

**Briefing Paper on
Financial Exclusion:
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Financial Exclusion: Failure to Access Financial services.

Why:

- Failure of potential customer to provide sufficient ID to financial institution
- Lack of employment / salary on part of potential customer
- Lack of standard procedures among financial institutions in relation to ID requirements.
- Assumption set out in the **Guidance Notes for Credit Institutions (June 2003)** that the non-financial sector will provide the necessary ID required by the financial institution.
- Failure on part of non-financial statutory sector e.g. Garda Síochána, government offices to provide proof of ID
- Failure on part of non-financial non-statutory sector e.g. solicitors of their role in providing proof of ID
- Absence of coordination between financial institutions and those in a position to verify identification

Main groups affected: Travellers, those without employment, those in receipt of social welfare payments such as One Parent Family Payment, the homeless, non-home owners such as people in private rented accommodation, immigrants including Refugees and Asylum seekers, people living in direct provision accommodation, hostels or B&B's.

Impact:

- A number of individuals who have found employment have reported difficulty in maintaining the position due to their failure to open an account for salary payments.
- More cases have been found of individuals looking for private rented accommodation who have been requested to pay rent and utilities by direct debit, yet are unable to open accounts.
- Many participants on Fás schemes and various other training courses have reported difficulty in being paid due to their inability to open an account, and as a result many are being forced to leave the training course.
- Many new young car owners attempting to pay insurance monthly have reported difficulties in securing an insurance agreement due to their failure to set up direct debits.
- The inability to access financial services forces many to avail of high cost and often illegal credit, thus ensuring that those on low income end up paying more.
- For those who cannot access financial services, saving proves difficult and often unsafe if cash is held by the person.

The Background:

Prior to 1994, it was relatively easy for all individuals to open bank accounts. Indeed many people held a number of accounts, much of them dormant. However the **Criminal Justice Act, 1994**, aimed to tackle crime by addressing the growing problem of money

laundering evident at the time in Ireland. Although the Act aimed to address the issue of criminals using financial institutions to launder huge amounts of money, it unfortunately had the added impact of excluding many on low incomes from availing of any financial service. The Act stated that a credit institution must take reasonable measures to establish identity of a person for whom it proposes to provide a service. It did not however state what may or may not represent reasonable measures. To guide the financial institutions in determining what would be acceptable “reasonable measures”, the Department of Finance issued Guidance notes in. (revised 2003).

The **Guidance Notes for Credit Institutions (June 2003)** set out, as good industry practice, the measures to establish identity that might reasonably be expected of credit institutions. However, it clearly stated that, “any measures adopted should not deny a person access to financial services solely on the grounds that they do not possess certain specified identification documentation”. The Guidance Notes offer clear examples of alternative options to proving a persons identity. The requirements in paragraph 45 (iv) seen below are aimed at those persons who cannot reasonably be expected to produce certain forms of identification, such as a person who does not have a passport or driving licence and/or whose name and Irish address does not appear on a utility bill, electoral register or directory.

Paragraph 45(iv)

“The credit institution may use the following methods, as an alternative to a passport/driving licence, to verify name:

- *Identification form with photograph signed by a member of the Gardaí (the ML10 Form or Age ID card) or*
- *Documentation/cards issued by a Government Department showing the name of the person and*

Letter/statement from a person in a position of responsibility (e.g. a solicitor, accountant, doctor, minister of religion, teacher, social worker, community employment scheme supervisor) who is in a position to confirm the person’s identity to the credit institution. In such instances the person providing the letter/statement must present themselves to the relevant credit institution providing proof of their own identity and verifying their status to the credit institution.

