Incentives to save:
Encouraging saving among low-income households

Final report on the Saving Gateway pilot project

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1. Introduction

The promotion of saving and asset-accumulation is an important part of Government policy, particularly for lower-income households. In its consultation paper *Helping People to Save* (November 2000), the Government highlighted the importance of savings in providing independence throughout people's lives; security when things go wrong; and comfort in old age. It also identified the need for incentives to encourage people to save, especially among those on lower incomes.

Later consultation papers (*Saving and assets for all*, April 2001; *Delivering saving and assets*, November 2001) developed the concept of asset-accumulation as a means of extending opportunity to all young people, regardless of their families' circumstances. These papers discussed the introduction of the Child Trust Fund, a programme to provide 18 year-olds with a cash sum by saving money at various points in their childhood.

Attention has also been given to the concept of matched funding as a means of encouraging a 'strong saving habit' (HM Treasury, April 2001). The Saving Gateway is a savings scheme for people of working age who receive state benefits or in-work tax credits which offers pound-for-pound matched funding up to a limit. A pilot scheme was launched by HM Treasury at five sites in England during 2002, with the accounts being operated by the Halifax Bank. The first accounts were opened in August 2002; the last in July 2003, with the pilot continuing until the end of 2004. This report describes experiences of this first pilot, including the number of accounts opened; the types of people the Saving Gateway has attracted; their previous patterns of saving, the account opening process and, finally, details of the patterns of saving with the Saving Gateway.

In his 2004 Pre-Budget speech, the Chancellor announced that a second pilot would be established during 2005 to investigate alternative rates of matching, measure the impact of matching for a wider range of income groups, and, working with DfES, use the support of a wider range of community financial education bodies. This second pilot will build on the experiences described in this report.

1.1 Matched saving schemes in North America and elsewhere

Whilst somewhat novel in Britain, matched savings schemes to encourage saving by people on low-incomes have been running for some years in the USA. There are also similar accounts in Canada and Australia.

In an influential analysis, Michael Sherraden (1991) proposed that Individual Development Accounts (IDAs) should be available to everyone, with greater incentives to save for the poor. Individual Development Accounts (IDAs) have now been developed in the United States as a means of encouraging lower income groups to acquire assets. Personal saving in IDAs is usually generously matched by local and national funds, including from charitable foundations. It is typical for savers to receive some $2 or $3 for each $1 that they save, sometimes more. However, this matching money must be spent on one of a range of prescribed uses – such as education, going into business or home purchase.

The largest and most well-known IDA programme (and IDA evaluation) is run through the 'American Dream Demonstration' (ADD). This comprises 13 different IDAs (one split between two locations) begun in September 1997 by the Corporation for Enterprise Development (CFED). After a recruitment period of over two years, 2364 accounts were opened (Schreiner, Clancy and Sherraden 2002). These were locally-based programmes; the largest opened 470 accounts, the remainder averaged around 150 accounts.

On average, ADD participants saved in around half the available months, making net monthly deposits averaging $19.07 (median $9.83). They saved at around half the rate that would have provided maximum matching funding. The various studies on ADD have suggested that low-income families are able to save, and that additional income does not always generate additional saving.

There are now a large number of different IDAs in existence, each with diverse rules and requirements – the 'IDA network' suggests there are over 250 IDAs covering 44 states. There are large differences between IDA schemes, so no complete description is possible. However there are a number of common or typical factors. The IDAs tend to be aimed at lower income groups in work. They tend to have matching rates, as already mentioned. The matching contributions must be spent on one of a limited number of asset acquisition purchases, including house purchase, setting up in business or obtaining education or training.

American IDA schemes tend to emphasise the acquisition of an asset. To date the UK emphasis has perhaps been more concerned with developing a habit of saving. In particular there is no restriction in Britain on how the additional or matching contributions may be spent, although moving funds into an ISA or stakeholder pension when accounts mature has been one area of policy discussion.

1.2 The UK Saving Gateway initiative

The implementation of the Saving Gateway has proceeded quite rapidly. The scheme outlined in *Delivering Saving and Assets* (2001) envisaged an account that, when implemented nationally, would be provided by a single financial group, with a savings limit of £25 per month, and providing matching funding of up to £1,000 over a five year period. However, it was decided to introduce a pilot scheme first, to consider practical details of what kind of structure and delivery mechanisms would work best.

1.2.1 Saving Gateway pilot arrangements

The Saving Gateway was piloted in five areas of England. In four areas it was run alongside the Community Finance and Learning Initiative (CFLI), a Department for

Education and Skills pilot which aimed to bring together services relating to financial literacy, micro-enterprise and adult learning. In these areas local organisations 'recruited' people and helped them to open accounts and, in some cases, also provided further training or education on financial matters.

The Saving Gateway CFLI pilot locations were:

- Bethnal Green, East London, operated by Toynbee Hall.
- Cambridge, though Cambridge Housing Society (part of People for Action, PfA).
- Cumbria, through Impact Housing Association (also PfA).
- Gorton, Manchester, implemented by Places for People.

In Hull, the fifth pilot area, the Department for Work and Pensions wrote to a sample of people, identified from benefit and tax credit records as being eligible to open a Saving Gateway account and offered further details, including how to apply for an account. These people went straight to a local branch to open a Saving Gateway account. The Halifax Bank (now Halifax Bank of Scotland) was the provider of Saving Gateway accounts for all participants for the duration of the pilot.

People living in these five pilot areas were eligible to open a Saving Gateway account if they were either in work with low earnings that would entitle them to Working Tax Credit[1], or out of work and receiving Jobseeker's Allowance, Income Support, or Incapacity Benefit (or residual Severe Disablement Allowance). They also had to be of working age – that is between 16 and 65 years of age for men, or between 16 and 60 for women.

During the pilot, accounts had to be opened with at least £1, and people could save a maximum of £25 each calendar month. There was also a total account limit of £375 – which would be reached within 15 months for someone saving the maximum £25 each month, or by someone saving a monthly average of £20.83 for the 18 months of the account. Only one account was allowed per person (although couples could open one account each, if they both qualified). The Government added a matching contribution, at the rate of £1 for £1, when the account matured. The Government match equalled the highest balance attained during the lifetime of the account. No interest was paid on the accounts.

It is worth noting that a matching rate of £1 for £1 for an 18 month account is rather more generous than it would be over a three or five year duration, however similar they sound. Doubling £1 five years from now requires an annual interest rate (compounded) of 'only' 15%, whilst doubling £1 in 18 months time equates to an annual interest rate of closer to 60%. The rate of return on savings is higher the closer the money is saved to the maturity date, and the return is lower the more distant the matching is going to be paid.

The first Saving Gateway accounts were opened in August 2002 and the last in July 2003. These matured in December 2003 and November 2004, respectively.

[1] Working Tax Credit was introduced towards the end of the account-opening period of the pilot. So to be eligible to open an account people who were in work had to have earnings of £11,000 per year, or less or, if they had either children or a disability, household earnings of £15,000 per year, or less.

Saving Gateway participants had a passbook, which allowed them to withdraw their savings with no notice (although they had to leave £1 in the account to keep it open). However, matched funding from the government was only paid when the account matured, which during the pilot was after 18 months. Statements were sent by HM Treasury to participants on a quarterly basis, recording the amounts deposited and withdrawn and the level of matching contribution achieved to date.

1.2.2 The pilot Saving Gateway evaluation

The evaluation of the Saving Gateway pilot was designed to gain practical understanding of the operation of a savings account for lower income groups. There were a number of key strands to the Saving Gateway evaluation including:

- A four-page self-completion questionnaire, requested of everyone who opened an account by the local pilot organisation (or was posted with the Saving Gateway literature in Hull).
- Face-to-face interviews with Saving Gateway participants, and also with a comparison or reference group held soon after account-opening.
- Depth interviews with 30 participants held soon after account-opening.

- A four-page self-completion questionnaire, which was mailed to Saving Gateway participants on account maturity.
- Telephone interviews with participants, and the comparison or reference group held at around the time of account closure.
- Depth interviews with 28 participants, following account maturity.
- Telephone interviews with 124 participants who had not transferred money to the default Halifax Bank deposit account three months *after* account maturity.

- A database of transactions made on each Saving Gateway account, which examined all flows into and out of the accounts.
- A similar database of transactions on default Halifax Bank deposit accounts three months *after* account maturity.
- Interviews with staff in the Halifax Bank and the four pilot organisations.

Further details of the evaluation are contained in Appendix 1

1.3 Structure of this report

There are five further chapters in this report.

In Chapter 2 we report on the number of people nationally who might potentially qualify to open a Saving Gateway account and the numbers of accounts opened during the pilot. We examine the characteristics of the people who opened accounts: their personal characteristics; their economic circumstances, including changes in income; their use of credit and discretionary spending, ending with an overview of their living standards. In doing so, we compare them with the reference group, who had been recruited to enable us to assess the impact of the Saving Gateway on people's saving behaviour.

Chapter 3 provides details of participants' patterns of saving and attitudes to saving *before* they opened their Saving Gateway account. Again comparisons are made with the reference group.

Chapter 4 covers how and why people were attracted to the Saving Gateway, their views of the Saving Gateway, and the practicalities of opening the accounts. It also looks at the impact of a range of incentives to save.

Chapter 5 explores how people used their Saving Gateway accounts, including the amounts they saved and how they found the money, their method of saving, account withdrawals and what participants did with the money they had saved.

The final chapter (6) examines the impact of the Saving Gateway on those who opened accounts, most particularly on their saving behaviour and attitudes to saving. This chapter concludes with an assessment of the impact three or more months after Saving Gateway accounts had matured.

2. Saving Gateway participants

In total, 1,478 Saving Gateway accounts were opened in the ten months between the end of August 2002 and the end of May 2003 - just short of the target number. Take-up was greatest among women and people in their twenties and thirties, and about half of account-holders had dependent children. Participants were typically living on low incomes, and were no more likely to be 'unbanked' than the population as whole. While many used credit, they generally did so reluctantly and from necessity rather than choice.

This chapter begins with an overview of the numbers of people likely to be eligible for the Saving Gateway if it is rolled out nationally. It looks in detail at the personal characteristics and economic circumstances of people who opened a Saving Gateway account, comparing them with the national population of people likely to be eligible to open a Saving Gateway account. It then discusses consumer credit use and non-essential spending by Saving Gateway participants – comparing them with a reference group of people who were selected to have broadly similar characteristics and who lived in adjacent geographical areas[2]. Finally, it concludes with an overview of living standards of Saving Gateway participants, again comparing them with the reference group. Throughout, any differences are drawn out between people recruited through the CFLI pilots and those in Hull who received a letter telling them about the Saving Gateway.

2.1 Qualifying for the Saving Gateway

We do not know the final criteria that would be used if the Saving Gateway programme were to be rolled out nationally. We have, however, estimated the proportions of the population that might be eligible, assuming that people would qualify if they were of working age (16 to 60/65), and either:

- Receiving a main qualifying benefit or tax credit – we have assumed Income Support (IS), Jobseeker's Allowance (JSA), Incapacity Benefit (IB), or Severe Disablement Allowance (SDA) for those not working, and Working Families Tax Credit (WFTC) or Disabled Person's Tax Credit (DPTC) for those in work.
- Working 16 or more hours and having annual earnings of £11,000 or lower, or £15,000 or lower among families responsible for dependent children.

It is possible to vary these assumptions, but they are likely to form the core of any definition ultimately used in a final programme. They mimic the criteria used in the Saving Gateway pilot schemes. In April 2003 the Working Tax Credit (WTC) was introduced (superseding DPTC and WFTC) and would provide an alternative passport route to a Saving Gateway account at a fairly low level of income. However it is very important to note that those without children must be aged at least 25 and working for

[2] See Appendix 1 for more details of the reference group

30 or more hours a week, to qualify for WTC. As we will see, younger people *could* be an important eligible group.

The calculation of eligibility depends, in part, on whether the account is available to those with either individual or family earnings (or income) below the prescribed levels. The workings of tax credits and income-related benefits are based on family-level earnings (and other sources of income). Rules for savings accounts could use individual-level figures instead.

The best source of information on benefits and earnings is the Family Resources Survey, and we have used the data for April 2002-March 2003 - a reasonable approximation to the period when people were recruited to the pilot Saving Gateway.

If the earnings definition is based on individuals, irrespective of their family setting, then around one person in three (34 per cent) of working age meets the relevant criteria (see Table 2.1). Conversely, if a stricter family unit definition is used, then just under one in four (24 per cent) meet the criteria. The reason for the sizeable difference is that many people with low earnings live with spouses or partners who have higher levels of earnings, or comparable levels that increase the family total.

This analysis assumes that only workers or benefit recipients, and not their partners or wider family, would be eligible to open an account. Relaxing such an assumption would increase still further the potential pool of eligibility.

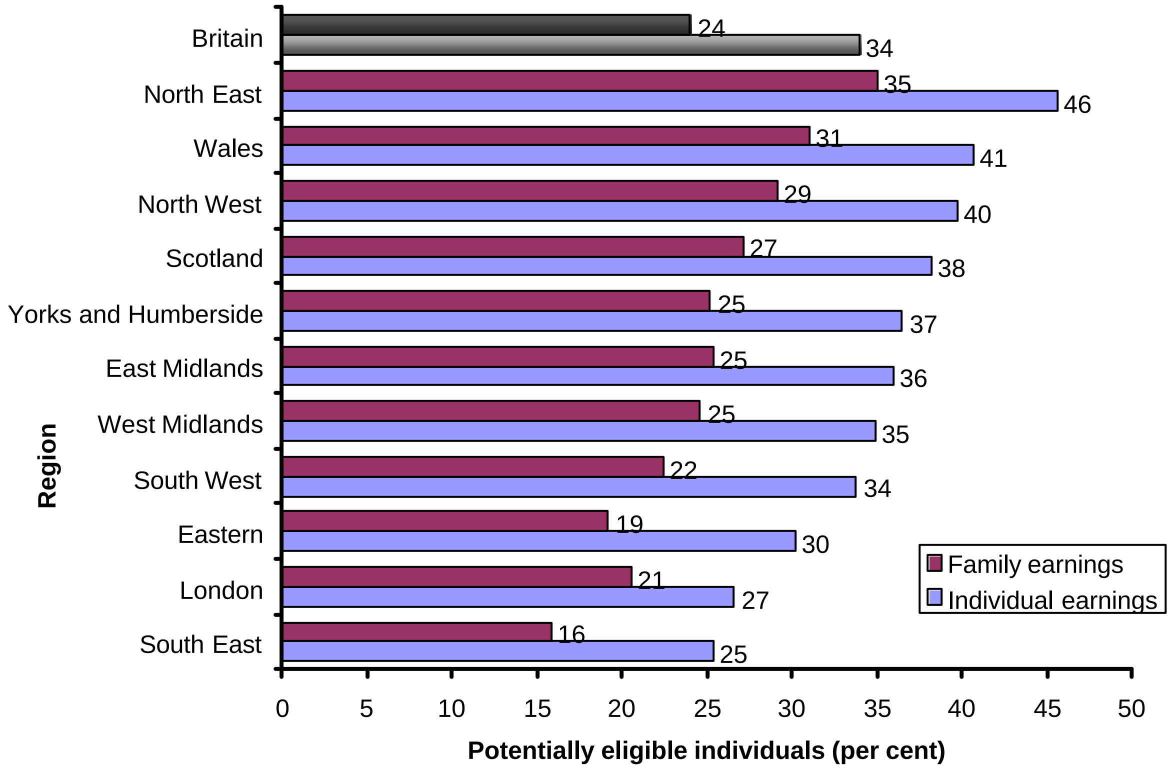
Table 2.1 Potential SG eligibility, FRS 2002-03

Column percentages

	Family Resources Survey 2002-2003	
	Family earnings level	**Individual level earnings**
Receiving a qualifying benefit, out of work	12	12
Receiving a qualifying tax credit (WFTC/DPTC)	3	3
Earnings of £11,000 or lower	7	11
Earnings of £15,000 for families with children	2	8
Sub-total: eligible	24	34
Not eligible	76	66
Unweighted base (individuals of working age)	*38,854*	*38,854*

The proportion of working-age adults possibly eligible for a national Saving Gateway varied considerably between areas (Figure 2.1). The figures based on individual-level earnings give higher figures compared with using family-level earnings as the yardstick. In fact, among individuals in families with children who personally earned less than £15,000, some 79 per cent had family earnings above that level.

Figure 2.1 Potential SG eligibility rates in each region using different earnings thresholds (FRS)



As many as 46 per cent of working age adults might be Saving Gateway-eligible in the North East, compared with 25 per cent in the South East. Two of the areas covered by the pilot – both in the South East - had eligibility rates below the national average. Conversely the three pilot areas which were in the North of England had higher proportions of the population eligible for the Saving Gateway.

2.2 Numbers of accounts opened

Saving Gateway accounts were available for a period of ten months from the end of August 2002 to the end of May 2003[3]. Individual accounts 'matured' at different dates, 18 months from the date they were opened. A total of 1,478 accounts were opened - just a fraction short of the maximum 1,500 accounts that had been planned. Among the CFLI pilots, the greatest numbers of accounts were opened in May 2003, the last official month they were available (Table 2.2). No accounts were opened in Hull until December 2002 because of the time taken to obtain a suitable sample of benefit recipients.

[3] As Table 2.2 indicates, some accounts were opened in June and July 2003. Throughout, these are treated as having been opened on 31 May 2003.

Table 2.2 Accounts opened by month and location

	Numbers of accounts			
Month	**CFLI pilots**	**Hull**	**Total**	**Cumulative total**
2002				
Aug	7	-	7	7
Sept	85	-	85	92
Oct	88	-	88	180
Nov	86	-	86	266
Dec	62	10	72	338
2003				
Jan	76	14	90	428
Feb	51	50	101	529
Mar	90	119	209	738
Apr	103	54	157	895
May	317	75	392	1,287
June	133	44	177	1,464
July	7	7	14	1,478
Total	1,105	373	1,478	
First account	21 Aug.02	11 Dec.02	21 Aug.02	

Source: Account monitoring data

2.3 Personal characteristics of Saving Gateway participants

Unsurprisingly, Saving Gateway participants were largely drawn from groups with low incomes: young families with children, particularly lone parents; recipients of state benefits and in-work tax credits; and tenants of local authorities and housing associations. Compared with the eligible population, they included larger proportions of women, lone parents and local authority and housing association tenants.

As Table 2.3 shows, around two-thirds of all Saving Gateway participants were female; with no difference between participants in the CFLI pilots and those recruited in Hull. Women were, however, greatly over-represented compared with the population potentially eligible for the Saving Gateway.

Over half of participants (53 per cent) were in their twenties and thirties, a time when the financial pressure of setting up home and looking after a family may be at its greatest (Table 2.3). But the initiative seems to be attracting some older savers as well, with more than a third (37 per cent) of people opening accounts being in their forties or fifties. The Hull pilot attracted fewer people aged under 30 than the CFLI pilots, but correspondingly more aged over 50.

Compared with people who might potentially be eligible for the Saving Gateway, participants were less likely to be aged either under 30 or over 50, while people in their thirties were over-represented.

Table 2.3 Personal characteristics of Saving Gateway account-holders

Column percentages

	CFLI pilots	Hull	All SG participants	Possibly eligible for SG	Ineligible for SG
Sex					
Male	36	36	36	51	53
Female	64	64	64	49	47
Age					
Under 20	8	-	6	9	3
20-29	25	17	23	24	19
30-39	28	37	30	22	25
40-49	20	23	20	18	24
50-59	17	17	17	20	23
60 and over	3	7	4	7	6
Mean age	*37*	*40*	*38*	*38*	*41*
Family composition					
Single, no children	44	26	40	46	27
Couple, no children	12	10	11	16	39
Couple, children	14	32	18	18	33
Lone parent	30	32	31	19	1
Housing tenure					
Own outright	6	9	7	18	20
Own with mortgage	11	46	19	32	60
Rent from private landlord	9	15	10	12	10
Rent from social landlord	57	22	49	38	10
Live with parents	12	6	10	-	-
Some other arrangement	5	3	4	-	-
Base	*1,176*	*373*	*1,549*	*9,563*	*29,291*

Sources: Saving Gateway participants account opening questionnaire; Family Resources Survey 2002-03

Although they may find it difficult to save, many parents living on low incomes aspire to do so, to provide financial security for their family (Kempson and Whyley, 1999). Around half the Saving Gateway participants were families with children, and this rose to two-thirds in Hull (Table 2.3). Among participants as a whole, lone parents outnumbered two parent families. This was especially marked in the CFLI pilot areas; in Hull there were roughly equal numbers of lone parent and two parent families. Indeed, the Saving Gateway seems to have disproportionately attracted lone parents – who accounted for 31 per cent of participants but 'only' 19 per cent of the potentially eligible population.

The other notable point was the high proportion of single people among participants – but again this was mainly in the CFLI pilot areas. Single people were, nevertheless, slightly under-represented compared with the potentially eligible population (Table 2.3)

Around half of participants (49 per cent) were renting their home from a local authority or a housing association – rather more than the proportion (38 per cent) in the population that was potentially eligible for the Saving Gateway. In the CFLI pilots, the proportion of social tenants was higher still (Table 2.3). This is not altogether unexpected given that several of the CFLI pilots were housing associations.

