

‘An exploration of financial exclusion and access to affordable savings and credit – a case study of the Traveller Community’.

A literature review of existing resources investigating the topic of Travellers and access to affordable savings and credit

Undertaken by Elizabeth Daly during year 1 in part fulfillment of a BA in Community and Family Studies with NUI Galway

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Over the last two years, there has been increased coverage and reaction to the current global recession, which has impacted on Ireland enormously. However, the problem of consistent financial exclusion experienced by many Irish people is still an ongoing issue. Financial exclusion, in the context of this study, refers to 'exclusion from affordable and appropriate products, including bank accounts, current accounts, credit, savings and insurance' (Corr, C. 2006 Pg xiv). Many people in Ireland are excluded from mainstream financial services due to various reasons such as illiteracy, innumeracy, lack of access and so on. This study, though, will focus specifically on the Traveller Community in Ireland and will examine relevant literature available with a view to identifying the common issues and possible recommendations made to decrease financial exclusion and increase financial inclusion for this target group.

The field of study relating to financial exclusion for Travellers in Ireland has produced some interesting publications but the topic remains to be one of further debate and research. To gain some history on financial exclusion for marginalised groups in society, the report entitled '*The Viability of Interest Free Credit Unions for Marginalised Communities*' (Ní Ghabhann, N. 1998) provided useful historical information that could be used to identify any marginalised group, including Travellers, across the globe. The report not only highlighted the inequalities present in global mainstream banking but also highlighted the failure of mainstream banks to meet the needs of marginalised communities.' Ní Ghabhann goes on to suggest that this exclusion is evident from 'the effects of global banking on marginalised communities, the effects of investment banking and speculation on marginalised communities, commercial banks policies and their effects on such communities and the criteria laid down by commercial banks for custom and how this excludes members of these marginalised communities.' (Ní Ghabhann, N. 1998 Pg 13)

This report put forward the argument that interest free credit union models were a way forward for communities who were consistently excluded from mainstream financial services and society. This recommendation can be seen also in the report *Creditable Alternatives 2002* that is discussed further on in this proposal.

Previous publications specific to Travellers reviewed for this study have shown a common difficulty for Travellers in accessing affordable and legal savings and credit in Ireland over the last number of years. The report entitled *Access to Credit Facilities for the Traveller Community in the Greater Dublin Area* (1997) gives a summary of 100 Travellers surveyed for the sole purpose of identifying their use of mainstream financial services and also highlights the barriers that were put in place to inhibit their use of these services. It found that issues such as low literacy levels, disadvantages in education, work and accommodation were all contributory factors to Travellers not accessing legal credit. Within this report, case studies were also used to highlight why some Travellers never actually attempted to open savings accounts and the findings showed that it was due to lack of finance in the first place, lack of necessary information needed, no interest, afraid of refusal and lack of need for such facilities that were the main reasons why it never happened. (Quinn, P and McCann, T 1997) This report also highlighted the reasons why many Travellers accessed and depended on illegal moneylenders and the implications that arose from this (Quinn, P & McCann, T 1997). The issue was also documented in a press release from MABS nationally in response to the Financial Regulators report on the 'Licensed Money Lending Industry'. It states on its website www.mabs.ie that 'MABS are concerned that 11% of respondents admitted to being aware of illegal moneylenders. This demonstrates that Illegal moneylending is still alive and active in poor areas and in the Traveller and Ethnic Communities'.

The Quinn and McCann report also highlighted the difficulties that arose for many Travellers during the Euro changeover and how only education was the way forward to enable the smooth transition. Recommendations in this report included the need to establish an expert service that would link Travellers into their local MABS (Money Advice and Budgeting Service – a free, confidential service which assists people on low incomes in debt or at risk of over indebtedness) office and any other relevant support organisations. It also highlighted in its recommendations the importance of further research that would explore alternative credit options, similar to the Credit Union, which could be adapted to the needs of the Traveller Community. (Quinn, P & McCann, T. 1997)

Due to these recommendations, a Traveller specific Money Advice and Budgeting Service,