The credit institution may accept any one of the following, as an alternative to the items listed under 45(iii) above, to verify address:

- *Letter/statement from a licensed employment agency that the person has recently arrived in Ireland and is commencing employment or from an employer that the person has commenced employment and in each case stating that the person is not in a position to produce a utility bill or other document which shows an Irish address. In addition, in such cases the prospective customer should be required to submit follow-up documentation (e.g. utility bill) confirming Irish address in due course.*

· *Letter/statement from a person in a position of responsibility (e.g. a solicitor, accountant, doctor, minister of religion, teacher, social worker, community employment scheme supervisor) who is in a position to confirm the person's address to the credit institution. In such instances the person providing the letter/statement must present themselves to the relevant credit institution providing proof of their own identity and verifying their status to the credit institution.*

· *Documentation/cards issued by a Government Department showing the address of the person.*

(v) *An introduction from a respected customer, personally known to a member of management in the branch or office in the credit institution concerned, may assist in the verification of the name and/or address of a person for whom a credit institution proposes to provide a service. In such a situation, details of the introduction should be recorded on the customer file and signed by the member of management concerned.*

(vi) *In respect of joint accounts, the name and address of all account holders, not just the first named, should be established and the address of each verified."*

However failure on the part of the individual to provide any of the above forms of identification is not in itself reason enough to refuse the individual an account. Paragraph 46 states that *"The standards in paragraph 45 are the recommended procedures which should apply in the vast majority of cases where it is necessary to establish the identity of a person for whom it is proposed to provide one of the services set out in Appendix D to these Guidance Notes. It may be reasonable to depart from these procedures in certain exceptional circumstances when Irish residents may not be able to provide appropriate documentary evidence of their identity, and where independent verification of their address is not possible"*. It further goes on to state that *"Clearly the monetary amount of an individual transaction will be a factor of significance for a credit institution in deciding whether it is reasonable, in a particular case, to depart from the recommended procedures"*. In view of the fact that the majority of individuals who fail to open accounts are on low income, it seems absurd that they are being refused when the restrictions were clearly brought in to deal with criminals laundering large amounts of money.

Unfortunately the inability to access financial services due to unacceptable identification documents has proved a major problem for many over the past number of years. It is evident from continuous feedback from individuals to organizations such as National Traveller MABS, Integrating Ireland, OPEN, Focus Ireland, and the INOU, that the various financial institutions are choosing to accept certain forms of alternative identification identified in the Guidance Notes, and are refusing to accept others. Thus for example one institution may accept a provisional Irish driver's licence but not a full UK licence, while another institution may refuse the provisional Irish drivers licence and accept the UK full licence. Similarly an institution may refuse to accept a letter from a person "in authority" to prove the identity of a person. This causes a lot of confusion on the part of the individual, who due to a lack of consistency is unsure of how to exactly overcome the problem. Evidence suggests that many people are attempting to open accounts in a number of institutions, all requesting different forms of alternative

identification. As the majority of people affected by this restriction come from marginalized groups and may have language or literacy difficulties, this confusion often proves too great and they just give in. This can lead to dangerous situations where individuals are holding savings in cash unnecessarily, or are being forced to go to illegal moneylenders to avail of loans.

The **Guidance Notes for Credit Institutions (June 2003)** comprehensively addresses the issue of alternative forms of identification. However the fact that financial institutions are not required to adopt the Guidance Notes in full has led to the current situation of the different financial institutions picking and choosing what they deem acceptable or unacceptable documents. The following recommendations it is proposed would assist in addressing the current situation.

Recommendations:

1. That the Guidance Notes for Credit Institutions (June 2003) be revised to become more specific in detailing what is an acceptable form of identification. For example rather than giving examples of possible forms of Identification, the revised document should state clearly what is or is not acceptable (this will eliminate confusion and frustration as in the case of the drivers licence above).

(See Appendix 1 for proposed alternative forms of identification)

2. That such a document becomes obligatory for all financial institutions to adopt in full. That the Department of Finance Moneylaundering Steering Committee ensures that all financial institutions have adopted the guidelines in full and in unison.
3. That when revising such a document, the importance of including the non-financial sector is highlighted. For example stating that a solicitor can vouch for an individual is only really feasible if solicitors in Ireland are aware of this and have agreed to it. A recent case of a recipient of compensation from the Redress Board highlights this. The individual in question had been awarded €50,000. However they had no bank account and did not possess the standard ID. They approached their solicitor to request verification of their identity but as this involved the solicitor paying a visit to the financial institution they refused on the basis that they were too busy.
4. That the Department of Finance Moneylaundering Steering Committee liaises with the Garda síochána in relation to the ML10 form. Currently many Gardaí are unaware of the existence of or the reason for the ML10 form. Many stations do not hold copies. Additionally many Gardaí refuse to fill them when they do not know the person. In cases where the person is known the Gardaí, the person is often fearful of approaching the Gardaí.
5. In relation to Government documentation that may be accepted as ID, the only such documentation that Asylum Seekers possess clearly states, "This is not a form of ID". Clearly the relevant Government departments need to liaise to

overcome this problem.

