

Working Paper

THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN PROMOTING FINANCIAL INCLUSION

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1 Review of the literature on financial providers of CSR in Europe in the field of financial inclusion

1.1 Background of CSR in the EU

As a part of the Lisbon Agenda, the Commission issued a 2001 Green Paper (Commission of the European communities, 2001) and a 2002 Communication on CSR (Commission of the European communities, 2002).

In October 2002, the Commission launched the EU Multi Stakeholder Forum on CSR.

A second communication (Commission of the European communities, 2006) was published on 22 March 2006.

Following the 2006 Communication, the Parliament decided to adopt a resolution (European Parliament, 2007) on CSR.

1.2 Definition of CSR in the EU

The Green paper (Commission of the European communities, 2001) defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”

The European Parliament “recognises the Commission definition that CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations; believes that CSR policies should be promoted on their own merits and should represent neither a substitute for appropriate regulation in relevant fields, nor a covert approach to introducing such legislation (European Parliament, 2007).

1.3 The role of CSR in financial and social inclusion

According to the Commission, “financial institutions can play a particular role through community investing, which consists of direct investments in projects benefiting specific communities or constituencies, especially in economically disadvantaged areas. These investments usually take the form of loans for low- cost housing ventures or deposits in community development banks either at or below market rates.

Similarly, recognising that access at affordable prices for everyone to services of general economic interest is at the heart of the European model of society, some companies endeavour to ensure such access as part of their social responsibility where it is not guaranteed by legislation, for example regarding basic banking services. Furthermore, ETUC (European Trade Union Confederation) and CEEP (European Centre of Enterprises with public participation and of enterprises of general economic interest) made a joint proposal for a Charter for Services of General Interest in June 2000 (Commission of the European communities, 2001).

In this Charter, a service of general interest is defined as “a service created, organised or regulated by a public authority to ensure that the service is supplied in the manner which it considers necessary to satisfy society’s needs. Among services of general interest, services of general

economic interest are services which are traded but which fulfil general interest tasks and are consequently subjected by public authorities to specific obligations” (ETUC/CEEP, 2000).

The European Parliament “notes that the variety of voluntary CSR initiatives could be perceived as an obstacle to the adoption of CSR policies as well as a disincentive for companies to pursue more credible CSR actions or more ambitious CSR policies, though it could be argued that such variety provides companies with further inspiration; calls on the Commission to encourage the dissemination of good practices resulting from voluntary CSR initiatives; believes that the Commission should also consider establishing a list of criteria for enterprises to respect if they claim to be responsible; (...)

Believes that the EU debate on CSR has approached the point where emphasis should be shifted from 'processes' to 'outcomes', leading to a measurable and transparent contribution from business in combating social exclusion and environmental degradation in Europe and around the world; (...)

Points out that CSR should tackle new areas such as lifelong learning, the organisation of work, equal opportunities, social inclusion, sustainable development and ethics, so as to operate as an additional instrument for managing industrial change and restructuring (European Parliament, 2007).

2 Description of the different CSR initiatives to promote financial inclusion

Introduction

With the liberalisation of markets, the increased competition may result in less attention to marginal market segments. Furthermore, levelling the regulation of different banking/financial institutions generally resulted in the disappearance of types of financial institutions which traditionally served low-income people. These two factors accentuate the difficulties to access to financial services.

This main evolution can meet other currents, depending on the financial service considered and the maturity (level of use of financial services within the consumer's habits) and structure of the market (with or without sub-prime or illegal or saving/mutual/cooperative actors, Postal bank,...).

In a market with a very high level of competition, some actors are looking for new “niches” to develop competitive advantages. In this kind of environment, some public initially regarded as particularly at risk, and consequently not served by mainstream providers, may look for financial solutions. If these publics can build their own solutions (Credit Union), they can also approach, if they exist, sub-prime providers. In other countries, this unsatisfied demand may become a social and political issue which may lead to self-regulation or law in order to invite / oblige mainstream providers to confront it.

To summarise, we can say that financial inclusion is about:

- access (current bank account / credit / saving / insurance)
- use (current bank account / credit / saving / insurance), often related to the design/adequacy of the product to the need

The above mentioned problems (often interrelated) may be a good target for CSR initiatives. Indeed, investing these fields may bring benefits at different levels:

- image;
- staff motivation;
- new market;

- new products.

However, as the country reports illustrate, a diversity of initiatives are taken by financial institutions to combat financial exclusion.

Many banks already embrace corporate social responsibility, make generous donations and send volunteers to local community organisations. The next step is for corporate social responsibility to have an impact on the way banks do business. Finally, the financial sector adopts in this field voluntary charters and codes of practice.

The Existing initiatives of the financial sector are depicted below for each one of the 4 areas of financial services according to the categories of approaches to financial exclusion developed in the overview paper : the provision of financial services by niche providers, the development of services by mainstream that are targeted on niche markets and the self regulation by the sector.

2.1 Banking (i.e. transactions) exclusion

Concerning access and use of a transaction bank account and basic banking services, it may be observed that the response given by the industry is more based on an adjustment of their work practices than on outsourcing of their responsibility to local community organizations.

2.1.1 Provision of financial services by niche providers

In Austria, there is an example of a bank which finances and sends volunteers to a non-profit initiative, named “the Second saving bank”, which is a non-profit-bank initiated and financed by the “The first Austrian Spar-Casse privat foundation”. With the liberalisation of markets, the increased competition may result in less attention to marginal market segments. The “Second saving bank” offers a credit account which is limited to three years and which has no possibility for overdrawing. This is a great offer especially for people who got into financial distress and therefore have no access to financial services. The reason for the limitation is that the offer is not supposed to be a permanent solution, but a basis for a permanent regulated bank relationship later on. The “Second saving bank” is administrated by voluntary and retired employees of the “First Bank” in cooperation with welfare associations like Caritas and debt counseling services.

Since 2006, in the UK, a small number of credit unions offer a basic bank account that is linked to the bank clearing system and bill-payment services. Co-operative Bank has supported the development of this basic bank account for credit unions and provides the banking infrastructure for them.

2.1.2 Development of services by mainstream providers that are targeted to niche markets

The next step is for corporate social responsibility to have an impact on the way banks do business.

It is the case of the «social bank account » designed by Dexia bank for the Public Center of Social Action of Belgian municipalities (CPAS) in Belgium. This tool is designed to help local public bodies to maintain access to banking services for disadvantaged people. 575 CPAS out of the 589 existing in Belgium use the social bank account. End 2005, 80.466 Belgian people were benefiting from the integration allowance paid by the CPAS and 50.796 social accounts were active.

It should be noted that Dexia has committed not to compensate the creditor amount on the social bank account with debts that the holders might have toward Dexia, which is an important factor not to use credit accounts in Belgium (Disneur L., Radermacher F. and Bayot B., 2006).

In the Netherlands, banks develop creative solutions to reach the target groups at risk of financial exclusion. The Rabobank, for instance, has developed a brochure 'Step by step banking'. It is aimed at clients who have to get used to phone or computer banking. The bank also trained senior persons so that they can transmit information to local banks and social care organizations. For the illiterates, the bank developed a programme in which its internal employees and retail advisors know how to start a dialogue with a client about this particular issue to lead him/her to follow reading- and writing lessons for adults.

Euro Bank, the first bank in Poland, opened small outlets in hypermarkets to attract customers. They offer credits for customers up to 85 years old, deposit taking, cash loans and credit granting activity focused rather on low-income people.

