PRISON REFORM TRUST

UNLOCK
The National Association of Reformed Offenders

Time is Money

financial responsibility after prison

Chris Bath
Kimmett Edgar

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This report was written by Chris Bath, Director of Projects at UNLOCK and Kimmett Edgar, Head of Research at the Prison Reform Trust.

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For further information, contact:

Prison Reform Trust
15 Northburgh Street
London EC1V 0JR
020 7251 5070
www.prisonreformtrust.org.uk
prt@prisonreformtrust.org.uk

Registered charity no: 1035525
Company limited by guarantee no: 2906362
Registered in England and Wales

UNLOCK
35a High Street
Snodland
Kent ME6 5AG
01634 247350
www.unlock.org.uk
enquiries@unlock.org.uk

Registered charity no: 1079046

The Prison Reform Trust (PRT), established in 1981, is a registered charity that works to create a just, humane and effective penal system. PRT aims to improve prison regimes and conditions, defend and promote prisoners' human rights, address the needs of prisoners' families, and promote alternatives to custody. PRT's activities include applied research, advice and information, education, parliamentary lobbying and the provision of the secretariat to the All Party Parliamentary Penal Affairs Group.

UNLOCK, the National Association of Reformed Offenders, is an independent charity and membership organisation, led by reformed offenders. Its vision is equality for reformed offenders, defined as a society in which reformed offenders are able to fulfil their positive potential through equal opportunities, rights and responsibilities. It achieves its goals through projects, campaigns, and the provision of information, advice and support, aiming to highlight need, initiate new services, improve existing services and bring about system change. Since 2005, around 80% of UNLOCK's resources have been dedicated to tackling the financial exclusion of people with convictions and their families.

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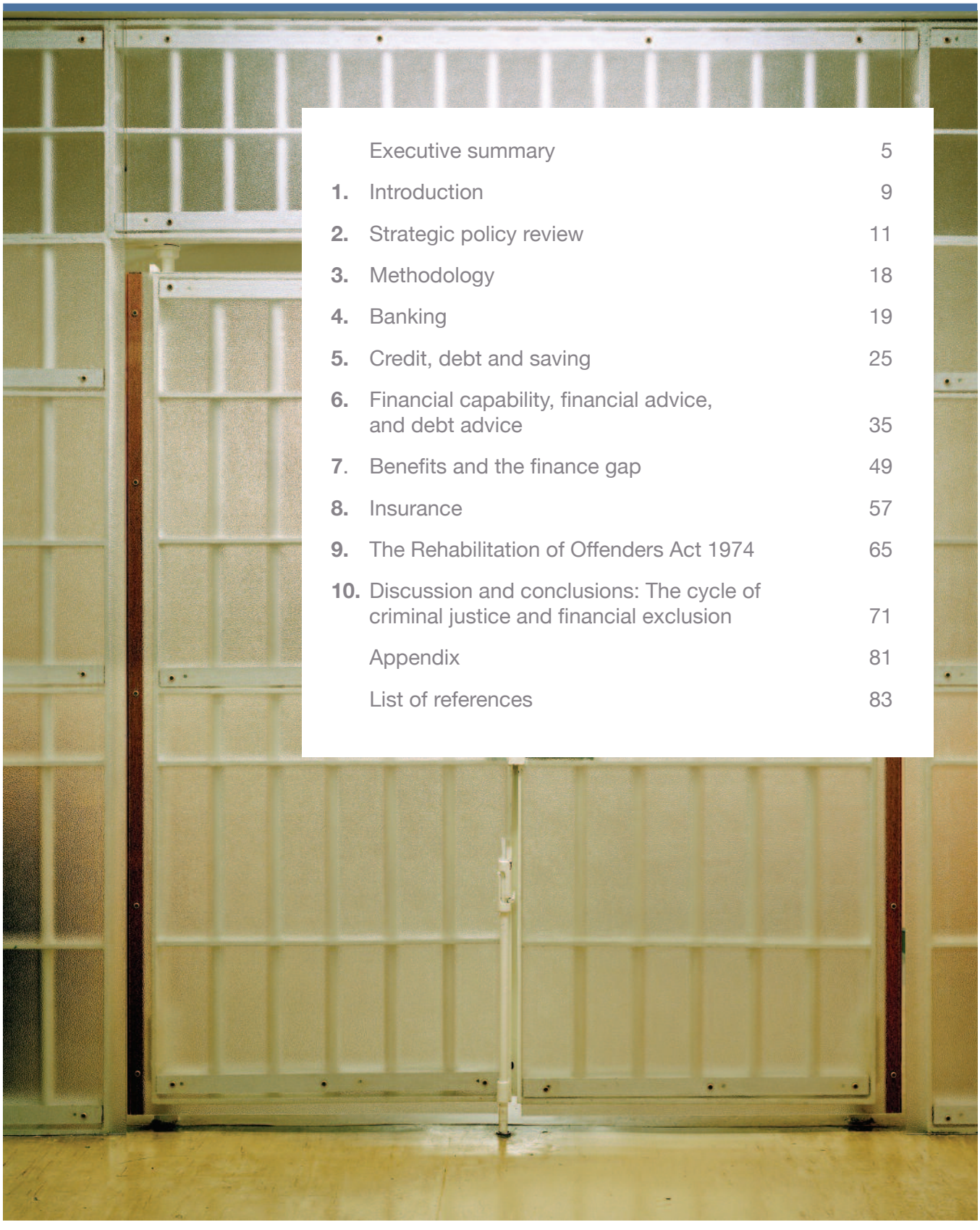

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Executive summary

When someone is convicted of a crime, the impact on their finances can be extreme. The loss of liberty is the most severe form of punishment in the UK but with it come many unintended financial consequences. The criminal justice system can increase financial exclusion, and reduce personal responsibility, creating problems with housing, insurance, employment and family relations, and thus contributing to a greater risk of reoffending.

