National report

LLP-ERASMUS

Intensive Programme

Internet advanced promotional tools application for increasing awareness of social exclusions movement

Financial exclusion

in France (Quimper)

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INTRODUCTION

The term financial exclusion was first coined in 1993 by geographers who were concerned about limited physical access to banking services as a result of bank branch closures (Leyshon and Thrift, 1993). Throughout the 1990s there was also a growing body of research relating to difficulties faced by some sections of societies in gaining access to modern payment instruments and other banking services, to consumer credit and to insurance. There was also concern about some people lacking savings of any kind. It was in 1999 that the term financial exclusion seems first to have been used in a broader sense to refer to people who have constrained access to mainstream financial services (Kempson and Whyley, 1999).

Since then, a number of commentators have added their views of how financial exclusion should be defined. These include both academics (for example, Anderloni, 2003; Anderloni and Carluccio, 2006; Carbo et al, 2004; Devlin, 2005; Gloukoviezoff, 2004; Kempson et al, 2000; Sinclair, 2001); and policy makers (Treasury Committee, 2006a, 2006b; HM Treasury, 2004). The term "financial exclusion" has a broad range of both implicit and explicit definitions.

Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.

There is also a widespread recognition that financial exclusion forms part of a much wider social exclusion, faced by some groups who lack access to quality essential services such as jobs, housing, education or health care.

Beside the fact that use of financial services makes more and more part of a standard life, the way to access and use those services may be more and more over demanding on various aspects as geographical, technical, cultural, educational or about guarantee and risk analysis criteria. This leads to a large range of access and use difficulties that are deeply related to each country's market structure.

Financial products will be considered “appropriate” when their provision, structure and costs do not lead the customer to encounter access and/or use difficulties.

These difficulties are caused simultaneously by the characteristics of the products and the way they are sold (supply side) and the situation and the financial capability of the customer (demand side). The analysis of each structure (both demand and supply sides) may, for each country, highlight the way supply meet demand, and how appropriate it is.

Financial exclusion is deeply interrelated with social exclusion: if the latter lmost automatically leads to the first, financial exclusion belongs to a process that reinforces he risk to face social exclusion. Being objectively excluded or having a subjective feeling of being excluded can begin or be reinforced by access or use difficulties in financial practices.

The perfect financial inclusion may therefore be described by the capacity to access and use appropriate financial services proposed by mainstream providers. Meanwhile, there may be an adequate “second best choice” to get appropriate services proposed by alternative providers that comply with rules and regulations and do not exploit lowincome people. At least, an authenticated “social / open minded” provider may give a sufficiently safe / positive image to enable excluded people to try once again financial services, which could then be the first step towards financial inclusion with mainstream financial providers.

I. Level and structure of financial exclusion

Overall, a minority of the adult population in the EU 15 is affection adopted by financial exclusion - two in ten have no access to banking transactions; about three in ten have no savings and four in ten have no credit , although a relatively small number (less than ten) indicates a denial of credit . The proportion of people enjoying no access to these three forms of financial services is even lower - about seven percent of the elderly over 18 years adult population. By cons , a third of the population of the new Member States is financially excluded; more than half do not have a transaction account , a similar proportion has no savings and almost three quarters do not have immediate access to revolving credit.

Significant changes in the levels of financial exclusion even in the EU 15 there is , however, . Typically, levels are lower in countries such as the Netherlands, Denmark, Sweden and Luxembourg , where the standard of living is generally high . These levels are the highest in Latvia , Lithuania and Poland , whose economy is in transition and whose gross domestic product is still low .

Concerning France, in the absence of studies, OGN estimate that 5 to 6 million the number of people experiencing financial exclusion in France. While this figure is difficult to prove, the report on "The conditions of access to banking services of households living below the poverty line," published by the Advisory Committee on Financial Sector (CCSF) in 2010, presents statistics banking people in France.

To estimate the number of people who suffer from the problem of financial exclusion, some researcher have develop an instrument to measure the level of financial exclusion. the Eurobarometer Survey 60.2, undertaken at the end of 2003. To date, however, use of the Eurobarometer data has been restricted to looking at access to specific products only. We have, therefore, re-analysed the data to take this analysis further and also taken into account data from Eurobarometer 2003.5 which looks at the EU 10 new member states over the same period. Although there is more recent data this was not suitable for the analysis we require3. One implication of this is that for some countries (Cyprus, Czech Republic, Estonia, Lithuania, Malta, Poland, Slovakia and Slovenia) the figures quoted will over- state the extent of financial exclusion as levels seem to be falling.