Traditionally, savings banks and credit cooperatives have in their mission statement to serve low-income people at risk of exclusion. Spanish savings banks offer banking products that are designed specifically for these vulnerable groups. Credit cooperatives (Sociedades Cooperativas de Crédito), serving the local area, play an important role in facilitating inclusion of people living in rural areas and/or with very basic needs. Spanish savings banks have developed, within a very high competitive market, a business model which allows them to make profit and to use it for even more social issues (eg. migrant inclusion) than their traditional low-income customers. This seems to be partly due thanks to the absence of shareholders. They have also developed specific skills that allow them to deal with "excluded" customers (responsible image, adapted credit scoring and other risk analysis,...).

Also in Spain, a group of commercial banks voluntarily offers current or deposit accounts that include additional services (such as a credit or debit card, or bank transfer facilities) covered by a single all-inclusive flat rate commission. Some banks have also developed commercial products in which the customer uses certain categories of services free of charge, provided that they agree to build a closer relationship with the bank, particularly through direct payment of their wage or pension into their account.

Two banks (Bank of Scotland and Woolwich) experimented bill-payment services designed for low-income people. These involved regular payments into a bill-payment account, in which bills were managed by the bank.

2.1.3 Approving voluntary charters and codes of practice

To have more impact on the way banks offer banking products that are designed specifically for vulnerable groups, the financial sector adopts voluntary charters and codes of practice.

In 1997, Belgian banks signed the Charter of the Association Belge des Banques for a basic banking service. According to this Charter, the banks committed to provide basic bank services to everyone with a legal residence in Belgium. This service was made available to individuals who could then access a current account which offered three basic functions: i) monetary, manual and electronic payments, ii) deposits and withdrawals, iii) account statements.

In France, the 1992 Charter on bank services established by the Comité Consultatif and signed by the Bankers' Association was launched for low-income people. It included the possibility to own of an Automated Teller Machine (ATM) card as well as a free access to the ATM machine, the possibility of long-distance payment, the availability of "relevés d'identité bancaire" (RIB) or banking identity statements, and a cheques system where amounts could be limited with the

customer's agreement.

In Germany, the 1995 Charter of the Central Credit Committee (a lobby organisation regrouping all German banking associations "Girokonto für Jedermann") is a recommendation suggesting all associated banks to provide a current account to anyone without looking at the income situation. This voluntary code of conduct also points out circumstances where it is unreasonable for a bank to offer a current account. If a bank wrongly refuses to open a current account, the concerned customer can file a complaint to one of the four major banking associations' complaint offices.

With the 2004 Patti Chiari Charter in Italy, all participating banks are required to offer a standard basic account (i.e., an account which has the same contents across all banks), but each bank is also free to apply its own pricing policy. Italian basic bank accounts provide the following standard services: i) crediting of wages or pensions; ii) cash and cheque deposit; iii) cash withdrawal directly at the teller's; iv) payment by bank transfer, both from and into the account; v) bill payment and other regular, recurrent payments; vi) use of a cash card to withdraw cash from all the issuing bank's ATM facilities, or alternatively, a prepaid stored value card; vii) investment of savings through regular payments; viii) home and/or phone banking facilities to obtain information and manage transactions; ix) regular account statements. The basic banking service does not include a chequebook, credit card, nor any kind of loan or credit or the purchase of bonds.

In the Netherlands, a system of simplified bank accounts with payment means has been developed in 2001 in order to overcome the problems of financial exclusion: the basic banking service has been set up in order to help people without a bank account to get one. Although banks are not legally required to offer a bank account to anyone, the Code of Conduct states that a bank may not refuse to open a bank account to any customer, not even if the client is listed on the Credit Registration Office. The services offered include the ability to make cash withdrawals at the counter (there is no restriction on the number or value of transactions), to pay electronically, to get regular statements of accounts, and to save money. Each individual benefiting from the basic banking service receives a bank card to enable him/her to withdraw cash and to pay electronically on a point-of-sale. No credit facilities are offered through the basic bank account. If, for exceptional reasons (fraud, money laundering, etc.), a client is refused and if a basic bank account is closed by the bank, it has to be motivated in writing.

In the UK, the Banking Code did not exist until 2001. The 2005 edition of the Code states that "We will assess whether your needs are suited to a basic bank account (if we offer one) and, if they are, we will offer you this product". A basic bank account will normally have the following features: i) employers can pay income directly into the account, ii) the Government can pay pensions, tax credits and benefits directly into the account, iii) cheques and cash can be paid into the account, iv) bills can be paid by direct debit, by transferring money to another account or by payment to a linked account, v) cash can be withdrawn at cash machines, vi) there is no overdraft facility, vii) the last penny in the account can be withdrawn. It should be noted that the guidance for subscribers to the Banking Code specifies that, if the customer has a history of fraud or unpaid debt, a subscriber is not bound to open an account, and also that "if the customer already holds a suitable account with the bank, a subscriber is not bound to open a basic bank account".

2.2 Credit

Concerning access to credit, the observation is the exact opposite of that made on access to a bank account and basic banking services: the response given by the industry is more based on the option to outsource their responsibility to local community organizations than on adjusted working practices.

Of course, the role played by credit concerning social inclusion (in our societies) is not as direct and

significant than the one played by bank accounts. Nevertheless, credit (and savings) play a main role in our economies and allow a large range of people to access particular goods – car, housing,... but also rent guarantee, driving license courses, computers, professional training,...which can play a significant role for social inclusion.

Consumers' habits are changing rapidly in EU country members, regarding the use of credit. Credits are used more and more frequently, but changes in lives that impact the budget of the households are also increasing (job loss, separation, illness, ...), so the question about the proper way to make credit businesses, in order to limit the risk and to maintain a broad access to credit is becoming more complex.

Some challenges may then be faced by CSR in order to propose alternative solutions or allow learning and adaptation for the mainstream industry.

Regarding credit activities, CSR can play a significant role on different aspects:

- It can cover the needs of all consumers, as long as they have:
 - a) The capacity to “manage” a credit contract (financial capability)
 - b) The resources to pay it back;
- It can propose credit types that meet/fit the needs of consumers;
To illustrate, a revolving credit used to finance a car or used to finance a middle or long term unbalanced budget would be qualified as “inadequate”.
Depending on the national context, and in particular the existence of a maximum ceiling interest rate, the issue related to the cost of the credit may be significant.

The credit market, nowadays, looks more and more like a “salesperson” and not anymore as a provider of “tailor-made” financial solutions. Moreover, the industrial processes implemented in the risk analysis integrate, in many countries, a discrimination *side effect*.

2.2.1 Provision of financial services by niche providers

In Belgium, since 2003, the “Crédit social” provided by a cooperative “Crédal plus” exists. It is a consumer credit pilot project that enables low-income people, often excluded from bank loans, to access credit. The following principles govern the access to credit at Crédal: purchase of necessary goods, household has a difficult bank access, household has the ability to repay the loan, no cheaper or more appropriate solution exists, trust relationship must be established and a contact with social services is essential.

The partners of the project are multiple. Public authorities support the activity by giving an operating subsidy (here Brussels and Walloon Regions) and guaranteeing the loans (Walloon Region). Crédal Plus, the cooperative, operates the project through a social approach via support to applicants and budget and financial situation analysis. It also plays the role of lender in Brussels Region. The Post office bank (La Poste) acts as lender and back office services in the Walloon Region. Finally, Dexia foundation provides funding and voluntary workers to the project.

The first results show that:

- The target public (low income) have, in many cases, a “small” but real capacity to pay back credit; adapted small credit (amount / duration / dedicated to identified purchases) are useful and not any more provided by mainstream lenders;
- The in-depth budget analysis is able to measure the repayment capacity and play an important pedagogical role;

- The particular relationship between the client and the providers seems to be a “plus”, but that not all the clients accept this proximity.

In France, since 2004, the Secours Catholique (Caritas France) and Crédit Mutuel develop a partnership to grant social microcredit to households, not to create an economical activity but to meet consumption expenses (buy or repair a car, health expenses, etc.). Today there are similar partnerships between other banks and NGOs. Those microcredits are guaranteed at 50% by states via the “Fonds de Cohésion Social” created in 2005.