Supported by the Friends Provident Foundation, the Prison Reform Trust and UNLOCK investigated the impact of the criminal justice system on a person's finances. We surveyed 144 people in prison and interviewed 47 of them. We also surveyed 24 former prisoners and 29 families of people with convictions. This report also takes account of the relevant literature and policy context.

This report explores the impact of the criminal justice system on banking, credit, debt, savings, financial capability, benefits, and insurance. The role of advice and the practical implications of the Rehabilitation of Offenders Act are also considered. The key findings inform practical, cost effective recommendations to achieve financial inclusion for people in prison, former offenders and their families, improve resettlement and reduce reoffending.

Key findings and recommendations

Banking

A third of people surveyed in prison said they did not have a bank account; and of these, 31% had never had one. Moreover, people in prison were severed from their financial situation outside. Of those interviewed in prison, 40 had a bank account, but only three of them said they could manage it directly during their sentence. Four explicitly said they depended on their families to manage their bank account.

- People should have the opportunity to open a bank account, combined with financial capability training and relevant information before discharge.
- A secure process should be developed by which people with bank accounts who are in prison can manage their accounts throughout their sentence.

Credit, debt, and saving

The research established that time in prison was likely to increase levels of debt. Just over half of the people interviewed in prison had debts. Of those who had debts, 40% of people in prison and 64% of former prisoners felt that their debts had worsened during their sentence, two thirds of people interviewed in prison who had debts said they owed over £1000 and one in three said they owed money for housing. Housing debts were seen as the most important because they reduced the chances of securing accommodation on release. Women in prison prioritised housing because of its importance in being allowed to care for their children.

I need to pay a lot of money before they'll re-house you. That's wrong because you'll be homeless. They should give you a flat and let you pay off so much a week.

More than half of people in prison said that they had been rejected for a bank loan and 8% said they had tried to borrow from a loan shark (a rate over 10 times higher than the average UK household). One in four people surveyed in prison had been threatened for a debt while in the community. People who had borrowed from a loan shark were four times more likely to have been threatened over a debt. Debts to loan sharks can act as a driver for further crime, as people take extreme actions in a bid to pay debts and avoid violent consequences.

The reason I'm in here, I did it to get money to pay off my bills. I regretted it from the moment I agreed to do it. But there was no other way at the time to pay my debts. I tried banks. I'd already asked my mum for far too much. I now know I could have discussed it with the people I owe, to pay off what I could. But I didn't think of that. I've got two years to regret it.

Over half of the families surveyed had had to borrow money since the conviction. Two thirds of the families in debt said their debts had increased since the imprisonment of their relative. Ten per cent of families said they were 'in real financial trouble.'

I worry that my wife has to pay it and I can't do a thing to help her.

- The credit industry should develop protocols for dealing fairly with people who are sent to prison.
- People in prison should have the opportunity to earn a real wage allowing them to save for release, support their family, pay tax and national insurance and make debt repayments including to accommodation providers in return for guarantee to house them on release.
- Illegal money lending teams should include a focus on working with people in prison, former prisoners and their families.
- Information on sources of affordable credit, such as credit unions, should be given to families when their relative is sent to prison.

Financial capability, financial advice and debt advice

Less than a third of people surveyed in prison were unsure or very unsure about managing their money. However more than half of those interviewed were unsure or very unsure dealing with banks.

Almost two-thirds of people interviewed in prison said they struggled to pay bills, or were in real financial trouble, before coming to prison. Yet, three-quarters of former prisoners and almost three-quarters of those interviewed in prison had not been asked about finances, or received any advice. Only 5% of people in prison said they had been asked about how their families would cope financially while they were in custody.

People in prison are not able to practise financial skills:

I wish, in this prison, they would give us a weekly print out of how much we spend. I have to ask my personal officer, "How much have I spent and how much have I got left?" I don't even know how much I've got in my private account.

One third of families said dealing with bills was a constant struggle and, following the imprisonment of a relative, the proportion of families which said they felt unsure in managing money more than doubled.

People in prison indicated that different services were relevant at different stages of a sentence. For example, financial capability can be offered closer to the end, while establishing communication with financial services providers needs to be immediate:

I didn't know if I had to change my address or if I could keep it at my home address. It wasn't easy to find out what you could and couldn't do.

Citizens Advice Bureaux (CAB) were the most trusted source of financial advice for both people in prison (47%) and families (75%) but only 13% of people in prison and four out of 29 families had used the service.

- All people in prison should have access to financial capability training that meets their needs, covering modern financial products and services, in addition to budgeting and numeracy.
- The process by which people manage and spend money within prisons should be normalised so far as is possible.
- All people in prison should have access to the Consumer Financial Education Body (CFEB) money guidance service throughout their sentence.
- Everyone in prison should have access to the National Debtline telephone helpline during normal working hours.
- Families should be linked in to free financial capability initiatives and independent, quality-assured financial and debt advice in their local area.
- All people in prison should have access to a quality-assured financial assessment, including their families' needs, linked to relevant services within appropriate timescales.
- People in prison should have access to independent quality-assured debt advice which meets their need, including self-help, casework support, advocacy, negotiation with creditors and representation, from the point of arrival.