Exchange House MABS, was established in 1999 that worked directly with Travellers in the greater Dublin area only. In December 2001, a position paper entitled '*Hard to Credit it*' was published within the Combat Poverty publication, Poverty Today. Within this paper, Exchange House MABS recognised the findings of the Paul Quinn and Thomas McCann report and recommended that the Government 'address the issue of inequitable access for Travellers with the financial institutions' and that 'the Irish League of Credit Union ensures that discriminatory practices towards Travellers are discontinued among its member organisations'. (Campbell, H. 2001 Pg 8) The recommendation to the Irish League of Credit Unions relates directly to the issue of Traveller halting sites being excluded from common bonds of Credit Unions (a common bond is an area marked out on a map and only people living or working within this area can join.), as was seen with St Oliver's Park Traveller site in Dublin. The residents of this site were eventually given service provision from another Credit Union but with restrictive access to its full compliment of services. (Campbell, H. 2001) This paper also recognised the issue raised in the McCann and Quinn report of the Euro changeover for Travellers. For those who were in debt with illegal moneylenders, it was unclear for many how their repayment amount was going to be affected. Many Travellers found themselves, due to innumeracy and illiteracy, at the mercy of their moneylender. Exchange House MABS began an educational campaign to provide information to as many Travellers as possible. Basic information on how the euro changeover will take place and how it will affect any outstanding loans was distributed to not only Travellers but to service providers who work directly with Travellers.

Once Exchange House MABS was firmly established and using the initial needs only of the client base of the service, a report entitled Creditable Alternatives (2002) was commissioned by the Combat Poverty Agency and Clann Credo Social Finance Agency. This piece of work highlighted the ongoing issue of exclusion from financial services for Travellers and also 'presents six possible models of alternative forms of legal and affordable credit and savings options, which could be adapted to the Irish context and implemented to suit the needs of the Traveller Community in Ireland'. (Quinn, P & Ní Ghabhann, N. 2002 Pg 55) It is evident in this report that in the years from 1997 (Quinn and McCann report) to 2002, very little changed in the way of increasing Travellers' access to legal credit facilities.

One of the biggest issues that emerged within this report was the increasing problem of identification. Due to legislative changes, – The Criminal Justice Act 1994 – while necessary to combat money laundering on a national scale, undoubtedly had a negative impact on the Traveller Community in Ireland. As highlighted in one of the recommendations made above in Hard to Credit it, the Government had now made it more difficult for Travellers to access mainstream financial services due to this legislation. According to findings in Creditable Alternatives, it has ‘excluded many Travellers from accessing legal and affordable credit, despite the Revised Guidance Notes from the Dept of Finance’ (Pg 19). The guidance notes issued from the Irish Bankers Federation directed financial institutions to obtain both photographic id and proof of address from any new members. While banks were in a position to make ‘alternative arrangements to establish the identity of persons who did not possess the above documents’ (pg 10), most financial institutions asked for driving licence or passport and proof of address such as utility bill when opening accounts. This can prove difficult for Travellers as, at the end of 2002, 50% of Exchange MABS were ‘living on the side of the road, in unofficial halting sites, or were homeless. (pg 22) Clients referred to Exchange House MABS highlighted this issue with the Money Advisors – 78 out of 125 clients who tried to open bank accounts were refused (pg 10).

Similarly to Paul Quinn and Thomas McCanns’ report, this report highlighted the issue of low literacy levels as a contributing factor to exclusion from financial services. Findings in Creditable Alternatives show the 35% of clients initial needs between 1998 and 2002 were access to legal and affordable credit while 16% of the client base was already in illegal debt due to their inability to open a bank or credit union account. According to this report, the reliance on illegal moneylenders is increased as illegal moneylenders ask little or no questions, no form filling is required, loans are granted on the spot – cash in hand - repayments are most usually weekly and are collected from the door and no collateral is needed. (pg 25). The recommendations made in this report which may lead to increased financial exclusion for Travellers were in the areas of establishing alternative forms of credit such as Community Development Credit Unions, Rotating Savings and Credit Associations (ROSCAS) and so on. While these reports both focus on Travellers living in the greater

Dublin area and surrounding counties, it was due to the increased awareness of the issues for Travellers nationally that the organisation Exchange House Traveller Services became a national support agency in 2005 and is now called National Traveller MABS.