6. That financial institution recognize the large number of people living in private rented accommodation, direct provision accommodation, hostels, refuges, or on official / unofficial halting sites and the problem that this may pose in proving address, where a landlord refuses to vouch for the individual.
7. That financial institution ceases to exclude people who are unemployed or are solely in receipt of social welfare payments.
8. That the financial sector develops a standard form to verify ID, (similar to the ML10 form), which may be signed and stamped by the statutory / non-statutory sector e.g. solicitors, the clergy, The local authority, Community Welfare Officers, Social Welfare Officers, employers, Fás supervisors, Coordinators / Managers of community development Projects, Social workers, supervisors in Training Centres etc. This would eliminate the need for the person in authority to present to the financial institution.
9. That as MABS is at the coalface of dealing with the financially excluded, money advisors are included as professionals who can vouch for person identification.

Conclusion:

As is evident from the above, the Criminal Justice Act 1994, while introduced to address the problem of Moneylaundering, has had the added impact of excluding many who are already marginalised from accessing financial services and counteracting anti poverty strategies in place in Ireland. The recommendations set out above detail ways forward to address this issue.

Appendix 1

Proposed alternative forms of Identification to verify address:

- Letter from Landlord (Private or Local Authority)
- Letter to potential customer from Tax office showing PPS number
- Letter to potential customer from an Education Institution or training centre
- Motor vehicle registration documents addressed to potential customer
- Insurance certificates addressed to potential customer
- Medical card
- Social welfare books such as Childrens allowance, Disability book etc
- Letter from Government Dept.
- Documentation/cards issued by a Government Department showing the address of the person.
- A letter of introduction from a respected customer, personally known to a member of management in the branch or office in the credit institution concerned. This letter can be easily verified with the existing customer.
- Official Form produced by the Financial Institution and signed and stamped by a person in a position of responsibility: Solicitor, Accountant, Doctor, Minister of religion, Teacher, Social Worker, Community Employment Scheme Supervisor, Money advisor, Justice of the Peace, Peace Commissioner. (A signature and official stamp should eliminate the need for the person in a position of authority to present themselves at the bank) *
- Official form produced by the financial institution and stamped and signed by a licensed employment agency stating the persons address and stating that the person has recently arrived in Ireland and is commencing employment or from an employer that the person has commenced employment. *

*In relation to the non financial sector providing proof of address, the financial sector, must work in conjunction with these bodies to inform them of the reasons why they are requesting such proof. To date many potential customers of the financial institutions find that the non financial sector are unwilling to provide proof of address as they are unaware why it is required.

Proposed alternative forms of Identification to verify name:

- Identification form with photograph signed by a member of the Gardaí (the ML10 Form or Age ID card)
- Documentation/cards issued by a Government Department showing the name of the person and their photograph. (e.g GNIB card for Asylum seekers)
- Temporary residency certificate Card issued to refugees and those with leave to remain in Ireland)
- Non Irish drivers licence
- Irish Provisional Driver licence
- International passport
- Refugee Travel documents Official Form produced by the Financial Institution (with a photograph of the potential customer), signed and stamped by a person in

a position of responsibility: Solicitor, Accountant, Doctor, Minister of religion, Teacher, Social Worker, Community Employment Scheme Supervisor, Money advisor, Justice of the Peace, Peace Commissioner. (A signature and official stamp should eliminate the need for the person in a position of authority to present themselves at the bank) *

- Official form produced by the financial institution and stamped and signed by a licensed employment agency (with a photograph of the potential customer), stating the persons address and stating that the person has recently arrived in Ireland and is commencing employment or from an employer that the person has commenced employment.*

*In relation to the non financial sector providing proof of address, the financial sector, must work in conjunction with these bodies to inform them of the reasons why they are requesting such proof. To date many potential customers of the financial institutions find that the non financial sector are unwilling to provide proof of address as they are unaware why it is required.