Benefits and the finance gap

Just 36% of people on release from prison go into education, training or employment, leaving most former offenders in need of support.

This research shows that there has been a shift in focus away from preparing for resettlement and towards closing down benefits on entry to prison:

There's no help once you are inside. At induction the officers make sure you aren't getting any benefits and that's all. They used to be more helpful five years ago than they are now. Now it's just, "There's your cell, there's your prison sentence. Get on with it."

At £46, the discharge grant fails to fill the 'finance gap' between release and the start of benefits, which can take weeks or even months:

The housing wants a month rent in advance. It could be £800 they want. You think, 'I'm homeless. How am I going to get that?' So you go thieving, then you go back in here.

There can be significant delays in receiving benefit payments after discharge:

The first few months were very difficult until benefits came through. I struggled paying utilities, clothes and food.

Debts which build up during a prison sentence can render benefits insufficient:

Nobody has got paid, so it is mounting. I'll come out with £46 in my pocket. And you're spending half of your benefit on rent and there's no kitchen so you're eating out. It's a circle, a battle to survive.

People leaving prison do not always receive any savings made in prison on release.

A lot of prisoners don't even bother to take their money out of their private account when they go.

- People in prison should have access to independent quality-assured benefits advice from the point of arrival.
- Benefits should be available from the day of release. The application process should be completed prior to discharge.
- Until benefits are made available on release, the discharge grant should be increased to the level of the current job seekers' allowance.
- Prisons should alert local authorities to people in need of support well before the anticipated release date to ensure that the mandated duties to vulnerable people are met.
- Prisons must ensure that all people receive the money that is held in their private cash (prison) account on release.

Insurance

Under insurance law, unspent criminal convictions (of individuals, family members, named drivers) must be disclosed to insurance companies irrespective of whether the insurer asks a question because they are considered 'material facts':

My parents told their home insurers and motor insurers of my conviction and they were refused cover. This has stayed on record and now they cannot get cover at all even though I don't live with them anymore. It makes me really furious that my family are being punished as well as me.

One in three families informed the insurer of a relative's conviction when purchasing insurance. Two thirds of former prisoners informed their insurers of their conviction but one third said they were never asked. Over four in five former prisoners said it was harder to get insurance and four-fifths said that, when they did get insurance, they were charged more. The inability to access insurance has implications including preventing access to mortgages and many forms of employment or self-employment.

Former prisoners stated that it was important for them to hold motor insurance (95%) and home insurance (86%). However, of the people interviewed in prison who had stable accommodation (council/private rented or mortgaged), 77% did not have home insurance.

- The Law Commission's consumer insurance law: pre-contract disclosure and misrepresentation draft bill should be enacted.
- Insurers should ensure all customers are aware of the need to declare unspent convictions and those that exclude people with convictions should make this clear and create links with specialist providers to ensure people are treated fairly.
- People in prison and on probation should be provided with information on the importance of insurance, the impact of a criminal conviction and where they can get insurance.
- Government efforts to increase the take-up of tenants contents insurance should take account of the specific needs of people with convictions.
- The insurance industry should replace its discriminatory blanket ban with a data-driven risk pricing model.

The Rehabilitation of Offenders Act 1974

The Rehabilitation of Offenders Act 1974 (ROA) places limits on when people are required to disclose their convictions, for example in employment or when securing insurance. However, the long periods and many exclusions from the Act create a barrier to securing an income and accessing financial products.

People in prison felt that the ROA had a damaging impact on their efforts to get a job and make a positive contribution to society.

> *With a criminal record, you feel you are always being discriminated against. It's like a noose round your neck: you are in fear of it tightening at any time. So, you don't disclose. And when it's found out, you're punished again.*

There is a lack of a rigorous process for enforcing the ROA:

> *It affected my ability to get a job and still does, as more organisations undertake CRB checks even on jobs that aren't actually exempt from the ROA it cuts down the number of jobs that I can apply for…*

Only one of 47 people interviewed in prison was able to demonstrate an accurate understanding of what the Act meant. In addition, 60% of those surveyed in prison stated that they did not understand the Act. This means that the majority of people to whom the Act applies do not understand what it means and that many others mistakenly think that they do understand it.

> *I thought "spent" meant have I done the time.*

- The Rehabilitation of Offenders Act (1974) should be fundamentally amended, and rigorous enforcement processes established, to ensure a proportionate balance between the rights of employers and the need to remove barriers to economic activity.
- Everyone convicted of a criminal offence should be made aware of the Rehabilitation of Offenders Act and offered information and guidance on the long-term impact of having a conviction, at the earliest opportunity.

Conclusion

The severity of the impact on an individual's and families' financial life is determined by the decision to sentence to custody. Loss of income is an obvious outcome but in a world of automatic payments and high personal debt, the consequences of prison may have become more severe and long-term.

On entry to prison, people are severed from their financial life, losing access to products and communication with creditors. A confusion of agencies working in prisons, combined with a focus on risk rather than need, results in over-assessment in some financial areas and under-assessment in others.

During a sentence, people are encouraged to 'shut down', while the impact on families is ignored. Independent, quality-assured, trusted advice services are patchy but well received. Many people in prison have a confidence about managing money born of hard experience but this does not extend to dealing with the modern financial world. Prisons do not allow people to take financial responsibility, with limited opportunities to earn, spend and save. Prisons are storing up problems when they should be used to build a strong foundation.

The finance gap contributes to the high risk of reoffending immediately post-release. In the longer term, the Rehabilitation of Offenders Act 1974 contributes to the ongoing barriers to insurance and employment.