Although Eurobarometer surveys individuals aged 15 or over, our analysis is restricted to people aged over 18 as this is the legal age of access to some types of product (including a transaction bank account with an overdraft and unsecured credit). It asks about the holding of a range of financial products, including transaction accounts (with a cheque book and/or a payment card facility), deposit accounts (which pay interest but have no payment card or chequebook) and other savings products including life assurance policies, stocks/shares, collective investments (unit trusts) and bonds. The forms of credit covered include overdrafts, credit and charge cards and loans for car purchase and other purposes.

It is important to note that the Eurobarometer data is useful to draft a broad picture and to be able to draw very rough international comparisons, but that is it not 100% accurate information. Indeed, experts have underlined that the questions are sometimes interpreted differently from one country to another, and as the study shows, comparisons with national data sometimes show quite important gaps, which could not only be due to samples issues. To summarise, it is one of the best data available for the moment, but it can still be improved in the future.

The analysis of these two data sets shows that at the end of 2003, ten per cent of adults aged 18 and over in the EU 15 countries and 47 per cent of adults in the new member states had no bank account at all (Table 2 and Table 3). We describe these people as 'unbanked'[4]. A further eight per cent in the EU 15 and six per cent in the new member states had only a deposit account with no payment card or cheque book – these we have called 'marginally banked'. In both groups of countries, adults were less likely to hold revolving credit[5] than savings. In all 40 per cent of EU 15 adults and 73 per cent of those in new member states had no access to revolving credit (credit card or overdraft) whilst 30 per cent and 54 per cent respectively did not have a savings product.

On the whole, people who lacked a bank account of any kind (transaction or deposit) were very likely to have neither a savings product (77 per cent in the EU 15; 74 per cent in the new member states) nor revolving credit (83 per cent and 93 per cent respectively) (Tables 2 and 3). Putting this together, we find that seven per cent of all adults in the EU 15 countries and 34 per cent of those in new member states had none of these three types of financial product and might, consequently, be considered 'financially excluded'.

II. Causes and consequences of financial exclusion

There are many reasons which do that a person can be exclude. Contrary to the consequences of financial exclusion, the causes are different. When we are exclude from this system, it can be linked at a lot of causes. This problem touchs mainly the people who are disadvantaged and who earn low income. This is a list which regroup a part of the causes of financial exclusion :

- The first one is the liberalisation of financial services which has increased the number and complexity of financial products and suppliers. If this phenomenon has expanded access, it is very more difficult for some people to understand the operation.

- Secondly, there have been structural changes in labor markets leading to greater "flexibility" and increasing job insecurity, which in some countries are accompanied by high rates of youth unemployment.

-Thirdly, tightening of money laundering rules in response to terrorist attacks means that many people may face difficulty in getting access to services.

- Fourthly, social assistance programmes can play an important role – with both the level of payments and the method by which they are made having an effect on levels of financial exclusion. And for benefit receipt the rules may deter people from saving where that might reduce the level of assistance they would qualify for.

-Fifthly, the financial exclusion is dependent of the modification of the place where we live.

Now, we will interest us at the situation of France. In fact, each country has his own causes which can depend of the history or the place of the country for example.

Access and use difficulties regarding transaction banking encountered by some clients generate extra-costs that can be hard to support for people with a low income.

In France, the fact that cheque is free of charges led to make its use nearly compulsory for many kind of payments. The use of cash to pay important amounts has become stigmatizing. Not having access to a check book implies to use much more costly payment means.

In the same way, since a very large majority of the population ha access to a bank account led the French state, for cost and security reasons, to make the social benefit payments only by bank transfer on a bank account.

Difficulties of use, like to respect banking rules generate extra costs that can pile up very rapidly. Moreover, extra cost generated by multiplicity of banking charges can lead people to adopt “survival management” behaviour.

The first effect of it is the destruction of their savings and the feeling of security that goes with it. The second effect is the need to establish a priority within payments, bills with immediate consequences if they are not paid being therefore paid before health and insurances costs despite potential consequences .

This type of behaviour can have indirect financial consequences, as it will sometimes induce negative moral judgement from bank officers or social workers, leading to a much severe judgement of the person’s demand or situation.

