

Case study 132

What Works in Tackling Poverty

Scotcash

What are case studies?

Case studies share what people and organisations have learned from delivering or developing a project or programme. They can help you to see what has worked on the ground and can give you ideas about how to tackle problems. They can also signpost you to people and organisations you may want to talk to.

Scotcash

www.scotcash.net/

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In a nutshell

Scotcash is a Community Development Financial Institution (CDFI) which opened its doors to Glasgow citizens in January 2007. CDFI's help deprived communities by offering affordable loans and support to people who face barriers to accessing credit elsewhere. They operate as a one-stop-shop; offering an alternative to high cost doorstep lending whilst at the same time looking to increase the financial capability of those furthest away from mainstream financial services. The aim is to help tackle financial and social exclusion in Glasgow by targeting and working with people living in poverty to increase their access to:

- Affordable credit
- Basic bank accounts
- Credit union savings accounts
- Discounted household goods packages
- High quality financial advice



The Issues

Personal debt and expensive lending in the UK is rising. For many, borrowing is a choice that is led by consumerism but for other more vulnerable people, it is accessed to supplement an inadequate income. Often ill equipped to negotiate the lending landscape these people are being tipped into potentially inescapable cycles of debt and poverty.

In Glasgow, despite an array of high street financial products and an extensive credit union network, there are limits to their accessibility. For those living on low and insecure incomes, many without access to a basic bank account and others an impaired credit history, affordable credit is often out of reach. With the sub-prime credit market specifically targeting these groups, poverty and poor quality of life in Glasgow's most disadvantaged areas is being exacerbated:

- Glasgow City continues to have the highest concentration of multiple deprivation in Scotland (43.5% of datazones in the 15% most deprived); with over 166,000 people classed as income deprived (29%)¹
- Around 3 million people in the UK are estimated to use high cost door to door loans at extortionate typical interest rates; £83 of interest for every £100 borrowed²
- People on low incomes are more likely to access short term credit for day to day necessities making the 'instant access' nature of doorstep lending appealing³
- One in ten respondents to a 2010 Citizens Advice Scotland survey confirmed they do not have access to a bank account; citing poor credit history, lack of appropriate identity documents or current / historic debt with a bank as the reasons⁴

¹ The Scottish Index of Multiple Deprivation 2009

² End Legal Loan Sharking Campaign 2010

³ Joseph Rowntree Foundation, Credit and Debt in Low-Income Families, June 2010

⁴ Citizens Advice Scotland; Banking on the Basics, November 2010

The approach to the issues

How they got started

As part of Glasgow City Council's financial inclusion strategy, a steering group was formed in 2006. The aim was to identify a solution to the growing dependence on expensive credit and accessibility of mainstream financial advice and services. They looked to develop an alternative route to financial inclusion; a model capable of meeting the demand of scale needed to impact upon the doorstep lending market in Glasgow. The need for sustainability was central in terms of establishing a permanent change in financial mindset for local communities.

The Scotcash model

Of all the delivery models considered, agreement was reached on an independent lending company, CDFI, as the best way to establish Scotcash within Glasgow's credit landscape. Initially supported by Glasgow City Council and a wealth of other partners including Glasgow Housing Association, Glasgow Community Planning Partnership and The Royal Bank of Scotland (RBS), they now operate as a successful social enterprise; recycling money again and again into communities.

Scotcash position themselves firmly between doorstep lending (and other forms of expensive credit) and credit unions; a potential stepping stone to wider preferential loans and savings. Their aim is to compliment, not replace, the role of credit unions and other forms of high street finance; providing an affordable credit alternative for people who are not yet in a position to engage at a more mainstream level. Bound by responsible lending practice however means that there will always be those for whom a loan is inappropriate. They develop relationships, not solely around lending offers, but through holistic and impartial welfare, money and / or debt advice to increase people's longer term financial independence.



Key features

- Accessible shop-front location in the heart of Glasgow City.
- 3 in-house loan advisors authorised to approve instant access flexible repayment loans starting from just £50 or, depending on circumstance, signpost customers to Glasgow Credit Union network and / or other high street finance.
- Scotcash have been afforded 'trusted partner' status with RBS. This means staff are able to accept the necessary photographic and address ID to process the opening of RBS basic bank accounts.
- A working relationship with Glasgow Credit Union allows Scotcash customers to open a credit union savings account alongside their initial loan. This is offered initially on a 'rounding up' basis; say £6.50 to £7.50 per week with £1.00 saved. This is used as a hook to engage people in basic savings; a step towards financial stability.
- Glasgow Credit Union current accounts are on offer as an alternative to RBS basic bank accounts.
- 2 full-time Citizens Advice Bureau staff on site, offering money advice on income maximisation, budgeting, problems with household bills, debt and arrears.
- Availability of low cost, A-graded fuel efficient white goods packages.