The implementation is taking time, mainly because of the partnership’s nature and the cultural background of the actors that can be reluctant to the use of credit as a social tool. The target public seems to be, not only people excluded from mainstream lenders (out of their target), but also “poorer” people. A first assessment is programmed soon.

Since 1958, Irish credit unions have been weak innovators in terms of developing products for low-income groups and this issue should be addressed.

In Italy there are very few and often very small scale experiences in microcredit. Due to the mentioned size, they have no a real impact on the market: in most cases, they remain at the level of pilot projects.

In Lithuania, Credit unions offer credit, deposit, bill-payment, remittance services since 1995 and company called Am Credit provides housing loans since 2005.

In Bulgaria, the Credit Unions give credit for small business since 1990.

Polish Credit unions propose deposit taking and credit (loan) granting activity since 1995/1996.

Since 2002, Spanish Foundations or other public institutes promote microcredit initiatives. Most of them operate on a very small scale (an average of less than 100 - and more frequently 50 – customers financed each year).

There are about 560 registered credit unions in the UK, running linked savings and loans schemes. Like credit unions, CDFIs offer lower cost loans to people who find it difficult to access the prime credit market. They have not linked savings to credit and interest rates have tended to be higher than those charged by credit unions. Some banks have given considerable financial support to credit unions and CDFIs to allow them to extend their services.

For instance, the Barclays Bank has sponsored the introduction of the PEARLS system of financial management, making it possible for credit unions to offer people loans at low costs without the need for a prior history of savings. A small, but growing, number of these credit unions have adopted PEARLS.

Building companies have set up partnerships with housing associations (not-for-profit providers of rented housing for low-income people) offering savings and loans clubs. Typically, an arrangement is made between the housing association and a building company with the housing association putting a large sum on deposit. Tenants’ savings are then treated as if they are added to this sum – so they get a higher rate of interest. The money on deposit also acts as a guarantee for very low cost loans (base rate plus 1%).

In addition, there are many local initiatives that tackle financial exclusion run by not-for-profit organisations (often with financial support from or in partnership with commercial banks). These are too numerous to list, but a good example would be SAFE (Services Against Financial Exclusion) run by Toynbee Hall in London. In addition, many local governments are involved in local initiatives. Financial Inclusion Newcastle Ltd - run by the City Council is a good example.

In the European English-speaking countries, it is then usually considered that the main problem is not credit access (there are no countries in the EU where credit is easier to get), but adequate credit (which once again relates to type/ cost / size,... of the credit offered).

A part from what has already been said, the country reports on which this WP is based did not mention any evaluation/ assessment of those experiences. This would be very useful to identify lessons learnt and context element which may facilitate or handicap those initiatives and the way each of them expects to reach a break-even.

2.2.2 Development of services by mainstream providers that are targeted to niche markets

Since the mid-90's there are also Polish Credit companies focused on low-income people which offer loans to individuals with high level of interest, but within an anti-usury act limit.

2.2.3 Approving voluntary charters and codes of practice

In France, « label qualité-crédit » was launched in 1997, signed between the financial services providers association (établissements de crédits spécialisés), consumer associations and public authorities. It is supposed to have all information that a borrower would need made explicit. However, few people know about this label and it does not add anything to the law.

In the UK, the Finance and Leasing Code covers many sub-prime lenders and includes detailed sections on responsible lending and dealing with customers having financial difficulties. Unlike the Banking Code, this does not have an independent body that routinely monitors its compliance. It does however, have an independent committee dealing with complaints. There are a number of other Codes of Practice covering doorstep money lenders, pawnbroking and payday lending, but these are not as extensive as the Finance and Leasing Code.

2.3 Saving

Modern living standards include access to more and more goods and services, and the basket of goods which compose a common minimum standard of living is growing in the same way. We have seen that credit may play an important role in this field, in order to allow access to durable goods for many households. Moreover, it is important not to forget the central role still played by savings regarding those purchases. Many reasons can explain why credit is more and more used to finance big acquisitions, but saving still is a particularly efficient way to finance them, with the specific advantage to reduce risk.

Saving may be appropriate for households, even when they are facing low income, because:

- It reduces financial risk: over-indebted people often have faced a life incident that they were not able to overcome because their savings/ patrimony were not sufficient to avoid deeper financial damage;
- It improves budget management: being able to save money, when resources are tiny, compels the saver to be very aware of each expense and also to anticipate significant expenses (i.e. annual ones such as insurance,...). The saving capacity is also a good estimation of the "borrowing" capacity, because it shows the amount available for credit repayment: this is precisely one of the basic principles of Credit Unions.

In this context, any initiative that may increase saving behaviour for low-budget households can be

relevant for CSR activities.

The response given by the financial services providers regarding access to savings is based on the development of savings schemes that are more appropriate to low income people's need or on the outsourcing of that mission to local community organisations.

Another noticeable response is the provision of bank branches facilities to implement targeted savings account for public matching scheme pilot experiment. These initiatives are called "Individual Development Accounts" and usually share the following elements:

- A restricted and dedicated use of the savings: education, housing, business creation;
- For each amount saved, it is doubled up by the Government, a Foundation, ...

2.3.1 Provision of financial services by niche providers

In the United Kingdom, some banks have given considerable financial support to UK credit unions and CDFIs to allow them to extend their services. Moreover, building societies have set up partnerships with housing associations offering savings and loans clubs.

2.3.2 Development of services by mainstream providers that are targeted to niche markets

In The United Kingdom people pay money in each week throughout the year to Christmas savings (hamper) clubs (commercial) and just before Christmas receive either shopping vouchers or a hamper (basket) of food. No interest is paid on money 'saved' and, until May 2007, there was no protection of the money deposited. The largest company went bankrupt just before Christmas 2006 and customers lost all their money. This resulted in a Government inquiry and an agreement that all deposits would be held in a separate account. In response to the above, some building societies (mutual savings and home loans banks) now offer savings clubs that work in the same way as the hamper clubs except that people get interest on their savings and get the money in cash just before Christmas.

Moreover, Halifax Bank ran all the accounts of two pilot schemes of the Saving Gateway – a matched savings scheme for low-income people. It was not paid for doing this even though it involved manual systems, as the account was only available through a very small number of branches.

2.3.3 Approving voluntary charters and codes of practice

In Italy, the 2004 Patti Chiari Charter in Italy states that all participating banks are required to offer a standard basic account investment of savings through regular payments,

In the Netherlands, the Code of Conduct states that a bank may not refuse to open a bank account to any customer, the service they engage to offer including the ability to save money.

2.4 Insurance

As the concept of insurance exclusion is quite unknown and that there is no clear definition of which type of insurances are considered as essential so that anyone who lacks them might be

considered financially excluded, it has been decided not to include insurance within the present project.

However, we will underline the initiative undertaken by the Austrian Association of Savings Banks in the framework of Corporate Social Responsibility (CSR).

The Association, represented through „Die Erste österreichische Spar-Casse Privatstiftung“ is the initiator and financier of the “Zweite Sparkasse”, based in Vienna and Tyrol since 2006 that has been offering people with no access to financial services of other credit institutions a fixed-term current account, limited to 4 to 5 years. The customers pay a loyalty deposit for their account amounting to 3 € per month, which they are paid back after the end of the business connexion. Additional services in the form of a household insurance and personal liability insurance coverage by the “Wiener Städtische Versicherung” and one cost-free legal advice per quarter are included in this account.

The insurances field may need further research because, on the one hand, it can play a strategic role in improving access to financial services such as reducing financial risk related to life incidents for low-income/ at-risk public. On the other hand, unfortunately, this matter should be also studied because some commercial practices are already using credit insurances to increase benefits under cover of reducing effective risk.