Conversely, the proportion of homeowners was much lower than that found in the population potentially eligible for the Saving Gateway (28 per cent compared with 50 per cent). In Hull, the picture was rather different. Here over half of participants were homeowners with nearly half buying their home with a mortgage. Indeed mortgagors were greatly over-represented in Hull compared with the potentially eligible population as a whole. In part, this will be a reflection of the below-average house prices in the north of England, putting them within the reach of people on lower incomes.

One of the CFLI pilots was in an ethnically very diverse area, with 48 per cent of its population from minority ethnic groups. Consequently they decided to monitor take-up by different ethnic groups. This showed that only 30 per cent of Saving Gateway participants described themselves as 'white British'. The biggest group (40 per cent) comprised people from the Asian communities, most of whom (36 per cent) were Bangladeshi – about the same proportion as in the local population as a whole. A further 16 per cent were drawn from African and Caribbean communities. Nationally Bangladeshi people have very low levels of savings account-holding. Low incomes partly account for this, but Islamic Shariah law, prohibiting the receipt of interest, is also known to play a part (Kempson, 1998). The way that the Saving Gateway is designed makes it compliant with Shariah law and this will have played an important role in its take-up by Bangladeshi people.

2.4 Financial circumstances

Just over four in ten of all Saving Gateway participants were working, with rather more working part-time than full-time (Table 2.4). Although there was no difference between the proportions working in Hull and the CFLI pilot areas, without exception, the CFLI pilots found it more difficult to recruit people **in** work than to attract people who were out of work and claiming benefits. All CFLI pilots were set a target of half the recruits being in work and most only achieved this by concentrating on this group in the later months of the recruitment period. (For this reason, comparisons with those potentially eligible for the Saving Gateway are not meaningful. It is, however, worth noting that there were statistically significant differences in economic activity status between Saving Gateway participants and the reference group).

Turning now to those who were not working, one in five participants were looking after the home or a family and around one in four were unable to work because of ill-health or a disability (Table 2.4). Only a small number were unemployed and looking for work. The CFLI pilot areas recruited a higher proportion of unemployed people, while the pilot in Hull was slightly more successful at attracting people unable to work through ill-health or disability.

Somewhat surprisingly, Saving Gateway participants included many more part-time workers than the potentially eligible population but far fewer full-time workers. This does, however, reflect the gender differences noted above and the over-representation of lone parents among those who opened a Saving Gateway account. It may also reflect the populations in the local areas, as the proportion of part-time workers in the reference group was virtually identical to that among Saving Gateway participants.

Table 2.4 Income and employment of Saving Gateway account-holders

Column percentages

	CFLI pilots	Hull	All SG participants	Possibly eligible for SG	Ineligible for SG
Employment status					
Employed full-time	16	18	16	49	76
Employed part-time	29	26	28	2	5
Unemployed, looking for work	16	10	15	9	3
Looking after home/caring for family	16	16	16	13	10
Unable to work, ill-health or disability	21	27	23	26	2
Other	1	2	1	1	4
Benefits and tax credits					
Working Families Tax Credit	18	54	27	20	..
Disabled Person's Tax Credit	1	1	1	1	..
Incapacity Benefit/SDA	18	23	19	29	..
Jobseeker's Allowance	11	9	11	13	..
Income Support	36	23	33	38	..
No benefits or tax credits	28	9	23	55	..
Household income					
Less than £100 a week	34	15	30	20	19
£100-199 a week	48	39	46	46	11
£200+ a week	18	46	24	34	70
Base	*1,176*	*373*	*1,549*	*9,563*	*29,291*

Sources: Saving Gateway participants account opening questionnaire; Family Resources Survey2002-03

The benefit (or tax credit) most commonly received was Income Support, followed by Working Families' Tax Credit and Incapacity Benefit/Severe Disablement Allowance. Hardly anyone was claiming Disabled Person's Tax Credit (Table 2.4). Around a quarter of participants said that they were receiving no benefits or tax credits at all. There are several reasons for this. First, in the CFLI pilot areas, recruitment was based on an income test that was designed to mimic the levels that have since been introduced for Working Tax Credit. Secondly, people may have been in receipt of a qualifying benefit at the time they were recruited to the Saving Gateway but moved off it by the time they filled in the questionnaire. This is most likely to have occurred among unemployed people receiving Jobseeker's Allowance and more likely to have happened in Hull, where potential participants were identified some time before many of them opened an account.

The picture differed somewhat across the pilot areas (Table 2.4). Most notably, in Hull receipt of Working Families' Tax Credit was far more common than in the other pilot areas, even though the proportions in employment were similar. There are a number of possible explanations for this. First, the CFLI pilots recruited a significant proportion of people in low-paid work who did not have children. This group was not included in the Hull pilot as Working Tax Credit had not been introduced at the time of the selection for potential recruitment. Secondly, twice as many of the Hull participants had a partner in employment (25 per cent compared with 12 per cent in the CFLI areas). Thirdly, the CFLI pilot areas included more people who were working part-time while claiming Income Support, Jobseeker's Allowance or Incapacity Benefit (five per cent compared with two per cent in Hull).

Other notable differences were that Hull attracted more people receiving Incapacity Benefit or Severe Disablement Allowance; the CFLI pilots more Income Support recipients.

Compared to national data, it would however seem that the Saving Gateway has disproportionately attracted people in receipt of Working Families Tax Credit (Table 2.4). Unemployed people receiving Jobseeker's Allowance were under-represented as were people living on Income Support (but only in Hull – the CFLI pilots seem to have been much more successful in attracting this group).

As we would expect, participants were typically living on low incomes, with three quarters of all participants having household incomes of less than £200 a week. Moreover, Saving Gateway participants, as a whole, had lower incomes than those in the potentially eligible population (Table 2.4). Three in ten were living on less than £100 a week, compared with two in ten in the eligible population. Hull participants were better-off compared with participants in the other pilot areas, with half having incomes of £200 or more a week (Table 2.4).

2.4.1 Changes in income and windfalls

The self-completion questionnaires did not ask about recent income changes, although this *was* covered by the face-to-face interviews with participants and the reference group. This showed that a little under one in four Saving Gateway participants (38 per cent) had experienced a fall in income in the previous three years; one in five (20 per cent) in the previous 12 months (Table 2.5). There were, however, only small differences between the Hull and the CFLI areas and between Saving Gateway participants and the reference group. In all cases the most common income falls were related to redundancy.

At the same time more than four in ten Saving Gateway participants (44 per cent) had had an income increase in the previous three years; 12 per cent in the previous 12 months (Table 2.5). Again there was only a small difference between Saving Gateway participants as a whole and the reference group. Income rises were, however, much more common in Hull than they were in the CFLI areas. In the previous three years, six in ten of the Hull Saving Gateway participants (58 per cent) had had an income increase, compared with just four in ten (39 per cent) participants in the CFLI areas. These differences were accounted for by larger proportions of Hull participants who had taken a job after a spell out of work, had received a wage increase, or had received an increase in their income from benefits or tax credits.

Table 2. 5 Changes in income of Saving Gateway account-holders

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
Income fall:				
In previous 3 years	37	41	38	35
In previous year	18	21	20	18
Income rise				
In previous 3 years	39	58	44	40
In previous year	13	12	12	12
Situation compared with 12 months ago				
Better-off	24	35	27	23
Worse-off	21	20	21	29
About the same	55	46	52	48
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

A minority of Saving Gateway participants (8 per cent) had received a lump sum in the previous twelve months, including a win on the lottery, football or bingo, an inheritance and a life insurance payout. These were more common in Hull (12 per cent) than in the CFLI areas (6 per cent). They were only slightly more common among participants than among the reference group (6 per cent).

Despite only small differences in the income changes of Saving Gateway participants and the reference group, elsewhere in the interview Saving Gateway participants were more likely to say that they were better-off than they had been twelve months ago and correspondingly less likely to say they were worse off (Table 2.5). It was, however, the Hull participants who most often reported being better-off.

2.5 Discretionary spending and credit use

The extent to which individuals and their families are able to save depends not just on their income but on how they choose to use it. So people who own more consumer durables, spend more money on discretionary things such as eating out, leisure activities, and cigarettes and alcohol might reasonably be expected to have less money to save than their counterparts who forgo these items. Likewise people who spend money repaying credit commitments will have less to put into a savings account.

2.5.1 Ownership of consumer goods and discretionary spending

Ownership of most consumer goods was high among Saving Gateway participants; the main exception being a dishwasher, which was owned by only a minority (Table 2.6). Hull participants were more likely than those in the CFLI areas to own each of the consumer goods we asked them about. And, on the whole, Saving Gateway participants owned slightly more than the reference group.

The majority of Saving Gateway participants said that they spent money on eating out or takeaway meals in an average month (69 per cent) and on leisure activities (63 per cent) (Table 2.6). Just over half of them (55 per cent) spent money on alcohol and fewer than four in ten (37 per cent) on cigarettes. With the exception of cigarettes, Hull participants were more likely than participants in the CFLI areas to spend money on these discretionary items. Compared with the reference group, many more Saving Gateway participants spent money on alcohol and leisure activities but far fewer of them spent money on cigarettes

Table 2.6 Ownership of consumer goods and discretionary spending

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
Percentage owning:				
Colour TV	94	98	95	97
Video recorder	88	94	90	87
Deep freeze	89	94	90	95
Washing machine	87	92	88	92
Tumble drier	41	59	46	43
Dish washer	15	18	16	10
Microwave	84	93	86	88
Home computer	55	63	57	48
CD player	73	87	77	69
Telephone	89	83	90	84
Percentage who spent money in an average month on:				
Eating out or takeaway meals	66	75	69	63
Leisure activities	60	70	63	49
Cigarettes	38	39	38	48
Alcohol	49	70	55	44
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

2.5.2 Credit use

Four in ten Saving Gateway participants were quite opposed to using commercial credit and a similar number saw it as something that was occasionally necessary. Only a minority felt it was a sensible or convenient way of buying things (Table 2.7).

As a group, Saving Gateway participants' views of credit were slightly more negative than those of the reference group, with more of them agreeing that credit use is never a good thing or is occasionally necessary; and fewer seeing credit as a convenient or sensible way of buying things. And participants recruited in the CFLI areas were rather more negative than those living in Hull (Table 2.7).

Table 2.7 Attitudes to credit

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
Percentage agreeing that:				
Credit is never a good thing	44	30	40	36
Credit is occasionally necessary	36	48	39	36
Credit is a convenient or sensible way of buying things	16	21	18	23
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

Reflecting their attitudes, half (46 per cent) of all Saving Gateway participants did not currently owe any money on commercial credit commitments; and only a minority (12 per cent) owed money on three or more types of credit (Table 2.8). The most common forms of credit commitments among borrowers were money owed on credit cards, mail order catalogues and loans. About a quarter of participants said that they owed money on a credit card (24 per cent), on mail order catalogues (21 per cent) or on a loan (22 per cent). The most common sources of loans were banks and finance houses (13 per cent) and the Social Fund (6 per cent). In addition, around one in six participants (16 per cent) were overdrawn on a bank or building society account.

The participants living in Hull were more likely to owe money on credit commitments than those in the other pilot areas who, as we have seen, tended to be less well-off. In particular many more of them owed money on credit cards, mail order catalogues, and commercial loans (Table 2.8).

Overall, participants' levels of credit use did not differ greatly from those of the reference group, although there were some small differences in the types of credit they used. Slightly more Saving Gateway participants had outstanding balances on credit cards; while more of the reference group were paying for something they had bought from a mail order catalogue (Table 2.8).

The depth interviews showed that, in line with overall attitudes, most of the Saving Gateway participants who had borrowed money were reluctant users of credit, who did so through necessity rather than choice. The amounts they owed varied greatly.

At one extreme, an unemployed man living in local authority housing had an outstanding balance of £13 on a credit card. At the other, a home-owning couple with two children, who received Working Families Tax Credit, owed a total of £5,201. They had four credit cards in total, using whichever one offered the best interest rate. They currently owed £3,000 on one of these cards – run up on holidays overseas. In addition, they had a car loan with £1,551 left to pay; owed £500 to a mail order catalogue company and £150 on a store card. They were paying £271 a month in credit repayments out of a total net income of £1,345. In fact they were the only ones of the 30 people interviewed in depth who said that they saw credit as a convenient way of buying things they could not otherwise afford. Only two other households came anywhere near owing this amount of money (a lone parent on Income Support owed just over £4,000 on commercial credit; a young 18 year old woman in part-time job having been unemployed for a year owed £3,000 to her mother). Most of the people interviewed in depth who had credit commitments owed between £200 and £1,000.

Table 2.8 Credit use

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
No. of types of credit used				
None	48	41	46	45
One	26	25	26	30
Two	16	17	16	14
Three or more	10	16	12	11
Types of credit used				
Credit card	21	30	24	20
Mail order	19	25	21	24
Overdraft	15	18	16	15
Loan	20	27	22	20
Store card	7	9	7	6
Hire purchase	10	10	10	9
No borrowing at all	48	41	46	45
Base	*753*	*277*	*1,030*	*445*

Sources: Account-opening interview survey

2.6 Living standards of Saving Gateway participants

Although the reference group was selected to mirror the control group, small differences in their incomes and circumstances meant that their disposable incomes differed – albeit slightly. Table 2.9 gives income after housing costs and also when it had been further adjusted for family size.

Table 2.9 Disposable household incomes

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
Income after housing costs				
Under £100 a week	31	18	27	33
£100 - £150 a week	27	20	25	23
£150 - £200 a week	16	12	15	17
£200 - £300 a week	17	32	21	20
£300 and over a week	9	18	12	8
Equivalised incomes after housing costs				
Under £100 a week	38	23	34	42
£100 - £150 a week	22	26	25	23
£150 - £200 a week	13	17	14	16
£200 - £300 a week	13	25	16	11
£300 and over	9	13	10	8
Mean	*£148*	*£180*	*£158*	*£138*
Median	*£117*	*£166*	*£128*	*£117*
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

On both measures, Saving Gateway participants as a whole appeared slightly better off than the reference group. These differences were, however, almost entirely accounted for by the Hull participants – those recruited by the CFLI pilot organisations were remarkably similar to the reference group.

Reflecting this, Saving Gateway participants were managing rather better financially than the reference group; with Hull participants doing even better than those in the CFLI areas (Table 2.10). Three in ten Saving Gateway participants (30 per cent) usually had money left over at the end of the week or month and as many again (33 per cent) said that they sometimes did. On the other hand, 22 per cent of them regularly ran short of money.

Table 2.10 Making ends meet

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
Has money left over:				
More often than not/most weeks/ always	28	37	30	22
Sometimes	35	27	33	29
Hardly ever	25	27	26	27
Never	12	8	11	22
Runs short of money:				
More often than not/most weeks/ always	25	16	22	40
Sometimes	35	28	32	26
Hardly ever	21	28	23	16
Never	19	27	21	18
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

The depth interviews with Saving Gateway participants explored in rather more detail the extent to which they were able to make ends met. Over half of them said that they were managing quite well financially; the remainder were split evenly between those who were just about getting by and those who were really struggling financially.

Not surprisingly, the people who were managing quite well almost all either had an income from work or, if they were in receipt of benefits, had some additional income. In most cases, this was Disability Living Allowance on top of Incapacity Benefit, but one couple had an occupational pension as well as receiving Incapacity Benefit and a lone mother on Income Support was receiving maintenance through the Child Support Agency. A number of them had had a recent increase in income which made it much easier for them to make ends meet.

> ***Managing quite well***
> A couple with two children had an income of £320 a week from wages supplemented by Working Families Tax Credit. They had a small mortgage to pay. They were used to managing on much less money (the husband had been a mature student for 3 years) and managed their money very carefully indeed. They did not go out, spent no money on themselves and were totally opposed to borrowing.

> ***Just getting by***
> A lone parent with two children had a weekly income of £148 from Income Support and Child Benefit. Her rent and council tax was also met in full. She never went out or spent any money on herself and did not smoke. She was a regular car boot sale customer and bought clothes and all her children's toys there. She always made sure that her bills were paid and normally had about £10 left each month '*Whatever is left is left – it's tough really*'

In contrast, most of the people who were just managing to get by were on Income Support and had no other source of income. For the most part, they did not have any particular drains on their income, so by cutting back and managing their money very carefully, they succeeded in making ends meet most weeks. It was, however, a delicate balancing act with little leeway for either error or unexpected expenditure.

The group who were struggling financially included both people in work and people claiming out of work benefits (including Income Support, Jobseeker's Allowance and Incapacity Benefit). Three things marked them out from others. First, a number of them had experienced a recent drop in income. Secondly, many of them either had other drains on their income (such as high bills or expenses not incurred by others) or else they lived beyond their means. Thirdly, all but one of them was spending a substantial part of their income on repaying money they had borrowed.

> ***Struggling financially***
> A separated man in his late forties had not worked for four years because of poor health. His weekly income from Income Support was £76, from which £11 was deducted to repay a loan from the Social Fund. He spent £10 on cigarettes and 'subsidised' his daughter who was also out of work. He delayed paying bills when money was tight and at the end of each fortnight went short of food until his next Girocheque arrived.

2.7 Summary

Based on individual earnings, around one person in three would have been eligible for the Saving Gateway pilot had it operated in their area. Compared with this national eligible population, the Saving Gateway attracted disproportionate numbers of women, lone parents and tenants of housing associations and local authorities. It also seems to have attracted minority ethnic groups, such as Bangladeshi people, who ordinarily have low levels of saving account-holding. Unemployed people were over-represented among Saving Gateway participants, as were part-time workers. To a large extent these differences were attributable to the recruitment work undertaken by CFLI pilots, as participants in Hull were rather more like the potentially eligible population.

When we compared Saving Gateway participants with a reference group - people selected to be like them in key respects - we found that they owned slightly more consumer goods and spent more money on alcohol and leisure activities but *less* on cigarettes. Their levels of credit use were remarkably similar to the reference group.

Saving Gateway participants had slightly higher disposable incomes than the reference group (after allowing for housing costs and the number of people in the household), but once again this was attributable to the Hull participants; those in CFLI areas were very like the reference group.

3. Existing patterns of saving

The Saving Gateway aims to encourage more people on low incomes to save and to promote higher levels of savings among those that already save. In this chapter we look at the extent to which Saving Gateway participants already had a savings account and whether or not they were actively saving money. In doing so, we compare their patterns of saving with a reference group of people in broadly similar financial circumstances and living in similar communities - but in localities where the Saving Gateway was not being piloted.

In fact the Saving Gateway has not drawn its customers disproportionately from existing savers. Only a small proportion of participants were already in the habit of saving regularly and, as a group, participants had patterns of saving that were very similar to people in the reference group.

3.1 Levels of engagement with banking

People who are more engaged with the world of banking will almost certainly also be more inclined to open a savings account with a bank or building society than those who are not.

At the time they opened their Saving Gateway account, participants had similar levels of current account-holding (75 per cent) as the potentially eligible population (73 per cent) (Table 3.1). But there were very large differences between those living in Hull (87 per cent of whom had a current account) and those in the CFLI pilots (71 per cent).

Table 3.1 Current account-holding before opening Saving Gateway account

Column percentages

	CFLI pilots	Hull	All SG participants	Possibly eligible for SG	Ineligible for SG
Before SG account opened					
Yes	71	87	75	73	91
No	29	13	25	27	9
Base	*1,176*	*373*	*1,549*	*3,190*	*8,575*

Sources: Saving Gateway participants account opening questionnaire; Family Resources Survey 2002-03

Moreover, participants' attitudes to banks and banking showed that people in the CFLI areas were more disengaged from banks than their Hull counterparts (Table

3.2). As we note in the following chapter quite a number of Saving Gateway recruits were helped to open a basic bank account by the CFLI pilots.

Table 3.2 Attitudes to banks

Cell percentages

	CFLI pilots	Hull	All SG participants	Reference group
Percentage agreeing that:				
Banks only want customers who are in work	47	38	45	47
Banks are most interested in customers with well-paid jobs	54	44	51	48
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

3.2 Levels of other savings and investment account-holding

About half (50 per cent) of Saving Gateway participants (or their partners[4]) already had either a savings account or money saved in a credit union when they opened one with the Saving Gateway. A further three in ten (32 percent) said that they only had money saved informally and not in an account of any kind. Two in ten (18 per cent) had no money put by at all (Table 3.3).

The sums of money held in savings accounts were fairly modest, and fewer than one in five of the Saving Gateway participants had more than £500 put by. The differences in levels of saving between the Hull and CFLI recruits to the Saving Gateway were not large. Slightly fewer of the Hull participants had no savings at all and fewer of them had no money in a savings account. They included more people with informal savings and more with slightly larger amounts in a savings account (Table 3.3).

Of particular interest is the fact that levels of saving among Saving Gateway participants were very similar to those in the reference group (Table 3.3). In other words the Saving Gateway has not attracted disproportionate numbers of people who already had a savings account. In fact it seems to have attracted people with and without existing savings in roughly equal numbers.

[4] In this chapter all statistics relate to the respondent or their partner – on the grounds that, in most households, money and savings tend to be shared.

