

## CSR case studies



# Barclays

Reducing the number of unbanked and providing access to affordable credit through its growing Financial Inclusion programme.

### ● The company

Barclays is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. It employs 147,000 people in more than 50 countries and has over 42 million customers and clients worldwide.

The ambition of the Barclays Group is to become one of the handful of universal banks leading the global financial services industry.

Barclays' views responsibility as key to building trust and loyalty among stakeholders and maintaining and growing a sustainable business for the long term.

For Barclays, sustainability has two strands: being a sustainable bank and being a responsible global citizen. Governance of sustainability rests with the Group Chief Executive, who is supported by the Group Executive Committee. External assurance of the reporting process is provided by the Corporate Citizenship Company.

Barclays Group is listed on the FTSE4Good and Dow Jones Sustainability Index and is rated as a Platinum company by the Business in the Community CR Index. Its Chairman sits on the CBI Climate Change Task Force.

*This case study focuses on Barclays' approach to financial inclusion in the UK.*

### ● The drivers

Financial inclusion is about providing the unbanked with financial products relevant to their needs and empowering them to use these products effectively. Barclays believes that this is an area of key importance for the banking industry in the 21<sup>st</sup> Century, affecting developed as well as developing economies. Globally more than three billion people seek access to basic financial services and, perhaps surprisingly, in the UK alone there are still two million people who do not have a bank account.

Barclays has been actively working on its financial inclusion programme in the UK for almost a decade. The three pillars underpinning its financial inclusion strategy are: commercial sustainability, improving lives and promoting economic regeneration. Specifically, efforts have focused on two areas: helping to reduce the number of unbanked people and improving access to affordable credit. In this way, by tackling financial exclusion, Barclays recognises the opportunity to extend its customer base.

### ● Taking action

#### 1. Reducing the number of unbanked:

In 2002, Barclays launched its entry level basic bank account (the Cash Card Account) which enables customers to access regular payment facilities and have their wages paid into it, but prevents them from going overdrawn and incurring unwanted debt.

Barclays has worked with government, industry and consumer groups to develop the

account to meet the needs of low income earners who are new to banking. In 2006, the bank established a Consumer Round Table, which brought together Citizens Advice, The National Consumer Council (now part of Consumer Focus) and Toynbee Hall (a London-based charity working with vulnerable groups) with senior Barclays employees for frank discussions on the challenges facing people on low incomes in accessing and using bank accounts.

The Round Tables have improved understanding between Barclays and the consumer groups over the most effective way to reach, service and thus help to reduce the number of unbanked. This has led to enhancements to the Cash Card account, such as the introduction of a small buffer zone to assist with the payment of direct debits; a reduction in fees charged for returned payments and, in August 2008, the introduction of a debit card to enable the customer to move out of the cash economy. In addition, Barclays has improved its communications by enclosing information on issues relevant to low income consumers (e.g. tips on saving and budgeting) with statements.

The success of this bank account is evident in the uptake. There are now around 700,000 Barclays Cash Card accounts active in the UK and demand is high, with approximately 11,000 accounts being opened every month. Moreover, in a recent satisfaction survey 86% of customers said they were satisfied or better with the account.

## 2. Providing affordable credit:

Around seven million adults in the UK are unable to access mainstream credit. This is due to a number of factors including being unemployed, having a poor credit history, not having a bank account or because the loan they require is too small. Community finance organisations – i.e. Credit Unions and Community Development Financial Institutions (CDFIs) – are better placed than high street banks to provide small scale affordable loans as a first step into mainstream banking.

Barclays recognised that supporting the UK community finance sector would help it to fulfil its financial inclusion objectives. Since 2004, the bank has invested over £2.3 million for the benefit of over 100 credit unions and CDFIs. Barclays agreed to sponsor ABCUL, the credit union trade association, for the introduction of PEARLS, a business management software package developed in the US. PEARLS has been successful and, for example, has enabled Credit Unions to introduce capacity based lending by providing new members with instant loans, rather than requiring them to save for 11 weeks before borrowing money.

Barclays' aim has been to help build a more sustainable UK community finance sector and over time the sector has received increased government funding and has broadened the services it has been able to provide.

### ● Business benefits

Barclays' financial inclusion initiatives in the UK have established the bank as a thought leader in this field (comparative to other financial institutions) and contributed to better understanding by Barclays and, in turn, better servicing of low income consumers. The bank has also improved its relationships with government and consumer groups through productive dialogue. In addition, by developing a strong reputation for supporting low income consumers through Credit Unions, major players such as housing associations have become more receptive to using Barclays' services.

### ● Why is it CSR?

Barclays is taking a long-term, partnership approach to improving access to banking, achieving economic gains for its customers, the communities in which it operates and the bank itself.

### ● What next?

As well as its work in the UK, Barclays also has initiatives underway in Ghana, India, South Africa and Uganda. Barclays is aiming to expand these programmes into other markets to deliver a more holistic financial inclusion strategy.

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