Banking exclusion can also lead to difficulties to rent an apartment or a house).

Finally, not having access or not knowing how to use properly bank services can also, depending on history, status and life experience of people facing it, have an impact on self esteem and lead to (self)-isolation and depravation of social connections and social relationships with friends or family.

The consequences are nearly the same anyway the way that a person had been exclude. The main difference is that there is many level of exclusion. There is the local, national, and european level.

Two main dimensions of financial exclusion consequences under the umbrella of socio-economic consequences on affected people can be determined.

First, financial exclusion can generate financial consequences by affecting directly or indirectly the way in which the individuals can raise, allocate, and use their monetary resources. Secondly, social consequences can be generated by financial exclusion.

These consequences are affecting individuals' patterns of consumption, the way they participate to economic activities or access social welfare and the distribution of incomes and wealth. They impact the way in which people behave both in terms of purchase decisions and the way in which they choose to spend their time, as well as their overall quality of life.

These are the consequences affecting the various links that are binding the individuals: link to you corresponding to self-esteem, links binding to the society and links binding to community and/or relationships with other individual or groups.

A single financial exclusion situation can of course generate at the same time financial, socio-economical and social consequences for the person facing it. The different dimensions of financial exclusion consequences identified in the country reports are listed summarised below regarding each one of the keys areas of essential financial services: transaction banking, credit and savings.

The people who are exclude have a lot of difficulties to receive the money from the other people for example when they receive a cheque. It is too true in the other way because we cannot pay the people.

Evidently, the most negative consequences are experienced by those lending from illegal financial service providers. In Germany, Policis highlighted that one of the major risks associated with borrowing from illegal lenders arises when borrowers find themselves in financial difficulties with lenders likely to use violence and intimidation. In Slovakia, when customers do not fulfil their repayments, unlicensed lenders pass on the information to an outsourcing company who then use harsh methods to recoup payments.

III. Government role in preventing financial exclusion

People face access and use of transaction banking services difficulties when banks refuse to open full transaction bank accounts for certain groups of people, or when the accessibility, product design, service deliver and price associated with transaction bank accounts deter people to access and/or use those services.

To address both problems of access and use, French financial services providers adopted a wide range of responses.

Commercial social-oriented providers, including savings banks, post offices and other mutual co-operative providers, are or have been even more active than private banks in developing such new products and alternative financials services, and sometimes are/used to be the sole providers (postal bank in FR).

Aside from financial provider's initiatives, the banking sector has developed voluntary charters and codes of practices to make provision for "basic" bank accounts in six out of the fourteen countries studied.

The impact of such self-regulation is mixed: in France that paved the way to the

introduction of a regulatory system. Governments also play an important role in promoting or regulating transaction bank account provision by the market. In several countries (FR, DE, BE, NL, IT & UK), pressure from government and public opinion have successfully encouraged the banking sector to adopt voluntary codes of conducts regarding basic bank account provision.

Considering that access to transaction bank accounts is essential, French government is also intervened to state a legal requirement that every citizen or resident should have access to transaction banking services and to define "guaranteed" transaction banking and payment services to be provided by the banking sector, as well as pricing criteria and other requirements. Direct legislation is also sometimes used by government to regulate the level of banking charges for specific transaction services like bounced cheques.

People face access and/or use of credit difficulties when banks refuse to grant them a reasonable credit demand (borrowing is both feasible and financially responsible – not all credit demand are...) or when they are offered inappropriate loans regarding their situation and needs (terms, conditions and charges associated with credit contract can lead them to financial difficulties). Different types of market responses to address problems of access and use regarding credit have been identified.

The large majority of responses developed by financial services providers are implemented in partnership with another type of financial provider or a public partner providing funding, or both.

Mainstream commercial lenders generally find it unprofitable and risky for their reputation to provide small loans to people on low incomes or at-risk of exclusion because their standardised risk analysis is not appropriate to deal with this kind of customers. On the contrary, not-for-profit lenders have developed their risk analysis including budget schemes and creditworthiness measurements based on this kind of customers. However, the competition in the banking sector in some countries required banks to enter this market segment, which will necessitate an adaptation of their risk analysis criteria and method in order to limit use difficulties.

Some of the mainstream commercial lenders have therefore chosen to enter partnerships with the French state as third partner providing a loan guarantee fund.