In 2006, research was commissioned by the Combat Poverty Agency to look at financial exclusion in Ireland. This research, undertaken by Caroline Corr, examines exclusion from financial services among low-income consumers and identifies, where appropriate, policy responses to improve the access and use of mainstream financial services. (Corr, C. 2006) While this research was not specific to the Traveller Community, it highlights many common issues such as reliance on money lenders due to lack of a credit rating, the ease of access to these lenders, the exploitation of financial services of people who have low literacy and numeracy skills by not fully explaining terms and conditions of 'rollover loans' and so on. (Corr, C. 2006) During the research process, 59 focus groups were established, with participation from the Traveller Community. The issue of 'self exclusion' was identified as a barrier for some respondents, including members of the Traveller Community. This means that some would not actually apply, for example, a Credit Union loan basically because they automatically feel that they will be refused. (Corr, C. 2006 Pg 82) One Traveller participant, in response to the issue of accessing affordable credit plainly answered...'No because they know they couldn't get one [...]' (Pg 82) This statement reiterates the findings of Paul Quinn and Thomas McCann's report in relation to accessing credit – not only are there legal barriers in the way due to identification issues but also the reluctance to access mainstream financial services can be a self imposed exclusion for many Travellers who believe they won't be treated fairly.

This, unfortunately, is a reality for many Travellers living in Ireland, not only in accessing financial services, but also in accessing many other statutory and voluntary organisations in their community. Especially now with the current economic crisis, more and more services are finding they are overworked and understaffed, leaving little to no time to support the more vulnerable in the community. One recommendation in this report highlights the need to establish a 'steering committee comprising representatives from Government departments, state agencies, the financial services sector and organisation working with

people living in poverty' which would begin to address the issue financial exclusion issue through a partnership approach. (Corr, C 2006 Pg 167)

While this recommendation appeared to be a positive way forward, to date, no committee has been formally established. In 2006, though, National Traveller MABS (formally Exchange House MABS) submitted a policy paper to the Department of Finance, the Department of Social and Family Affairs, The Financial Regulator and the Irish Bankers' Federation. This paper, entitled '*Financial Exclusion: Failure to access Financial services*' again highlighted the issues for Travellers in Ireland in accessing services and the recommendations made in *Hard to Credit it and Creditable Alternatives*.

The Money Laundering Steering committee, which was set up in 1994 by the Department of Finance, was established to 'facilitate consistent application of the money laundering legislation provisions of the Criminal Justice Act 1994 across the range of body's affected by it.' (Oireachtas Debate, Accessed April 15th 2010) The above policy paper representing the Traveller aspect was also sent to this committee in 2006 by National Traveller MABS but no major legislative changes in relation to id requirements have been introduced which has contributed to ease of access to financial services for many vulnerable people, including Travellers.