Table 3.3 Existing savings

Column percentages

	CFLI pilot	Hull	SG participants	Reference group
Has savings or credit union account	50	51	50	46
Has informal savings only	30	35	32	31
No savings at all	20	14	18	23
No money in a savings account	57	52	56	59
£1 - £199.99	14	12	13	11
£200 - £499.99	13	16	14	16
£500 or more	16	20	17	14
Base:	*763*	*277*	*1030*	*444*

Sources: Account-opening interview survey

Around four in ten Saving Gateway participants (42 per cent) had some form of investment, the three most common being life insurance (held by 25 per cent) Premium Bonds (13 per cent) and stocks and shares (9 per cent) and equity ISAs (9 per cent) (Table 3.4).

Overall levels of investment-holding were somewhat higher than in the reference group, as were holdings of premium bonds, stocks and shares and equity ISAs – but not, interestingly, life insurance. It was, however, slightly lower in the CFLI areas than it was in Hull (Table 3.4).

Table 3.4 Existing investments

Cell percentages

	CFLI pilot	Hull	SG participants	Reference group
Any investment	39	50	42	34
Life insurance	23	31	25	26
Premium bonds	14	13	13	5
Stocks and shares	7	14	9	4
Equity ISAs	7	16	9	6
PEPs	2	2	2	2
National Savings	2	3	2	1
Savings bond	2	1	2	1
Unit Trusts	*	1	*	1
Base:	*763*	*277*	*1030*	*444*

Sources: Account-opening interview survey
** less than 1%*

3.3 Regularity of saving in other savings accounts

Fewer than one in five (16 per cent) of Saving Gateway participants said that they already regularly saved money into a savings or credit union account, although slightly more (22 per cent) said that they did so occasionally (Table 3.5). A larger number (38 per cent) only saved money informally – often as cash in jars – a common pattern in low-income households (see, for example, Whyley and Kempson, 2000). That left a quarter (24 per cent) of Saving Gateway participants who had not saved anything prior to opening their Saving Gateway account.

Table 3.5 Regularity of saving

Column percentages

	CFLI pilot	Hull	SG participants	Reference group
Saves regularly in a savings or credit union account	16	17	16	18
Saves occasionally in a savings or credit union account	22	20	22	18
Saves informally only	36	43	38	38
Does not save at all	25	21	24	26
Base:	*763*	*277*	*1030*	*444*

Sources: Account-opening interview survey

The differences between Hull and the CFLI participants were very slight – with fewer Hull participants not saving at all, but only because more of them saved money informally (Table 3.5).

There were also no marked similarities between the regularity of saving by Saving Gateway participants and those in the reference group (Table 3.5) Again this suggests that the Saving Gateway has not disproportionately attracted committed savers.

3.3.1 Regular savers

As we might expect, the 16 per cent of Saving Gateway participants who were already saving regularly in another account were drawn disproportionately from the better-off (Table 3.6). So, compared with other groups, more of them were home owners and they were more likely to be in employment (and full-time work in particular). They included a disproportionate number of people with disposable weekly incomes (after housing costs and allowing for family size) of £200 or more and far fewer people with disposable incomes below £100 a week.

> ***Regular saver***
> A couple with three children were managing quite well financially. The husband worked and their total income, with Child Benefit and Working Tax Credit was a little over £330 a week. Although they were buying their home on a mortgage, they regularly had money left over each month to pay into a savings account. They had just drawn most of their savings out to install new central heating and had started to re-build the balance.

Women were also over-represented among the regular savers, as were lone parents and the over-fifties.

Table 3.6 Regularity of saving by personal and economic circumstances

Column percentages

	Regular	Occasional	Informal	Not saving	All SG participants
Sex					
Male	22	34	29	48	33
Female	78	66	71	52	67
Age					
Under 29	23	19	31	29	27
30-39	31	29	31	25	29
40-49	19	26	18	26	20
50 and over	27	26	19	21	22
Household composition					
Single, no children	29	32	31	43	34
Couple, no children	11	13	10	12	11
Couple, children	28	30	23	21	25
Lone parent	33	24	36	24	29
Housing tenure					
Own outright	6	9	6	9	8
Own with mortgage	30	28	19	17	22
Rent from private landlord	4	8	9	8	8
Rent from social landlord	49	43	57	51	51
Live with parents	9	8	7	12	9
Some other arrangement	2	4	1	4	2
Employment status					
Employed full-time	24	21	16	16	18
Employed part-time	38	29	21	28	27
Unemployed work	3	9	14	20	12
Looking after home/ family	16	13	22	10	16
Sick/disabled	13	25	21	23	21
Other	5	3	6	4	5
Household income**					
Under £100 a week	19	32	37	42	34
£100 - £150 a week	31	23	24	25	25
£150 - £200 a week	18	12	16	11	14
£200 - £300 a week	19	20	15	12	16
£300 and over a week	13	13	8	10	10
Base	*165*	*224*	*392*	*249*	*1030*

Source: Account-opening questionnaires
** Equivalised and after housing costs
Note: percentages may not total 100% due to rounding

3.3.2 Occasional savers

In contrast, the characteristics of the 18 per cent of participants who had previously saved only *occasionally* in another savings account were remarkably similar to those of Saving Gateway participants as a whole (Table 3.6). The chief differences were that they included slightly

> ***Occasional saver***
> A lone parent in part-time work had opened a building society account in her son's name when he was two years old. This was following a pattern set by her parents, who had opened a Post Office account when she was a child to encourage her to save. She paid money into her son's account but, before opening the Saving Gateway account, had been unable to save any money for herself.

more home owners and more people who were unable to work through ill-health or disability.

Compared with the regular savers, they included rather fewer people in full-time employment; fewer women and fewer lone parents.

3.3.3 Informal savers

Informal saving was very common among Saving Gateway participants and four in ten (38 per cent) said it was the only way that they had been saving prior to opening a Saving Gateway account. Many, however, did not count this money as 'savings'.

Compared with others, informal savers were more likely to be aged under 30. They included the highest proportions of local authority and housing association tenants; lone parents, and people who did not work because they were looking after the home or a family (Table 3.6).

They were much less likely to be in work than those who saved at least occasionally into a saving account and they included far fewer people who owned or were buying their home (Table 3.6). They included fewer people with disposable incomes above £200 a week compared with those saving into an account and more with less than £100 a week.

The depth interviews showed that the most common form of informal saving was loose change in jars, tins or other containers. Most people who saved in this way routinely saved coins of a particular denomination; some, however, saved the loose change in their pocket or purse at the end of each day. Two people even tried to save any £5 notes they still had at the end of the week. The amounts saved this way were often not large but, even so, several people reported having more than £100 put by. Some people saved up for particular purposes, the most common ones being holidays, children's school trips or to buy things they could not otherwise afford. But quite a number of the people interviewed in depth saved this way with no particular purpose in mind. When the jar was full they and their children 'bagged the money up' – in some cases so that they could pay it into a savings account.

> ***Informal saving***
> A young woman, aged 18, had had a fairly colourful but troubled past. She was currently living in temporary accommodation and had just taken a part-time job having been out of work for more than a year. She had no savings account but saved loose change in jars and the occasional £5 or £10 note, which she hid in her mother's house without telling her. She was currently trying to save for a cooker and fridge.

> *We just put all the coppers in a pot. Sometimes there will be 10ps and 20ps in there so we'll spend that, but the coppers get bagged up and taken to the Building Society for my son to put into his account… Every few months we put in about £8.*

Another fairly common means of saving was to give money to someone else to save. Most commonly younger women gave money to their mothers, but two men gave money to friends. The sums saved in this way tended to be rather larger but often less regular than the saving of loose change.

Other methods of informal saving included the purchase of savings stamps at supermarkets, or to put towards telephone bills or television licence renewal, and letting Child Benefit payments build up before collecting the money from the Post Office.

3.3.4 Not saving at all

The quarter (24 per cent) of Saving Gateway participants who had not been saving at all prior to opening a Saving Gateway account were a fairly distinctive group. They included a disproportionate number of men and single people (Table 3.6). Indeed men made up half of this group, compared to just a third among all Saving Gateway participants.

Unsurprisingly they included the highest proportion of people who were unemployed and looking for work. This was reflected in their lower disposable incomes compared with people saving into an account; although their incomes were only slightly lower than the informal savers (Table 3.6).

> ***Not saving at all***
>
> A 36 year old single man had not worked for two and a half years since becoming disabled. He currently had an income of £85 a week from Incapacity Benefit - which was a considerable drop from the wages he had earned when he last worked. Making ends meet was a constant struggle and he never managed to save anything – not even informally. In any case, given his state of health and possible short life expectancy he could see little point in saving.

The depth interviews indicated that lack of income was not, however, a sufficient explanation for people not having saved at all. Most did not see the value of saving – or at least not until they became aware of the Saving Gateway. People differed quite markedly in their motivations with regard to saving, as we discuss below.

3.4 Saving motivations

In the account-opening interview survey, people were asked to select from three options the one that best described their own approach to saving. The biggest group, comprising half (50 per cent) of Saving Gateway participants, said that they saved up to spend on things they wanted or needed (Table 3.7). Three in ten (29 per cent) described themselves as ‘rainy day savers’; although many more (47 per cent) agreed that *“I always make sure I save money for a rainy day*”. Only one in five (21 cent) said that they never saved at all.

Table 3.7 Saving motivations

Column percentages

	CFLI pilot	Hull	SG participants	Reference group
Saves to spend	49	51	50	50
Saves for a rainy day	30	25	29	17
Never saves at all	20	23	21	31
Don’t know	1	1	1	1
Makes sure saves for rainy day	49	43	47	45
I’m a spender not a saver	34	43	37	48
Base:	*763*	*277*	*1030*	*444*

Sources: Account-opening interview survey

The differences between Saving Gateway participants in Hull and those living in the CFLI areas were not great. Hull participants included fewer who said that they saved for a rainy day and correspondingly more who never saved. The main difference, though, was the higher proportion describing themselves as a spender rather than a saver (Table 3.7).

In contrast, there were much greater differences between Saving Gateway participants and the reference group. In particular, Saving Gateway participants were much more likely to be rainy day savers; while the reference group more commonly described themselves as non-savers. Moreover, a higher proportion of the reference group said that they were spenders (Table 3.7).

Taken together with the earlier information on account-holding, this suggests that the Saving Gateway has attracted people who were savers by instinct, but were not previously putting money into an account. Even so, it is important not to lose sight of the fact that two in ten of them described themselves as being non-savers prior to the Saving Gateway.

Table 3.8 Approach to saving by patterns of saving (Saving Gateway participants only)

Column percentages

	Saves to spend	Rainy day	Non-saver
Whether has savings			
Has savings account	51	67	26
Informal savings only	36	19	39
No savings at all	13	14	35
Regularity of saving			
Saves regularly into account	15	25	5
Saves occasionally into account	23	31	7
Only saves informally	44	23	46
Does not save	18	21	42
Amount in savings account			
Nothing	56	37	80
£1 - £199.99	16	10	12
£200 - £499.99	14	20	6
£500 or more	14	34	2
Base	*510*	*296*	*214*

Sources: Account-opening interview survey

3.4.1 Save to spend

As noted above, by far the most common pattern of saving was cycles of saving up and spending, with half (50 per cent) of Saving Gateway participants describing this as their overall approach to saving.

The depth interviews showed that most were people for whom this was their normal method of saving. It did, however, include some who were, by instinct, rainy day savers but whose circumstances meant that they were unable to do more than save up for short-term needs.

> ***Save to spend***
> A young man, aged 19 was still living at home with his parents and had two part-time jobs. He saved up money from his wages for a few weeks at a time and then spent it all on things such as videos or CDs. He had a savings account, with about £100 in it but did not use it for current saving. He regularly put loose change into a vodka bottle, bagging it up occasionally to pay into his bank account. When he had accumulated enough in his current account he would go out and spend it. This pattern of saving to spend had started in childhood, encouraged by his mother.

More than half the people who saved to spend had a savings account, although fewer than three in ten (28 per cent) had £200 or more in it (Table 3.8). The depth interviews showed that those with larger amounts tended to be people who could only afford to save for short-term needs, but by instinct were people who would have liked to save for a rainy day. They also included people who had had a windfall but had not actively saved it, such as a single man receiving Incapacity Benefit who was keeping money in a couple of savings accounts to buy a car and clothes when he was able to return to work. This was money that he had won at gambling.

Only four in ten (38 per cent) of those who said that they saved to spend had been saving money into an account prior to opening their Saving Gateway account (Table 3.8). Rather more of them (44 per cent) had been saving informally and only slightly fewer (36 per cent) said that these were the only savings they had. The depth interviews showed that many of those who were currently saving up to buy things were either letting money accumulate in a current account or they were saving informally. Christmas, holidays and the purchase of consumer goods were the most common reasons for saving up.

The pattern of saving to spend seems to be set in early childhood. All the save to spend Saving Gateway participants interviewed in depth had saved as children, but even then they had only ever saved up for very short-term needs.

3.4.2 Rainy day savers

Altogether around three in ten Saving Gateway participants (29 per cent) described themselves as 'rainy day savers'. As might be expected, they had an above-average level of saving account-holding prior to the Saving Gateway and had the largest amounts saved.

Two-thirds (75 per cent) of them already had a savings account and nearly six in ten (56 per cent) were saving money into it (Table 3.8). A quarter of them of them (25 per cent) made regular deposits even before they signed up to the Saving Gateway. Consequently a third of them (34 percent) had £500 or more in their accounts (Table 3.8).

That said, a quarter (23 per cent) were saving informally and two in ten (21 per cent) were not saving at all prior to opening their saving Gateway account.

> ***Rainy day saver***
>
> A lone parent with one child had been in part-time work for about six months. Her wages were paid directly into a bank account and she tried to leave some money untouched to pay for a holiday. She had £2,000 in a cash ISA which was her share of the proceeds from the house sale following her divorce and earmarked 'for a rainy day'. She had a further £500 from the house sale, which she had recently transferred from an instant access account to an internet account with more limited access. On the recommendation of her father she had recently opened a 'bonus savings account', where if she saved £20 for 11 months a year she received a bonus. She had also started to save in an informal 'thrift club' run through a local pub. This money was being saved for Christmas.
>
> Her father had opened a Post Office account for her when she was a child and encouraged her to save the money she was given as Christmas and birthday presents.

The depth interviews showed that rainy day savers who only saved informally were often putting quite large amounts by and doing so with no particular purpose in mind. Often they did not consider this to be saving at all. For example, a woman in her late thirties lived alone and was unable to work through disability. She had no savings account of any kind, but for a number of years she had routinely saved loose change in a jar, 'bagging it up' when the jar was full. She currently had about £80 put by and did not intend to touch this unless she was 'desperate'. Yet she said that she had never managed to save in her life although it transpired that she meant that she had never saved in a bank or building society account.

This was not the only form of saving that aspiring rainy day savers discounted. Others described themselves as non-savers when, in fact, they saved in their current account or paid money into their child's account rather than one in their own name. Generally speaking these, like the people who only saved informally, were on low incomes, with little left over after meeting their regular commitments.

The depth interviews also revealed a group of rainy day savers who, through low incomes, had been unable to save at all. This lack of savings was a source of unease for them.

In all cases, the pattern of rainy day saving was established in childhood. Parents, and sometimes grandparents, had opened a savings account for them and encouraged them to save some of their pocket money or money given to them as Christmas or birthday presents.

3.4.3 Non-savers

Two in ten Saving Gateway participants described themselves as non-savers, although a substantial minority of them (26 per cent) did have a savings account prior to the Saving Gateway and an even smaller number (12 per cent) had been putting money into it (Table 3.8).

> ***Non-saver***
> An unemployed and divorced man, aged 48, had never really saved either formally or informally at any time in his life. Indeed he described himself as 'more of a spender' until he opened his Saving Gateway account. At times in his life when he had more money he tended to spend more on consumer goods and described this as his way of saving.

Eight in ten non-savers (80 per cent) had no money saved in an account at all. Most of the rest had only modest amounts in an account and just 8 per cent had more than £100 (Table 3.8). The depth interviews showed that those with larger sums of money in an account had received a windfall, such as a man who had been left £1,000 by his father and had paid it into an ISA. More commonly they had a dormant account with just a few pounds in it. Four in ten of them did, however, have loose change they had saved at home.

The depth interviews, however, showed that few people had never saved at all during their lifetime – confirming the findings of previous research (Whyley and Kempson, 2000). What marked these people out from the rainy day and save to spend savers was that, if they had saved at all, they had only ever done so for short periods as an adult, when their finances were not too tight. Some said they had saved when they were in work and had reasonable earnings; others when their children had left home. In all cases, though this saving was only for short periods of time and for short-term needs.

3.5 Summary

Before they opened their Saving Gateway account, half of participants already had another savings account. But the amounts they had saved were modest. Fewer than two in ten had more than £500 put by. In addition, four in ten participants had investments of some kind – the most common being life insurance.

Only a minority had saved regularly prior to the Saving Gateway. Fewer than four in ten participants said that they had saved money into a savings account, and under half of these did so regularly. Regular savers tended to be slightly better off; women, lone parents and the over fifties were over-represented among them.

Half of participants described their approach to saving as ‘save to spend’; three in ten were ‘rainy day saver’ the rest did not consider themselves as savers at all.

There was little difference between Saving Gateway participants and the reference group in either the level of account and investment holding or the regularity of saving. There was, however, a marked difference in attitudes to saving – with rather more Saving Gateway participants being rainy day savers.

4. Opening a Saving Gateway account

Views on the process of opening a Saving Gateway account were sought from participants, staff in the CFLI pilots and staff in the Headquarters and local branches of the Halifax Bank who were involved in the pilot. This chapter brings together their different perspectives to review how the scheme was promoted in different locations and which methods were most successful. It also looks at the reasons why people said they opened a Saving Gateway account and compares matched funding with other incentives to save.

The Saving Gateway differs from other matched savings schemes in the United States, Canada and Australia in that it does not place limitations on the way that the matched savings can be spent. Saving Gateway participants were asked their opinions of such restrictions on use, along with time limits on the accounts and limitations on access to the money saved. The chapter concludes with an overview of the account-opening process from the perspectives of participants and CFLI and Halifax Bank staff.

4.1 Promotion

The Saving Gateway was promoted in somewhat different ways in different locations. In Hull, the Department for Work and Pensions sent letters to people known to be eligible for an account, inviting them to request further details of the Saving Gateway if they were interested. In the remaining four locations, the pilot organisations tested a range of different methods of promoting and recruiting to the Saving Gateway. Most successful of these were articles in local newspapers and personal contact, especially where the pilot organisation had an existing relationship with potential recruits. Both methods tended also to stimulate promotion by word of mouth.

Although all four pilots placed articles in local newspapers to some extent, one of them had used this method of promotion from the outset and, in the early months, was recruiting twice as many people as the other three pilot organisations. They did, however, find that this method of promotion tended disproportionately to recruit people on out of work benefits. In their opinion, people in low-waged work might well have been deterred by a scheme that could only be accessed if they underwent an income test. Newspaper articles were most successful when they promoted a location or event where accounts could be opened.

Other pilots relied mainly on personal contact, especially in the first few months. The two that used this method most were both housing associations and worked with their own tenants. One combined articles in their tenants' newsletter and leaflets in welcome packs for new tenants with home visits. The other worked intensively with people in supported housing and then targeted one of its poorer housing estates. These methods of working were successful, but labour intensive. They were, however, particularly successful at recruiting people who had social problems and were marginalised from financial services – such as people living long-term on out of work benefits, homeless people and people with alcohol and drug dependency problems.

In later months, all four pilot organisations promoted the Saving Gateway through partnerships with other community organisations and local employers. While these were successful in reaching a wider group of people, they took some time to establish and needed a 'gate-opener' within the partner organisation to succeed. One of the pilots found that it took up to six months to obtain the co-operation of large national employers, as discussions were needed at both local and national level.

Direct mail shots and door-to-door leafleting by the CFLI pilot organisations were not very successful. In contrast, the direct mailing to eligible people in Hull resulted in a 40 per cent response for more details (5,000 letters were mailed out and 2,000 people asked for more details. In the event 373 accounts were opened within the time allowed). There are a number of reasons for this difference in take-up. First, the Hull mailing was targeted on people who were eligible for an account, while the pilots had to use more of a 'scatter gun' approach. Linked to this, people in Hull knew that they were eligible to open an account; those in the other four pilot areas would have to go through an assessment process, which would almost certainly have deterred some people. Lastly, the official letter sent to people in Hull may well have been important as all the pilot organisations reported a high degree of suspicion among potential recruits, who often though that the Saving Gateway sounded 'too good to be true'. Indeed, one of the pilot organisations found that increasing the size of the Treasury logo on their letters had the effect of increasing take-up.

Finally, it is worth noting that one of the pilot organisations (a housing association) initially promoted take-up of accounts by offering potential applicants one pound to open an account. This strategy was later abandoned as they felt that they might be recruiting people who had little commitment to saving themselves. As we shall see later this was, to some extent, the case.

4.1.1 How people found out about the Saving Gateway

People who opened a Saving Gateway account in the CFLI areas were asked how they had found out about it. Overall the two most common sources were through 'word of mouth' from a friend or relative and from staff at the CFLI pilot organisation – each of which accounted for about a third of recruits (Table 4.1). The next most common sources were through leaflets relating to the Saving Gateway and local newspapers.

