

Fair by Design – End the poverty premium

Sarah Dunwell, Fair by Design, November 2018

Background

Fair by Design is a movement dedicated to reshaping essential services, like energy, finance and insurance, so they don't cost more if you're poor. Charging people living in poverty more than those on a higher income doesn't sound fair and it isn't and so we collaborate with industry, government, and regulators to design out the Poverty Premium, and raise awareness amongst the public to bring about change. Our venture fund provides capital to help grow new and scalable ventures to innovate the market. It's that social impact fund that we think is the game changer, allowing us to identify, invest in and bring to scale new and fairer business models, providing evidence for our campaign to share that it is possible to design business solutions that don't penalise the lowest-income consumers.

Businesses supported by Fair by Design

Here's a few examples of the businesses that sit within Fair by Design's portfolio and the ways in which those businesses help address the poverty premium:

- Wagestream: Wagestream gives workers financial freedom by giving them access to their earned wages at any time, rather than the more traditional (but purely arbitrary) weekly or monthly pay. It's helping to combat the payday loan industry and has a significant impact on wellbeing, by contributing to a reduction in financial stress.
- Switchee: The UK's first smart thermostat for social landlords, the Switchee thermostat learns the household routine and will automatically reduce the temperature of the home when everyone is out. This means that, without any effort from the resident, energy bills are reduced. Switchee also helps landlords reduce their maintenance costs, allowing them to reinvest in their housing stock, leading to better quality homes.
- Incuto: Is the first IT platform designed to advance the technology of Credit Unions, allowing them to be as responsive and flexible as payday loan companies. By supporting and improving the infrastructure of Credit Unions, Incuto is directly contributing to the financial wellness of its members.
- We Are Digital: A digital and financial education provider, delivering innovative programmes through its nationwide network of tutors. The team aims to tackle social polarisation by helping to get the digitally excluded online and, working alongside government and corporate partners, they ensure that everyone can take advantage of the power of the internet.

Taking action to address the poverty premium

Fair by Design recently launched its 'Roadmap' for ending the poverty premium. We are focused on three things that government, regulators and businesses can each do to reduce the Poverty Premium. These actions could make a real, tangible difference to thousands of people's lives right now.

Government should:

- Set up a wide-ranging inquiry, working with a variety of regulators and businesses, to tackle the scourge of the least well-off in society paying more for their everyday essentials. They should also work with regulators (including the Financial Conduct Authority and OFGEM) to

make sure a company's duty of care includes ensuring that those customers who are on a low income are on the best deal available.

- Take a lead on creating a Vulnerable Citizens Strategy, which should include making sure people on low incomes don't end up paying more for their essential services and products.
- Investigate the feasibility of no-interest loan schemes (NILS) whilst also introducing a grant scheme to help people whose situations would be made worse by commercial credit options. Additionally, ensure existing local Welfare Assistance Schemes are properly advertised and offered to those who need them.

Regulators should:

- The Financial Conduct Authority (FCA) should broaden its regulation of all forms of high cost credit including caps on those not currently covered: costly bank overdrafts, rent-to-own, home-collected credit, catalogue credit, and store cards.
- The Competition and Markets Authority (CMA), which has been a leader in looking at the Poverty Premium, should lead on a partnership between all relevant regulators to reduce and ultimately remove the Poverty Premium in all its forms. It could start with the higher prices low income consumers pay for essential services, including the extra cost of customer loyalty, learning from good practice in each of their respective sectors. Where they are unable to act, they should publicly hand over these problem areas to the Government so it takes remedial action.
- All regulators should commit to hosting incubation hubs which help new businesses test their ideas, particularly for those ventures working specifically to eradicate Poverty Premiums in their sector.

Businesses should:

- Commit to 'Poverty Premium proofing' all their products and services to ensure low income customers aren't paying more for essentials. Examples include maintaining free cash machines in all areas, or creating a basic, low cost contents insurance product.
- Invest in making sure all products and services are suitable for people in poverty by working directly with low income consumers and customer user groups to bring their first-hand knowledge to the service design process.
- Provide more coaching and support services for new businesses, specifically for those using innovation to 'design-out' the Poverty Premium, using existing examples of accelerator hubs and business incubators as good practice.

Written by Sarah Dunwell for Greater Manchester Poverty Action.