPs.

A single man with long term mental health problems and dependent on benefits was offered and took out insurance cover for a loan. The terms and conditions of the policy were not explained to him and he did not understand what it covered. When he tried to claim off the insurance, was told they would not pay out due to his mental health.

Reading and Reynolds (2001) concluded, from their research with single mothers, that financial hardship is the most important underlying feature of the range of explanations for depression. They found debt to be most strongly associated with maternal depression, and owing money and being in receipt of benefits was also significantly linked. From the results of two telephone surveys, Drentea et al (2000) measured socio-economic status as debt/income ratio and found that high debt was significantly associated with stress and with worse physical and self-reported health. Drentea (2000) also found anxiety increased with the ratio of credit card debt to income, and with default on payments.

A woman suffering from depression for a number of years following the abuse of her young son and subsequent court case was facing eviction following a warrant from her housing provider. Her depression left her finding it difficult to cope with her financial affairs. Not only was she struggling with her debts, but also her benefit entitlement. Although eligible for much more, she was only living off Incapacity Benefit and Child Benefit.

The duration of poverty is important, in their survey of women in households with children, Graham and Blackburn (1998) found that mothers who had been dependent on income support for between two and five years had an 80% higher chance of reporting unhappiness/depression, than mothers who had lived on Income Support for less than 1 year.

In addition to the adverse direct effect of unemployment on mental health (Murphy and Athanasou, 1999), people are affected by there being people around them who are unemployed (Di Tella et al, 2001). Job insecurity has been identified as a potent source of psychological distress, as has the issue of job control at work (Wilkinson and Marmot, 1999).

Drentea and Lavrakas (2000) reported that respondent anxiety increased with the ratio of credit card debt to income. Similar UK findings are reported by Edwards (2003) where one-in-four clients of a national advice

service sought general practitioner treatment for stress, anxiety and depression.

Government surveys have indicated that people with mental health problems are nearly three times more likely to report debt compared with individuals without such difficulties (Office for National Statistics, 2002). In 2004, the Social Exclusion Unit (SEU) concluded that people with mental health problems were amongst the groups that had seen the least benefits from various policies to tackle disadvantage (SEU 2004a). The SEU reported that although people with mental health problems had the highest 'want to work' rate among disabled groups, they had the lowest actual work rate. Just 24% of people with long-term mental health problems were in work. Another SEU report (SEU 2004b) highlighted that stigma and discrimination against people with mental health problems was common, and in 2001 fewer than four in ten employers said they would consider employing someone with mental health problems.

Mental health problems can lead to financial problems, e.g., an individual's condition can exacerbate their spending (i.e., mania and spending sprees) and communication difficulties where individuals with mental health problems withdraw and do not acknowledge the problem (Edwards, 2003).

11.4 Relationships

When people are in debt, they are continually reminded of money, and a study by Vohs et al (2006) showed how reminders of money can profoundly alter one's behaviour so that people are less likely to help others or to ask for help. The authors explain that debt and financial stress are major factors in divorce, and this study may shed some light on why this happens. Debt is a continual cue about the money that couples don't have, and therefore functions as a powerful money reminder. This may promote the selfishness, lack of cooperation, and isolation seen in the study, all of which are features associated with unsuccessful marriages.

12. Approaches to Address Financial Exclusion

12.1 Setting Strategic Priorities

Local multi agency partnerships can enable the setting of objectives and targets to address the impact of hardship and to prevent financial exclusion.

South Tyneside Council has achieved Beacon Council Status for their multi-agency work towards promoting financial inclusion and tackling over indebtedness. It has been recognised that indebtedness is one of the barriers to achieving enhanced wellbeing for their residents, something that is embedded in their Local Area Agreement. Targets have been set by The Anti Poverty Working Group and include reducing hardship, providing alternatives to high-cost lenders and assisting residents to gain financial capability.

The Hartlepool Financial Inclusion Partnership (HFIP) has brought together key stakeholders from the statutory, voluntary and private sector, to be a

vehicle for effective working on issues affecting financial inclusion. It has been recognised that the development of the HFIP links into the Hartlepool Community Strategy on a number of levels. For example, improving access to financial services and free face to face debt advice will help to overcome barriers to work, as do volunteering opportunities.

12.2 Credit Unions and Not for Profit Lending

Increasing the number of credit union members provides people with a secure and effective means of borrowing at a low cost and saving for the future. It also provides credit unions with the capital they need to extend affordable credit to more people.

Financial Inclusion Services Yorkshire (FISY) is a partnership of three organisations: FISY, Sheffield Credit Union and Moneyline Yorkshire. It aims to create a sustainable alternative to doorstep lenders and loan sharks for those who are financially excluded. Moneyline is able to offer loans to those without previous savings at a rate of interest slightly higher than the Credit Union, but at a much lower rate than most doorstep lenders. Once a positive repayment history is built up, the borrower is referred to the Credit Union for future loans at a lower rate.