Table 4.1 Most common ways of finding out about the Saving Gateway (CFLI sites)

Column percentages

	Per cent
Friend or relative	34
Local project	32
Leaflet	12
Local newspaper	12
Other source	10
Base	*752*

Source: Account-opening interview survey (CFLI pilot areas only)

Reflecting the importance of 'word of mouth', the interview survey found that half of the participants (48 per cent) knew other people with a Saving Gateway account. As might be expected given the different methods of recruitment, this was a good deal higher in the CFLI areas (59 per cent) than it was in Hull (18 per cent). A quarter of the CFLI participants knew at least two other people with a Saving Gateway account.

Indeed, a third of the CFLI participants (33 per cent) said that they had been told about the Saving Gateway by someone who already had an account and the majority of them (83 per cent) said that they had, in turn, told someone else – with half of them (54 per cent) passing word on to three or more other people.

Far fewer Hull participants (4 per cent) had been told about the Saving Gateway by another account holder, but they were no less likely to discuss it with others (87 per cent had done so, with 53 percent telling at least three other people).

4.2 Reasons for opening a Saving Gateway account

When asked why they had opened a Saving Gateway account, almost everyone cited the financial incentive – a pound for every pound saved (93 per cent in the CFLI areas; 97 per cent in Hull).

This was echoed in the depth interviews, with many people saying that they opened an account straight away because the matched funding was so generous.

> *I thought the idea of getting that sort of return on that sort of money was a fair deal… You're not going to get that on the stock exchange are you?*
>
> *This one pays more than God sends, because they match it pound for pound and nobody can do that over an 18 month period, no bank.*

We do not, however, know how many people were deterred by suspicions that the offer was too good to be true although, as noted above, the pilot organisations reported that it was fairly common and other research also indicates that some people may well have been put off applying for this reason (Collard et al, 2003). The depth interviews showed that a minority of people had initially been deterred.

I read the stuff first and I was a bit, it seemed too good to be true at first. When they say the government will double your money, it just seems too good to be true. I was looking for the small print.

As soon as I read that you were going to get 100% profit on the money paid in, I mean everybody I have spoken to about it says 'Where is the catch?' I said 'I don't know, I'm frightened to death what the catch might be'.

Some people recruited through the CFLI pilot organisations had consulted friends or family who advised them to find out more from organisation who, in turn, reassured them that it was above board. A minority of the people in Hull said that they scrutinised the letter and publicity material sent to them by the Treasury before deciding to book an appointment at the Halifax Bank branch to open an account.

The majority of people interviewed in depth, however, opened a Saving Gateway account as soon as they found out about it, thinking that it was '*an opportunity not to be missed*'.

As soon as I saw that you get 100% money on it I thought, Wow! Go for this. It's been a good thing to get into.

Q: How long did it take you to decide to open one?

Minutes I think it was. We were saving anyway and we thought 'Well, if we're going to save and make- think in our bank account we were making nothing', it was a matter of a couple of pounds, and we thought 'Well, if we're going to all this aggro to save anyway we might as well put it into something that's going to have a better reward at the end of the day', and the Saving Gateway was that opportunity.

4.2.1 Importance of local organisations

Earlier research (for example, Kempson and Whyley, 1999; Collard et al, 2001) has identified the need for financial services to be delivered locally, through trusted organisations, in order to promote greater financial inclusion. Over three-quarters (78 per cent) of all participants said that it was important to be able to open a Saving Gateway account through a local organisation. All the pilot organisations offered a high degree of help and encouragement to the people who contacted them about the Saving Gateway. In fact it is doubtful whether some people would have opened an account without this help.

There were two main reasons for this. Some people were quite disengaged from financial services and needed reassurance to open an account with a bank. For example, one woman recounted a bad experience trying to open a bank account,

You feel like an idiot, you really do feel like you're totally dumb, you know, they belittle you because you haven't got a passport. You feel quite intimidated when you go in. And they ask you questions and you're not sure of the answers, so you're sort of like sitting there, dumbfounded. And they start -

that's it, they start chiselling away at you then, and you just think - you get frustrated and you just think 'Oh forget it' and you go, just leave.

She later contrasted this with her experience at the CFLI pilot when she went in to enquire about opening a Saving Gateway account.

Oh once I got in there, they were really friendly, it was really easy. But I mean they was asking me some questions and I didn't know the answers. Then they explained the same question to me a different way. You know, some questions took a couple of explanations, but then once I understood what they meant, then I could answer the question. But they don't do that in the banks or the building societies, they're not prepared to explain things to you. Whereas at [CFLI organisation], they did. They said to me 'you don't really know what we're talking about do you?' I said 'no'. So they explained it another way. They kept explaining it to me, and explaining to me, until I knew.

Indeed, earlier research has found that many people who have little engagement with mainstream financial services mistrust financial services providers, and feel that they are 'not for people like them' (Collard et al 2001). Among Saving Gateway participants, around four in ten (42 per cent) liked the fact that they did not have to deal directly with a bank or building society – reflecting the attitudes to banking reported in the previous chapter.

Others faced difficulties getting to the bank branch, either because they lived in a rural area and the pilot branch was some distance, or because they were disabled.

The importance of physical access was underlined in Hull, where over 85 per cent of people who opened a Saving Gateway account said that the ability to use a local bank branch was very or fairly important in their decision to do so.

It is often argued that lack of information about financial products and services can be a significant barrier to take-up, especially among those on the margins of financial services. For most Saving Gateway participants this was not an important issue; however nearly one in four (24 per cent) said that not knowing about other types of saving account was an important motivating factor in opening a Saving Gateway account. The depth interviews bore this out. As we discuss below, the main factor that led people to save informally rather than in a savings account was not lack of information but a belief that it is not worth opening one unless you have a significant amount to put in it.

4.3 Incentives to save

As we have just seen the pound-for-pound matched funding was a major attraction of the Saving Gateway for those who opened accounts. In the face-to-face interview survey, both participants and the reference group were asked how a range of saving incentives would influence their own decisions about saving, with a view to assessing them against the matched funding offered by the Saving Gateway. These included tax relief, interest rates, and access to loans as offered by credit unions and other savings and loans schemes. They were also asked what impact a rise in income and advice on money management would have on their propensity to save.

It was clear that matched funding would have the largest impact, with seven in ten Saving Gateway participants and half of the reference group saying that, if they had to choose, this would be the factor that would be most likely to increase their level of saving (Table 4.2). None of the other incentives would have much of an effect; nor would advice on money management. We look at these other incentives and then return to consider the issue of matched funding in more detail.

Table 4.2 Incentives to save

Column percentages

	CFLI pilots	Hull	All SG participants	Reference group
Government gave a pound for every pound saved	71	73	71	51
An increase in income	21	20	21	32
Higher rate of interest on saving	4	4	4	6
Tax relief on interest paid on savings	2	1	1	3
Savings gave access to cheap loans	1	*	1	3
Advice on managing money	1	1	1	3
Don't know	1	1	1	3
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey
** denotes less than 0.5%, but more than 0%*

4.3.1 Interest rates

People interviewed in the face-to-face survey at account opening were asked what impact a doubling of interest rates from 3 per cent to 6 per cent would have on their propensity to save (at the time of the interviews most savings account paid about 3 per cent interest).

The Saving Gateway participants were more likely than the reference group to say that this would encourage them to save a lot more; but even so this was only a minority of people (Table 4.3).

Table 4.3 Impact of higher interest rates on the propensity to save

Column percentages

	CFLI pilots	Hull	All SG participants	Reference group
Save a lot more	36	24	33	25
Save a little more	40	50	43	36
No difference	22	25	23	37
Don't know	2	1	2	2
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

Limitations on the effect of interest rate rises were illustrated by the people interviewed in depth. A number of them admitted to not knowing how to calculate the interest payable on an account as they did not understand how percentages work. Instead, they preferred the interest to be quoted as a specific sum of money.

> *When you're sort of thinking '1% over the year gross annum', you can't work it out. People like to see that it's five pound on three hundred… it needs to be clear like that.*

And one of the Muslim Bangladeshi women interviewed pointed out that her religion does not allow her either to pay or to receive interest. This undoubtedly played a part in the high take-up among Bangladeshi people in one of the pilot areas that we noted in Chapter 2.

4.3.2 Tax relief

Around two in ten Saving Gateway participants, and a similar proportion of the reference group said that they would save more if the interest on their savings was tax-free (Table 4.4). Again the depth interviews give us more insight into the possible impact of tax relief.

A minority of the people interviewed in depth said that tax relief might influence their decision regarding saving. All of these were 'rainy day savers' who liked to have money put by for emergencies, and all of them had savings accounts. They felt that they would need to have a sizeable amount to put into an account, though, to make it worthwhile opening one.

Only one of them had actually opened an ISA and she had deposited £2,000 from the sale of her home following her divorce. She had been recommended to do so by the accountant at her previous workplace. Another thought she might have an ISA, but as she knew so little about them she was not sure. Others had considered an ISA but not opened one. One felt that she would need to save at least £1,000 first; another said that she would only open one if she came into a lump sum.

Table 4.4 Impact of tax relief on interest on the propensity to save

Column percentages

	CFLI pilots	**Hull**	**All SG participants**	**Reference group**
Save a lot more	25	16	23	21
Save a little more	35	37	35	32
No difference	37	46	39	42
Don't know	4	1	3	5
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

The overwhelming majority of people interviewed in depth, however, said that tax relief would play no part at all in their decisions about whether to save or what type of account to open. There were three main reasons for this – mentioned by roughly equal numbers of people.

Some said that as they paid little or no tax they would not benefit in any way. Others said that they had so little to save that they would not gain much from tax relief.

> *It's pathetically small… it's such a small amount to the small saver it's negligible, it's like it's not there really.*

A third group said that it had no influence on their decisions, as they did not understand how tax relief worked. It is highly likely, though, that many of the others had little or no understanding either. A typical comment when people were asked about tax relief was '*What does that mean – tax relief?'*

One man, with a very modest amount in savings for his funeral, had only just realised that tax had to be paid on savings, but clearly thought that it was payable on the capital sum not on the interest.

> *I've only just realised that it's like the more money you save, the more money they're going to tax you. [But] if it's money you've earned, you've paid tax on it already.*

Not only did they not understand tax relief but several people found the whole issue of taxation 'boring'.

4.3.3 Access to loans

All the evidence suggests that the Saving Gateway is likely to appeal to a different, and probably larger, group of people than savings and loan schemes. Most people said that being able to gain access to cheaper loans was not likely either to encourage them to save more, and that was equally true of both the reference group and Saving Gateway participants (Table 4.5). That said, a minority (14 per cent in each case) indicated that they would be likely to save a lot more if their savings gave them access to cheaper loans.

Table 4.5 Impact of access to cheap loans on the propensity to save

Column percentages

	CFLI pilots	Hull	All SG participants	Reference group
Save a lot more	16	8	14	14
Save a little more	22	23	22	24
No difference	58	68	61	56
Don't know	4	1	3	5
Base	*753*	*277*	*1,030*	*445*

Source: Account-opening interview survey

Despite the fact that one of the pilot organisations operated a savings and loans scheme for its tenants, none of the Saving Gateway participants interviewed in depth in that area had opened an account with the scheme. And although credit unions operated in several of the pilot areas, the account-opening questionnaires showed that only 3 per cent of Saving Gateway participants had joined one. However, in one pilot area some 9 per cent of those opening a Saving Gateway account already had an account with a credit union.

A few people thought that they might be interested in saving with a credit union or local savings and loans scheme when they had been told about it by their local pilot organisation. Only two of the 30 people interviewed in depth, however, expressed a real interest and both of these were Muslims who said that they occasionally found it necessary to borrow.

4.3.41 Matched savings

As we have seen the pound-for-pound match was a major attraction of the Saving Gateway among participants. When described to them, this matching also proved to be an attractive proposition among the reference group, over half of whom (54 per cent) said that they would be very likely to open a Saving Gateway account if it were available to them; a further 35 per cent said that they might. In response to another question, six in ten of them (58 per cent) said that pound-for-pound matching would encourage them to save a lot more.

This is somewhat higher than the take-up of under 10 per cent in Hull, although there are reasons to believe that, if rolled out nationally, it might over-state the proportion likely to open an account. As we have seen, there was a good deal of suspicion even among those who chose to open a Saving Gateway account, many of whom thought that the offer sounded too good to be true. On the other hand, take-up in Hull was constrained by factors that were specific to the pilot. Potential participants in Hull received a letter inviting them to request further details of the Saving Gateway; there was then a limited period during which they could open the account. Moreover, unlike the CFLI areas, there was no local organisation in Hull to promote the scheme through the media.

A considerable number of the people interviewed in depth volunteered that they would still have been attracted to the Saving Gateway even if it the level of matching were lower than the current pound-for-pound. Almost all of these said that it would still be a very attractive proposition, even if the matching were only 50 pence for every pound saved. Just about all of them were rainy day savers.

Views of a reduced level of matching were also sought in the face-to-face survey at account opening. This showed that it would not have an adverse effect on the majority of people, but would dampen the enthusiasm of a minority. Nine in ten Saving Gateway participants (89 per cent) said that they would have opened an account even if the matching had been only 50 pence for every pound saved and eight in ten (78 per cent) said that they would have saved just as much money. Slightly more people in the Hull said that their level of saving would be unaffected by a reduced match (86 per cent) than was the case in the CFLI areas (76 per cent).

A lower match rate would dampen the enthusiasm of some of the reference group; reducing the proportion saying they would be very likely to open an account from 54 to 38 per cent, and increasing those who thought they might be quite likely to do so from 35 to 45 per cent.

A key question is whether it is the *level* of the matching that is important or its simplicity. The depth interviews suggest that both have a part to play. Most of the Saving Gateway participants interviewed in depth described the pound-for-pound matching as a 'huge incentive' 'that would encourage anybody to save' – including those who had no other savings accounts. Very similar views were expressed in other research among people who were potentially eligible for the Saving Gateway account (Collard et al, 2003).

However, echoing the fact that many people did not understand percentages, a number said that they found the pound-for-pound matched funding much easier to understand and, as a consequence, it encouraged them to save regularly.

> *It's absolutely brilliant. You know, I've often thought trekking over there [to the branch] I've often thought, 'Oh it's pouring with rain, it's freezing cold, I've got to get there and get back and get dinner ready'. But then I think 'Well I'm taking £25 but that actually means I'm saving £50.'*

4.4 Possible restrictions on accounts

As we have discussed in the introduction, savings schemes similar to the Saving Gateway exist in a number of other countries, but most have restrictions of one kind or another. These include a time limit before matched funds are made available – a restriction that also applies to the Saving Gateway; limited access to the funds saved as well as the limitations on access to matched funding that apply to the Saving Gateway; and, finally, restrictions on the ways that the money saved and its matching can be spent. Each of these was explored with the Saving Gateway participants we interviewed in depth.

4.4.1 Time limits

During the pilot, matched funding was made available at the end of 18 months, although accounts may run for longer if the Saving Gateway is rolled out nationally. The majority of people interviewed in depth were in favour of extending the period from 18 months, with three years being the most widely accepted time limit.

A minority of people, almost all of whom were rainy day savers, said they would still be attracted even if the period were five years. A similar number would not, however, be interested if the limit were longer than 18 months and these people were disproportionately non-savers currently. Most commonly they said that it was a strain to save while living on Income Support or Jobseeker's Allowance and they would find it difficult to sustain for more than 18 months (although an equal number of people in receipt of these two benefits were in favour of a longer period of saving). In addition, two men had limited life expectancies and said that they were not sure that they would still be alive in three years time.

4.4.2 Limited access

The majority of people were also in favour of not being able to access the money they had saved themselves until the end of the matching period[5]. This is, perhaps, rather less expected, especially as it comprised a wide cross section of people including those who had not previously been savers. Most said that they would actually prefer limited access to stop them being tempted to draw the money out before the matched funding was paid. In fact, as we note in the next chapter, there were remarkably few withdrawals from Saving Gateway accounts.

The minority who were not in favour of limited access had no other money in a savings account and said that they would need immediate access to their money in an emergency. Almost all of them were living on Income Support or Jobseeker's Allowance. Interestingly, though, most of them were in favour of time limits of more than 18 months.

4.4.3 Restrictions on use of money

A sizeable minority of the people interviewed in depth would still be attracted to save even if the matched savings scheme had restrictions on the use of the money. Some, however, said that they would want a higher level of matching as a trade-off. All mentioned education and training as the only restriction they would find acceptable. In some cases they would want the money for their own training; more commonly it was for their children's education. Indeed, half of the parents interviewed in depth said that they would be prepared to save in a matched saving scheme with this restriction.

The majority, however, would be deterred by such restrictions. There were three main reasons for this. Some people objected as a matter of principle.

> *To me if you're struggling with saving money and it's your own money I wouldn't like the thought of anyone telling me how to spend it, because again what is important to one person isn't important to another.*

Some people specifically said that the likely list (housing, education, business start-up) was inappropriate for people on a low income or who were older. Others said that they might change their mind and want the money from some other purpose. As we shall see in the following chapter, few Saving Gateway participants had used, or planned to use, their savings in these ways.

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[5] During the pilot, participants could withdraw the money they had saved themselves at any time, but could not access the matched funding until the end of the 18 months. They could not, however, pay in more than £25 a month so may not have been able to replace their withdrawn savings.

4.5 Opening the account

The account-opening process varied between the pilot sites. In Hull all accounts were opened at the designated Halifax Bank branch. Once they had decided they wanted to open an account most people telephoned the contact number to book an interview. These interviews were conducted face-to-face and lasted about half an hour. At busy periods, just after a batch of letters had been sent out to eligible people, applicants had to wait for an interview as they were all being carried out by one member of staff who worked full-time on the Saving Gateway. Several of the people interviewed in depth said that they had to wait about two weeks. A minority of people in Hull applied by post. These people were not interviewed in person. Despite occasional bottle-necks, the account-opening process in Hull was smooth and few problems were encountered. This is to the credit of the member of staff who kept calm and organised throughout.

At the other four locations, the CFLI pilot organisation played an important part in the application process. In all four, staff helped people with form-filling, with staff at two of them visiting people at home to complete the forms with them. Participants recruited by the CFLI pilots clearly received a lot of assistance at the time of account-opening. Seven in ten of them (71 per cent) said that they had received help with filling in the form. Hardly any of those living in Hull reported that they had been helped in this way.

It is not altogether clear what explains the differences in the level of assistance between Hull and the CFLI areas. It could be that, because of the method of recruitment, there were fewer people with literacy problems in Hull. Certainly around one CFLI applicant in every ten (9 per cent) was recorded as having received considerable help with filling in the self-completion questionnaire for the research, whilst a further quarter (27 per cent) received some assistance. On the other hand, the CFLI pilots were established specifically to help people to open accounts. The fact that only a minority of people were recorded as needing help with the self-completion questionnaire suggests that many of the people who were helped with the application form for the Saving Gateway account could have filled it in without any help.

In addition to assistance with form-filling, half of the participants in CFLI areas (54 per cent) said that they had been helped to open their Saving Gateway account. CFLI staff ensured that applicants had acceptable forms of identification to support their application[6]. At three sites, CFLI staff were trained by staff from the Halifax Bank to make identity checks under the money laundering regulations, although only two of these (both operating in rural areas) actually undertook the checks on behalf of the bank. In these two localities, account-opening interviews were carried out by pilot staff and not by Halifax Bank branch staff. The pilot organisation passed the completed applications, accompanying identity documents and money laundering declaration to their local Halifax Bank branch. As a consequence, the impact of the Saving Gateway on the workload of staff in the Halifax Bank branch was not great in either locality.

[6] To comply with money laundering regulations, two forms of identification are required to open an account: one identifying the person and the other verifying where they live.

In the other two localities (including one where staff had been trained to make identity checks) CFLI staff advised applicants on what forms of identity would be suitable and then referred them to the Halifax Bank branch for a short, ten to fifteen minute, interview during which branch staff undertook the identity check. This had a greater impact on the work of the Halifax Bank branch staff in one area than in the other. This branch was small, with limited interviewing facilities. It was also extremely busy. Added to which, this was the area where recruitment to the Saving Gateway got off to a rapid start and the branch staff struggled at first to meet the demand for interviews. Some of the people interviewed in depth reported having to wait a week or more for an interview. Things then settled down when it was agreed that staff in the pilot organisation would telephone to book interviews in pre-arranged slots. Things were easier in the other branch. Account-opening here got off to a slower start and although there was a big surge in applications towards the end of the recruitment period, by then the system for booking interviews was running smoothly.

On the whole, applicants interviewed in depth reported no major problems opening the account. On the contrary, many commented on how straightforward the process had been and how helpful both Halifax Bank branch and pilot organisation staff had been.

Apart from having to wait, a few people took inadequate identity documents to the branch interview and needed to return on another day. Branch staff, however, reported that such cases were very much the minority and easy to resolve (even in Hull where there was no pilot project to assist). Some people reported difficulty getting to the branch to open the account, and this was the reason why CFLI pilot staff in the two rural areas were trained to deal with identity checks so that they could see the whole application process through from beginning to end. This access problem was, however, magnified in the pilot as accounts could only be opened at one designated branch of the Halifax Bank in each area[7].

4.5.1 Opportunities for cross selling

As anticipated by them at the outset, the opportunities for Halifax Bank branch staff to sell other products to Saving Gateway applicants were limited even in the three localities where they interviewed applicants in person. The main reason for this in all three cases was that applicants had fairly limited needs by way of financial services. In fact, basic bank accounts (entry level accounts with no cheque book or credit facilities) were the most common additional product sold to applicants. These were mainly opened by people who were without a current account but who wanted to be able to make payments into their Saving Gateway account by standing order or direct debit. One pilot organisation, however, was generally promoting basic bank accounts to people who were unbanked.

