



Financial Inclusion in the Community – Evaluation Report

May 2017

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides a summary of the independent evaluation commission by Scotcash to evaluate its *'Financial Inclusion in the Community Programme'*, which was supported by a grant from the Big Lottery Fund (BLF).
- 1.2 The independent evaluation found that Scotcash clearly managed to meet its performance targets that were set out as part of the BLF funded *'Financial Inclusion in the Community'* programme.
- 1.3 The evaluation also found there was a clear positive impact for customers that accessed financial services from Scotcash, as well as for the range of partner organisations that helped deliver the programme.
- 1.4 In this area the report concluded that:
- ✓ Results are positive, the project has worked well and provided a base for further development by Scotcash;
 - ✓ The organisation demonstrated a strong ability to build trusted relationships with customers and collect data about their financial situation and use of services;
 - ✓ Services are being delivered to those customers most in need and in a way that has a clearly positive impact on their financial situation;
 - ✓ Scotcash is both a well-known and trusted brand amongst its key demographic groups, helping to connect customers with the organisations it works in partnership with.
- 1.5 In order to assess the effectiveness and impact of Scotcash's services the independent evaluation involved a series of customer interviews, focus groups as well as an online survey that was sent to 1,600 customers.
- 1.6 The responses from customers were both revealing and overwhelmingly positive;
- 94% were very satisfied or satisfied with the overall experience;
 - 89% identified affordability as a reason for choosing Scotcash;
 - 59% reported that their money situation has improved because of Scotcash.
- 1.7 Scotcash is also clearly helping those people most in need:

Scotcash BLF Programme began in 2013. In 3 years 1,537 loans have been issued in small sums totalling nearly £680,000;

74% of customers live in the 15% most deprived areas of Scotland;

67% of customers were unemployed and 23% had some form of disability;

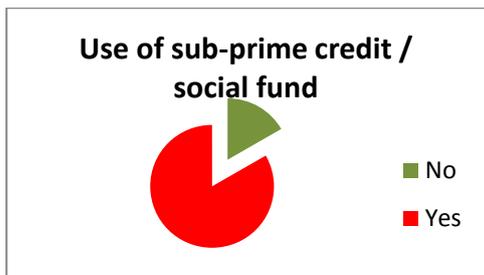
The average annual income of Scotcash customers was £13,731;

4 out of 10 customers have been refused mainstream credit;

41% of repeat customers decreased or stabilised their use of credit;

Scotcash customers have absorbed key messages about the affordability of Scotcash loans compared to alternatives;

There has been a very significant fall, to 5%, in the proportion of people who now felt they were 'not managing well financially'



- 4 out of 10 had been refused mainstream / low cost credit;
- Only 1 in 6 of interviewees hadn't used some form of sub-prime credit or the Social Fund in the last five years.

1.8 The benefits for customers of delivering services in partnership with other organisations and via outreach locations was also clear:

- ✓ Premises were seen as welcoming, as was initial contact from staff;
- ✓ Staff were seen as friendly and supportive;
- ✓ 26% of customers had been referred to advice services and 65% had been told about Scotcash's links with credit unions.

1.9 Key findings from the customer interviews were also very positive:

- Customers' experience of every aspect of engagement with Scotcash from first contact onwards is very effective. Scotcash is seen as providing a high quality, sympathetic, empathetic and friendly service.
- Customers like repaying by Direct Debit, with money leaving their account before they have time to worry about it, being able to determine the frequency of payments, and the reassurance provided by the payment holiday, even if that generally remains unused.
- Many customers like their consistency of contact with the same loans officer when they become repeat customers.
- Customers feel Scotcash offers value for money.

1.10 The evaluation concluded Scotcash should continue the work of the project but that this needs to be set within the broader context of Scotcash's growth plans and sustainability. Partnerships could and should be expanded with mutual benefit for both sides as well as improved impact and outcomes for customers.