Evidence of success

- Scotcash customer base has been drawn from a wide reaching 31 different postcode areas of Glasgow City
- As of November 2010, 3770 loans totaling £2 million have been approved. On average, customers save £295.24 in interest payments for the same loan amount over the same term with a home credit provider. Scotcash estimate to have saved over £1 million in interest payments for customers.
- 914 bank accounts opened

- 282 savings accounts opened; £53,000 in savings
- Money advice provided for 1786 customers saving on average £768,931 per year. Scotcash estimate to have saved over £1.7m for customers since 2007 through holistic money advice.
- Value of recorded debt for which advice on managing and rescheduling has been sought is over £4.5 million
- At least 147 evictions prevented
- The current portfolio 'at risk' (in arrears for more than 60 days) is just under 5%: well under half the UK average
- Scotcash CDFI model has been adopted in West Midlands in an attempt to emulate Glasgow's success
- 2008 winner of Guardian public services award for 'capacity to innovate and intervene at the hard edge of social policy in a timely and hugely effective way'

Lessons learnt

1. Partnership referrals are a more successful way to engage with communities than sophisticated marketing campaigns. The main vehicle for spreading the message on what Scotcash has to offer has very deliberately moved towards word of mouth:

"I now understand about savings and budgets and I can explain to my friends and family how it all works. Once you understand, you'd never go back to doorstep lenders," (Scotcash Customer)

"I've recommended Scotcash to people I know and I always tell them that they will get a good service at a reasonable price" (Scotcash Customer)



2. Relationships are crucial to people who have been long term disengaged from mainstream financial advice and services. Best value at the sacrifice of a personalised service is not something Scotcash customers tend to prioritise.

"I wouldn't actually want to go anywhere else now because I enjoy going to Scotcash and I know that my loan officer is Susan; I can look forward to catching up with her and having a wee chat whilst we do business." (Scotcash Customer)

One great thing

A Scotcash longitudinal impact evaluation is due to be published early 2011. The University of Sheffield has compared change over time with customers, between 2007 and 2009, on various indicators of individual well-being, social well-being and fiscal performance. Whilst hard indicators are important, being able to evidence 'soft' outcomes is important to Scotcash as this will give a clearer more rounded picture of the 'real' success of the model. The evaluation will also look at areas where Scotcash can look to strengthen their already successful approach. Learning lessons for continual improvement is embraced by the organisation as this will only enhance the scale and depth of their advice and services, cementing their place in Glasgow's credit landscape.

Contact Sharon.MacPherson@glasgow.gov.uk Debt Strategy Officer, for more information.

Why would this approach work well elsewhere in Scotland?

- The issues identified by Scotcash in terms of patterns of expensive doorstep lending, debt and financial capability are mirrored in disadvantaged communities across Scotland.
- Proven model of success to attract initial investment
- Name and branding easily transferable to other local authority areas
- Ability to be self sustaining

What next?

In today's difficult financial climate more and more people are turning to expensive forms of credit; doorstep lenders, money shops, pawn brokers. Scotcash aim to diversify where necessary to ensure that those least able to manage and negotiate their ever tightening finances are aware of and have access to flexible and affordable financial support.



Scottish Centre for Regeneration

This document is published by the Scottish Centre for Regeneration, which is part of the Scottish Government. We support our public, private and voluntary sector delivery partners to become more effective at:

- regenerating communities and tackling poverty
- developing more successful town centres and local high streets
- creating and managing mixed and sustainable communities
- making housing more energy efficient
- managing housing more efficiently and effectively

We do this through:

- coordinating learning networks which bring people together to identify the challenges they face and to support them to tackle these through events, networking and capacity building programmes
- identifying and sharing innovation and practice through publishing documents detailing examples of projects and programmes and highlighting lessons learned
- developing partnerships with key players in the housing and regeneration sector to ensure that our activities meet their needs and support their work

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