Beyond this, other opportunities for cross-selling at the account-opening stage were few and far between and mainly involved either conventional current accounts or mortgages. Indeed Halifax Bank branch staff were able to remember each occasion.

[7] During the pilot, all accounts were operated manually and for this reason they could only be opened at one branch in each of the five pilot areas.

The largest number was in Hull where a number of the people interviewed in depth reported having their need for other products discussed at the interview. Even so, the member of staff who conducted all the interviews in Hull reported that only 12 people were sold other products and most of these people were account-switchers. Monitoring carried out by the Halifax Bank does, however, show slightly higher levels of cross selling in the longer term. And, as we note in Chapter 6, most participants retained a savings account with the Halifax Bank at the end of the pilot.

In addition to the Saving Gateway, the CFLI pilot organisations also offered participants a range of other types of help. The ones that participants reported having received most commonly were:
- Advice about saving generally (45 per cent)
- Advice about money management (33 per cent)
- Information about basic bank accounts (29 per cent)
- General information about banking and other financial services (29 per cent)

The CFLI pilot organisations either organised training courses on money management themselves, or they were able to refer participants to courses run by others. The take-up of these courses prior to opening a Saving Gateway account, however, was low (6 per cent). Staff in the CFLI pilots commented that take-up was low as the people attracted to the Saving Gateway seeming to be drawn from those who were fairly well-organised financially.

4.6 Summary

Although Saving Gateway accounts were promoted in a variety of ways by the pilot organisations, most people found out about the scheme through word-of-mouth or leaflets. In Hull, potential applicants were sent a letter inviting them to request further details about the scheme. Overwhelmingly, the main reason for opening an account was to take advantage of the financial incentive it offered – a pound for every pound saved - which was considered to be far more effective than other incentives to save, such as tax relief and interest rates or access to cheaper loans. Two things explained this: the relative generosity of the matched funding and its simplicity. A reduction in the match rate to 50 pence for each pound saved would dampen enthusiasm for the Saving Gateway among a minority of people.

The majority of participants were attracted to an extension of the Saving Gateway from 18 months to three years, but few would want it to be any longer before they could access the matched funding. A minority of poorer participants would find it difficult to avoid withdrawals if the period were longer than 18 months. Likewise, the majority of people were in favour of limitations on access to the money they saved themselves. There was much less enthusiasm for restrictions on how matched savings could be spent (which is the case for matched savings schemes in other countries).

On the whole, the account opening process ran fairly smoothly for all of those involved, with many participants being pleasantly surprised at the ease with which they were able to open a Saving Gateway account.

5. Saving in a Saving Gateway account

Levels of saving in the Saving Gateway have exceeded expectations, with a high proportion of people aspiring to save the maximum amount of £375 and many of these managing to do so.

A distinctive feature of participants' saving patterns is that, while the average monthly amount saved was around £16, participants seemed to be mostly divided into those who tried to save the maximum monthly amount of £25 and a much smaller group who saved nothing or very little beyond an initial deposit. This chapter also examines patterns of saving at an individual level, across different months. For example, did the same people save the same amounts from month to month or did patterns of saving change regularly? In fact, there appeared to be considerable diversity, coupled with strong continuities.

It also seems that the Saving Gateway encouraged genuinely new saving among participants. Most were finding the money they saved from their regular income. There was hardly any evidence that people had either borrowed the money or transferred it from other savings accounts.

Although electronic transfers into Saving Gateway accounts were surprisingly high, the most common method of making deposits was by cash or cheque in person at the branch. Account withdrawals were low and mostly made to meet day-to-day expenses. The chapter concludes by looking at how participants planned to use the money they had saved.

5.1 Initial deposits

There were wide variations in the amounts of money that people had deposited when they opened their Saving Gateway account. The most common amount, however, was £25 – the maximum sum that could be deposited in any one month (Table 5.1). A sizeable minority (20 per cent) had put in the minimum of £1. This was, however, largely concentrated among the participants recruited by the CFLI pilots – and in one area in particular, where in the early months of the pilot, participants were given the £1 to enable them to open an account. Taking this into account, 12 per cent of people had only deposited £1 of their own money initially.

Table 5.1 Initial deposits

Column percentages

	CFLI pilots	Hull	All SG participants
£1	25%	6%	20%
£2-24	35%	40%	36%
£25	39%	54%	43%
Don't know	1%	*	1%

Source: Account-opening interview survey
** denotes less than 0.5%, but more than 0%*

By far the most common method of raising the initial deposit was from regular income. Six in ten participants (61 per cent) had raised it in this way (Table 5.2). A minority (14 per cent) already had the cash saved up at home, and a similar number (11 per cent) had transferred the opening deposit from a current account. Particularly notable are the very small proportions of people who had transferred money from another savings account (two per cent) or had borrowed money from family or friends to raise the initial deposit (one per cent). No-one said that they had taken out a commercial loan.

Table 5.2 How initial deposits were raised

Column percentages

	CFLI pilots	Hull	All SG participants
Cash from income	60%	67%	61%
Cash already saved at home	15%	12%	14%
Cash in current account	11%	12%	11%
Given money by pilot orgn	10%	-	8%
Given money by relative/friend	2%	3%	2%
Transferred other savings	1%	4%	2%
Borrowed money	1%	*	1%
Other	3%	1%	3%

Source: Account-opening interview survey
Note: percentages do not total 100% as some participants raised money in more than one way
** denotes less than 0.5%, but more than 0%*
- denotes no respondents

On the whole there were few notable differences between the participants in Hull and the CFLI pilot areas, except that one in ten CFLI participants (10 per cent) had been given the opening deposit by the organisation promoting the pilot in one of the areas (Table 5.2).

5.2 Total amounts saved

The total amount saved by account-holders was just over £417,000 by the end of the pilot. There had been 21,626 payments into accounts totalling around £475,000 and 974 withdrawals totalling £58,000[8].

When they were interviewed shortly after they had opened their account, three quarters of participants (75 per cent) said that they aimed to save the maximum of £375. Across the scheme as a whole, the average balance was £282 - £278 in the CFLI pilot areas and £292 in Hull (Table 5.3). The median amount was £375, suggesting that the majority of participants had reached the maximum amount allowable.

Table 5.3 Total amounts saved (account balances at maturity)

Money amounts

	CFLI pilots	Hull	All SG participants
Mean	£278	£292	£282
Median	£370	£375	£375
Total saved	£308,046	£109,271	£417,317

Source: Account monitoring data

Further analysis by the date the account was opened (Table 5.4) confirmed this. Overall, half of participants (52 per cent) achieved the maximum amount of £375.

Analysis of the questionnaires completed by participants when their account matured shows a similar picture. Half of Saving Gateway participants (50 per cent) achieved a balance of £375 in their Saving Gateway account. Around one in five people (19 per cent) just fell short of the maximum amount, managing to save between £300 and £374. Around one in ten people (11 per cent) saved less than £100.

Small though these sums may seem to some readers, with the matched funding they represent a considerable increase in people's asset-holding. As described in Chapter 3, before they opened their Saving Gateway account, 56 per cent of participants had no money saved in a savings account, and a further 13 per cent had less than £200 put by. Only 17 per cent of them had more than £500 in savings.

Not surprisingly, people's ability to save was affected by a combination of their household and economic circumstances. As a result, several groups were less likely to have saved the maximum amount, namely: people with total household incomes of less than £100 a week; lone parents; and single people with no children. Looked at

[8] Details of account transfers have been a particular feature of the IDA evaluations in the United States (Schreiner et al 2002) and have generated some of the most influential results. It is highly unusual to have account data at this level of detail concerning low-income families. In this chapter we summarise some key data emerging from comparable information collected for Saving Gateway accounts.

another way, around half of the participants who saved less than £100 were single people with no children, and around three in ten were lone parents**.** A similar picture emerged in relation to housing tenure, with a higher proportion of owner occupiers (and particularly those who owned their home outright) reaching the maximum amount than was the case generally.

Table 5.4 Total amounts saved, by date the account was opened

Money amounts

Month	Average balance (mean)	Average balance (median)	Reached £375 during pilot (per cent)
2002			
Aug	£131	£11	29
Sept	£272	£355	47
Oct	£257	£346	48
Nov	£264	£346	45
Dec	£258	£351	44
2003			
Jan	£297	£375	57
Feb	£312	£375	57
Mar	£273	£375	54
April	£307	£375	52
May	£298	£375	54
June*	£247	£350	49
July*	£243	£358	29
Total	**£282**	**£375**	**52**

Source: Account monitoring data

* Accounts opened in June and July had starting dates backdated to May, though most did not make deposits to make up for the late start. They could still reach the maximum £375 by saving £25 for the duration of the account.

5.3 Regularity of saving

The account-opening interview survey showed that most people aimed to save regularly in their Saving Gateway account: 39 per cent of people said that they regularly paid money in by either standing order or direct debit. A further 38 per cent said that they regularly paid cash or cheques into their account.

Again it is interesting to contrast this with previous saving. Only 16 per cent of participants said that they had been saving regularly before they opened their Saving Gateway account. Of these 10 per cent had paid by standing order or direct debit; a further eight per cent had made regular deposits in cash or cheques. In other words, the Saving Gateway seems to have encouraged many more people to save regularly. Indeed, many participants who were interviewed in depth when their accounts matured said that the availability of matched funding had encouraged them to keep saving over the lifetime of the scheme.

The account monitoring data show that, on average, people had made a deposit in 71 per cent of the months that their account had been open (this compares with 48 per cent in the US ADD programme, which has been running for much longer).

It should, however, be noted that 16 per cent of the people opening an account had not made any deposits beyond the one made to open the account. As mentioned above, in one CFLI pilot area, participants recruited in the early months were given £1 to enable them to open an account. This was later discontinued as the pilot organisation felt that some people were not really interested in saving. The account monitoring data confirms that many of the people who had left their accounts dormant after the initial deposit lived in that area.

The depth interviews offer some other possible explanations for these apparently dormant accounts. They included two people who had misunderstood the rules on deposits. One woman had opened her account with £1 with the intention of asking relatives to give her money for her birthday, which she would pay in as a lump sum. The other was a man who regularly paid £25 into his Saving Gateway account, left it for a few days and then withdrew it. When he was told that he would only get matched funding for the maximum amount in his account at any one time, he had stopped saving altogether. Another young man initially paid in £20 in cash, but then didn't pay in any more money because he found it difficult to get to the branch.

5.4 Amounts being saved each month

The average net amount saved in each account, for each month opened, was £16.14. The amounts being saved were slightly higher in Hull (£16.78), than they were in the CFLI pilot areas (£15.93) (Table 5.5).

Taking £25 as the monthly maximum, account-holders were saving at around 65 per cent of the maximum. However, it is also possible to obtain the maximum matching funds by saving £20.83 for the 18 months (£25 x 15 months = £375 = £20.83 x 18 months). Saving Gateway account-holders were saving at around three-quarters (77 per cent) of this rate. This may be compared with a saving rate of 51 per cent of the maximum in the ADD scheme in the USA.

Table 5.5 Average net monthly savings by area

£ per month, percentages

	CFLI pilots	Hull	All SG participants
Mean	£15.93	£16.78	£16.14
Per cent of monthly max.	64%	67%	65%
Per cent of final max.	76%	81%	77%
N accounts	1,105	373	1,478

Source: Account monitoring data, corrected for transactions above £25 per month.

The average amounts saved per month in the earliest accounts were not very different from those opened more recently (Table 5.6), suggesting that people neither increased or decreased the amounts they saved over time. The small increase since the beginning of 2003 almost certainly reflects the higher than average saving in the Hull pilot area.

Table 5.6 Average (mean) net monthly deposit, by date the account was opened

£ per month

Month	Average deposit
2002	
Aug	£7
Sept	£15
Oct	£14
Nov	£15
Dec	£14
2003	
Jan	£17
Feb	£17
Mar	£15
April	£18
May*	£17

Source: Account monitoring data, corrected for transactions above £25 per month.
* Accounts opened in June and July had starting dates backdated to May, though most did not make deposits to make up for the late start. They could still reach the maximum £375 by saving £25 for the duration of the account.

The association between average amounts saved each month, and a range of individual characteristics, is shown in Table 5.7. Generally speaking, the average amounts being saved were relatively similar, perhaps surprisingly so, among different demographic groups.

The main differences were that:

- younger people in their twenties and especially their teens were saving lower amounts than those aged thirty or older;
- couples were saving more than single people; but the presence of children in a household had little effect;
- workers saved more than non-workers;
- owner-occupiers saved more than tenants;
- those on the lowest incomes saved least, with a weak link between a higher income and saving more (American studies of IDAs tend to find that, past a certain income, savings do not increase);
- those needing most assistance to complete the questionnaire were tending to save least. This may be indicative of the highest risks of social and/or financial exclusion among this group.

Table 5.7 Average net monthly savings by individual characteristics

£ per month

Characteristics	Mean	Median	N accounts
Age group (years)			
16-19	£11	£11	69
20-29	£14	£18	287
30-39	£16	£21	399
40-49	£17	£21	279
50+	£18	£22	279
Sex of account-holder			
Men	£16	£21	480
Women	£16	£21	838
Family type			
Single person	£15	£20	560
Lone parent	£15	£20	357
Couple without children	£20	£23	159
Couple with children	£18	£21	242
Economic activity			
Working full-time (30+ hours)	£18	£21	207
Working part-time	£18	£21	376
Unemployed	£13	£18	185
Looking after home/family	£14	£18	204
Unable to work (disability)	£16	£21	310
Housing tenure			
Own outright	£21	£23	89
Own with mortgage	£19	£21	268
Private tenant	£15	£21	136
LA/HA tenant	£15	£20	639
Living with parents	£16	£21	126
Other arrangement	£13	£19	56
Income			
Less than £100 pw	£14	£18	156
£100-£199 pw	£17	£21	230
£200-£299 pw	£17	£21	247
£300 or more pw	£19	£21	83
Questionnaire completion			
Applicant alone	£17	£21	555
Applicant with some assistance	£15	£20	216
Applicant with lots of help	£12	£14	78

Source: Account monitoring data linked to account-opening self-completion questionnaires

Those who already had a bank account for managing their money saved more (£17) than those who did not have one (£13) (Table 5.8). There was also a link with people's own assessment of their pattern of saving. Those who said that generally they "didn't save at all" were saving lower than average amounts (£14 each month), whilst those who generally put money away "for the long term" were saving the most (£19 each month).

Table 5.8 Average net monthly savings by previous saving characteristics

			£ per month
Characteristics	**Mean**	**Median**	**N accounts**
Whether already had an account for managing money			
Yes	£17	£21	992
No	£13	£17	315
Own approach to saving			
Don't really save at all	£14	£19	412
Put money away for no particular reason	£16	£21	100
Save up to buy things	£16	£21	623
Put money away for the long term	£19	£22	168

Source: Account monitoring data linked to account-opening self-completion questionnaires

It is interesting to compare the average amounts being saved in Saving Gateway accounts with the average sums people said that they had previously been saving in other accounts. Averaged across all Saving Gateway participants, previous regular monthly saving was just £8.85, compared with the average of £16.14 being paid into the Saving Gateway. So average monthly savings had doubled even if we assume that all the money people saved was being put into their Saving Gateway account. In practice many people have continued to save in other accounts as well, and this is explored in more detail in Chapter 6.

5.4.1 Distribution of amounts saved

The average amount saved each month is a poor guide to the distribution of actual amounts being saved by individuals – very few people saved around £16 per month, which was the overall average. Each month, the two most common amounts being saved were £25, and nothing. Over time, the amounts saved have tended to concentrate around these two points, with intermediate amounts being less commonly saved (Figure 5.1).

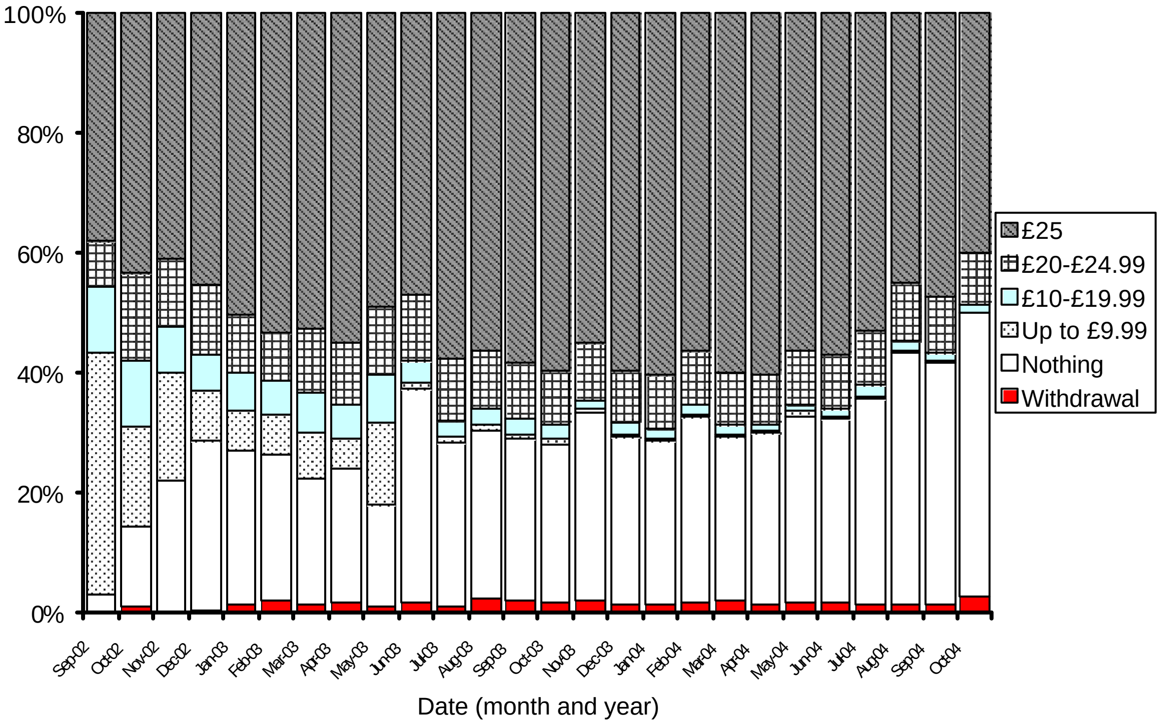
So in August 2004 46 per cent of people saved the maximum £25, whilst 42 per cent saved nothing. By August 2004 a number of accounts had already reached their maximum value (£375) so that some of the zeros are effectively enforced. This is why, in Figure 5.1, the proportion saving nothing appears to be rising towards the end of the period shown.

Most of the remainder, not saving zero or £25, saved at least £20, but less than the monthly maximum. This is confirmed by the account-opening interview survey, which showed that most people aspired to save £25 when they could. The qualitative research showed that, although this was their aspiration, they occasionally missed payments or paid in just short of £25. Few people routinely paid in amounts that were less than this.

This same pattern, with maximum and zero deposits dominating, was found in each Saving Gateway location. The higher average amounts saved in Hull, shown above, reflect higher than average proportions saving the maximum £25 and lower proportions saving nothing.

In the depth interviews carried out at maturity, participants generally considered £25 to be a reasonable monthly savings limit. Any higher, and some felt they would have struggled in order to try and reach the maximum monthly amount. A small number of people would have liked the flexibility to pay in more then £25 per month when they could.

Figure 5.1 Amounts saved each month, by those with open accounts [9]



5.4.2 Tracking individual accounts over time

We have noted above that deposits of either £25 or nothing at all are very common each month. But is it always the same people making these maximum and minimum amounts of saving? There are various ways of analysing this question. One simple approach is to look at the pattern of payments into accounts during the second, third and fourth months they were opened. This excludes the first month which may be untypical (and zero deposits are by definition not possible in the first month). Over these three months, the behaviour of saving or not saving gives rise to eight possible combinations. An additional month would double the number of combinations, so this seems a reasonable basis for analysis.

[9] That is, excluding the amounts saved by those opening their accounts in each month. By definition, those opening their accounts deposit a positive amount of money in that month.

These eight different 'routes' and their importance among savers are shown in Table 5.9. Just over half (51 per cent) had saved in their Saving Gateway account during all three months (in fact 33 per cent of account-holders saved the maximum £25 in each of these three months). This means that 49 per cent had at least one month when they did not make any savings. However, only 20 per cent overall had not saved in all of these three months. That leaves 29 per cent with a mix of saving, and not-saving, across months two, three and four of their Saving Gateway accounts.

All of the possible combinations were represented, showing a picture of some diversity. Other work by the authors has shown similar patterns of change among the general population, in terms of their saving behaviour year-to-year (McKay and Kempson, 2003).

Looking at some of the extremes, in eight per cent of accounts only one transaction was made – simply opening the account. This was less common in Hull (three per cent) than in the CFLI-backed pilots (ten per cent). Conversely for half of accounts (54 per cent) a transaction had been made in each of 15 or more months.

Table 5.9 Patterns of saving and not saving over months 2-4 of account lifetime

Column percentages

Month 2	Month 3	Month 4	Per cent
Save	Save	Save	51
Save	Save	0	4
Save	0	Save	4
Save	0	0	2
0	Save	Save	12
0	Save	0	4
0	0	Save	5
0	0	0	18

'0' means no saving made. N=1,478 Saving Gateway accounts.