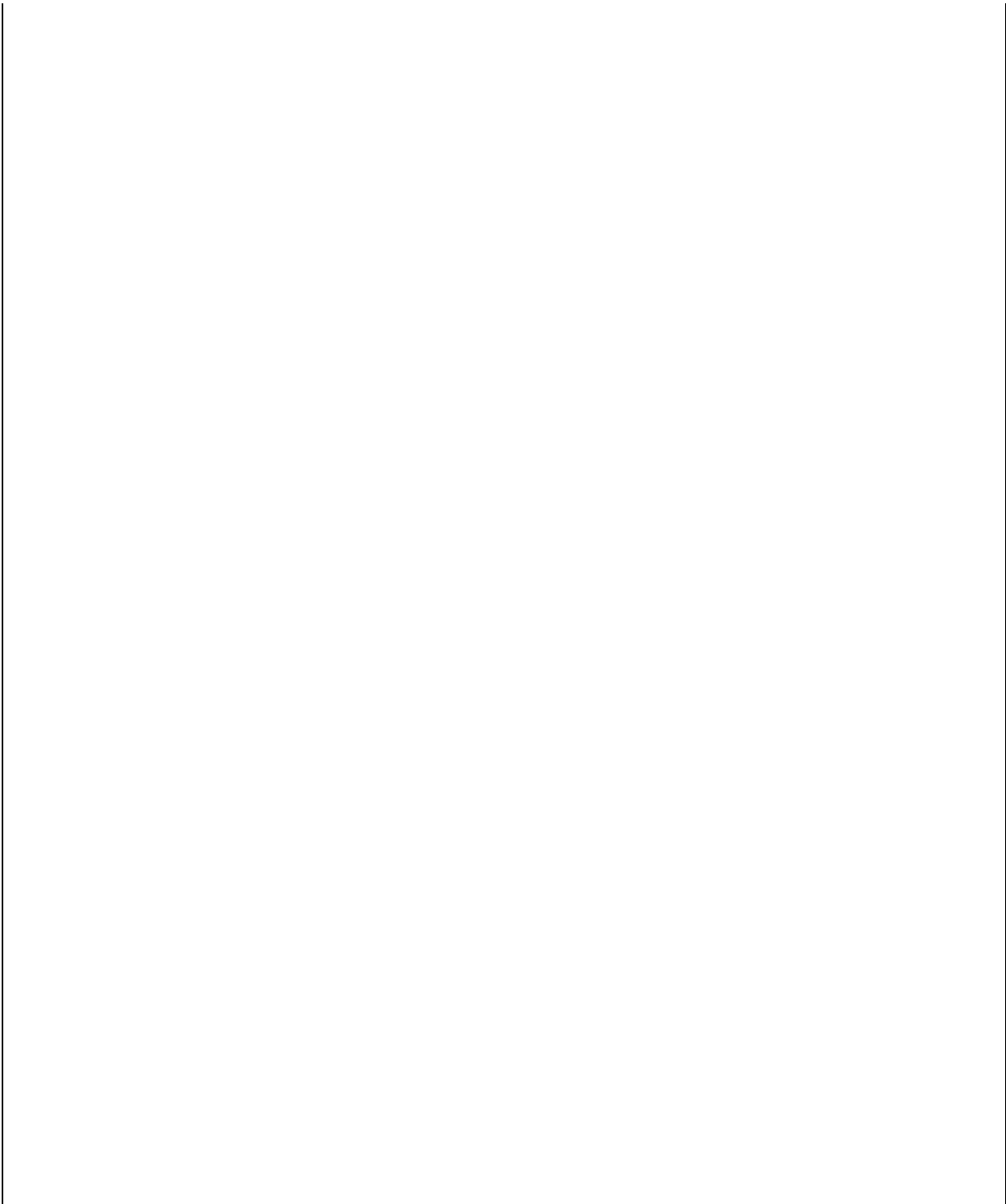
While the issue of financial exclusion is still ongoing, there are a number of initiatives available which can assist many in gaining control of their financial circumstances. These schemes were highlighted within *Creditable Alternatives*. For example, the Household Budget scheme is a scheme made available by An Post on behalf of the Department of Social and Family Affairs. It allows people who do not have bank accounts to pay certain utilities by direct deduction at source. Up to 25% of a recipients social welfare income can be deducted and agencies such as local authorities (rents), Eircom, Bord Gais and the ESB can be paid. The money goes directly to the creditor, similar to a direct debit. This scheme is widely promoted to the Traveller Community and many on social welfare as an excellent way of controlling finances. (Quinn, P. & Ní Ghabhann, N. 2006)

Another initiative which was introduced in 2000 by the Department of Environment and Local Government, brought into effect a loan scheme which was to be facilitated by each local authority across the country. The main aim of this initiative was to enable Travellers who would not have access to mainstream credit, for example Credit Unions or Banks, to access affordable credit to purchase a trailer. The Department set out the criteria for each authority, though it was at the discretion of each office of how much was given and what were deemed as 'exceptional needs' in the cases of defaults or loan extensions. (Quinn, P & Ní Ghabhann, N. 2006). While this was a welcome initiative, the scheme has been stopped in numerous local authorities due to defaults. (Annual report, NTMABS, 2009) This decision to stop providing loans to Travellers who wish to live in Traveller accommodation now further excluded many in accessing legal and affordable credit and inevitably pushed many back to the illegal moneylender. Also, while funded by the Department of Environment and Local Government, the local authorities who have discontinued this scheme, have had no repercussions from this Department in their decision to opt out.

It is evident in both 'Creditable Alternatives' and 'Access to Credit Facilities for the Traveller Community in the Greater Dublin Area' that more new and innovative ways need to be formulated to begin to combat financial exclusion for Travellers in Ireland. Within the recommendations, it is clear that Traveller participation is crucial in any steering committee or working groups established to look at the issues that have been highlighted above. This will enable services, both voluntary and statutory, to start to 'culturally proof', 'financially proof' and 'poverty proof' any proposals submitted to policy-making bodies. (Quinn, P & Ní Ghabhann, 2006)

Other recommendations, which were made in both Creditable Alternatives and The Viability of Interest free Credit Unions for Marginalised Communities shows the need for financial services to become more innovative and specialised. The idea of introducing interest free credit unions or community based banking initiatives, may be the way forward for many marginalised and poor communities. The recent opening and then closure of Postbank (free, basic banking through the Post office), though, reiterates the current consensus

among global financial banking systems that banking and credit is profit driven as opposed to community development driven. While money is being pumped into large banking organisations in Ireland, it is initiatives such as Postbank which are being shut down. This review has shown that financial exclusion in Ireland for Travellers is a complex area of study and warrants further review and exploration.



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