The access may also become particularly problematic for compulsory insurances, when client access is denied by companies: this problem may appear differently in respect to national laws/ rules.

3 Analysis of CSR capacity and limits in improving financial inclusion

The social responsibility of financial institutions is particularly important. Their activities have a direct impact on society - e.g. when they encourage job creations with an adequate credit policy.

3.1 Provision of financial services by niche providers

The first step for banks to embrace CSR is making generous donations and sending volunteers to local community organisations.

This is less often the case for transaction banking services because mainstream providers develop services targeted to the market segment of low-income people.

It is more frequent for credit and savings and the consequence is a partnership between financial institutions and social economy organisations. Sometimes, the partnership concern also public authorities.

In fact, national, regional and local public authorities have got the measure of the critical function of the financial sector, developing with this sector and local community organisations partnerships which encourage banking inclusion and promote savings, enable impoverished people to gain access to an appropriate consumer credit option related to their life plan, help people excluded from the labour market and mainstream banking system found their own businesses and their own jobs, create instruments and services to promote access to the housing market or encourage social and sustainable economy activities. With these common tools, public authorities, local community organisations and financial institutions promote fundamental rights in the European Union - e.g., without limitation:

Freedom and right to work (article 15 of the charter of fundamental rights of the European Union), right of free enterprise (article 16) and access to general interest economic services (article 36)

In this model of partnership, financial institutions provide donations and send volunteers while the community of social economy organisations operates the project with the concerned public and public authorities give an operating subsidy and/or give guarantee.

A frequent example of this scheme is how Credit Unions work in the UK for instance, instant access loans provided by credit unions are proving popular but have not, to date, attracted the most financially excluded – and certainly not those who use illegal lenders. A large injection of Government funding might change these practices. Like credit unions, CDFIs have not attracted the most financially excluded. Again Government funding is changing this: £36 million (€50 million) is allocated to a Growth Fund to enhance the coverage, capacity and sustainability of third sector lenders.

Though we may be glad that financial institutions may take part in the development of such initiatives, it is to be regretted that they should - at least partly - be made necessary as a result of the fact that such financial institutions tend to focus less on marginal market segments in terms of credit. Unlike what we may observe for basic banking services, here, they tend to outsource covers for such credits and their social responsibility is less shown by direct concern for such covers than by support to local organisations.

3.2 Development of services by mainstream providers that are targeted to niche markets

The next step for corporate social responsibility is to have an impact on the way banks do business.

This is already happening to some degree through banking programmes that serve low-income people. Banks also develop creative solutions, such as trainings, to reach target groups at risk of financial exclusion.

The approach of some banks seems to demonstrate that the market segment of low-income people may be profitable in the long run. What is interesting is the case of Spain where the strategies and commercial policies of savings banks' sectors seem to have triggered a positive competition within the commercial banking sector to serve this market segment.

It seems to demonstrate that CSR can offer a competitive advantage in this field. Experience shows, however, that some intervention may be needed to ensure that appropriate provision is made for low-income people. This has been achieved in a number of countries through voluntary charters and codes of practice.

Conversely, efforts made by financial institutions to develop, in their own business, conditions enabling to serve low-income populations seem less important than for transaction banking services. As has just been shown, they prefer outsourcing credit offers designed for these population segments, even though certain institutions, aware as they are of their social responsibility, offer financial and human support to local organizations which cover such credits.

A question induced by this observation is how can we make the internal development of such services more beneficial for financial institutions or - in other words - how can we reduce the cost – or lower benefit - represented by such outsourcing for these institutions.

3.3 Voluntary charters and codes of practice

The description of the different CSR initiatives to promote financial inclusion demonstrate that voluntary charters and codes of practice have been approved in several countries but only in the field of banking (i.e. transactions) exclusion.

Experience shows, however, that voluntary charters do not work in some countries. A study on banking exclusion realised for the Belgian Ministry of Economic Affairs illustrated that they were still about 40.000 unbanked people in Belgium despite the Charter's existence and that the banks scarcely applied it (Bayot B., 2001). After the study's publication, the National Consumer Council stated the self-regulation failure and the necessity to vote a law regulating basic bank services. This led to the Law of 24 March 2003.

In France, the Charter on bank services was intended to enhance the "right-to-the account" of the Law and integrate it on a voluntary basis, but it was considered too vague and ineffective. The banking services included in the basic banking offer were not based on the principle of free service. The application of this charter has also been challenged by consumer associations.

In Norway, the law on financial agreements and financial transactions (1999-06-25) secures to everyone a right to open a regular bank account.

In Austria, there is no law regarding the access to a basic banking account but the debt counselling organisations continuously emphasise their political claim for a right to a basic banking account.

In other countries, like in the UK, the conclusion seems different. The Banking Code Standards Board (BCSB) has carried out four mystery shopping exercises to see whether banks are complying with the requirement to make a basic bank account available to anyone who needs one. These have shown a steady improvement, with all banks now having adequate systems in place.

As for access to credit, there are fewer charters and best practices and they also seem to have a rather limited impact.

As we can see, the efficiency of self-regulations is connected to cultural, political and economical context, which may vary from a country to another. If in some of them, self regulations seem to be sufficient and effective, in other, the lack of effectiveness had led to formal law. In all situations, it is important to build and implement indicators to measure the results, to check if the targets have been reached.

4 Focus on the role of government intervention in encouraging or creating CSR mechanisms to ensure financial exclusion

Public authorities have of course a very important role to play in providing appropriate information to enhance companies and stakeholders knowledge about CSR practices to ensure financial exclusion.

Moreover, even if by definition, CSR must remain a voluntary integration of social considerations into business operations, over and above legal requirements and contractual obligations, public authorities can encourage CSR practices among the financial sector by developing tools to ensure evaluation and reporting of financial services quality and to recompense the CSR practices,

We will develop two of such mechanisms which seem to us to be particularly related to considerations linked to social and financial inclusion, suggested in the green book of the European Commission (Commission of the European communities, 2001) and in the resolution of the European Parliament (European Parliament, 2007) on CSR.

4.1 Transparency

One option worthy of consideration in promoting CSR in the financial sector to address the problem

of financial exclusion is the introduction of a Community Reinvestment Act (CRA) in the EU, modelled upon the 1977 Community Reinvestment Act introduced in the United States. The US CRA encourages financial institutions to "fulfil their continuing and affirmative obligation to meet the credit needs of their communities".

The Act requires the regular evaluation of the community lending performance of financial institutions and for this performance to be taken into account when considering merger, acquisition or branch relocation proposals.

The US legislative model may not be directly applicable to Europe. However, the principle of information disclosure that lies behind the CRA could be applied to the regulation of financial institutions in order to consider their lending activities. Such legislation might even be most appropriate at European level in the form of a Disclosure Directive.

Such a development seems to fall in line with the wish expressed by the European Parliament to prepare a list of criteria for enterprises to be complied with if they claim to be responsible, and to shift emphasis from 'processes' to 'outcome', leading to a measurable and transparent contribution from the business in the fight against social exclusion (European Parliament, 2007).

It seems to us that the CRA example, if it should be adhered to in Europe, should follow four stages (Bayot B., 2002).

The first stage consists in determining appropriate indicators. The CRA experience shows that not only with a view to avoiding too heavy an administrative burden and therefore potential hostility from credit providers, but also so as to encourage creativity and self-regulation in the sector, they should focus more on the outcome than on resources applied. This is the desire from the European Parliament. Also, strictly quantitative indicators, which are required to analyse the financing gap, should come with qualitative indicators, which, among other things, can assess more thoroughly the quality of services offered. Finally, indicators related to access to credit should be favoured even though they should come with indicators relating to the investment policy and banking services.