Commercial social-oriented providers (co-operative banks in France) have also developed artnerships with not-for-profit lenders, involving the French State as third partner providing a loan guarantee fund.

Finally, alternative commercial social-oriented and not-for-profit providers have implemented consumer credit (not-for-profit organisations in France) or savings and credit schemes argeting people financially excluded, in partnership with the state that provides public funding or a guarantee fund provision.

Aside from partnerships, commercial social-oriented providers or not-for-profit providers have also individually developed responses to address problems of access or use regarding credit: co-operative banks have established special branches serving credit in local areas or are targeting people with financial difficulties, and some credit unions' current initiatives have been identified as having the potential to contribute to financial inclusion.

Governments play a crucial role to address problems of access and use regarding credit. Two very different government approaches have been identified in terms of government policy responses.

In order to prevent use difficulties and ensure appropriate credit provision, some countries studied (FR & BE) have developed very strict and preventive legal frameworks (maximum interest rates, compulsory credit reporting), leading to a strongly regulated mainstream market where over-indebtedness and offer of inappropriate credit products are reduced - but still not all reasonable demand is served.

On the other hand, some countries have favoured governments' actions as a facilitator encouraging self-regulation of the credit market through various incentives, leading to the development of a very diversified market (from mainstream to sub-prime) applying risk-reflective pricing, allowing a very wide access to credit products - among which some are provided at very inappropriate terms and conditions or regardless of the borrower's financial situation - and generating use difficulties and a higher risk of over-indebtedness.

The following regulatory measure to prevent use difficulties have been identified in France: compulsory reporting of negative and positive information.

IV. Institutions and their actions

The French Red Cross is one of the national companies and Crescent International Movement of the Red Cross. Founded in 1864, The French Red Cross is a recognized charity organization since 1945. Player in the field of humanitarian action, the French Red Cross carries out actions to help people in difficult situations within the nation and abroad. Relying on more than 54,000 volunteers and 18,000 employees, the association implements daily every means at its disposal to carry out the tasks it has set itself.

Founded by Coluche in 1985, Les Restos du coeur recognized of public utility association aim to assist and provide volunteer assistance to poor people, especially in the food sector through access to free meals and through participation in their social and economic inclusion, and any action against poverty in all its forms. Composed of 66,000 volunteers its social mission to the socio-professional integration.

The Salvation Army is an evangelical international movement founded in 1865 by William Booth in London. Since 1881 it is established in France. The message of the Salvation Army is based on the Bible. Its mission is to preach the gospel of Jesus Christ and ease in his name without discrimination and human distress. It consists of 1.500.000 Members, 26.329 Temples, 15.422 Ministers, 21 Hospitals, 1.020 primary schools, 191 secondary schools and 19 Universities.

The Secours Catholique is an association created on the 8th of September 1946 by Father Jean Rodhain. The Secours Catholique is especially attentive to the problems of poverty and exclusion and seeks to promote social justice. Recognized as a public utility in 1962, the association has been declared as a national organization in 1988. It is now compose of 97 delegations, 3.900 local staff members and 62.900 volunteers.

The Association for the Right to Economic Initiative is a French association created in 1989 by Maria Nowak. Its purpose is to allow people who do not have access to traditional banking systems (recipients social and unemployed minima) to create their own business through microcredit support. Adie is present throughout France. Adie has awarded nearly 120.000 microloans since its foundation. Since 2005, Adie has the ability to lend microloans with positive interest rates.

V. Other activities against financial exclusion

There are today several actions in France against financial exclusion, for example, since October 2012, a group under the name of "l’initiative contre exclusion bancaire " which can be translated as " initiative against banking exclusion " was born c ' is a think-tank and single action in France. This club is a first because it brings together actors involved in social and associations wishing to develop new initiatives against banking and financial exclusion. Open, this club meets l’Adie, L’Armée du salut (The Army of salvation), ATD Quart Monde, La Banque Postale, Crésus, the Croix-rouge française (the French Red Cross), Emmaüs France, Habitat et Humanisme, Les Restos du cœur, Secours catholique, the Secours populaire and l’UNCCAS (national union of municipal center for social action).

This club aims to develop new operational proposals against banking exclusion and to implement new practices to meet the needs of persons in financial fragility.