The pattern of change over time may also be analysed by looking at each set of consecutive months (e.g. August-September, September-October, and so on). How is saving in one month associated with saving in the next? An analysis of this kind is shown in Table 5.10. This shows the amounts saved in each month, tabulated against the size of deposit made in the previous month. It indicates that there was continuity in the amounts individuals saved each month. So, of those saving £25 in a given month, 86 per cent saved £25 the following month whilst 10 per cent saved nothing and 4 per cent saved an amount of less than £25.

Conversely, 76 per cent of those saving nothing in any given month were also not saving the following month, although 18 per cent saved £25 the following month.

Table 5.10 Amounts saved in pairs of consecutive months

Column percentages

	Amount saved last month						
	Withdrawal	Nothing	£1 to £9.99	£10-£19.99	£20-£24.99	£25	All
Amount saved this month							
Withdrawal	17	2	3	3	2	1	2
Nothing	46	76	50	22	9	10	30
£1 to £9.99	3	1	12	4	*	*	1
£10 to £19.99	3	1	6	45	1	1	2
£20-£24.99	4	2	9	11	74	2	9
£25	28	18	20	16	14	86	56
Number of 'paired months'	391	6,500	639	725	2,285	13,298	23,838

Source: Account monitoring data
* denotes less than 0.5%, but more than 0%

It can also be seen from this table that, as indicated above, the maximum deposit of £25 seems to have been a target amount for a substantial proportion of Saving Gateway participants. Even where people had withdrawn money or paid nothing in one month, about one in five had deposited £25 the following month.

5.5 How did participants find the money to save in their accounts?

Using financial incentives to encourage people on low incomes to save carries the possible risk that they may either borrow money commercially or transfer money from existing saving accounts in order to access the matched funding. Overall, participants did not follow either course of action.

When they opened their Saving Gateway account, all participants were asked in the self-completion questionnaire how they intended to find the money to deposit in it. Nearly all of them (91 per cent) said they would find the money from their regular income. Only one person said they were going to take out a commercial loan and very few (five per cent) intended to transfer money from an existing savings account. There were no significant differences between participants in the CFLI areas and those in Hull.

Table 5.11 How did participants find the money to save in their accounts?

Column percentages

	CFLI pilots	Hull	All SG participants
From regular income	95	93	94
Transferred money from savings a/c	5	5	5
Given money by friend/family	5	3	5
Borrowed from friend/family	3	3	3
Borrowed commercially	*	-	*
In some other way	*	-	*
Unweighted base	*532*	*252*	*784*

Source: Self-completion questionnaire at account maturity
Note: Percentages do not total 100% as participants could give more than one answer
** denotes less than 0.5%, but more than 0%*
- denotes no respondents

It is clear from the self-completion questionnaires that participants filled in when their Saving Gateway account matured that most of them stuck to their initial intentions. More than nine in ten (94 per cent) found the money to save from their regular income (Table 5.11). Of these, 89 per cent *only* saved money from their regular income.

A small proportion of participants (five per cent) were given money by a friend or relative. A similar number transferred money from another savings account to their Saving Gateway account. In both cases, they often paid in money from their regular income as well. Very few participants borrowed money to save in their Saving Gateway account. Among those that did, only one person borrowed commercially, the rest borrowed from friends or family (Table 5.11). The extent to which people had borrowed or used other savings was explored further in the interview survey carried out shortly after account opening. Only two per cent of participants said that they had borrowed money; three per cent said that they had transferred money from another savings account.

In the first wave of depth interviews, shortly after account-opening, participants were asked how they were finding the money they were depositing in their Saving Gateway account. Their replies give an insight into the ways in which they raised the money.

Just under a third of them said that at least some of the money they had deposited in their Saving Gateway account they would have saved any way. Most were previously saving money informally – usually in the form of cash kept at home. In almost all these cases, the Saving Gateway had encouraged them to increase the amount they saved. It was notable that all these people were managing quite well on their income and that most of them had an earned income. They almost all tried to save £25 a month in their Saving Gateway account although they did not always manage to do so.

A slightly smaller group of people had not really saved previously but had been able to find money for their Saving Gateway account without too much difficulty. Again these people were all managing quite well financially and most of them had an earned income. They all tried to save regularly – putting between £10 and £25 a month into their Saving Gateway account.

A third group, accounting for a third of the people interviewed in depth, had had to cut back on expenditure in order to save. Most of these were people living on Income Support and they were either just getting by financially or they were struggling. Most commonly they had cut back spending on 'treats' such as going out for a drink, visits to fast food restaurants, and playing the lottery. As one person put it: '*just generally pulling in the reins*'.

Although some had committed themselves to saving £25 a month, others had a more chequered payment history, either missing months altogether or paying in varying amounts depending on how much money they could get together.

In line with the quantitative data discussed above, only two of the 30 people interviewed in depth were routinely borrowing to enable them to save in their Saving Gateway account. One young woman had set up a standing order to pay £10 a month into her Saving Gateway account – out of a weekly income of £36.28 a week after repayments on a Social Fund loan. As a consequence she was almost permanently overdrawn and her mother repaid her overdraft periodically. The other was a single man in his thirties with serious health problems. His friend lent him £25 a month to save with the Saving Gateway and they had agreed to divide the matched funding when the account matured.

5.6 Method of paying money in

The account monitoring data enables us to check whether deposits were made by a standing order or direct debit (and, if so, whether from Halifax Bank or another institution) or instead made in person by cash or cheque. Most people tended to use just one of these methods, with cash/cheque deposits tending to be the most common – especially in Hull (Table 5.12).

It is interesting to note that 40 per cent of people in total had made payments by electronic transfer – nearly two thirds of those with a bank account. This is considerably higher than might have been expected among a group of people at this income level, where cash payments tend to be far more common. Indeed the high level of payment by direct debit or standing order was commented upon by the Halifax staff interviewed.

People on low incomes tend to avoid direct debits because of the fear of inadvertently overdrawing the account without an authorised overdraft. In fact, more than a third of participants (37 per cent) agreed with the statement '*Direct payments into and out of a bank or building society account are too risky if you are on a low income*'.

The depth interviews carried out at account maturity indicated that several people had chosen to make deposits in cash because they were worried about incurring bank changes if they set up a direct debit and then did not have enough money to cover it. In fact, this had happened to one woman on two occasions and both times her bank had levied charges of £30, which meant that for two months she had been unable to deposit any money in her Saving Gateway account.

The proportion of people paying electronically was appreciably higher in the CFLI pilot areas (53 per cent) than it was in Hull (34 per cent). Yet current account-holding was more common in Hull. The depth interviews showed that in three of the CFLI areas, many people had substantial distances to travel to the Halifax Bank branch where they could pay money in. As a consequence, many had opted for electronic payments; in some cases opening a basic bank with the Halifax to enable them to do so. Many of these people were helped to open the bank account by CFLI staff. It is likely, therefore, that if the Saving Gateway were rolled out nationally the level of electronic payment might be lower than in the pilot.

Table 5.12 Method of paying money into Saving Gateway account, by area

Cell percentages

Method of paying in money*	**CFLI pilots**	**Hull**	**All SG participants**
In person (cash/cheque)	59	77	64
By account transfer (not Halifax account)	45	24	39
By account transfer (existing Halifax account)	9	11	9

Source: Account monitoring data
Note: some account-holders used more than one payment method, so percentages do not total 100%.

Underlying the preference for paying in cash was a feeling that participants were actively involved in saving if they physically took the money to the bank branch.

> *We like the idea… of seeing the money go in… I think it seemed like you were properly saving. It's a bit like years ago people used to put money in a tin and they could always look in that tin and see the money there. Here your taking the money from one bank and putting it in another one and you can see the book… You know you're saving then.*

In contrast, those who preferred direct debits liked the security of knowing that the payment was made automatically and they could not be tempted to spend the money.

The average amounts saved each month were higher among those using electronic payments, though the differences were not great. Those paying in cash or cheques were saving around £16 each month, compared with £20 for those using electronic means (Table 5.13). On the face of it, this seems to suggest that the people who paid money in personally were generally able to maintain a saving routine.

Table 5.13 Average net monthly savings by method of paying

£ per month

Method of paying in money*	**Mean**	**Median**	**N accounts**

In person (cash/cheque)	£16	£21	856
By account transfer (not Halifax account)	£20	£22	527
By account transfer (existing Halifax account)	£18	£23	124

Source: Account monitoring data

Note: some account-holders had used more than one payment method.

5.7 How easy was it for people to find the money to save?

On the whole, participants divided into those who said it was usually easy to find the money to save in their Saving Gateway account and those who sometimes found it difficult. One in ten participants said that they usually found it difficult to save. There was no significant difference between participants in the CFLI areas and those in Hull (Table 5.14).

Table 5.14 How easy was it for people to find the money to save?

Column percentages

	CFLI pilots	Hull	All SG participants
Usually easy	44	44	44
Sometimes difficult	40	45	41
Usually difficult	11	9	10
Can't say	5	3	4
Unweighted base	*537*	*252*	*789*

Source: Self-completion questionnaire at account maturity

As we would expect, economic factors had a significant impact on how easy people found it to save. In particular, participants who reported having household incomes of less than £100 per week were more likely to say that it was 'usually difficult' to find the money to save than those with higher incomes. The same was true of participants living in households with no-one in paid employment.

Credit use also seemed to have an effect on people's ability to save. Participants who had never used credit were more likely than credit users to say it was 'usually easy' to find the money to save. This was also the case among participants who had stopped using credit since they opened a Saving Gateway account. Conversely, people who had started using credit were over-represented among those who said it was 'usually difficult' to find the money to save.

A similar pattern emerged in relation to the number of types of credit people used. So, people who were using fewer types of credit than when they opened a Saving Gateway account were more likely to find it 'usually easy' to save than other participants. In contrast, people who were using *more* types of credit than when they opened their Saving Gateway account were more likely to say it was 'sometimes difficult' to find the money to save.

The depth interviews carried out with participants when their Saving Gateway accounts had matured provide insight into their ability to save over the course of the pilot.

A significant number of participants who were interviewed in depth reported difficulties in finding the money to save. As we saw in the analysis of the maturity self-completion survey, household income and household circumstances clearly had an impact on people's ability to save. As a consequence, people who had difficulties were more likely to be lone parents, people living in households with no earned income or where there were only part-time earnings, and people with a household income of less than £500 per month. How people saved in their Saving Gateway account also seemed to make a difference – those who paid by standing order or direct debit were less likely to report difficulties than those who usually paid in cash.

Most of the people interviewed in depth usually saved (or tried to save) £25 a month into their account. Only three people said they generally paid less (between £10 and £15 per month), and even then they had all experienced difficulties finding the money to save.

Not surprisingly, the maximum amount of money people finally saved in their Saving Gateway account was closely related to how easy it was to find the money. Almost all the people who said they had found it easy managed to reach the maximum amount of £375, compared with half of those who sometimes struggled to save.

5.7.1 Reasons why people had difficulty finding the money to save

The depth interviews showed that lumpy or unexpected expenditure was the most common reason why people had difficulty finding the money to save. Christmas, birthdays and school holidays were particularly tough times for families. Some participants were thrown off track by an unusually large bill or unexpected expense.

A small number of participants generally found it difficult to make ends meet. They tended to be on benefits or only working part-time. And saving into their Saving Gateway account stretched their limited budgets even further. In some cases, heavy credit use in the past had added to their problems.

Finally, two of the 28 people interviewed experienced changes significant drops in their income during the course of the pilot, which made it harder to find the money to save.

5.7.2 Impact of difficulties on saving patterns

The depth interviews indicate that most participants developed savings habits they were reluctant to break. As a result, the difficulties that people experienced finding the money to put into their accounts did not usually deter them from saving and, as mentioned above, around half managed to save the maximum amount of £375.

Overall, the participants who had difficulties finding the money to save fell into two groups of roughly equal size. The first group managed to carry on saving into their Saving Gateway account despite their difficulties, most often by cutting back on their household spending or budgeting more carefully. This was usually when they had lumpy or unexpected expenditure to cover. One woman, however, managed to keep saving despite a significant drop in income when she left work to have a baby. Another woman lost her job during the course of the pilot. In the few months she was unemployed her parents paid money into her account for her.

This group largely comprised lone parents and couples with children, and most had at least one part-time wage coming into their household. As a result, they were somewhat better off than the generality of people who experienced difficulties finding the money to save. Notably, all of them had also saved formally or informally prior to the Saving Gateway. They were divided about evenly into people who made deposits in cash and those who paid by direct debit. All but one of them managed to save £375 over the course of the pilot by saving £25 per month. One man regularly saved £10 by direct debit and had £180 in his account by the time it matured.

The second group comprised people who missed at least one deposit over the lifetime of the pilot. Again, this tended to be at times when they had lumpy or unexpected expenditure to meet. Two people, however, found it difficult to make ends meet most of the time. Unlike the first group, most of these participants were reliant on state benefits for their income. They included a mix of lone parents, single people without any children and one couple with children. Some had been savers prior to the Saving Gateway, others had not. All of them paid into their Saving Gateway accounts in cash, although one woman switched to automatic payments from her bank account (see below).

While some people in this group saved £25 per month, other paid in less – usually between £10 and £15 per month. Despite missing payments, most of them managed to maintain a routine of saving across the lifetime of the pilot. Indeed, two people borrowed money to achieve this - one woman withdrew cash using her credit card on two occasions to avoid missing any more deposits, and then set up a standing order for £25 per month. Another woman twice borrowed from her family. As a result, both only missed one month's deposit. Upon maturity, two people had £375 saved in their accounts, one had £350, and the rest had saved between £100 and £200.

One woman, however, only managed to make five deposits during the course of the pilot. Single and reliant on state benefits, she found it a struggle to save any money at all from her income and only deposited money given to her as cash presents. Consequently, the highest balance she achieved in her account was £126.

Two people fell outside these groups. One woman managed to make three cash deposits of £25 over the first six months her Saving Gateway account was open, but then stopped paying in altogether as she could not afford to both save and pay £50 per month towards the family holiday she had previously booked. Another woman usually paid £25 in cash into her Saving Gateway account but cut this back to £10 when she was short of money. The highest balance she achieved in her account was £175.

5.8 Withdrawals

The account monitoring data and the depth interviews show that very few people withdrew money from their Saving Gateway accounts before they matured.

As we have noted above there were 974 withdrawals over the lifetime of the Saving Gateway pilot. Many of these withdrawals were people correcting over-payments in the previous month. Making allowance for these payment 'corrections', on average only around one per cent of Saving Gateway participants made a withdrawal each month.

Moreover, the great majority (97 per cent) of participants said that they intended to leave all their money in the account until it matured; only one per cent anticipated making withdrawals in the future, the remaining two per cent said that they did not know. Again this was mirrored among the people interviewed in depth, the great majority of whom said at the outset that they would try to avoid withdrawing money at all costs, although some recognised that an emergency might come along that would thwart their intentions. A number said explicitly that the prospect of the pound for pound matching gave them the willpower not to withdraw any money. In other cases this was implicit in what they said.

> *If it's in there I will keep it in, because I know that it's doubling.*

> *This is the one saving that we've got and we want to make sure we see it through right to the end…It's a good start, a really good start.*

The depth interviews carried out at account maturity provide more information about the reasons for withdrawals. Only five of the 28 people who were interviewed had withdrawn money from their account, and all had sometimes experienced difficulties finding the money to save. Mirroring the quantitative survey referred to above, three people had taken money out of their Saving Gateway account because they had no other money to draw on. All three relied on state benefits for their income and had withdrawn money on two or three occasions. One woman had taken out £60 to pay for food for relatives who were visiting from abroad and £20 to pay a household bill. Another had withdrawn £50 to pay off bank charges and later on £20 for children's shoes. Both women continued to put money into their Saving Gateway accounts and saved £350 and £375 respectively. The third person was a single man in his 40s who had taken out £261 over the course of the pilot to buy presents for Christmas (£89) and birthdays (£86) and to have his washing machine repaired (£86). As a result, he finished the pilot with around £150 in his account.

A fourth participant had taken out money on two occasions - £50 for Christmas presents and £60 to buy something for himself – even though he had money in his current account that he could have used instead. He achieved a maximum balance of £200 in his Saving Gateway account. Finally, one woman had misunderstood the rules of the scheme at the outset, and withdrawn money on around 10 separate occasions to pay for things for her children, thinking she could make up the money later on. She stopped taking money out once she realised that this was not possible, and finished with £175 saved in her account.

5.9 How people intended to use the money they had saved

The Saving Gateway is unlike other matched savings schemes, which restrict how the money can be spent. Money saved in American IDA accounts can only be spent on a limited number of asset-acquisition purposes, including house purchase, setting up in business or covering the costs of education or training. Similar restrictions apply to similar accounts in Canada, while the Australian *Saver Plus* initiative restricts spending to education purposes only – although this is interpreted widely and over half of *Saver Plus* participants intended buying computers or computer accessories for their children and three in ten to buy either books or school uniforms (Russell and Fredline, 2004).

According to the account maturity self-completion survey, two thirds (67 per cent) of Saving Gateway participants said they intended to continue to save some or all of the money in their account (Table 5.15). Four in ten people (41 per cent) said they were going to keep at least some of the money for 'a rainy day'. We look at people's savings behaviour post-Saving Gateway in more detail in the next chapter.

Table 5.15 How people intended to use the money they had saved

Column percentages

	CFLI pilots	Hull	All SG participants
Spend all the money	21	28	23
Spend some, save some	46	45	46
Save all the money	22	19	21
Can't say	12	8	11
Unweighted base	*537*	*525*	*789*
Keep for a rainy day/emergency	43	33	41
Buy something for self	13	10	12
Holiday	18	17	18
Day-to-day expenses/pay bills	21	9	18
Pay for retirement/older age	6	5	6
Buy something for home	17	21	18
Buy something for children	12	16	13
Special occasion (e.g. wedding)	7	12	8
Use for children's education	7	7	7
Something else	7	5	6
Unweighted base	*525*	*250*	*775*

Source: Self-completion questionnaire at account maturity
Note: Percentages for the bottom part of the table do not total 100% as respondents could give more than one answer

People's plans for spending the money they had saved focused on going on holiday, paying for day-to-day expenses or bills, and buying things for their home and their children (Table 5.15). Very few people said they would use the money for their children's education (seven per cent) or for their retirement (six per cent), possibly because the maximum amount they were able to save was relatively small. The most common plans among those who mentioned ‘something else’ were to pay for training or education for themselves and to pay off money owed to creditors.

The depth interviews indicate that, once their accounts had matured and they had received their matched funding, participants fell into two main groups of similar size with regard to how they planned to use their savings. The first group left their savings (including the matched funding) in their Saving Gateway account. Most of them had managed to save the maximum amount of £375. While some had no immediate plans for the money, most had earmarked it for a specific purpose, including holidays, buying a car and paying for Christmas.

The second group had spent some of their Saving Gateway savings shortly after receiving the matched funding and saved the rest. While some people had spent almost all the money they had saved, leaving a small sum in the account to keep it open, others (who were all rainy day savers by nature) had done the opposite. The most common items that people spent their savings on were presents, clothes and treats for their children; holidays or day trips; and home improvements. A few people had earmarked their remaining savings for a purpose – two people to pay for Christmas, one to buy a car and one for home improvements. People’s saving intentions beyond the Saving Gateway are explored in detail in the next chapter.

Just two people spent all their savings straight away - one to pay for her car insurance, the other to help set up a small business.

5.10 Summary

The total amount saved by Saving Gateway account-holders over the course of the pilot was just over £417,000. Across the scheme as a whole, the average balance in people’s accounts was £282. A high proportion of participants aspired to save the maximum amount of £375 and half achieved this goal. With the matched funding, these savings represent a considerable increase in people’s asset-holding. Indeed, before they opened their Saving Gateway account, 56 per cent had no money saved at all.

The scheme also seems to have encouraged more people to save regularly. Only 17 per cent of participants said that they had been saving regularly before they opened their Saving Gateway account. In contrast, 39 per cent of people said they regularly paid money into their Saving Gateway account by standing order or direct debit and a further 38 per cent regularly paid cash or cheques into their account.

The average net amount saved in each account, for each month opened, was £16.14. The average amounts being saved were relatively similar among different demographic groups.
The main differences were that younger people were saving lower amounts than those aged thirty or older; couples were saving more than single people; but the presence of children in a household had little effect; workers saved more than non-workers; owner-occupiers saved more than tenants; those on the lowest incomes saved least.

Each month, the two most common amounts being saved were £25 and nothing. There was also continuity in the amounts that people saved each month. Of those saving £25 in a given month, 86 per cent saved £25 the following month whilst 10 per cent saved nothing and 4 per cent saved an amount of less than £25. Conversely, 76 per cent of those saving nothing in any given month were also not saving the following month, while 18 per cent had saved £25 the following month. It was notable that the maximum deposit of £25 seemed to be a target amount for many participants. So where people had withdrawn money or paid nothing in one month, about one in five deposited £25 the following month.

The great majority of participants found the money to save from their regular income. Only around five per cent ever transferred money from another savings account into their Saving Gateway account. Very few participants (no more than two or three per cent) ever borrowed to save. Around four in ten participants felt that it was usually easy to find the money to save. A similar proportion said that it was sometimes difficult to find the money to put into their account. One in ten usually found it difficult to save.