Just Credit Union operates in rural Shropshire. It has five branches across the county and also offers training to community groups willing to set up their own 'community collections'. In response to the issue of access in remote communities, the Just Credit Union has developed an electronic payment system, allowing members to use services in a large number of locations throughout the county, and beyond. Today, use of electronic pay cards represents around half of all cash deposits, and this figure is higher still in the county's most rural areas. The Just Credit Union works with young people by offering savings clubs at four local schools. It also has a number of employers who provide a payroll deduction service, such as the Local Authority, Housing Associations, the Fire and Rescue Service and the local hospital. It believes that a workforce without money worries is a happy workforce and as a result absenteeism through ill health or stress is reduced. Members are offered free life insurance and a family protection plan.

Bristol Community Housing Foundation (BCHF) wanted to enhance the sustainability of its rental income and offer tenants an alternative to the doorstep lenders that were targeting their tenants. As a solution BCHF has worked in partnership with the local Credit Union to provide tenants with both access to affordable financial services and debt management advice. BCHF's Finance Director provides financial strategy, funding and accountancy support to the CU in the role of Treasurer. In return, CU receives referrals from BCHF for families in rent arrears.

Leeds Credit Union has launched an enterprise loan scheme to provide finance to small businesses that would not normally be able to raise funds for expansion. It is also in discussion with the Post Office about greater collaboration in dealing with credit union accounts. Post offices would be the

ideal venues for communities to access the increasing range of services being offered by credit unions.

ART Homes Ltd (AHL) is a not for profit organisation that works in partnership with Local Authorities and strategic housing organisations to assist them in meeting local housing strategies by providing access to finance for vulnerable homeowners, helping them to achieve decent homes. It delivers affordable finance to low income homeowners for the maintenance and repair of their properties.

The Minister for Children, Young People and Families, and MP for Stretford and Urmston Bev Hughes has become the 1000th member of the Trafford United Credit Union.

A number of credit unions offer a Bill Paying Service. A member pays in a fixed amount each week or month, and this payment is used to pay agreed household bills on the member's behalf. Not only is this beneficial to people who find it difficult to budget for essential bills, it also allows members to benefit from the small discount offered by many suppliers for customers paying by direct debit.

Ashington Credit Union has secured funding from the Wansbeck Local Enterprise Growth Initiative Programme for 3 years which has enabled them to employ 3 paid members of staff. This funding has also allowed them to move into shop front premises in Ashington, extend their opening hours, upgrade their software and expand to cover the whole of Wansbeck. This has led to an increase in members by 20% since September 2007. They are hoping to employ an extra sales and development worker who will give them the opportunity to expand further into schools, to offer new account services such as insurance and to offer financial management training. They also plan to have talks with some of the major employees in the area to encourage payroll deductions.

As of December 2007, the Northumberland Credit Union had 200 members, up from 162 in December the previous year. It holds £45,000 worth of members' savings (£33,000 in 2006) and had a total of £22,000 out on loans (up from £12,500 in 2006). The total value of loans made in the year (Oct 06-Sept 07) was over £28,000. As well as having over-the-counter payment opportunities at Blyth Valley Your Link centres and Castle Morpeth First Call, it also has paying in points at Stobhill, Pegswood, Prudhoe and Seahouses. So far, only a handful of people are making use of the payroll deduction facility arranged with Northumberland County, but NCUL is hoping to develop a similar arrangement with the Primary Care Trust. Grants from Castle Morpeth Borough Council and Morpeth Town Council amongst others have enabled the recruitment of an administration and finance worker for a few hours a week, but the remainder of the work, around 200 hours per month, is done entirely by volunteers.

The Northumberland Credit Union is a robust and growing organisation, aided by a dedicated group of volunteers. But to develop further still, it is in need of greater core funding, which could then be used in particular to fund a volunteer support and coordination worker. This would ensure that volunteers are supported and maintained so that further paying in points could be established in response to local demand, and the Credit Unions services publicised further.

12.3 Financial Awareness and Debt Management

South Tyneside's Enterprise Agency and the CAB jointly delivered a Financial Awareness training programme to 279 adults and 2,218 young people working in collaboration with a range of organisations including Sure Start and South Tyneside Schools. A Debt workshop has recently been held to help young people better manage their money.

In Hartlepool, work is underway in some of the primary and secondary schools to educate children in key financial skills and money matters.

Money Information Network Tameside (MiNT) brings together a variety of housing associations and voluntary, not-for-profit organisations with the aim of consolidating and extending current financial literacy and money management provision. This is as a result of an increasing awareness that rent and utility arrears are caused more by poor levels of financial literacy rather than unwillingness to pay.