A substantial proportion of people sent to prison were already experiencing extreme and persistent financial exclusion. However, having a criminal conviction further exacerbates their lack of access to financial services. Changes to the system could promote financial inclusion, which in turn would support effective resettlement and a reduction in the rate of reoffending.

A renewed focus on rehabilitation and resettlement provides an opportunity for greater recognition of 'finance, benefits and debt' and 'children and families' as the foundations for higher profile elements of reducing reoffending such as accommodation and employment.

- The Ministry of Justice should develop a realistic, measurable, appropriately funded national framework for tackling financial issues, which can be used to guide regional commissioning and local delivery. The strategy should take account of different sexes, ages and culture and cover; banking, credit and debt, financial capability, financial advice and debt advice, benefits and earnings, and insurance.
- Prison induction processes should include practical financial matters, backed up by provision of relevant services within appropriate timescales.

Introduction

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It's amazing how much of a difference getting a bank account makes. It's allowed me to feel part of society again.

(JAMES, FORMER PRISONER, THE INDEPENDENT, 5 DECEMBER 2009)

The links between poverty and crime are well documented and long established. A broad consensus now exists that, by limiting choice and opportunity, poverty is one of the important conditions which lead to crime.

However, in recent years, a new financial phenomenon has occurred. Social and technological advances have benefited many citizens and consumers, but excluded others. Financial services have simultaneously grown more complex and more fundamental to participation in society. This has led to a growing interest in the concept of 'financial exclusion' or its more positive antonym, 'financial inclusion'. With financial inclusion as a prerequisite for engagement in modern society, financial exclusion can be seen to underpin many of the factors which increase the risk of offending.

The coalition government has been quick to recognise the social and economic importance of rehabilitation and resettlement. Former prisoners are responsible for one in five recorded crimes, costing an estimated £13bn per year of the £60bn estimated annual cost of crime.[1] Under the previous government, criminal justice costs rose from 2% of GDP to 2.5% over a decade, a higher per capita level than the US or any EU country.[2] Recent decades have seen tougher sentences, forcing the prison population to around 85,000[3], a 40% increase during the Labour government. Despite their ineffectiveness as a means of reducing reoffending (as about half of all people released are reconvicted within a year) expenditure on prisons increased from £2.868 to £3.982 billion between 2003/04 and 2008/09.[4]

Over time significant progress has been made in targeting the needs of those people who offend for support with stable accommodation and employment. However, the impact of the criminal justice system on personal finances has received little attention.

This research describes the nature of financial exclusion, as experienced by people in prison, former prisoners and their families. Its findings will guide efforts to reduce the financial exclusion of people leaving the criminal justice system and the family members who support them.

The research will suggest how the criminal justice system can achieve better resettlement outcomes and reduce reoffending by playing its part in tackling financial exclusion. It will also suggest how the financial services industry can tackle financial exclusion to reduce crime and its consequent costs for victims, the industry and wider society.

This report begins with a summary of policy relating to financial exclusion both in the 'mainstream' and with specific regard to people in the criminal justice system.

The sections that follow explore the themes of banking, credit, debt and saving, financial capability, financial advice and debt advice, benefits and the finance gap, insurance, and the Rehabilitation of Offenders Act 1974. Within each theme, the report considers existing research evidence, specific policy developments, and new evidence gathered by the project.

The report concludes with a synthesis of the key findings and recommendations, following an individual's journey through the criminal justice system to chart the impact at each stage on the person's finances.

Strategic policy review

Financial exclusion

[Financial exclusion is] the inability, difficulty or reluctance to access appropriate, so-called mainstream, financial services.[5]

Financial exclusion is a relatively new area of public policy, having only gained real traction in the late 1990s. The Legal Services Research Centre (LSRC) defined financial exclusion with reference to five practical elements: having no bank account, holding no savings, using high interest credit, owing priority debts, or having an annual income less than £14,500[6]. Poor families pay a 'poverty premium' – on average £1,000 annually or almost a tenth of their income — for goods and services such as gas, electricity, credit and banking because they cannot access the deals offered to higher income households[7].

A key to understanding the context in which people in prison, former prisoners, and their families experience financial exclusion is the recent history of policies on financial inclusion, promoted by the Labour government. The following summary of developments explains the steps taken by government intended to increase access to financial services. This discussion of the policy context focuses first on financial exclusion, and then on criminal justice.

Policy action team 14

A 1999 report by policy action team 14 of the Social Exclusion Unit (PAT 14) stated that financial exclusion was caused by a "mismatch between potential customers' needs and the products on offer" and geographic issues such as remoteness and higher costs (such as insurance in areas with high crime rates).[8] It recognised that paying benefits electronically would increase demand for financial services but concluded that financial exclusion would reduce as the market developed a diverse range of more appropriate products for low income households.

The report recommended:

- simpler bank accounts
- greater flexibility in identity requirements
- wider access to insurance
- expansion of credit unions and
- the provision of financial advice and support during the transition from benefits to work.

Responding to the PAT14 report, the Labour government pledged support for:

- the deregulation and expansion of credit unions
- the widespread introduction of insurance with rent schemes for home contents insurance
- exploring a wider role for the social fund to help those in low-paid employment
- better access to counselling and refinancing for those in debt and
- greater disclosure by banks of their provision of services to the socially excluded[9].

Promoting financial inclusion

In 2004, the Treasury renewed commitments to tackling financial exclusion in the *Pre Budget Report & Spending Review*[10] and *Promoting Financial Inclusion*[11].