Not surprisingly, the ease with which people found the money to save was linked to their financial situation, so that participants with low household incomes were more likely to say that it was 'usually difficult' to find the money to save than those with higher incomes. The same was true of participants living in households with no-one in paid employment. Credit use also seemed to have an impact.

The most common reason why people had difficulty finding the money to save was lumpy or unexpected expenditure such as paying for Christmas, family birthdays, an unusually large bill or an unexpected expense. While some people were able to carry on saving by cutting back on spending or budgeting more tightly, others sometimes missed making deposits because they did not have the money. Hardly anyone cut back the amount they saved, again suggesting that people generally had a target savings amount that they aspired to reach each month.

The majority of participants wanted to avoid withdrawing money from their Saving Gateway account at all costs. Consequently, very few people withdrew money during the course of the pilot and most did so because they had no other money to draw on.

Two-thirds of Saving Gateway participants said they intended to save some or all of the money in their account. Four in ten said they were going to keep at least some of the money for a 'rainy day'. Once their accounts had matured and they had received their matched saving, the most common items that people spent their money on were presents, clothes and treats for their children, holidays or day trips, and home improvements.

6 The impact of Saving Gateway

In this final chapter we consider how far the Saving Gateway has altered the behaviour of those who held accounts. Having had accounts for the full 18 months to maturity, we investigate whether participants are saving more or less, how their borrowing may have changed, and their attitudes towards saving more generally. There are several different methods that may be used to look at changes of this type. In this study three different approaches are used.

First, we asked people in detail about their experiences, and how they thought that the programme had affected them. This involved asking them about any changes they believe have occurred as a result of the Saving Gateway. In the context of a long interview it was possible to probe these responses in some detail, and not take answers at face value.

The second approach we used was to compare participant's answers at different points in time. We collected information from people when they originally opened accounts (a self-completion questionnaire), then a few months later (a face-to-face interview), and again at account maturity (a telephone interview and another self-completion questionnaire). We have also attempted to collect information in various ways after account maturity. This means it was possible to compare savings behaviour before and after the Saving Gateway. This provides some evidence of change over time that may be attributed to the Saving Gateway.

The third approach we have used counters criticism of the second approach: namely that the behaviour or attitudes of participants might have changed without the Saving Gateway. To check on this possibility we recruited a group of people who very much resembled Saving Gateway participants, but who did not have the opportunity of opening accounts. The saving attitudes and behaviour of the 'reference group' were analysed to identify whether any changes took place over the duration of the Saving Gateway accounts. If so, this would qualify our ability to attribute change among the participants to the effect of the Saving Gateway pilot.

For both participants and the reference group we have information about their attitudes and behaviour from two different surveys; one conducted at the beginning of the Saving Gateway, the other at the end. We can, therefore, compare *differences* in the *changes* to attitudes and behaviour across the two groups.[10]

The chapter concludes by assessing whether participants' saving patterns have endured beyond the life of the Saving Gateway. To do this we have investigated the saving behaviour of a sample of participants whose accounts had matured more than three months previously.

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[10] This is essentially the 'differences-in-differences' methodology, and represents a powerful design when, as here, true experimental methods are not possible.

Throughout, we have woven in the experiences of the people interviewed in depth.

6.1 Overall impact of the Saving Gateway

Those asked directly about the impact of their Saving Gateway account tended to think it had positive benefits. Whilst many reported being equivocal, a high proportion of participants said that they felt more in charge of their life and, in particular, felt more secure financially (Table 6.1).

Table 6.1 Thinking about the impact that the Saving Gateway has had upon you personally, how much do you agree or disagree with each of the following statements?

Row percentages

	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	Base
I feel more in control of my own life	15	24	50	6	4	739
I feel more financially secure	19	41	29	8	2	747
I am more likely to plan for my retirement	8	24	44	16	7	711

Source: Maturity self-completion survey

The depth interviews carried out after accounts had matured show that most of the people who felt more 'in control' or 'financially secure' had not been regular savers before opening their Saving Gateway account. The Saving Gateway had shown these people how to be more self-reliant through planning ahead financially.

> *It's made me feel more self-reliant… It has opened my eyes to the fact that I've got to try to help myself to save a little bit. I've got to you know, I've got to try. And there is definite satisfaction when you do make that effort… that yes even when things are the worst, I can still make the effort to look after myself and not lean on the state or other people all the time.*

Indeed, a sizeable minority felt that participating in the Saving Gateway had improved their money management skills. This included learning to budget:

> *It's made me more organised with my money, because with my bills and stuff it made me realise that it is good to know what goes in and what is coming out of my account, it is good to know if I will be in credit or overdrawn at the end of the month, so it has made me budget better, it has made me think about my money a lot more, whereas before I wasn't in control with what was going on with my money as I should have been.*

and keeping a closer eye on their spending.

> *It's changed my financial habits so I'm not spending as much I've got saving in mind so when I try to withdraw some money I think about saving, I'll say, 'Oh I won't spend that money because I don't really need to' and I put it aside for like, you know for putting into a savings account. So it's changed my personal habits of saving.*

A small number of the people who said that their money management skills had improved had opened their account in a CFLI area where money management training was offered. Most of them had taken up this opportunity and all but one of them felt the training had been of benefit.

> *It helped really a lot, they showed me how to save, how to like clear my debt and everything, They helped me how to draw up a chart, you know, the income and expenditure form. It really helped. I have yes, I've tried to follow it as close as I can and it's like really benefited. It was much better than before because otherwise money was everywhere. Like I couldn't tie up everything together. It really helped.*

Participating in the Saving Gateway had also helped many who had not previously saved regularly to plan ahead and to see the benefits of having money set aside for unexpected emergencies.

> *It's made life a little more tolerable because I know I've got it, in the back of my mind now, I know I have got that little bit there if I desperately need it. Which I didn't have before… I would have been more worried about any unplanned for expense before. That would have been in the back of my mind all the time... Well now I know that I've got a bit more money to cover it.*

A significant minority (32 per cent) of all participants also said that they were more likely to plan for their retirement as a result of participating in the Saving Gateway (see Table 6.1).

> *It's given me the encouragement to save for my future because I never used to. I never thought about my future. I just used to take it for like each day by day. If I had it I had it. Now I know I've got that little bit extra each month that I'm putting away that I know that I'm going to alright when I get older.*

6.2 Changes in attitudes to saving

It is also possible to track general attitudes to saving over time, to compare attitudes at the end of the Saving Gateway process with those at account-opening.

This provides quite strong evidence of changing attitudes to saving. Just looking at those who provided data at both points in time, at account-opening 31 per cent of participants said they didn't save at all, whereas this had fallen to 18 per cent by account maturity (Table 6.2). The other three approaches to saving each become more popular - those putting money away for the long term (+5 percentage points), or for no particular reason (+4), or saving up to buy specific things (+3).

Table 6.2 also shows the transitions made between different approaches to saving over the course of the pilot. Most (66 per cent) of those who had originally described themselves as not saving at all now had a different approach to saving, often saving up to buy particular items (40 per cent of this group).

Table 6.2 Comparison of Saving Gateway participants' approach to saving, at account opening and at account maturity

Column percentages

	Approach towards saving <u>at account opening</u>				
	I don't really save at all	I tend to put money away for no particular reason	I save up to buy things I want or need	I tend to put money away for the long term	All
Approach towards saving <u>at account maturity</u>					
I don't really save at all	34	20	12	7	18
I tend to put money away for no particular reason	8	35	10	12	12
I save up to buy things I want or need	40	33	67	27	50
I tend to put money away for the long term	18	13	12	53	19
All (row percentages)	31	8	47	14	100

Source: Maturity self-completion and account-opening self-completion surveys for those providing both questionnaires

A slightly different question was included in the telephone interview survey, but this also shows a definite shift in attitudes among Saving Gateway participants (Table 6.3).

Taking those who originally described themselves as 'non-savers', three in ten had become 'rainy day' savers and nearly half 'saved to spend'. Among the people who had originally 'saved to spend', four in ten had started to save for a rainy day.

> *We now realise the importance of saving for a rainy day or emergency. It's savings so you've got something to fall back on … It's definitely made a difference. Because we don't have so much stress you see.*

> *I'm not saving up for anything specific. In other words, I save for something that I might want, but it's not directed at something specific. I like to have a certain amount put aside, not for anything specific. I would now feel insecure were I to have no savings of any kind.*

This change of saving behaviour is very likely to be the result of having had a Saving Gateway account – but could it be a reflection of more general changes in attitudes towards saving in the low-income population as a whole? One means of analysing this question is to compare the changes in responses made to similar savings questions, by those in the reference group as well as by Saving Gateway participants. This change in attitudes towards saving – an increased propensity for participants to describe themselves as savers – did not take place to the same extent among the reference group.

Analysis of replies to the telephone survey shows that shifts in attitude were more marked among Saving Gateway participants than in the reference group (Table 6.3). For instance, among those who said they 'never saved anything at all' at the first interview (just after account-opening), only 17 per cent of Saving Gateway participants still said this when they were re-contacted at account maturity, while three in ten of them (31 per cent) said they were 'rainy day' savers. By contrast, among the reference group about twice the proportion (34 per cent) were still 'non-savers' and far fewer (19 per cent) had started to save for a 'rainy day'.

Among the Saving Gateway participants who had 'saved to spend' at the first interview, four in ten (41 per cent) had converted to 'rainy day' saving, compared with a third (33 per cent) of the reference group. At the same time, some 15 per cent of the reference group had become non-savers, compared with only 3 per cent of Saving Gateway participants (Table 6.3).

This indicates that the Saving Gateway had persuaded more people to start to save for a rainy day. It also seems to have reinforced that behaviour for people who were already 'rainy day' savers. Seven in ten (68 per cent) of the Saving Gateway 'rainy day' savers continued to save for this reason, compared with under half (45 per cent) of the reference group (Table 6.3).

Similar patterns of change may be found in attitudes to saving, asked about in slightly different ways elsewhere in the two surveys. Respondents were asked how far they agreed with statements that 'I am a saver, not a spender' and 'I always make sure I have money for a rainy day'. In each case Saving Gateway participants were more likely than the reference group to have changed to a more pro-saving answer, though the reference group did also become slightly more pro-saving over the same period.

Table 6.3 Comparison of Saving Gateway participants' approach to saving, at account opening and at account maturity

Column percentages

	Approach taken towards saving at first interview		
	I never save anything at all	I save up to buy things I want or need, but don't put money away for a rainy day	I put money into savings for a rainy day
Approach towards saving at second interview			
(a) SG group			
I never save anything at all	17	3	5
I save up to buy things I want or need, but don't put money away for a rainy day	46	56	27
I put money into savings for a rainy day	31	41	68
Don't know	5	1	1
(b) Reference group			
I never save anything at all	34	15	10
I save up to buy things I want or need, but don't put money away for a rainy day	46	52	45
I put money into savings for a rainy day	19	33	45
Don't know	*	1	*

Source: Account-opening interview survey plus follow-up telephone survey

6.3 Impact on saving in other accounts

As discussed in Chapter 3, some Saving Gateway participants had other savings accounts, and could potentially have been saving towards the matched funding at the expense of saving into these other accounts. If so, the amounts put into the Saving Gateway do not represent purely additional saving, but partly a substitution from one form of saving into another. By the time of maturity, two thirds (66 per cent) had other savings accounts of one kind or another. Of this number, just over half had been saving money into them after opening their Saving Gateway account, with most (58 per cent) continuing to save about the same amount as they had done previously. A quarter (25 per cent) of those still saving admitted they saved less than before.
The depth interviews showed that some people reduced their level of saving in other accounts as a result of a change in their circumstances that caused a drop in their income. Others stopped because they had become over-stretched when they also began saving regularly with the Saving Gateway.

An additional 11 per cent of Saving Gateway participants had opened new savings accounts between the beginning and end of their Saving Gateway account. As shown in Table 6.4, this most often comprised new Individual Savings Accounts (ISAs, +7 percentage points) or straightforward deposit accounts (+6 percentage points).

Table 6.4 Trends in account-holding by Saving Gateway participants

Column percentages

	At account-opening	At account maturity	Change (percentage points)
Bank/bldg soc deposit account	41	47	+6
ISA	15	22	+7
Post office account	5	6	+1
Credit union account	3	4	+1
Other accounts	4	6	+2
Any of these savings accounts	55	66	+11

Source: Maturity and account-opening self-completion questionnaire surveys
Base: Saving Gateway sample completing both questionnaires

6.4 Impact on informal saving

There is also evidence that the Saving Gateway has encouraged people to put money they previously saved up either in cash or in a current account into a savings account.

Before opening a Saving Gateway account, six in ten (58 per cent) participants had saved money informally – in jars or other containers at home. After opening their account, this had fallen to 35 per cent.

The depth interviews showed clearly that this money was, instead, paid into their Saving Gateway account. And by doing so, people avoided the temptation to spend it.

> *[informal saving is] not controlled enough it's much better to have the account. Because when you have the jar you are spending it all the time, saving all the time but spending it all the time.*

Others had previously saved money by letting it accumulate in a current account. Again these people had diverted the money into the Saving Gateway.

> *I think if it was just the current account savings I think I would have been going into that to use for the food or petrol and things like that, I think it would just get squandered off in that amount, but with actually going to the Saving Gateway account, you know the money has gone, you've taken it away so you don't think about it.*

6.5 Impact on borrowing

The extent of indebtedness has risen significantly over recent years, as a fairly constant proportion of borrowers have taken on higher levels of credit. This is, at least partly, a response to lower *costs* of credit in the form of lower and perhaps more stable interest rates.

Saving Gateway participants were less likely than the reference group to think that debt was inevitable. By the second interview, 52 per cent of the Saving Gateway group agreed that debt was inevitable, compared with 71 per cent of the reference group.

Table 6.5 Changes in attitude to borrowing

Column percentages

	Approach taken towards debt at first interview		
	Agrees that debt is inevitable	Neither agrees nor disagrees	Disagrees that debt is inevitable
Approach towards debt at second interview			
(a) SG participants			
Agrees that debt is inevitable	68	..	19
Neither agrees nor disagrees	5	..	6
Disagrees that debt is inevitable	27	..	75
(b) Reference group			
Agrees that debt is inevitable	87	..	18
Neither agrees nor disagrees	3	..	8
Disagrees that debt is inevitable	9	..	76

Source: Account-opening interview survey plus follow-up telephone survey
Base: All interviewed in both surveys
.. *Numbers too small for analysis*

Over time there was a tendency for some of those who agreed with this statement to change their mind, with the attitudes of Saving Gateway participants hardening more than those of the reference group. So, more than a quarter (27 per cent) of the Saving Gateway participants who originally agreed with the statement that '*it is inevitable that you will get into debt nowadays*' later disagreed with it, compared with only 9 per cent of the reference group (Table 6.5). However, among those who originally disagreed that debt was inevitable, changes were just as frequent among participants as they were among the reference group.

Different types of borrowing were tracked in the self-completion surveys carried out at account opening and at maturity. Despite the general change indicating a less fatalistic attitude towards debt, participants were actually using a wider range of methods of borrowing money at the end of the Saving Gateway than they had before opening their accounts (Table 6.6). To some extent, this reflected a move towards more mainstream forms of borrowing – the use of credit cards had increased to the greatest extent, and use of mail order and HP increased the least. The use of credit may also indicate greater inclusion within the financial sector. However, there was also an increase in the proportions borrowing from friends, and this may reflect the opportunity for a relatively prompt return of such loans through the availability of the matching funds provided on account maturity.

Table 6.6 Trends in types of credit used by Saving Gateway participants

Column percentages

	At account-opening	At account maturity	Change (percentage points)
Credit cards	24	33	+9
Mail order	21	22	+1
Overdraft	11	16	+5
Loan from friend/relative	6	11	+5
Hire purchase	6	8	+2
Store cards	8	11	+3
Commercial loan	7	10	+3

Source: Maturity and account-opening self-completion questionnaire surveys
Base: Saving Gateway sample completing both questionnaires

At the follow-up telephone survey both participants and the reference group were asked which loans they had taken out after January 2003. This was to capture more recent behaviour by both groups, rather than the 'stock' of existing debt. Overall the reference group was more likely to have taken out a loan – 24 per cent had done so, compared with 16 per cent of the Saving Gateway participants (Table 6.7). The two groups were just as likely to have taken out a personal loan, but the reference group was more likely to have used doorstep lenders and the Social Fund. Interestingly some of the Saving Gateway participants had clearly moved into full-time education, as two per cent had taken out a loan from the Student Loan Company.

Table 6.7 Trends in types of credit recently – products taken out since January 2003

Column percentages

	SG account-holders	Reference group
Personal loan	10	11
Doorstep lender cash loan	1	7
Credit union loan	1	3
Social Fund loan	3	7
Student loan	2	0
No loans taken out	84	76
1 loans	12	20
2 or more loans	4	4

Source: Telephone survey at account maturity

6.6 Has the Saving Gateway increased levels of savings?

People with Saving Gateway accounts were more likely to have achieved a positive savings balance in their other savings accounts over the course of their account than the reference group. The reference group appeared (if anything) to be running down any savings they had.

As shown in Table 6.8, the proportion of Saving Gateway participants with a balance in other accounts increased very slightly, whilst for the reference group the numbers actually fell slightly. The numbers are too similar to make much of any change. What we can see is that there is no evidence that the Saving Gateway account contributed to a diminution of the level of savings held elsewhere in deposit accounts.

Table 6.8 Changes in levels of savings

Column percentages

	Positive money balance in savings account(s) – first interview	Positive money balance in savings account(s) – second interview
Saving Gateway participants	45	47
Reference group	43	38

Source: Account-opening interview survey plus follow-up telephone survey
Base: All interviewed in both surveys

6.7 Future saving intentions

As we saw in the previous chapter, most Saving Gateway participants were planning to save at least some of the money they had saved in the Saving Gateway. Overall the responses to the self-completion account at maturity suggested that:

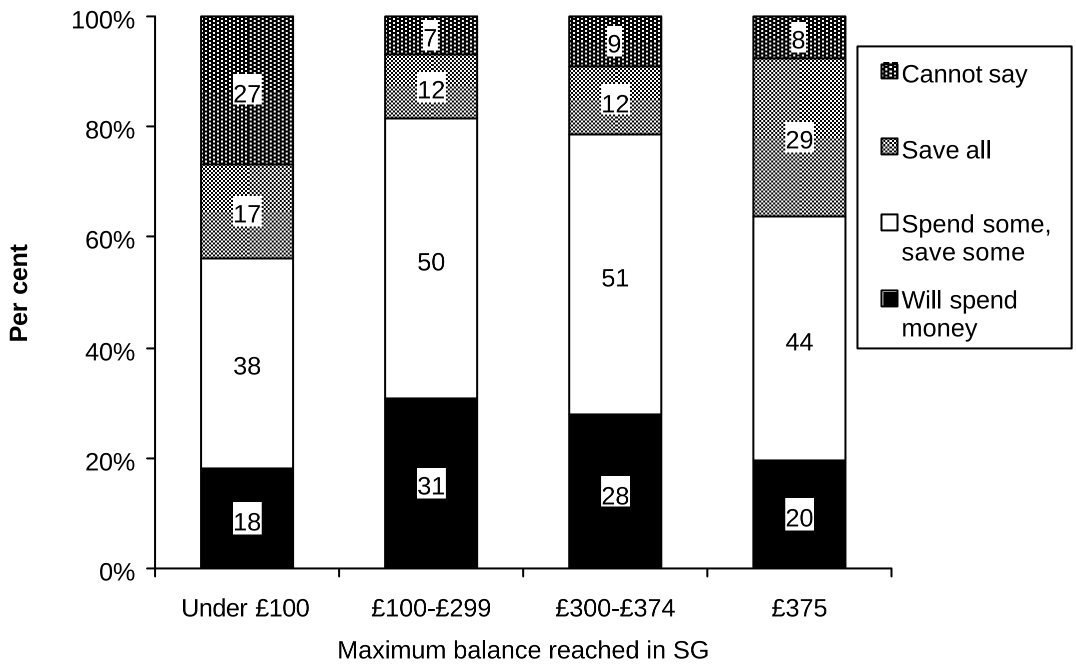
- Two in ten (21 per cent) planned to save all the money.
- Approaching half (46 per cent) planned a mix of spending and saving.

- About two in ten (23 per cent) planned to spend all the money (or had done so).
- One in ten (10 per cent) were unsure what they would do with the money.

The proportion of people that intended to retain at least some of their money in savings varied with the amounts that they had succeeded in saving in the Saving Gateway. So three quarters (73 per cent) of those who had saved the maximum amount of £375 planned to save at least some of their matched savings, with three in ten planning to save all of it (Figure 6.1).