2.0 BACKGROUND AND CONTEXT

2.1 Scotcash is a not-for-profit Community Development Finance Institution (CDFI), aiming to help people in disadvantaged communities in Glasgow to access affordable credit and other financial products, and build their financial skills and resilience. It has been operating for just over 10 years in Glasgow and is about to launch new services in Edinburgh and Inverclyde.

2.2 Since 2013 Scotcash has been supported by the Big Lottery Fund (BLF) to deliver the 'Financial Inclusion in the Community Programme' in a number of new locations in Glasgow and to expand its satellite operation in the north of the city. Though the programme is funded till October 2017, Scotcash wished to evaluate the programme to see if the initial

objectives have been achieved and to look at the potential for developing the programme and replication in other areas.

- 2.3 In the brief, the task was described as gaining a clear understanding of the impact of Scotcash's Financial Inclusion in the Community Programme to date, and consider the transferability of this programme to other parts of Scotland.
- 2.4 The key objective of this evaluation was described as understanding the extent to which the project has achieved the outcomes set out in the application to BLF:
- Outcome 1: More individuals from disadvantaged groups will improve their ability to budget and manage their finances as well as improve their financial skills.
 - Outcome 2: More individuals from disadvantaged groups will have access to a range of key financial products and services which will help stabilise finances and prevent the transition into debt.
- 2.5 The evaluation was based on the following areas of analysis:
- Stakeholder interviews
 - Customer interviews
 - Data analysis
- 2.6 This programme was delivered in partnership with a key range of external stakeholders; so this report has been produced to inform the organisations that are currently working with Scotcash (or are considering doing so in the future) about the benefits of doing so, both for their organisation and for the disadvantaged people they work with.

Key Stakeholders

- Big Lottery Fund
- Housing associations
- Charities
- Community finance organisations
- Local government
- Private sector businesses

3.0 KEY FINDINGS

- 3.1 Scotcash worked extensively with a range of key stakeholders to deliver the 'Financial Inclusion in the Community' programme. A series of interviews were conducted with people within those organisations to evaluate the success of these partnerships, in terms of the benefits for customers and for the stakeholders themselves.

3.1.1 Housing associations

The main aspect of the 'Financial Inclusion in the Community' programme was to delivery financial services and advice to housing association tenants, which was done in partnership

with the housing associations via dedicated loan officers working in outreach locations across Glasgow.

The interviews revealed that this partnership arrangement clearly had benefits for both sides, as well as for tenants.

- ✓ Local Scotcash staff were seen as good and trusted - 'bring a human touch';
- ✓ If Scotcash didn't exist, we would still need to engage with these issues but would find it more difficult – neutrality of 'not being the landlord';
- ✓ Scotcash is seen as replacing higher cost loans and fills a gap credit unions cannot;
- ✓ Setting up bank accounts seen as important, especially in relation to Universal Credit;
- ✓ Referrals to other programmes such as GHeat, for benefits and money advice have been a success.

3.1.2 Big Lottery Fund (BLF)

BLF took the view that the project was 'risky' but a risk worth taking because it was dealing with a difficult problem. They were keen to see if the project was reaching the intended target groups (it was) and whether it made a difference to financial circumstances and to financial capability (it did).

In particular, BLF wanted to look at the prospects for genuine operational sustainability after the end of BLF support.

3.1.3 Scotcash Staff

Interviews with key members of Scotcash staff provided information about the advantages of delivering financial services in partnership with housing associations, which was primarily based on their experiences as well as the feedback given to them by customers.

- There had been a slower than anticipated build up – trial and error, with IT issues, the time taken to developing trust, so initial projections may have been optimistic;
- Project has made Scotcash focus more on technology, using social media and being agile;
- Loans business good, bank accounts 'steady but not massive' – this may need a 'motivator' (such as the introduction of Universal Credit) to promote action;
- Customer types – single parents/Long-term benefits, but customer base changing in some areas to couples, couples with children;
- Customers often have other loans (Provident, Perfect Home, Brighthouse, CU) and were overwhelmingly interested in the cost of loan, not the APR.