Leeds Library and Information Service is working in partnership with Yorkshire Bank to support numeracy and financial literacy for children. Activities start at pre school age using picture books, toys and activities and continue up to secondary school age where an online game encourages players to earn pocket money and choose when and where to save or spend it, understand the concept of budgeting and realise that financial decisions have an impact on their success within the game. Work is also underway to deliver financial capability training for all council staff with the possibility of it being rolled out to other employers in the city.

Cambridge Housing Society provides a wide range of financial services for its customers through its New Horizons services. One such initiative is to offer literacy & numeracy in people's own homes in partnership with a local 6th Form College. This helps to overcome barriers that prevent people from attending group tuition, such as previous bad experience, lack of childcare or low levels of confidence.

12.4 Independent Financial Advice

The recently released Thoresen Review of Generic Financial Advice sets out a blueprint for a national money guidance survey that is 'wanted, needed and beneficial' for the UK population, the Financial Services Industry, the Government and society as a whole. It recognises a current gap in the provision of impartial information and guidance on money matters that is preventative rather than designed for those in crisis and recommends a

national 'sales-free' service that should focus on budgeting, saving and borrowing, protection, retirement planning, tax and welfare benefits and jargon busting. Thoresen states that this service is best delivered through a partnership model, with much of the service delivered by existing organisations who are already delivering money advice. Thoresen estimates that 19 million people in the UK could benefit most from money guidance and that the service would appeal to a broad range of people, not just low income groups, the socially excluded or vulnerable. (Thoresen, 2008)

Evidence from a pilot project linking independent financial advisers (IFAs) with Citizens Advice Bureaux across the UK suggests that the range of issues presented to the IFAs has been broad, but it appears that there is particular demand from owner-occupiers aged over 50 who are on a relatively low income, with the trigger for seeking advice often after illness, retirement, bereavement or redundancy. Many clients may not normally consider seeking help from an IFA or may not be able to afford it. As such the project provides such support in a trusted environment. (Citizens Advice, 2007)

Devon Pound is a not-for-profit, independent company providing "financially excluded people with a single access point to get whatever assistance they need to move towards financial security and mainstream status". Devon Pound does not provide direct financial services (e.g. loans for clients); rather they aim to present to clients all options available to them, including borrowing, saving and financial education, and works closely with the Credit Union and Housing Association.

12.5 Banking

The Big Issue has worked with a number of banks to provide basic accounts for Big Issue vendors. In Glasgow, 610 people and rising are benefiting from these accounts into which wages, benefits and pensions are paid. The main attraction of these accounts is that Big Issue ID, GP or Benefits Agency/DWP letters are accepted as proof of identity. None of these accounts require credit checks as vendors are unlikely to pass as they have no address, regular income or may have a bad credit history (Collard et al, 2003).

As a result of many local bank branches closing, the Royal Bank of Scotland runs 16 van based services across North Wales, which provide, 2 cashiers plus waiting space; day-to-day banking services including paying in cash/cheques; cash withdrawals; making bill payments; ordering foreign currency. A similar scheme operates in Cornwall where a van operated by NatWest delivers services to remote rural locations in the county.

A number of Credit Unions have started to offer basic bank accounts which enable members to use direct debits, debit cards and ATM machines to manage their finances. The accounts have been designed to overcome many of the disadvantages of existing basic bank accounts, such as high charges and ID problems. Credit unions will be able to set fees in line with credit union rather than bank policy, which will mean substantially lower charges because they will be set in order to discourage abuse of the account rather than generate income. Recognising that not everyone has a passport or driving

licence, the credit unions offering these basic bank accounts will accept other forms of acceptable ID in order to ensure that no one is excluded from their services.

12.6 Access to free advice

Research done for Citizens Advice found that a third of CAB clients felt less anxious or stressed after using the bureau, while 14% had fewer health problems or felt less depressed. Nearly half say they feel more confident about dealing with their problem. 37% of people who used a Citizens Advice Bureau were financially better off as a result. Half of these received one-off payments but a quarter gained regular weekly or monthly income. Of those who gained a one off amount as a result of getting in touch with Citizens Advice, three in five (60%) received more than £100, and 25% of these gained more than £1,000. (MORI 2005)

Abbott and Hobby (2000) reported that welfare benefits advice provided by a local Citizen's Advice Bureau in a deprived area significantly improved people's health. Statistically significant health gains were measured for those whose income increased as a result of receiving advice. This was despite prevalence in the group of chronic disabling conditions and an average age of 56 years. Moffatt et al (2004) also found that welfare advice for people living on low incomes has significant benefits in terms of health and circumstances.