Promoting Financial Inclusion concluded that "access to banking could be the key to unlocking access to other financial services" and that policy interventions should be focused on the "core financially excluded people who are most likely to suffer the negative consequences of a vicious circle of exclusion" and be "delivered through trusted intermediaries with whom they are already in contact."

The government created the £120 million 'financial inclusion fund' (FIF) for 2005-08, primarily to support affordable credit and face-to-face advice initiatives. An independent 'financial inclusion taskforce' was established to monitor the government's progress in banking, affordable credit and money advice. Having identified that there were around 2.8 million adults in 1.9 million households with no access to a bank account, the government and banks also announced a shared goal of "halving the number of adults in households without a bank account and of having made significant progress in that direction within two years."[12]

Treasury select committee

In 2006, government and industry policy on financial exclusion came under thorough parliamentary review via the Treasury select committee. The first of three reports[13] argued that access to affordable credit should be improved by tackling illegal money lending, increasing competition in the high-cost credit market, financial support for third-sector lenders and, if chosen by a customer, reducing the risk of lending via direct deduction from benefits. The report criticised the social fund, which was "failing in its mission to assist those most in need of credit" and needed to be more integrated with other elements of affordable lending.

The select committee also found that debt advice was suffering from short-term funding and that a new form of 'generic' financial advice was required to prevent people getting into financial difficulty. The report concluded that savings and insurance should be included within the government's financial inclusion agenda and that there was a need for 'non-market' savings solutions. On insurance, the report suggested that 'insurance with rent schemes' should be expanded.[14]

Financial inclusion: the way forward

In this 2007 report the Treasury stated that, "The government's vision is for a society in which no one is denied employment because they do not have a bank account," as well as reiterating that everyone should have access to affordable credit, advice and financial capability. The document also stated a commitment to extend the remit of financial inclusion policy to include saving accounts and simple insurance products.[15]

For the spending period 2008-2011, the government promised to:

- continue with the financial inclusion taskforce
- establish a ministerial working group for financial inclusion policy
- create a new £130 million financial inclusion fund and
- publish a detailed action plan.

The action plan which followed included commitments to raise the profile of financial inclusion with local government.[16] The Financial Services Authority's (FSA) strategy to improve financial capability was expanded to include

insurance and savings. The issue of the remaining 1.3 million unbanked households would be tackled via partnership with the banks. FIF funding would continue to be used to support face to face money advice and be combined with in-kind support from the banks to support the growth of credit unions. There was also a commitment to funding illegal money lending teams in every region. Plans to develop the publicly-funded 'savings gateway' were highlighted. Policy on insurance remained narrowly focused on expanding contents insurance for tenants in social housing.

Now Let's Talk Money and financial inclusion champions

In 2007, 'Now Let's Talk Money' (NLTM) was funded by the FIF as a UK-wide government financial inclusion awareness campaign. The campaign aimed to assist people in overcoming barriers to financial exclusion and set up a network of regional stakeholders and a helpline which 'sign-posted' people to trusted intermediaries. The campaign was advertised using radio adverts, posters in public places, press inserts and door-to-door leafleting. Following the campaign, £12m was invested from the FIF into 'financial inclusion champions', to drive forward the NLTM campaign, raise the profile of financial inclusion with local government, join up the strands of financial inclusion policy, and create financial inclusion partnerships.[17] According to the March 2010 budget, the financial inclusion champions have; engaged with over 2,180 local organisations, built financial inclusion into 45 local area agreements, supported or started over 200 new financial service projects and trained 5,500 front line staff in tackling financial exclusion[18].

Budget 2010 (March)

In its budget of March 2010, the previous government promised to consult on its intention to introduce a new 'universal service obligation', giving people the right to a basic bank account under certain conditions.[19] The budget also heralded a consultation on affordable credit to ensure banks make an "appropriate contribution to community lenders, through regulatory action or a new community levy to be funded by retail banks".

The budget stated that the Association of British Insurers (ABI) had started to engage with the remaining social landlords (with more than 1000 housing units) who were not providing tenants contents insurance (TCI). The ABI aimed to improve access to insurance by developing guidance for insurers on how to treat customers with criminal convictions.

The retail financial services forum, which includes industry and regulators and aims to ensure that retail financial services work in the interests of consumers, the economy and society, was asked by government to consider how staff targets and incentives lead to poor outcomes for consumers of financial services and how they can be reformed.

The budget reiterated that financial inclusion would be 'mainstreamed' into departmental budgets after 2011. It stressed the importance of support from a wider group of organisations such as local authorities, social landlords, advice agencies and community lenders, in developing a 'renewed strategy' for financial inclusion.

Financial exclusion and the coalition government

The election produced a change of government with far-reaching implications for the campaign to reduce financial exclusion. In May 2010, the coalition government published their programme for government. The government did not make reference to financial exclusion but did commit to rolling out a free national financial advice service, funded by a 'social responsibility levy' on the financial services sector and managed by the newly formed consumer financial education body (CFEB, formerly part of the FSA). The government also indicated that Post Offices would be allowed to offer a wide range of services and that the creation of a Post Office bank would be considered as a way of developing new sources of revenue.