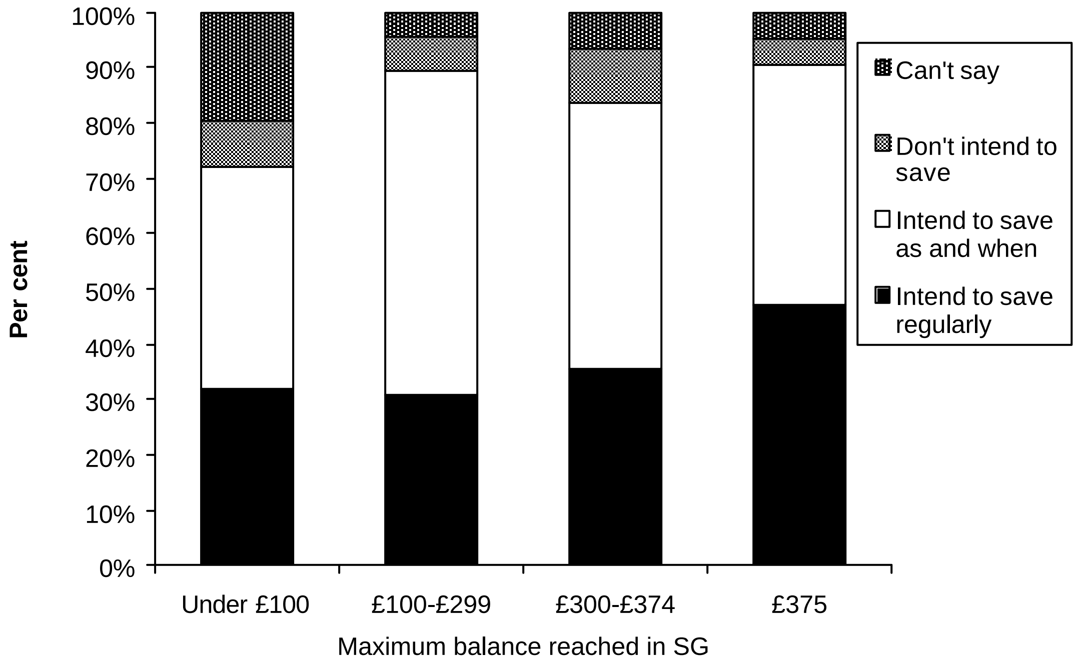
At the other extreme, just over half (55 per cent) of the people who had succeeded in saving less than £100 over the lifetime of the Saving Gateway intended to retain at least part of the matched money. Fewer than two in ten (17 per cent) had plans to save it all (Figure 6.1).

Figure 6.1 Uses of Saving Gateway savings, by highest Saving Gateway balance achieved



Source: Maturity self-completion survey

Figure 6.2 Future savings intentions, by highest Saving Gateway balance achieved



Source: Maturity self-completion survey

When asked at maturity, four in ten (40 per cent) of Saving Gateway participants said that they intended to continue to save regularly, whilst another five in ten (47 per cent) said they would save as and when they could. Only six per cent did not intend to save at all, although a similar proportion was unable to say.

This optimism about future saving was high across all Saving Gateway participants, almost regardless of the amounts they had managed to save in the Saving Gateway. However, those who had saved the maximum amount in their Saving Gateway accounts were the ones most likely to expect to continue saving regularly. People who had saved the smallest amounts were less likely than others to anticipate continuing to save (Figure 6.2).

6.8 Post-maturity: Has the Saving Gateway had a long-term effect on saving?

Three or more months after maturity, more than nine in ten Saving Gateway participants (91 per cent) still had a savings account of some kind and four in ten participants (41 per cent) were still saving fairly regularly[11].

[11] Within the timetable for the research it was possible to investigate a total of 559 accounts matured at least 3 months previously. This was done using a combination of data. HBoS had records of the 335 people who had retained a Liquid Gold account, the amounts they had in it and full details of all deposits or withdrawals made since maturity. A telephone survey was undertaken for the remaining 224 people, to identify what they had done with the money they had saved in the Saving Gateway and their patters of saving since. It proved possible to trace and interview 124 of them; the remainder could not be traced. This information has been supplemented by 20 depth interviews held with people whose account had matured three or more months previously.

At the end of the Saving Gateway, participants with money left in their account were free to switch it to another account, either with the Halifax Bank of Scotland (HBOS)[12] or with another provider. All were sent leaflets about other options offered by HBOS, including details of ISAs. If participants did not choose to switch their money to another account, it was transferred to a Liquid Gold deposit account with HBOS by default.

In practice, the majority of Saving Gateway participants (60 per cent) had retained their money in an HBOS Liquid Gold account. About one in ten people (11 per cent) had opened a new account with HBOS and transferred their money into it. In many cases this was an ISA. A further two in ten (20 per cent) had transferred their money into an account with another provider. On the whole, the people who had transferred their money to another account were more likely still to be regular savers.

6.8.1 People retaining a Liquid Gold account with HBOS

As we note above, at the end of the Saving Gateway most people left at least some of their money in a Liquid Gold account with HBOS. The depth interviews show that in most cases this had occurred by default, as people had not read the literature that was sent to them and consequently did not realise that they could have transferred the money to another account. Others were aware that they could switch but inertia meant that they left the money where it was. A minority had withdrawn most of the money they had saved but left a small amount in the account to keep it open, with the intention of adding to it again in future.

Monitoring data from HBOS shows that, three or more months past maturity, people who had retained a Liquid Gold account still had an average of £319 saved in it. But the amounts varied widely. Three in ten of these account-holders (28 per cent) had less than £10 left in the account – people who the depth interviews showed were leaving a small sum in to keep the account open. On the other hand, two in ten (20 per cent) of Liquid Gold account-holders had more than £750 in their account – the maximum matched amount in the Saving Gateway. In the depth interviews these people were all saving to have a financial cushion.

The monitoring data also shows that, in the three months since maturity, seven in ten (71 per cent) people had saved nothing further into their Liquid Gold account. The remaining three in ten people (29 per cent) had made 5.3 deposits, on average, and had saved a further £500 into their accounts. The actual amount deposited varied, but even so most of them (19 per cent of all Liquid Gold account-holders) were continuing to save at least as much as they had during the Saving Gateway pilot.

The depth interviews shed further light on deposit behaviour. People who were still saving in their Liquid Gold accounts had all saved the maximum amount in the Saving Gateway and had plans to continue saving regularly in the foreseeable future.

[12] During the Saving Gateway Halifax Bank merged with the Bank of Scotland to become HBOS plc.

Among the people who no longer saved into their account, some had reverted to saving informally – in most cases into a current account. They had done this for two main reasons: they either did not realise that they could continue to save in their account after the end of the Saving Gateway, or they wanted easy access to any money they managed to save in future.

> *Yes, we sort of just kept the saving going, but more or less in our own home account, so that we could access that money as and when, rather than have this money that we daren't touch. We just kept our money saved in our current account. And then as and when we did need it, like when the school trip came up the other week and we had to find £80, the money was the there, straight away.*

They had no plans to resume saving into their Liquid Gold account – largely because there was no incentive to do so with the ending of matched funding.

> *Well, since it's matured I haven't bothered to put any money in … I've gone back to my old ways …..The main reason I saved was because they were matching pound for pound and you're thinking oh yeah that's a good incentive. So at the moment you think oh no I'll just spend the money on whatever.*

Other Liquid Gold account-holders had stopped saving altogether. In most instances this was because their financial circumstances had made it difficult for them to save, even during the Saving Gateway. A minority of them planned to resume saving after they had met the expense of Christmas (the interviews took place during November); the rest had no plans to do so.

Although many of the people who had retained a Liquid Gold account had transferred only part of the money they had saved in the Saving Gateway and withdrawn the rest, most (62 per cent) had made no further withdrawals and a further 16 per cent had made only one. Only one in ten (10 per cent) had made four or more withdrawals. The average total amount withdrawn by those who had taken money out of their accounts was £608.

Bringing this analysis together, the two most common patterns of activity were no transactions on the account at all (58 per cent of people had neither deposited nor withdrawn any money since maturity) and a mixture of deposits and withdrawals (24 per cent of people). A minority of people were running down the money in their account (13 per cent) and an even smaller number were steadily adding to it and not taking anything out (5 per cent).

Liquid Gold account-holders held mixed views of the impact of the Saving Gateway. All of the people who had continued to save post maturity attributed this to the discipline of making regular deposits during the Saving Gateway.

> *It's more of a routine now. It's more set in stone so to speak. You know, it's more, it's a definite thing. Whereas before it wasn't always definite it's what I had.*

Indeed, even some of those who were unable to save at present said that they had been made aware of the value of saving as a result of participating in the Saving Gateway.

> *It made me feel more secure and I didn't feel so panicky. Before I would panic if I thought something was going wrong because I knew there was always money there to pay it.*

Others, however, had only found the discipline to save when offered the incentive of matched funding.

6.8.2 People who had switched to another account

People who had decided to switch their money to another account appeared to be more active savers than those who had left their Saving Gateway savings in a Liquid Gold account. The depth interviews showed that they had often chosen to move to an account that offered both a higher rate of interest and more limited access to the money they saved. They had been made aware of other possible accounts by leaflets they had been sent by HBOS, even if they had opened one with another provider. Indeed, two of the people interviewed in depth said that they would never have considered saving in an ISA before participating in the Saving Gateway.

On average the 'account-switchers' had £693 into their Saving Gateway accounts, including the matched funding. Almost seven in ten of them (69 per cent) had paid all the money they had saved in the Saving Gateway into the new account. The remainder were split evenly between those who had saved some of their Saving Gateway money but spent the rest and those who had taken all of the money out of their Saving Gateway account but had since saved more money.

On average 'account-switchers' still had £340 of their Saving Gateway savings left. There was, however, quite a wide variation in the amounts remaining. A third of them (34 per cent) had nothing at all left; while a similar number (36 per cent) still had at least £500.

In fact three quarters of the 'account switchers' (77 per cent) said that they had continued to save into a bank or building society account and a small number (7 per cent) said that they saved in some other way (mostly cash at home). The average amount they had saved since the end of the Saving Gateway was £340. The amounts saved by half of them varied month to month; the remainder made regular payments into their account, with the overwhelming majority of them paying in at least £25 a month.

A further one in ten of the 'switchers' (11 per cent) said that they expected to resume saving in the foreseeable future, although none had concrete plans to do so. Only a small number of them said either that they did not expect to save again or that they did not know whether they would be likely to do so (5 per cent). There were three main reasons why these people had stopped saving: a change in their circumstances; because there was less of an incentive to save without matched funding, and the fact that they had just not got round to it.

In view of these findings, it is not entirely surprising to find that this group of people were enthusiastic about the effect that the Saving Gateway had had on them. Two thirds (64 per cent) said that taking part in the Saving Gateway had led them to save more money, with three in ten (30 per cent) saying that they had saved a lot more. Moreover, a similar proportion (68 per cent) said that the Saving Gateway has had a lasting effect, increasing the amount that they saved.

6.8.3 People who no longer had money in a savings account

As we note above, only a minority of people (9 per cent) no longer had any money in a savings account, having drawn out the money saved in the Saving Gateway and put nothing into a savings account since.

On average they had slightly less in their Saving Gateway at maturity than the 'account switchers' (£572 after matching) and the majority (eight in ten of them[13]) had spent it all. A small number of them had transferred all the money they had saved into a current account. And an equally small number were continuing to save – but not in a savings account.

There was a range of reasons why most of them had stopped saving, with the most common one being that they had struggled to save during the Saving Gateway. For example a lone parent had used her credit card on two occasions to pay money into her Saving Gateway account and had also had to make two withdrawals totalling £80 for day-to-day living expenses. Even so, when the Saving Gateway matured she had managed to save £350. She then had to withdraw £350 of her £700 matched savings to clear her overdraft and spent £50 on food as she had no money in her current account. The remainder was transferred to her current account as she anticipated further emergencies cropping up.

> *I thought if I [just] cleared the overdraft then I would have nothing left in the account, it would be like zero but when the benefits start coming in it would build up but with expenses as well it would soon go in the red again so I thought I'd put all the money[in my current account].*

Others had had a change in circumstance which made it difficult for them to continue saving once the Saving Gateway had ended.

The remainder had either stopped because there was less incentive without the matched funding, or said that there was no real reason.

Unsurprisingly, most (around seven in ten) did not feel that the Saving Gateway had led to them saving more money. About half said that participating in the Saving Gateway had had no lasting effect on their saving behaviour; the other half thought that they might start to save again in the foreseeable future.

[13] As the base for this group is only 30 we have given these figures as proportions rather than firm percentages.

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Appendix 1: Technical details

In this Appendix we provide some more details about the Saving Gateway programme and each phase of the research, bringing together all the main elements used in the evaluation. The evaluation combined evidence from an unusually wide range of sources, including surveys, in-depth interviews, and data relating to saving accounts.

People who had opened Saving Gateway accounts provided a great deal of information, on several occasions. Additionally, we recruited a group of people living in low income households outside of the pilot areas. This group would have been eligible for Saving Gateway accounts if they had lived in the pilot areas. This 'reference group' provides a means of checking whether changes happening to account-holders are part of a wider pattern, or instead restricted to account holders. This is useful in highlighting those changes that may be attributed to the programme, rather than to wider changes to the economy or policy in other areas (such as new tax credits which increased incomes for many low income families).

Background

The pilot Saving Gateway operated in five locations across England. Each was in relatively disadvantaged local authorities (in the 20 per cent most deprived). In four places it was operated alongside a programme known as the Community Finance and Learning Initiative (CFLI), established through the Department for Education and Skills (DfES). In the fifth area eligible people were instead contacted by post with details of the account. The Halifax Bank (now Halifax Bank of Scotland, HBOS) was the provider of accounts for all participants during the Saving Gateway pilot.

The four Saving Gateway locations where CFLI was also running were:

- Bethnal Green, East London, operated by Toynbee Hall.
- Cambridge (and surrounding areas), though Cambridge Housing Society (part of People for Action, PfA).
- Cumbria, through Impact Housing Association (also PfA).
- Gorton, Manchester, implemented by Places for People.

The fifth pilot area was Hull.

The CFLI organisations were responsible for recruiting people to the Saving Gateway. Each organisation had strong links with their local communities, often working in partnership with other parts of the voluntary sector. They had wider CFLI responsibilities, including raising levels of financial literacy, and providing information about setting up in business. In Hull, the Department for Work and Pensions (DWP) wrote to a sample of people whose benefit and tax credit records meant they were (almost certainly) eligible to open a Saving Gateway account. This letter offered them the chance to request further details, including the forms needed to open an account.

People living in these five pilot areas were eligible to open a Saving Gateway account if they were of working age (between 16 and 65 years of age for men, or between 16 and 60 for women) and met one of the following conditions.

(a) They were in work receiving low earnings that would entitle them to Working Tax Credit[14].
(b) They were not in paid work but were receiving Jobseeker's Allowance (JSA), Income Support, or Incapacity Benefit (or residual Severe Disablement Allowance).

Pilot Saving Gateway accounts had to be opened with at least £1, and people could save a maximum of £25 each calendar month. Only one account was allowed per person (although couples could open one account each, if both qualified). There was also a total account limit of £375 – which would be reached within 15 months if someone saved the maximum £25 each month, or by someone saving a monthly average of £20.83 for the whole 18 months. Otherwise the accounts operated like other savings accounts. Deposits could be made in person, or by cheque or standing order. Each person had a passbook into which details of in-person transactions were made at the time, and which could be updated to show details of electronic transactions.

Withdrawals were allowed subject to at least £1 remaining in the account until maturity. HM Treasury posted statements to participants each quarter. These recorded not only deposits and withdrawals, but also the level of matching contribution achieved up to that time. When the account matured the Government added a matching contribution, at the rate of £1 for £1, for the highest balance attained during the lifetime of the account. The maximum was therefore £375. Some local marketing efforts by the CFLI organisations emphasised that this was 'double your money', or £2 saved for the price of £1.

The first Saving Gateway accounts were opened in late August 2002 and the last in July 2003. However, accounts opened after 31 May 2003 were treated as starting from this date. Accounts therefore matured in 2004 between February and November.

Evaluation

The evaluation of the Saving Gateway pilot was designed to gain practical understanding of the operation of a savings account for lower income groups. There were a number of key elements to the Saving Gateway evaluation. These were as follows.

Account monitoring data

Each month the financial provider, Halifax, sent PFRC details of the transactions that people had carried out on their accounts, if any. These regular spreadsheets listed the

[14] Working Tax Credit was introduced towards the end of the account-opening period of the pilot. So to be eligible to open an account people who were in work had to have earnings of £11,000 per year, or less or, if they had either children or a disability, household earnings of £15,000 per year, or less.

deposits and withdrawals that people made each calendar month, showing the date, amount, and type of transaction. Data was extracted from these spreadsheets and incorporated into a statistical system for analysis.

The analysis of account data of this kind has been a particularly strong feature of the evaluations of Individual Development Accounts in the USA. This data is particularly useful because it provides extremely accurate data on saving behaviour, which doesn't rely on people's recall of their own saving (or having to check documents). The data is also based on a 100 per cent return, so there is no need to adjust for non-response.

This work generated a database with well over 20,000 individual transactions relating to the 1,478 accounts. A number of accounts had only a single transaction (the initial opening balance) whilst for other accounts ultimately there were over 90 separate transactions during the 18 month period of the account.

Surveys with account holders and a reference group
Quantitative information was collected from account holders in four main ways during the pilot. In chronological order these were:

(a) A four-page self-completion questionnaire, requested of everyone who opened an account by the local pilot organisation. This was posted out with the Saving Gateway literature in Hull.
(b) Face-to-face interviews with account-holders, generally taking place in their homes.
(c) Telephone interviews with account-holders, held at around the time of account maturity - a little earlier where possible, later where contact took longer.
(d) A four-page self-completion questionnaire, which was mailed to Saving Gateway account-holders just after account maturity.

A reference group (or comparison group) was recruited which shared many of the characteristics of the Saving Gateway account-holders. They were selected to be eligible for Saving Gateway accounts, and lived in areas adjacent to the pilots. Analysis of this reference group provides a means of checking whether changes occurring among account holders are also happening among those with similar characteristics. Data collection for the reference group mirrored two elements of that among account-holders, elements (b) and (c) above. It was, however, more difficult to secure their co-operation than for account holders since they understandably saw less direct benefit in the research.

The first set of self-completion questionnaires were presented to those opening accounts, either by the CFLI provider or as part of the documentation posted out in Hull. It was explained from the beginning that research was a central part of the pilot Saving Gateway, and it was possible for questionnaires to be handed in direct to Halifax (in Hull) or to the CFLI providers. Levels of co-operation were very high, and over 95 per cent of account-holders completed this questionnaire. The pilot sites were able to assist with the completion of questionnaires, for those who had language difficulties, and if so this was recorded as part of the data collection process.

Face to face interviews took place with 1,030 account-holders and 445 members of the reference group that we recruited. Interviews lasted around 30 minutes, on average, slightly longer for the account holders for whom there were specific questions. In the analysis, the account-holders interviewed were weighted to be representative of all account-holders. Response rates were generally high (70 per cent of possible interviews), but were somewhat lower in London. The reference group was weighted to more nearly resemble the account-holders, to act as the best possible point of comparison. This latter set of weights (calibration weights as they are more formally known) was based on achieving the same marginal distributions as account-holders by housing tenure, gender, age group, economic activity, whether living with a partner, and receipt of Income Support, Incapacity Benefit and Working Families' Tax Credit.

Follow-up interviews were held with 539 account-holders and 126 members of the reference group, with the aim of conducting most by telephone. Only those taking part in the face to face survey were approached. The questionnaire was essentially a subset of that used for the first survey, with more pertinent questions for Saving Gateway account holders about the progress of their saving. The interview took about 20 minutes on average. Owing to problems with phone numbers and people moving, in fact 30 of the interviews with account-holders and 86 of those with the reference group were conducted face to face. There was a fair degree of movement by respondents between interviews, and changes of telephone details. The data was weighted to account for attrition between the two waves, in addition to the weights applied at the first survey.

A final four page self-completion was posted out to account-holders at around the time of account maturity. A total of 801 account-holders returned this questionnaire (54 per cent of all accounts). This data was weighted by both location and the average monthly amount being saved into the Saving Gateway account. Response rates were lowest among those who were likely to achieve a smaller than average final balance. Rates of responding were also lower in Cumbria, (where more young, mobile respondents had accounts) and especially in London, than elsewhere.

Depth interviews with account holders
In addition to the quantitative data collected from surveys, we conducted depth interviews using a qualitative approach.

Depth interviews were held with 30 account-holders held soon after account-opening. These interviews carried out in three Saving Gateway Locations; Hull, Bethnal Green and Cambridge. A similar number of qualitative interviews were also conducted, in the same locations, at the time of account maturity.

Interviews with organisations delivering Saving Gateway
Research staff conducted interviews with staff in the four pilot organisations, and with staff from the Halifax Bank.

Post-maturity research
A number of smaller scale data collection activities took place with account-holders whose accounts had matured, and the results appear in Chapter 6 of this report. It was possible to talk to a number of account-holders whose account had matured several months earlier, at the time of contact. This group, who had received their matching funds a few months earlier, are of particular interest. They would have had time to

decide how much they would continue to save, and if so, how (into what type of account).

Towards the end of the research evaluation period (February 2005) we were able to look at some 559 accounts that had received their matching funds more than three months' previously. A number of different kinds of data were collected.

First, some account monitoring and other data was available for Halifax saving products. Mostly this was transactions relating to the default post-SG account, and whether they had other Halifax products. Second, to look at alternative possibilities, a telephone survey was also conducted, taking place with 124 account-holders who had not transferred money to the default Halifax deposit account three months after account maturity. This data was weighted by area, as response rates had proved to be lower than average in Hull and Bethnal Green.

We also conducted 20 in-depth interviews, which were held at least three months after respondents' accounts had matured.