12.7 Savings

The Treasury has been piloting the 'Saving Gateway' in East London, Manchester and Cambridge over the last four years. Through the Saving Gateway, the Government is exploring the use of matching a Government contribution for each pound saved to encourage saving among lower-income households and to promote engagement with mainstream financial services. Eight out of ten people who took part in the pilot schemes described themselves as saving regularly at the end, compared to less than one in five at the start (Institute for Public Policy Research, 2007).

Following the collapse of the Farepak Hamper Company, the Office for Fair Trading launched the Save Xmas campaign, aimed at helping consumers understand the full range of options available when putting money away in the short term. A toolkit helps people identify different ways to save, understand the risks of different ways of saving and know where to go for more help.

12.8 Affordable warmth

In November 2005 Cambridge Housing Society reached an agreement with Ebico to offer their tenants cheaper gas and electricity. Ebico is a not-for-profit company which is backed by Scottish & Southern Energy plc. Ebico strives to be the cheapest supplier for customers on pre-payment meters who are normally penalised for paying in this way. Customers on meters can save up to £160 a year by changing to Ebico.

Tynedale CAB contacted Milecastle Housing after being approached by a client who couldn't afford to pay for oil to heat his home. The oil company does not offer any repayment arrangements until a full tank has been paid for up front – a cost of £250. As a result, Milecastle have contacted all oil companies in the area to find out which companies are offering budgeting schemes. This information has now been shared with all residents, who can now make a more informed choice of oil suppliers.

Luton Borough Council has achieved Beacon status for its work on affordable warmth. A referral scheme has been set up for people who work with households at risk of fuel poverty to make fast track referrals for help. This could be for advice to maximise incomes or reduce debts so fuel bills are more affordable or information on discount schemes for householders who are not eligible for government grants. Front line staff of all agencies within the scheme have been trained to spot potential problems linked to fuel poverty and to take appropriate action.

12.9 Tax and Benefit Changes

The Joseph Rowntree report (Page, 2007) pointed out that out of all the possible mechanisms for lifting the poorest groups out of poverty, it was the government's tax and benefits changes that appeared to have the greatest benefits.

The Child Poverty Action Group (2005) argue that despite substantial recent increases to benefits for children, the package of financial support for families remains inadequate to protect against poverty and social exclusion. To make real progress over time, CPAG state that the value of all benefits and tax credits ought to rise above the rate of the fastest growing of prices or earnings. The effective administration and full take up of benefits is also essential to ensure that the right amounts get to the right people.

12.10 Soft regeneration

A study funding by the Joseph Rowntree Foundation (Page, 2006) tested whether a soft regeneration approach is an effective way of tackling deprived neighbourhoods in three disadvantaged communities in England. Soft regeneration, which included services and schemes to improve the quality of life for residents, such as literacy schemes, Sure Start and a youth arts project, had some success. Qualitative data reported that residents in each area reported more optimism that problems could be tackled and even solved. However, it was noted that the most deprived households were 'hard to reach' and made least use of activities and facilities.

Cambridge Housing Society offers literacy & numeracy tuition in people's own homes in partnership with a local 6th Form College overcoming barriers that prevent people from attending group tuition (such as previous bad experience, lack of childcare or low levels of confidence).

12.11 Support for people with physical and mental health problems and their carers

A third of clients with mental health problems have reported that they want more help from healthcare staff with their welfare benefits (Healthcare Commission, 2004). A study by Simpson (1999) suggested that many service users and carers want their community mental health nurses to have more knowledge and input into managing their finances. However, community mental health nurses, and other healthcare professionals may be reluctant to engage with client debt because they view it as complex and difficult, and also because they perceive such a responsibility as conflicting with their core therapeutic role (Simpson, 2005). Fitch et al (2007) recommended that mental health professionals should raise and monitor debt issues with clients, and should be encouraged to collaborate with debt advisers, rather than simply referring on. Further developing the knowledge and skills to address financial issues has been included in the key capabilities necessary to implement the National Service Framework for Mental Health (SCMH, 2001).

Given the financial vulnerability associated with physical health problems especially chronic conditions, it is also important to enable health and social care staff in primary, secondary care and hospital settings to take a proactive approach to helping people to assess and deal with their financial situations.

13. Recommendations from Current Evidence and Practice

- The development of a multi-agency working group to establish anti-poverty objectives and to inform policy, debate and discussion locally and nationally.
- Set targets for tackling financial exclusion and poverty at a strategic level (eg. uptake of benefits; full use of financial services; increased use of credit unions and/or community based lenders; access to impartial advice and guidance; reduce numbers of people in fuel poverty).
- Encourage partnership working between the whole range of agencies providing services for people who are financially excluded.
- Engage communities in initiatives to tackle financial exclusion and poverty.
- Prevent and reduce financial difficulties by developing the awareness, understanding and skills of the public and all who work with people who may be experiencing poverty and debt (eg. staff in health and social care; education; local government; employment).

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