The second stage consists in compelling every credit provider to periodically supply information relevant to these indicators. This is why such information should not strictly relate to the activity of the whole sector but also that of each operator in particular.

Then, this information should be audited by an independent organisation according to clearly established procedures.

Finally, as part of the last stage, the controlling organisation should be able to assess both the action of the sector globally and that of each operator in particular. This implies that precise standards should first be determined, as the European Parliament requested, and that adequate methods should be developed. Such assessment of requirements and of the coverage of such needs should help the various players, credit providers, social services and public authorities to implement the most appropriate policies to meet these needs. This will only be relevant if it is periodical – the assessment based on CRA will take place approximately every two years - and this will further make it possible to assess new requirements through time and the impact of policies implemented to satisfy them. Such an assessment only seems likely to guarantee measurable and transparent contribution from business in combating social exclusion.

Transparency consists in making public the appraisal of the way each credit provider met credit requirements, on the basis of indicators. The objective of this measure is to inform the public and influence the policy of credit providers concerned about their reputation in this direction. This transparency measure actually made the CRA efficient in the United States starting from 1992.

However, it is uncertain that it will have the same impact in Europe, considering that there probably is no social movement in Europe able to exercise a pressure comparable to that which American community development NGO's exercise on banks. Though transparency alone probably is insufficient, it still remains a basic measure used to encourage social responsibility in the financial sector.

4.2 Services of general economic interest

Another option worthy of consideration in addressing the problem of financial exclusion is to consider that basic financial services are services of general economic interest and that access at affordable prices for everyone to these services is at the heart of the European model of society.

Services of general economic interest are commercial services of general economic utility, on which the public authorities therefore impose specific public-service obligations (Article 86 of the EC Treaty, formerly Article 90).

Article 16, which was written into the EC Treaty by the Treaty of Amsterdam, acknowledges the place occupied by services of general economic interest in the shared values of the Union and their role in promoting social and territorial cohesion. Article 16 also states that such services must operate on the basis of principles and conditions which enable them to fulfil their functions.

Article 36 of the Charter of Fundamental Rights of the European Union requires the Union to recognise and respect access to services of general economic interest to promote social and territorial cohesion of the Union.

Many services of general interest cannot be viably provided on the basis of market mechanisms alone and specific arrangements are necessary in order to ensure the financial equilibrium of the provider. For instance, universal access or full geographical coverage may not be offered by the market itself.

Depending on historical traditions and specific characteristics of the services concerned, Member States apply different mechanisms in order to ensure the financial equilibrium of providers of services of general interest. The financing mechanisms applied by the Member States include contributions by market participants (e.g. a universal service fund) (Commission of the European communities, 2003).

Thus, certain banks may be commissioned by the Government to provide general interest economic services (SIEG's). To do so, compensation may be paid to them to remunerate this service. Decision 2005/842/EC from the Commission dated 28 November 2005 (Commission of the European communities, 2005) is fully applicable to the banking area and governs conditions under which potential compensation may be accepted in this area in terms of grants (Colson J.-L., 2006).

Obviously, a compensatory financing system is critical to the implementation of such a system in terms of access to basic financial services: the point is to avoid the fact that financial institutions which assume their social responsibility more should be put at a disadvantage compared with others.

Such compensatory financing may depend on the assessment which may have been made, on the basis of indicators described above, of the way each financial institution assumed its social responsibility. So, enhanced social responsibility assumed by certain operators would be economically cancelled out, which would avoid distorting competition among operators and would be an opportunity for development for those which made this choice.

This measure, the effect of which is to provide a structural solution to the need for financial inclusion, probably is the complementary aspect which is critical to the application in Europe of a legislation based on CRA. It further helps encourage social responsibility for financial organisations, as expressed by meeting the needs of underprivileged populations rather than outsourcing services offered to them.

In the context of SIEG's, in the past, the Commission adopted positive decisions relating to compensations aimed at encouraging banking inclusion for people from an extremely modest background and thereby fight against banking exclusion. These decisions concerned United Kingdom in particular. SIEG's of geographic accessibility to banking counters in rural areas, for example, were also accepted, in particular for postal banks in the United Kingdom (Colson J.-L., 2006).

A compensatory financing system also exists in two Belgian laws. First, the law dated 24 March 2003 introducing a basic banking service provides for the creation of a compensation Fund for the provision of a basic transaction banking service. Any credit institution should contribute money to the Fund and those which manage - in terms of percentage - a number of basic banking services proportionally higher than their economic importance may apply to the Fund for support. This mechanism has not been implemented yet. Indeed, as far as we can observe, there are no such variations on the market that would push an actor to apply for the compensation Fund. Since actors may have to deal with this Compensation Fund if they cheat, currently everyone is respecting the rules.

The other law is the law dated 5 July 1998 on collective debts payment. This law introduced the Over-indebtedness Treatment Fund. Each lender is to pay to this Fund an annual contribution calculated on the basis of a coefficient applied on total arrears for credit contracts registered in the Centrale des Crédits aux Particuliers managed by the Banque Nationale de Belgique. In other words, the more a credit provider will grant credits un-judiciously, the more it should contribute to the Fund. With such earnings, the Fund will repay fees and expenses for debt mediators who could not be paid by debtors.

5 Policy recommendations

Three policy recommendations can be made regarding the role of Corporate Social responsibility to promote financial inclusion.

The first one is that the national and international authorities should encourage studies on CSR practices and appropriate financial products to reach the financially excluded among financial services providers and promote the adoption of tools like self-regulation. Specific information should be provided to the relevant stakeholders as to the various impacts of CSR practices.

The second policy recommendation would be for the authorities to foster transparency by implementing indicators that can lead to the evaluation of the CSR practices in the different financial services sectors. This system would be a way to promote the pro-active financial institutions.

The last recommendation would be to implement a compensatory system based on the assessment made according to the indicators described above that is on the way each financial institution assumes its social responsibility. So, enhanced social responsibility assumed by certain operators would be economically cancelled out, which would avoid distorting competition among operators and would be an opportunity for development for those which have made this social choice.

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Annex 1 Provision of services by alternative providers

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
Austria	21.11.2006	Zweite Sparkasse	<p>The „Second saving bank“ is a non-profit-bank which was initiated and which is financed by the “The first Austrian Spar-Casse privat foundation”.</p> <p>The “Second saving bank” offers a credit account which is limited to three years and which has no possibility for overdrawing. This is an offer especially for persons who got into financial distress and therefore have no access to financial services. The reason for the limitation is, that the offer is not supposed to be a permanent solution, but a basis for a permanent regulated bank relationship in later times.</p> <p>The “Second saving bank” is administrated by voluntary and retired employees of the “First Bank” in cooperation with the welfare associations like the Caritas and the debt counselling services. For the beginning the project is limited to Vienna, but it is discussed if it should be dispreaded all over austria.</p> <p>The “Second bank” has (as of February 2007) 300 clients.</p> <p>Source:</p> <p>Seiser, Michaela: Die Sparkasse, die überflüssig werden will; Österreichs «Zweite Bank» vergibt Konten an Bedürftige. In: Frankfurter Allgemeine Zeitung. 22.02.2007, S. 18.</p> <p>DIE ERSTE österreichische Spar-Casse Privatstiftung: Die Bank für Menschen ohne Bank: http://www.erstestiftung.org/press/archive/20061123+zweite/de</p>	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
Belgium	2003 in Walloon Region 2005 in Brussels Region	Credit social – provided by cooperative company “Crédal plus” Partners of the project: - Public authorities supporting the activity by a way of an operating subsidy (Brussels and Walloon region) Walloon Region also guarantees the loans. - Crédal Plus : operates the project (social approach via support for applicants and analysis of the budget and financial situation) & is also the lender in Brussels Region - Post office bank: lender and back offices services for the Walloon project - Dexia foundation : funding and voluntary workers involvement in the project	Consumer credit to enable low-income people, often excluded from bank loans to access credit. Average amount of social credit end 2006: 219 Average amount of social credit granted: €900 Average monthly repayment:€105 Average repayment period: 26 month	The following principles governs the access to credit at Crédal: - Purchase of necessary goods - Bank access is difficult - Household has liability to repay the loan - No cheaper or more appropriate solution exists - Establishment of trust relationship - Contact with social service is essential The objectives of the social credit is, among other, to promote access to bank services and enable low-income people to have access to a suitable credit formula in line with their life plan.
Bulgaria	1990-1993	National credit union of the credit unions “Evrostar”]	Credit for a small business	At the beginning of the debate and development of