Mark Hoban, financial secretary to the Treasury, reconvened the financial inclusion taskforce to advise on access to financial services, in particular transactional banking, savings, insurance, affordable credit and debt advice.[20] A statement in June provided evidence of the

coalition government's support for financial inclusion:

> *The coalition government is committed to improving access to banking for consumers. It believes that the benefits of having access to banking will help tackle some of the problems faced by low-income families. This includes being able to receive payments through a variety of channels, offering a more secure place to keep money and reducing the cost of household bills. Consumers should also be able to trust the products and services available to them and have a wide range of choice.*[21]

The June budget was focused on spending cuts and changes to the tax and benefits systems to 'incentivise work and tackle welfare dependency'. However, the government announced a new annual family financial health check would be introduced in spring 2011 by CFEB.[22]

Criminal Justice

Social factors that drive offending

The Social Exclusion Unit's 2002 report, *Reducing Re-offending by Ex-Prisoners*[23] recognised the importance of social factors in promoting successful resettlement. Nine factors were identified: education, employment, housing, drug and alcohol misuse, mental and physical health, attitudes and self-control, institutionalisation and life-skills, family networks and financial support and debt. Seventeen factors related to finance, benefits and debt were identified, including:

- inconsistent benefits and debt advice
- failure to close down benefits
- difficulties claiming on release
- loss of identification
- low rate of discharge grant
- difficulties securing insurance.

The Legal Services Research Centre (LSRC) also highlighted some of the correlations between people who offend and wider social factors. They found that people who had been recently arrested were significantly more likely to report civil law problems concerning, for example, employment (10% v 5%), rented housing (11% v 3%), homelessness (13% v 1%), and money/debt (21% v 6%). They were also more likely to have themselves been victims of crime (38% v 20%)[24].

The Legal Services Commission's debt advice outreach programme identified people who offend as one of the groups at particular risk of financial exclusion. People in prison were one of the most financially excluded groups. The Legal Services Research Centre evaluated the programme and concluded that the evidence about people in prison indicated that, "Financial exclusion might play a role in, and be reinforced by, custodial sentences"[25].

The National Offender Management Service

The National Offender Management Service (NOMS) was established in 2004 with the intention of bringing together HM Prison Service and the Probation Service and focusing on reducing reoffending. In its reducing reoffending action plan, NOMS drew on the 2002 SEU report in defining seven 'pathways', intended to guide national policy making, regional commissioning and local delivery across prisons and probation:[30]

1. accommodation
2. education, training and employment
3. mental and physical health
4. drugs and alcohol
5. finance, benefit and debt (FBD)
6. children and families of offenders
7. attitudes, thinking and behaviour.

Finance, benefit, and debt pathway (FBD)

Financial exclusion can relate to several, if not all of the above pathways. However, the most obvious link is with the 'FBD' pathway. NOMS recognised that people serving a prison sentence faced an insufficient discharge grant; a lack of opportunity to save; disrupted access

Financial exclusion of people in prison

- 54% of prisoners (58 people) had a total household income of less than £10,000 per year before going to prison. In comparison, 21% of employees, including full-time and part-time workers, reported less than £10,000 per year, in terms of individual (rather than household) income.[26]
- 40% of prisoners (53 people) were unemployed before going to prison. . . . In comparison, the head of the household in 3% of households in England and Wales was unemployed in 2001.[27]
- At 60%, the majority of those who were in prison for the first time were financially excluded, while 80% of prison interviewees who had been to prison before were financially excluded.[28]
- Looking at the number of times interviewees had gone to prison, results showed that financially excluded prisoners had served significantly more prison sentences than financially included people in prison[29].

to benefits advice; and problems securing crisis loans from the social fund.

NOMS' proposals for action on financial exclusion included:

- standardising the discharge grant and reviewing the scope for index linking
- increasing saving via more opportunities for education, training and employment in prison
- piloting access to bank accounts for prisoners and evaluate after six months
- working regionally with Jobcentre Plus to ease access to the social fund for ex-prisoners
- National Probation Service to work to provide improved access to financial services and advice for offenders.

The 2005 reducing reoffending delivery plan was described as a "cross government outline plan for reducing reoffending" including the Home Office, Department for Health, Department for Education & Skills (DfES), Department for Work and Pensions and the Office of the Deputy Prime Minister.[31] The FBD policy objectives were listed as:

- bridge the finance gap
- develop a national framework document to improve regional joint working between NOMS, Jobcentre Plus, Learning and Skills Council and local authorities
- review the operation of benefit rules for release on temporary licence (ROTL)
- improve access to financial and advice services for offenders and their families
- address financial literacy for offenders in partnership with DfES by March 2006
- develop a model for wider roll out of access to bank accounts for prisoners by 2006/07
- ensure there is early assessment of financial problems.

The NOMS business plan published in May 2006[32] included no operational targets for these objectives but included 'policy milestones' on the finance gap and access to bank accounts.

Regional FBD pathway boards

Boards were established in each region to define the regional strategy for each pathway. These voluntary, unfunded boards included representatives of interested parties for the statutory, private and voluntary sector. Without any significant pre-existing service delivery contracts relating to financial issues, regional FBD boards often became highly dependent on the support of specific voluntary sector organisations.

Regional pathway boards were given little support, guidance or resources from the national level. As a result, though the national action and delivery plans had some influence, each region developed entirely independent responses. Most, but not all, of the regions established objectives on benefits, finance gap and debt advice. Around half of the regions included actions on assessment, financial skills and access to services (such as bank accounts). Four regions included actions on developing opportunities for saving; three regions mentioned offender's families; and one identified the need to tackle the lack of identification. Confusion over the role of the boards ultimately led to many being closed down.