3.1.4 Customers

There is significant unhappiness amongst Scotcash customers about past experiences using sub-prime credit in terms of cost, poor customer service and lack of forbearance - there is a desire for something different in the market place. People come to Scotcash largely through word of mouth, suggesting that it has a positive reputation amongst the communities that it serves. Online channels are used by some customers as a way of

booking initial appointments and to check the company out, not as their initial source of awareness.

Interviewees had usually been in a reasonably stable financial situation prior to coming to Scotcash, but one in which they faced very significant challenges in being able to afford substantial expenditures.

Some Scotcash customers continue to use other forms of credit:

- Some use credit unions, often referred to them by Scotcash, but usually to save small amounts of money for holidays or smaller purchases/ events.
- Some use budgeting loans, but feel the amounts of money offered through such loans are insufficient to meet all their needs.
- A small number use rent to own stores when they feel they have 'maxed out' their Scotcash credit, and are aware of the poor value they get from doing so.

Scotcash enables its customers to afford Christmas presents, holidays, car repairs, furniture, and home improvements/ decorations that they would not have been able to pay for otherwise, or prevents them from going back to sub-prime credit to make these purchases.

Having a guarantee of access to credit through Scotcash is a real reassurance to customers and a reducer of stress, particular for mothers who know that they can afford Christmas presents through a Scotcash loan. It is seen by its customers as their market leading lender.

The impact of Scotcash was also explored with survey respondents using a question asked in the Scottish Household Survey.

Respondents were asked about their view of their financial situation at the time they took out their Scotcash loan. Recalling their situation at that time:

- 50% said they had been 'getting by'
- 23% said they were 'not managing well'.
- 17% said they were 'managing well'.
- 10% said they were 'managing very well'.
- No one indicated that they were 'in real financial trouble'.

There were significant changes amongst survey respondents when reporting how their situation felt now:

- There was a slight rise in the number of people who felt they were 'getting by' to 52%.
- There has been a very significant fall, to 5%, in the proportion of people who now felt that they were 'not managing well financially'.
- There has only been a slight rise in the number of people who feel they are 'managing very well', to 11%.
- There has been a near doubling of the number of people who feel they are 'managing well', to 32%.

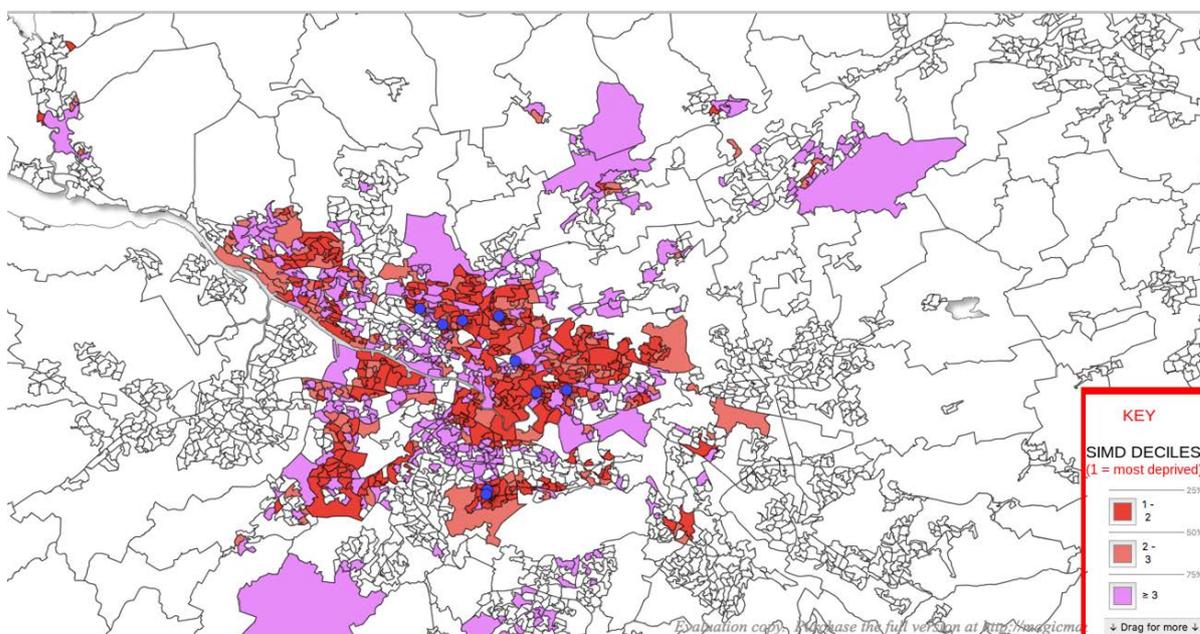
For a number of interviewees Scotcash impacted positively on their mental health through increasing their confidence in their money situation/ money management:

'I am feeling more confident and less stressed about things' (Eva, 26, single parent)

'I'm more confident about money now, in the past I was worrying about money and about things coming up that I didn't have the cash to deal with. I don't worry in the way I did before. Money was always something I worried about, I am on my own with five kids' (Lynn, 35, single parent)

4.0 HEAT MAPS

4.1 The data analysis conducted for the independent evaluation included a series of heat maps that clearly showed that Scotcash is reaching the most deprived communities within Glasgow, through its outreach programme, as measured by the Scottish Index of Multiple Deprivation (SIMD).



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Note: the blue dots represent the presence of Scotcash outreach locations funded by the BLF.

5.0 CONCLUSIONS

5.1 Results

The independent evaluation found that Scotcash clearly managed to meet its performance targets that were set out as part of the BLF funded 'Financial Inclusion in the Community' programme.

Indicator 1: Report reduced financial stress and improved financial skills

- Target : 693
- Actual Result: 1,594

Indicator 2: Report improved financial circumstances

- Target: 1,122
- Actual Result: 1,603

Indicator 3: Take a financial health check

- Target: 1,306
- Actual Result: 1,578

Indicator 4: Open a bank account

- Target: 350
- Actual Result: 329

Indicator 5: Have an affordable loan

- Target: 961
- Actual Result: 1,530

Indicator 6: Open a savings account

- Target: 115
- Actual Result: 102

In the two areas where Scotcash is below target, we expect it to meet those targets by the end of the programme in October 2017.

5.2 Scotcash as an organisation

The evaluation found that Scotcash had performed well as an organisation in terms of delivering the 'Financial Inclusion in the Community' programme, providing a solid base to learn from and identify how to improve in the future.

In this area the report concluded that:

- The project has enabled relationships to be built and tested with a range of partners;
- Data collected about customers and the business could be put to better use in the future to improve the quality and volume of service delivery, as well as increase the financial sustainability of the organisation.

The main strategic issues/ opportunities/ questions for Scotcash were identified as:

- There is a gap in the market left open by conventional lenders moving from 'sub-prime' to 'near prime' which fits with the Scotcash customer demographic and is sustainable at the price Scotcash needs to charge in order to be sustainable.
- Expansion – where (Glasgow/ outside) and how (physical presence/ digital)?
- Sustainability of model – it is currently sustainable in accounting terms but not fully economic at moment;
- Pricing required to support expansion and sustainability;
- Role of strategic partners in funding development costs/ on-going costs.

The report also highlighted several practical issues that need to be addressed moving forward:

- Information systems need to add more value;
- Credit unions remain an obstacle in some areas;
- How to set up 'hubs' in east and south of city to mirror relationship with ng homes?
- Increasing volumes and reducing 'rejects';
- Implications for access to affordable capital;
- Management capacity will be an issue if expansion is to be successful.

6.0 LOOKING FORWARD

This section summarises the main recommendations of the report, in terms of how Scotcash can best move forward in the following three areas.

6.1 Sustainability

The final report made several recommendations with regards to the future sustainability of Scotcash, specifically in terms of the shift in focus from 'break-even' sustainability to targeting revenue generation would allow it to achieve 'sustainability plus' and expand.