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
		<p>“Association of the popular booking-clercks in Internet] Credit Union “Nachala”] ?????????? “???????” OIKO Credit] USAID for Bulgaria. From 1990 ?. Up to now the supply of credits is of 600 millions USD. Others Total 9 non-banking institutions.</p>		the financial inclusion.
France	2004	Social microcredits (since 2004 by Secours Catholique (Caritas France) and Crédit Mutuel but a lot of other NGOs and banks are now involved).	<p>Several banks have decided to develop partnership with NGOs to lend microcredit to household but not to create any activities but to meet consumption expenses (buy or repair a car, health expenses, etc.).</p> <p>Those microcredits are 50% guaranteed by states via “Fonds de Cohésion Sociale” created in 2005.</p>	
			The association “Finances & Pédagogie” organise collective training about banking. They do this in some associations which help people in difficulties or in public services, enterprise, etc. where people could face financial difficulties. It is not face to face advises.	
Ireland	1958	Credit union	Savings and loan products	While the credit union products are appropriate for the needs of those who are financially excluded, both national (Byrne et al., 2005; Corr, 2006) and international (Conaty and

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
				Bendle, 2002) research has concluded that Irish credit unions have been weak innovators in terms of developing products for low-income groups and that this issue should be addressed.
Italy			Very few and often very small sized experiences of microcredit. Due to the mentioned nature they have no a real impact on the market: more often they remain at the level of pilot projects.	
Lithuania	1995	Credit unions	Credit, deposit, bill-payment, remittance services.	www.lku.lt
Lithuania	2005	Am Credit	Housing loans	http://www.amcredit.lt/lt/
Poland	1995/1996	Credit unions (Spółdzielcze Kasy Oszczednościowo-Kredytowe)	Deposit taking and credit (loan) granting activity	Prices of bank accounts and typical transactions are not lower than in commercial and co-operative banks. Credits seem to be available easier to lower-income individuals.
Poland	Mid-90's	Credit companies	Loans to individuals	High level of interest, but within anti-usury act limit. Focused on low-income people

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
Spain	2002 is the most common year of starting activities	Foundations or other public institutes promoted initiatives of Microcredit	See below.	Most of them operates on a very small scale (less than 100 - and more frequently 50 - customer financed each year).
UK	N/A	Growth of sub-prime market (commercial)	This would include loans and credit cards offered at higher cost to people who are high risk or credit impaired - often from subsidiaries of the banks themselves.	These are only available to people with a bank account and whose income means that they can pay reliably by direct debit. At worst, arrears management and recovery practices may be more punitive
UK	N/A	Other sub-prime lenders (commercial)	It also includes niche players that offer: <ul style="list-style-type: none"> • rental purchase credit and • sale and buy back. 	rental purchase looks relatively low-cost but there are a lot of hidden charges and arrears management practices are very tough. Sale and buy back is not, strictly, a form of credit and therefore not covered by credit legislation. There is a very large difference between the sum of money given for the goods and the amount that has to be paid to buy them back

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
UK	N/A	Christmas savings (hamper) clubs (commercial)	These are not strictly deposit takers (at least not in law). People pay money in each week throughout the year and just before Christmas receive either shopping vouchers or a hamper (basket) of food.	No interest is paid on money 'saved' . And until May 2007 there was no protection of the money deposited. The largest company went bankrupt just before Christmas 2006 and customers lost all their money. This resulted in a Government inquiry and an agreement that all deposits would be held in a separate account.
UK	2006	Christmas savings clubs (not-for-profit)	In response to the above, credit unions now offer savings clubs that work in the same way as the hamper clubs except that people get interest on their savings and get the money in cash just before Christmas	
UK	2006	Basic bank accounts (not-for-profit)	A small number of credit unions now offer a basic bank account that is linked to the bank clearing system.	
UK	DK	Bill-payment services (not-for-profit)	A small number of credit unions offer bill-payment services.	This is potentially more useful where the credit union also offers a basic bank account
UK	DK	Credit union instant access loans (not-for-profit)	We have about 560 registered credit unions in the UK, running linked savings and loans schemes. A small, but growing, number of these have adopted the PEARLS system of financial management, making it possible for them to offer people loans at low cost without the need for a prior history of saving.	The instant access loans are proving popular but has not, to date, attracted the most financially excluded – and certainly not those who use illegal lenders. A large injection of Government

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			An even smaller number have experimented with 'debt buy-out' – offering loans to allow people facing financial difficulties to settle high cost credit early	funding (see below) may be changing this. These were small-scale experiments and we may see the practice adopted as part of the developments just described
UK	Late 1990s	Not-for-profit community development finance institutions (not-for-profit)	Like credit unions, CDFIs offer lower cost loans to people who find it difficult to access the prime credit market. They have not linked savings to credit and interest rates have tended to be higher than those charged by credit unions.	Like credit unions these have not attracted the most financially excluded. Again Government funding is changing this
UK	Late 1990s	Housing association savings and loans schemes (not-for-profit)	A small number of housing associations (not-for-profit providers of rented housing for low-income people) have experimented with savings and loans schemes. Typically an arrangement is made between the housing association and a building society with the housing association putting a large sum on deposit. Tenants' savings are then treated as if they are added to this sum – so they get a higher rate of interest. The money on deposit also acts as a guarantee for very low cost loans (base rate plus 1%)	Such schemes are undertaken as part of corporate social responsibility and are not sustainable financially. Take-up has also been surprisingly low.
UK			In addition there are many local initiatives to tackle financial exclusion run by not-for-profit organizations (often with financial support from or in partnership with commercial banks). These are too numerous to list, but a good example would be SAFE (Services Against Financial Exclusion) run by Toynbee Hall in London. In addition,	UK

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			<p>many local governments are involved in local initiative. Financial Inclusion Newcastle Ltd - run by the City Council is a good example.</p>	