Local FBD leads

FBD issues have not related to local key performance targets and there has been a paucity of funding for the pathway, relative to other pathways such as accommodation or drugs. Activity within the pathway at a local level has been highly contingent on its perceived importance by management and the quality and motivation of staff. While some prisons made strong efforts to improve provision for FBD, others simply went through the motions of matching limited existing provision to the new policy language of 'pathways'. The nature of many FBD issues requires national actions before local implementation is possible, leading to frustration among prison staff.

Assessment

The offender assessment system (OASys) is a risk assessment tool used by the Prison Service and Probation Service to; identify offending-related needs, judge the likelihood of reoffending, and support the development of effective sentence plans.

The authors of *Hand to Mouth* suggested that the three month OASys assessment carried out by the prison should pick up on people's finances, though they acknowledge that people serving under 12 months would not be helped because they are not subject to OASys.[33]

OASys assessments, when aggregated, provide data which can inform policy-making. OASys data from 2004 showed that 23,000 people who were assessed had financial problems linked to their offending. However, within London, while 26% of people had financial issues linked to their offending, only 9% had an intervention identified.[34]

Questions were raised about the reliability of OASys assessments, with a high level of inconsistency between assessors completing the section[35]. Hence, completion of the financial management and income section was recently made optional. In practice, that has implications both for individuals and for policy. For individuals, this will make it even less likely that their financial situations will be assessed. Risk assessments and sentence planning may therefore be less effective. For policy, the absence of empirical evidence about the financial problems of people coming out of prison will inhibit the development of effective interventions in this area.

The Centre for Social Justice

In its 2009 report, *Locked up Potential: A strategy for reforming prisons and rehabilitating prisoners*, the Centre for Social Justice set out a clear agenda for improving resettlement outcomes, the basis for a 'rehabilitation revolution'. Among its recommendations were:

- bridging the identified prisoner finance gap through measures to improve access to benefits on the day of release and reforming the way in which the social fund supports prisoners . . .
- strengthening the advice services in prison for offenders soon to be released particularly in regard to housing and employment and broadening performance management targets . . .
- improving the consistency of support offered to released prisoners by local authority housing teams . . .
- making special resettlement arrangements for certain categories of prisoner including women prisoners, older prisoners, prisoners with mental health disorders, prisoners already working in the community on ROTL and ex-service prisoners . . . [36]

The report also presented practical proposals to encourage the employment of former offenders including greater incentives for employers to hire former prisoners (e.g. National Insurance credits) and changes to the Rehabilitation of Offenders Act 1974:

> *We concluded that disclosure periods should be substantially shortened for all sentences. We concluded that offenders deserved far better explanation of the provisions within the Act than they receive at present. We concluded that new guidelines for employers should be drawn up to ensure ex-offenders receive fair and proportionate treatment from employers, preventing such things as irrelevant requests for disclosure which we have heard happen frequently.*[37]

Conclusion

Processes within criminal justice exacerbate financial exclusion through a combination of public and commercial policy. Over the years, government and the industry have established policies on financial exclusion and criminal justice. However, links between these policy areas have been drawn only to a limited extent.

Methodology

Photo: Andrew Aitchison

An advisory group, chaired by Dame Audrey Glover, was convened to guide the project, drawing on the expertise of a broad cross-section of stakeholders from the commercial, public and charitable sectors. The Prison Reform Trust and UNLOCK are grateful to the members of the advisory group for their contribution to the project.

Following reviews of the relevant literature and policy developments, data gathering was based on self-completion surveys, online surveys and one-to-one interviews. The focus was on:

- the extent of financial exclusion (e.g., average scales of debt, proportion of people denied a bank account, proportion who have faced obstacles or been unable to obtain insurance)
- the time frames for financial exclusion (estimates of how financial problems have changed over time)
- the lived impact of financial exclusion (how people feel their lives are affected)
- the extent to which people have made adjustments to cope with financial exclusion, and the nature of these adaptations
- the degree of confidence people in prison, former prisoners and their families have about their financial capability.

Four prisons were chosen with an aim to cover different regions: three local prisons of different sizes in the east Midlands, London, and the south; and a women's prison. The prison was asked to circulate the surveys randomly. The interviews were drawn from a purposive sample of people in prison who were approaching their release date.

The surveys and interviews covered the full range of themes linked to financial needs. The questions were developed by the research team, with input from the advisory group, and the interviews were piloted at a local prison. All those interviewed were assured of anonymity and a consent form was signed. A team of five researchers conducted the interviews. Statistical data were analysed on SPSS to produce frequencies and simple cross tabulations. The small size of the samples precluded tests for statistical significance. A group of people on community orders was convened to discuss the financial impact of a conviction when someone does not experience imprisonment, but the numbers attending were too small to generate findings.

The surveys were conducted through UNLOCK's membership. The family survey was piloted with the assistance of pact, the Prison Advice and Care Trust. The samples comprised:

- a self-completed survey of 144 people in prison
- 47 interviews with people in prison, drawn from the survey sample
- an online survey of 24 former prisoners
- an online survey of 29 families.

Further details of the samples are presented in the Appendix.

Banking

Literature review

The Legal Services Research Centre (LSRC) estimated that about three million households in the UK do not have a bank account[38]. From a baseline figure of 2.8 million adults living in 1.8 million homes in 2003, data from the Department of Work and Pensions (DWP) family resources survey indicated that the number of the unbanked had fallen to 0.89 million adults in 0.69 million households by 2008[39].

LSRC research into users of money advice outreach services found that 18% of people in prison had a current account and 19% had a basic account, suggesting that around one third of people in prison have a bank account. 40% had no current account or any other financial products, compared to only 5% of people interviewed at money outreach services in the community[40].