The first achievements of this club are encouraging indeed in the context of “The initiative against banking exclusion”, a working group was formed to participate in the National Conference of struggle against poverty, organized in October 2012. This is one of the bricks of the multiannual plan against poverty and social inclusion.

In addition, Notable advances have been implemented in the banking law and consumer law. Some examples: the establishment of the credit registry, streamlining processes governing the indebtedness, the cap on incidental expenses).

That said little in France, associations focuses not solely on the problem of financial exclusion , there have much more on social exclusion in general , we can see that on the ATTAC website or demonstrations against the exclusion especially like about social exclusion.

The Logo of Cresus is :

VI. Characteristic of Cresus Bretagne

CRESUS Brittany (Regional Chamber of Social indebtedness of Brittany) is an association law 1901 to help people in financial difficulty, excessive debt or banking exclusion , supported by the General Councils of Finistère , Côtes d'Armor, Morbihan Ille et Vilaine , the European Social Fund and in connection with the Bank of France .

CRESUS Brittany is a member of the Federation of Associations CRESUS, which to date includes 18 CRESUS in France . The first CRESUS association was born in 1992 in Strasbourg and is recognized as a public utility.

The main activity of CRESUS Brittany is to provide confidential interviews by appointment to inform and guide people in serious debt.

CRESUS Brittany also made support in the steps towards the creditors and the bank of France.

To date CRESUS Brittany is present on the Finistère: Brest , Guipavas , Quimper, Landerneau , Morlaix, Châteaulin , Carhaix , Concarneau, Quimper and Mahlon on the Côtes d' Armor: Rostrenen , Pabu (Greater Guingamp) , Lamballe and Dinan, on the Lorient Morbihan Locminé and the Ille et Vilaine Rennes .

CRESUS Brittany aims to fight against and BANK INDEBTEDNESS EXCLUSION particular:

At "curative" support in amicable and judicial approaches to the creditors and the debt service of the Bank of France. If necessary orientation to social services and partner organizations .

Preventive level: financial analysis , banking information and mediation, collective action , social microcredit staff and budgetary support .

The association CRESUS's mission is:

To develop a tool for the defense of the collective and individual interests of consumers in serious debt or fiscal imbalance.

Put at their disposal the means of prevention, treatment and support in connection with the social, economic, legal, environmental and social indebtedness.

To organize discussion groups and exchange of experiences for consumers to break the isolation related to indebtedness.

To animate hotlines close collaboration with local communities.

Sensitize public opinion to the problems of debt and its consequences.

Form of social workers face in their daily mission to the problems of indebtedness and communities to find appropriate responses.

Encouraging the creation of an observatory of debt and consumer credit promoting the implementation of sustainable development , including the reduction of energy costs , while maintaining the comfort of proximity and quality of life preserving the balance family budget .

Promote the development of national and European network of consumers faced with debt problems in a context of exchange.

Conclusion

Above all, governments have to measure and understand a situation, a problem, and, consequently to evaluate the measures implemented with appropriate indicators. Each country faces particular needs and priorities within financial exclusion, related to the maturity and structure of the market, for one side, and to the homogeneity of the society (social, educational, economical and cultural) on the other side.

Of course, all social inclusion policies participate to financial inclusion: education, health, minimum income, housing increase... The role of governments is essential and central. Particularly, financial education programmes can address specific problem encountered by specific target publics, such as migrants, young adults, the elderly and a generalization of financial education programmes in school is highly recommended.

Consumers' confidence and understanding of financial products and services are key issues to reduce a large range of self-exclusion and to limit access and use difficulties.

Consumer protection measures may be taken via incentives for the providers as well as laws: it is a preventive approach, which is generally less considered in more liberal economy.

The more significant experiences are oriented on savings, in order to increase this behaviour within the whole population and/or particular target group. For this last group, some quite effective programmes have been implemented, but they still seem to be quite expensive and not so easy to duplicate.

This partly relies on clear rules which impact all the actors the same way, so no distortion (competitive advantage) within the industry may emerge from it. This element plays in favour of strong regulation, because with soft laws, the implementation may differ from an actor to another. Within a "self-regulation" model, governments may play an important role to limit the risk of bad players by implementing effective assessments and considering that a law may be necessary in case of failure.

It is also possible to improve confidence in providers while organising round tables, regular meetings with stakeholders, on informal or formal basis.

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