6.1.2 Recommendations

- The work of this project should be continued, but that this needs to be set within the broader context of Scotcash's growth plans;
- The data available to Scotcash should be 'mined' more effectively, especially in relation to helping;
 - Understand customer demographics better and support future targeting/ marketing;
 - Understand barriers to agreeing loans and reducing rejections;
 - Understand bad debt and continuing to control it during expansion;
 - Scotcash should explore expanding its range of products and services as a means to create new revenue streams that provide it more flexibility with regards to loan pricing.

6.2 Expansion

The final report made several recommendations with regards to the future expansion of Scotcash, both in terms of the geographical areas it serves, the range of services it provides and the overall scale of the business.

6.2.1 Recommendations

- At this stage in its development, we think that additional 'high street' locations in Glasgow are unlikely to be cost effective;
- There is, however, a value on building on the hub model operated in north Glasgow;
- Further 'high street' locations may be appropriate in newer areas such as Edinburgh to create 'brand awareness' and underpin long-term growth.

6.3 Partnerships

The final report made several recommendations on how Scotcash could expand and improve its work in partnerships with other key stakeholders in the future, with mutual benefit for sides as well as improved impact and outcomes for customers.

6.3.1 Recommendations

- Scotcash should continue with outreach in collaboration with housing associations and other partners;
- Partnerships should be carefully chosen to generate volumes of activity that have the potential to be sustainable and help fund further growth plans;
- New types of partnerships with socially responsible for-profit business, such as innovative FinTech start-ups, could help improve the range and quality of services provided to customers as well as offer new potential revenue streams.

7.0 SUCCEEDING WITH SCOTCASH

7.1 This section of the report provides information on the benefits and opportunities Scotcash provides, through its services and partnership work, for each of the following groups:

7.1.1 Customers

Scotcash has clearly demonstrated its ability to build relationships with customers and is already a well-known and trusted brand that people turn to for financial services and support.

Customers primarily come to Scotcash for affordable loans, yet their overall financial situation could be significantly improved were they able to access a wider range of financial products and services tailored specifically for the wants and needs of this demographic. This is especially true with regards to providing services to customers that are not approved for a loan, as a means to help them stabilise their financial situation and access affordable credit from Scotcash in the future.

7.1.2 Charities

Scotcash is well placed within the most deprived communities and the minds of customers that charities – such as debt and benefit advice services – are looking to reach.

More integrated partnerships with charities would be mutually beneficial and could significantly increase customer retention, outcomes and ability of charities to reach the people most in need of their services in a sustainable manner.

7.1.3 Community Finance

Scotcash provides a set of financial products and services that are distinct and complementary to those offered by other community finance organisations, specifically the wide range of credit unions it already works with in Glasgow.

Customers clearly recognise the difference between the two organisations and should be informed of the services each offers in order that they can access the best possible financial

products for them, based on their needs and current situation. These partnerships need to be strengthened and there needs to be a clear objective of working together amongst organisations within the community finance sector, rather than in competition with one another which ultimately harms the people most in need of these services.

7.1.4 Housing Associations

Scotcash has a long history of working with social landlords. Glasgow Housing Association (GHA), now the Wheatley Group, was one of the main actors in bringing it into existence. Scotcash has delivered the 'Financial Inclusion in the Community' programme via several successful partnerships with housing associations across Glasgow. The model has huge benefits for both sides, as well as for customers,

Specifically, this model helps lower the cost of delivery, decreases barriers to access and provides the potential for building better trusted relationships with customers. The final point here is crucial, in terms of helping Housing Associations lower rent arrears and decrease costs and increasing access to customer data as a means of improving underwriting. The decreased duplicity of services is efficient and also provides better clarity and outcomes for customers.

The ability to deliver financial products, services advice and support to customers through a trusted 3rd party, is not only effective but also provides financial benefits for housing associations that fully justify their investment in a partnership with Scotcash.

7.1.5 Local Government

Scotcash was founded and is strongly supported by Glasgow City Council, which has clearly established the financial and social benefits for this initiative. Support from other local governments in the future would help Scotcash expand into new areas and deliver similar benefits for residents in the most deprived areas of Scotland.