Annex 2 Development of new products and services by mainstream providers

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
Belgium	2000	Dexia « social bank account » Designed by Dexia bank for the Public Center of Social Action of Belgian municipalities (CPAS). The CPAS do provide social help to people within different forms (payment of integration allowance, psychological, judicial, medical, debt counseling...).	<p>The following operations are costless for the beneficiary: :</p> <ul style="list-style-type: none"> – opening, managing and closing the account;; – money transfers and payments (full electronic); – standing orders and domiciliation (full electronic); – money withdrawals with withdrawal card (full electronic) – account statements : self-banking – Overdraft of max. 20€, without interest in order for the beneficiary to make a withdrawal of the entire amount he has received for the month – Phone banking under CPAS request <p>The cost of this account is a yearly forfait of 1, 86 € paid by the CPAS. The account is costless for the beneficiary and available for anyone financially depending of a CPAS for duration of the financial help.</p> <p>Moreover, seizures are not possible on that account, and Dexia has committed itself to do not compensate the creditor amount on the social bank account with debts that the holders might have toward Dexia.</p>	<p>This tool is designed to help local public bodies to in their care to maintain access to banking services for disadvantaged people.</p> <p>575 CPAS out of the 589 existing in Belgium use the social bank account.</p> <p>End 2005:</p> <p>80.466 Belgian people were on the benefit of integration allowance paid by CPAS</p> <p>50.796 social accounts were active.</p>
France	2004	Social microcredits (since 2004 by Secours Catholique (Caritas	Several banks have decided to develop partnership with NGOs to lend microcredit to household but not to create	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
		France) and Crédit Mutuel but a lot of other NGOs and banks are now involved).	any activities but to meet consumption expenses (buy or repair a car, health expenses, etc.). Those microcredits are 50% guaranteed by states via “Fonds de Cohésion Sociale” created in 2005.	
Germany	2002	Ethikbank	The Ethnic Bank offers a so called “Micro account”. This is a saving account for persons who did not get an account from other banks or whose saving account from the respective house bank got cancelled e.g. for the reason of overindebtedness. However the opening of such an account is linked to some conditions: It needs the signature of a debt counsellor that a debt regulation was agreed with the creditor or the resolution of the insolvency court about the verification of the judicial debt settlement plan. In the case of a private insolvency the insolvency administrator has to agree to the account opening.	The Ethnic Bank is an agency band of the Volksbank Eisenberg eG in Thuringia. The Ethnic Bank is a direct bank. It does not give credits, but just offers the opportunity for money investments and account management. The name of the bank comes from the fact that the investment strategy of the bank is linked to ethnic-ecological conditions. However there are critical statements of the consumer protection concerning for example the amount of the account management fee, the cancelling of the account in the case of attachment, Rücklastschriften etc. Source: www.f-sb.de , www.sfz.mainz.de
Italy			The supply of basic banking account is based on individual decision of single banks that:	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			<p>1) voluntarily decide to participate to the Consortium “Patti Chiari” for this specific initiative;</p> <p>2) adopt the standard conditions for the basic banking account, but is completely free to fix fees and commissions.</p>	
Lithuania			Small loans, loans for farmers, saving products for small amounts. housing loans.	
The Netherlands			<p>In the Netherlands, banks and their representative Organization look for tailor-made and local solutions. To do so, they work with all stakeholders:</p> <p>banks develop creative solutions to reach the target groups at risk of financial exclusion: the Rabobank, for instance, has developed a brochure ‘Step by step banking’. It is aimed at the clients who have to get used to phone or computer banking. The bank also trained senior persons so that they can transmit information to local banks and social care organizations. For the illiterates, the bank developed a program according to which its internal employees and retail advisors know how to start a dialogue with the client about this particular issue to lead him/her to follow reading- and writing lessons for adults;</p>	
The Netherlands	2000-2004	Alternative ways of distribution	banks developed various alternative ways of distribution : besides 3700 branch offices and 7200 ATM terminals, they can be available, in some locations, through a ‘bankbus’; elsewhere, they realized a cash-less environment; in 1560 other locations, they signed agreements with shopkeepers to enable the clients to get money;	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
The Netherlands		Payment circulation society consultation (Maatschappelijk Overleg Betalingsverkeer)	a workgroup has been built up, with bankers' representatives together with the Municipalities, to check whether any particular problem remains, within a number of areas, concerning the accessibility of banking services.	
Poland	2003	Euro Bank SA (set up as a company with Polish capital, in 2005 purchased by Societe Generale)	Deposit taking and credit (loan) granting activity, focused rather on low-income people and cash loans.	As first bank in Poland opened small outlets at hypermarkets to attract customers. Offering credits for customers up 85 years old.
Poland	2006 – new strategy to use post outlets	Bank Pocztowy SA	Low cost accounts, but not the cheapest on market	Not very popular yet, but due to the strategy of Bank Pocztowy shall gain in importance. Bank is going to provide banking services at post offices across the country.
Spain	All along	Savings banks and credit cooperatives mission statement	Traditionally savings banks and credit cooperatives have in their mission statement to serve low-income people, at risk of exclusion. Spanish savings banks offer banking products that are designed specifically for vulnerable groups. In this context, according to Carbó, Gardener and Molyneux 2005, Spanish is probably among the leading countries in tackling financial exclusion via “private market” means. In particular the “welfare arms” of savings banks (Obras sociale) channel resources to Funds in order to promote initiatives of microcredit. Credit cooperatives (“Sociedades Cooperatives de Crédito)	The strategies and commercial policies of the savings banks sectors seems to have triggered a positive competition within the banking sector for serving this market segment.

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			, serving the local area, play an important role in facilitating inclusion of people living in rural areas and/or with very basic needs.	
Spain	2004	Tarifa plana	<p>A group of banks voluntarily offers current or deposit accounts that include additional services (such as a credit or debit card, or bank transfer facilities) covered by a single all-inclusive flat rate commission. The details of the product varies from bank to bank, but typically it consists of a package of services for which a fixed price is paid monthly or at other regular intervals.</p> <p>Some banks have also developed commercial products in which the customer uses certain categories of services free of charge, provided that they agree to build a closer relationship with the bank, particularly through the direct payment of their wage or pension into their account.</p>	The approach of some Spanish banks seems to demonstrate that the market segment of low-income people is profitable in the long run.
Spain	2005	«Bravo, envío de dinero»	<p>The new remittance service has been promoted by CECA (Confederacion Espanola de Cajas de Ahorros) and offers a common platform for making remittances via Swift/Internet (inercambio de ficheros) . The delivery is assured in a short delay and the costs are competitive with those of the money transfers.</p> <p>The agreement has been signed by 32 savings bank in Spain and 14 countries in Latin America.</p>	Statistics on the dynamic of market share in the remittances market reveal that the banking sector (savings and commercial banks) is successfully gaining shares to the detriment of money transfers.
UK	2002	Basic bank accounts	Some banks had begun to develop a simple bank account that could not be overdrawn and had without Government intervention. The Government then issued an ultimatum and all major banks had to offer a basic bank account from October 2002	All banks have complied but few offer the ideal package of features: accounts that cannot be overdrawn, offer a debit card where transactions are

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
				<p>checked before they are processed and where there is a small 'buffer zone' (about €15) that allows someone to withdraw money from an ATM without incurring a charge if the minimum amount that can be withdrawn is greater than the amount they have in their account.</p> <p>We have also yet to get the banks to agree to set up a bill-payment facility that is more appropriate than direct debits (that lead to default charges if there is insufficient in the account)</p>
UK	2006	Christmas savings clubs	In response to the recent bankruptcy of the largest of these companies, as noted above, some building societies (mutual savings and home loans banks) also now offer savings clubs that work in the same way as the hamper clubs except that people get interest on their savings and get the money in cash just before Christmas.	
UK		Bank finance for not-for-profit lenders	Some banks have given considerable financial support to credit unions and CDFIs to allow them to extend their services. Building societies have set up partnerships with housing associations offering savings and loans clubs as described above.	A working party comprising bankers and members of the Government's Financial Inclusion Taskforce was set

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			<p>Barclays Bank has sponsored the introduction of PEARLS into credit unions.</p> <p>Co-operative Bank has supported the development of basic bank accounts for credit unions and provides the banking infrastructure for them.</p>	<p>up in May 2007 to explore how banks can assist third sector lenders through cash and expertise. It has to report to Parliament in October 2006</p>
UK		Bill-payment services	<p>Two banks (Bank of Scotland and Woolwich) experimented with bill-payment services designed for low-income people. These involved regular payments into a bill-payment account, from which bills were managed by the bank.</p>	<p>Neither scheme still exists but they did allow people to make weekly payments into the account, while bills were paid monthly by standing order. A small fee was charged but this was much less than the cash savings for paying bills by direct debit. Of the two the Bank of Scotland scheme was best suited to people's needs. It did not survive a bank merger</p>
UK		Saving Gateway	<p>Halifax Bank ran all the accounts of two pilot schemes of the Saving Gateway – a matched savings scheme for low-income people. It was not paid for doing this even though it involved manual systems, as the account was only available through a very small number of branches.</p>	
UK			<p>In addition banks often work in partnership with, or provide finance to local not-for-profit bodies to tackle financial exclusion. Good examples would be the Bank of</p>	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			Scotland Wester Hailes Community Banking Partnership and the Community Banking Partnership pilots being set up in England.	