Working in partnership with Scotcash can significantly help local councils increase the availability, impact and cost effectiveness of their various existing financial inclusion and support services. The nature and benefit of partnerships with local government could be increased significantly through better integration with existing services, sharing of data and 'hot handovers' of customers in need of advice and financial support.

Such initiatives would help lower government expenditure, increase customer outcomes and enable Scotcash to expand the range and availability of its services in a more sustainable manner.

7.1.6 Profit for purpose

Scotcash works with a range of traditional financial institutions to provide it's customers with a range of products and services that complement its core affordable loan product. However, the experiences with large financial institutions, that operate these partnerships under their corporate social responsibility programmes, are often limited and may not be the only option for customers.

There are huge opportunities to work with more innovative FinTech start-ups, that actively want to provide products and services to the same demographic as Scotcash, and which are fundamentally different and often more beneficial for customers than 'standard' products offered by mainstream financial institutions. Such partnerships could be easily negotiated and would help Scotcash deliver a wider and better range of products and services that enable it to truly build a distinct brand and competitive offer to low-income customers.

Such partnerships could also help Scotcash create new revenue streams and increase its IT capabilities, without the need for grant funded investment. This is due to the mutually beneficial nature of such agreements, where there are commercial benefits for innovative FinTech start-ups in providing 'pro-bono' services as it enables them to reach Scotcash's customers in a much cheaper and more effective manner.

Ultimately, customers will have greater access and choice regarding the financial products and services they wish to use and which they feel will help them most in improving their financial situation.

Appendix 1: comments from customers

Previous behaviour

'I did borrow from the Provident, but it was a long time ago and really expensive to pay back. I borrowed to get a suite off them, about a thousand, but I ended up paying back two, two and a half' (Donny, 42, Single)

'I was in a pickle. I had no other choice, I'd have to tap friends and family during the week' (Eilidh, 31, Partner Parent).

'I wasn't struggling day to day, but Christmas was coming up, and I needed a few things, because I've got such a large family. I wasn't so much worried about money, my situation was OK, but I was struggling a wee bit to afford presents, I wanted to be able to buy a few things.' (Trish, 70, Partner)

Views of Scotcash

'It was mum that told me about Scotcash. She said it was good repayments, and if you didn't have the money you could phone them up, and that this is fine, not like Wonga' (Eva, 26, single parent)

'It was all straightforward, the way they explained it. I didn't think it would be this easy' (Leanne, 25, Single Parent)

'It wasn't like going to a bank. It was just like going shopping. A lot of people get nervous when they go to banks, but it wasn't like that at all.' (Becky, 34, single parent).

'They [the staff] looked really happy. No one looked as if they didn't want to be there, when you go to the bank they all look really tired, [at Scotcash] they are friendly and helpful' (Eva, 26, single parent)

'Two years ago I had problems. They stopped my social security, I was being sent for a medical and my income was cut in half. I contacted Scotcash and we came to an agreement that I would repay £25 not £50 a fortnight. That ended up being a bit tight so they dropped the payments again' (Frances, 40, Single Parent).

'I don't think that I'd get by without Scotcash at Christmas, I don't think the kids would get what they want. Perhaps that wouldn't be a bad thing but I would feel bad' (Lynn, 35, single parent)

'It's all better. I've just finished paying off a lot of things, including that Perfect Home loan. I'm not struggling now. That's partly about work [she had just taken up a job], but it's also about other things like Scotcash as well' (Eva, 26, single parent)

'I am a lot less worried. I'd be a lot more worried if I didn't have Scotcash. My kids are five and seven and they still believe in Santa so I need to make sure that that's sorted' (Diane, 27, Single Parent).

*'I feel that they are there to help, with a bank you are just a number'
(Jess, 53, Partner Parent)*

*'I'd say it was easy to apply and I didn't feel judged. Their staff are really helpful, and they go through everything to make sure that you can afford to repay and so that you aren't stuck'
(Becky, 34, single parent).*