Annex 3 Voluntary charters and codes of practice

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
Belgium	1997	Charter of the Association Belge des Banques for a basic banking service	According to this Charter, the banks that subscribed committed themselves to provide basic bank services to everyone with a legal domicile in Belgium. This service was then made available to physical individuals who could then access a current account which offered three basic functions: i) monetary, manual and electronic payments, ii) deposits and withdrawals, iii) account statements	<p>At first, the national consumer Council approved this formula because no more data regarding evidence of banking exclusion had been gathered since the charter's adoption. The Ministry of Economic Affairs then asked RFA to realize a study on banking exclusion. That study showed that they were still about 40.000 unbanked people in Belgium despite the Charter's existence and that the banks scarcely applied it.</p> <p>After the RFA study publication, The National Consumer Council stated the self-regulation failure and the necessity to vote a law regulating basic bank services.</p>

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
				This led to Law of 24 March 2003
France	1992	Charter on bank services established by the Comité Consultatif and signed by the Bankers' Association	It was intended to enhance the "right-to-the account" of the Law and integrate it on a voluntary basis, but it was considered too vague and ineffective. The banking services included in the basic banking offer were not based on the principle of free service. The application of this charter has been challenged by consumer associations.	For low-income people, it included the possibility of an ATM card as well as a free access to the ATM dispenser of the bank, the possibility of long-distance payment, the availability of relevés d'identité bancaire (RIB) or banking identity statements, and a system of cheques whose number could be limited with the customer's agreement
France	1997	Le label qualité-crédit signed between Financial services providers association (établissement de crédit spécialisés), consumer associations and public authority in 1997.	Supposed to make explicit that they give all information that a borrower could need.	Problem: nobody knows it and it doesn't add anything to the law... More generally, in France, Charters and codes of practices have absolutely no effects. They are just communication and nothing else (see for example Charter on Banking services in 1992)
Germany	1995	Charter of the Central Credit Committee (a lobby organisation	This code of conduct is a recommendation suggesting to all associated banks to provide a current account to	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
		<p>of all German banking associations</p> <p>“Girokonto fur Jedermann”</p>	<p>anyone without looking at the income situation. This voluntary code of conduct also names circumstances which make it unreasonable for a bank to offer a current account. If a bank wrongly refuses to open a current account, the concerned customer can file a complaint to one of the complaint offices of the four major banking associations.</p>	
Italy	2004 February	Patti Chiari Charter Standard Basic Account	<p>Under the basic banking service initiative, all participating banks are required to offer a standard basic account (i.e., an account which has the same content across all banks), but each bank is also free to apply its own pricing policy.</p> <p>Italian basic bank accounts provide the following standard services: i) crediting of wages or pensions; ii) cash and cheque deposit; iii) cash withdrawal directly at the teller’s; iv) payment by bank transfer, both from and into the account; v) bill payment and other regular, recurrent payments; vi) use of a cash card to withdraw cash from all the issuing bank’s ATM facilities, or alternatively, a prepaid stored value card; vii) investment of savings through regular payments; viii) home and/or phone banking facilities to obtain information and manage transactions; ix) regular account statements.</p> <p>The basic banking service does not include a chequebook, credit card, any kind of loan or credit or the purchase of bonds.</p> <p>In compliance with antitrust regulations, each bank sets its own prices independently, having regard to its own sales policies and operational constraints. Consistent with the spirit of the initiative, charges should ideally be kept to a</p>	<p>Participation is on a voluntary basis: the Patti Chiari charter is made up of single initiatives (i.e., it is not a ‘package’) and each bank is free to choose which initiatives it will take part in.</p>

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			<p>minimum and be divided into a flat rate for a fixed number of transactions, and individual commissions for each additional transaction above that ceiling.</p> <p>Overall, the range of charges and services available is wide and varied though, as already mentioned, stamp duties do have a particularly heavy impact on charges. Moreover, no statistical data is available on the actual spread of basic banking services; similarly, no 'high visibility' mass advertising campaign about basic accounts appears to have been launched in the Italian media, although such campaigns would be consistent with the aim of targeting customers with basic financial needs.</p>	
The Netherlands	2001	Basic payment services package agreement (convenant'pakket primaire betaaldiensten')	<p>A system of simplified bank accounts with payment means has been developed in 2001 in order to overcome the problems of financial exclusion: the basic banking service has been set up in order to help people without a bank account to get one. Although banks are not legally required to offer a bank account to anyone, the Code of Conduct states that a bank may not refuse to open a bank account to any customer, not even the client is recorded at the Credit Registration Office. The services offered include the ability to make cash withdrawals at the counter (there is no restriction on the number or value of transactions), to pay electronically, to get regular statements of accounts, and to save money. Each individual benefiting from the basic banking service receives a bankcard to enable him/her to withdraw cash and to pay electronically to a point-of-sale. No credit facilities are offered through the basic bank account. If, for exceptional reasons (fraud, money laundering, etc.), a</p>	

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			client is refused and if a basic bank account is closed by the bank, it has to be motivated in writing.	
UK	2001 and subsequent editions in 2003 and 2005	Banking Code (and related monitoring initiatives)	<p>The 2005 edition of the Code states that:</p> <p>Paragraph 3.1. “We will assess whether your needs are suited to a basic bank account (if we offer one) and if they are we will offer you this product”; also, “We will offer you a basic bank account if you specifically ask, and meet the qualifying conditions for one”.</p> <p>Paragraph, 3.2. “Where we offer basic bank accounts, we will tell you if they can be used at post office”.</p> <p>Furthermore, a clear definition of a basic bank account is provided in the Glossary:</p> <p>“A basic bank account will normally have the following features:</p> <ul style="list-style-type: none"> - Employers can pay income directly into the account. - The Government can pay pensions, tax credits and benefits directly into the account. - Cheques and cash can be paid into the account. - Bills can be paid by direct debit, by transferring money to another account or by payment to a linked account. - Cash can be withdrawn at cash machines. - There is no overdraft facility. - The last penny in the account can be withdrawn”. <p>It should be noted that the guidance for subscribers to the Banking Code specifies that, if the customer has a history</p>	<p>Note that banking practice is not fully regulated by the Financial Services Authority but is derogated to the Banking Code. Compliance with the Code is monitored by an independent body – the Banking Code Standards Board (BCSB). The BCSB has carried out four mystery shopping exercises to see whether banks are complying with the requirement to make a basic bank account available to anyone who needs one. These have shown a steady improvement, with all banks now having adequate systems in place. Any failures of compliance are attributed to individuals in branches not to systemic failures.</p> <p>We expect the current provisions to be tightened</p>

Country	Year of first introduction	Name	Main provisions	Other notes and criticism
			of fraud or unpaid debt, a subscriber is not bound to open an account, and also that “if the customer already holds a suitable account with the bank, a subscriber is not bound to open a basic bank account”.	still further following the independent review of the Banking Code that is currently underway. This is likely to focus on the availability of basic bank accounts for people facing financial difficulty
UK		Finance and Leasing Code	This Code covers many sub-prime lenders and includes detailed sections on responsible lending and dealing with customers in financial difficulty	Unlike the Banking Code this does not have an independent body that routinely monitors compliance. It does however, have an independent committee that considers complaints
UK			There are a number of other Codes of Practice covering doorstep money lenders, pawnbroking and payday lending, but these are not as extensive as the two above.	