Many people who have offended are also vulnerable. For example, 72% of male and 70% of sentenced women in prison have two or more mental health disorders[41]. A Citizens Advice Bureau project found that adults with multiple needs are likely to face numerous barriers to opening a bank account and using banking services. The experience of visiting a bank can be intimidating for those with mental health problems[42].

A study by the Big Issue found that 26% (90) of the vendors interviewed had tried to open a bank account on 139 occasions, but only 12% were successful compared to 75% of the general population[43].

Policy context – general

One reading of the recent developments in the policies and technology shaping banking is that increased ease of access for the majority has created barriers for the minority. This is as true of certain changes introduced in public services as it is in the commercial sphere.

Direct credit

Electronic payment into a bank account became commonplace for employers during the eighties and nineties. By the year 2000, the bank automated clearing system (BACS) was processing around 42 million wage and salary transactions per month.[44] The routine use of BACS is a practical link between barriers to employment and limited access to banking services.

Direct debit

In parallel, commercial organisations had recognised the profit opportunity in receiving payments electronically and were incentivising customers to pay in this way. Between 1980 and 2000, the use of direct debit expanded by more than 1000%. Over two billion transactions were made by direct debit in 2000, including over 77 million TV licenses and nearly 300 million utility bills.[45] Utility bills are often much more expensive when paid by alternative methods.

Direct payment

Reforms in public service delivery have dramatically increased the importance of being able to use basic financial services. The Labour government modernised the benefits payment system to reduce administrative costs and opportunities for fraud. Direct payment, an electronic method of paying benefits directly into an account, was introduced in 2003. This process required benefit claimants to use a bank account rather than receiving benefits via giro cheque at a post office. Those less willing, or less able, to change were left vulnerable to financial exclusion.

Post Office card account

The Post Office card account (POCA) was introduced in 2003 as a delivery mechanism for direct payment. Use of the POCA requires benefit recipients to collect their benefits using a plastic card and PIN. It allows them to withdraw amounts of their choice at Post Office branches but does not provide any additional services, such as paying in. Although often confused, a POCA is not a bank account as it only allows the customer to withdraw benefits paid in by the state. It does not provide the wider benefits of a bank account such as wage payments, personal deposits, debit cards or access to cash machines.

Basic bank accounts

A range of basic bank accounts was launched in 2003. Unlike POCAs, basic bank accounts offer a genuine bank account with a major retail bank, allowing wage payments, direct debits and in some cases telephone and internet banking. The accounts can be used with the direct payment scheme – indeed that was part of their original purpose. The accounts are simpler to use but limited in functionality: they do not provide for agreed overdrafts, cheque books or often debit cards, and they require withdrawals to be made from a cash machine, rather than using counter facilities. However, they do not prevent the accrual of debt and related interest charges. The limitations of basic accounts raised controversy over whether banks were intentionally making it difficult for customers to open and use them.

The shared goal

In 2004, the government made a shared commitment with banks to halve the number of adults in households without a bank account. The HM Treasury report, *Promoting Financial Inclusion* (2004) concluded that "access to banking could be the key to unlocking access to other financial services" and that policy interventions should be focused on the "core financially excluded people who are most likely to suffer the negative consequences of a vicious circle of exclusion" and be "delivered through trusted intermediaries with whom they are already in contact."

The Banking Code

In 2004, the voluntary Banking Code was strengthened to include a commitment to provide a basic bank account if one is specifically requested and the qualifying conditions are met. The report found poor availability of basic bank account literature, severe delays in opening, and a lack of flexibility in meeting identification requirements. In 2009, the elements of the Code relating to deposit accounts was replaced by FSA 'outcomes-based regulation' leading consumer groups to suggest that the new regime will provide less information and protection.[46]

Cash machines

In 2006 an ATM working group was established including consumer organisations, banks and building societies, charging cash machine operators, the Post Office and a representative for organisations using the LINK scheme. The group achieved an agreement that 600 new cash machines would be installed in lower income areas in Britain. This target was achieved in June, 2009,[47] and meant that 95% of communities in the lowest quartile of the

government deprivation index had reasonable access to free-to-use cash machines.[48]

Treasury select committee

In its second report on financial inclusion the committee argued that more needed to be done by the banks on identification requirements, administrative delays, and lack of literature in branch.[49] It stated that some banks were not meeting the Banking Code and that payment systems like direct debit did not fit with the needs of lower-income customers. The select committee found that the focus needed to move from a purely numerical target (number of basic accounts opened) to considering product design and ongoing usage of accounts. The report concluded that the POCA could not be removed until the problems with basic accounts were sorted out and that, in the meantime, a new POCA with enhanced functionality was needed.

Policy context – criminal justice

Access to banking for people in prison

A commitment within the NOMS action plan (2004) to pilot access to bank accounts for people in prison stemmed from the development of a partnership between UNLOCK, the National Association of Reformed Offenders and Halifax bank (now part of the Lloyds Banking Group). Successful pilots were run in both male and female prisons during 2005. Since most people in prison did not have access to formal identification, the pilots developed a bespoke ID document, which allowed governors to verify a person's identity for the bank, based on court and Prison Service records. A positive evaluation found that the major barriers were: identification, address histories, difficulty with forms and security concerns within prisons and banks.[50] The evaluation led to a commitment by NOMS to "develop a model for wider roll out by 2006/07" within their 2005 delivery plan. A 2006 progress report stated that the, "business case for wider roll-out has been agreed with HMPS Financial Control & Accountancy and has gone forward to the Phoenix Programme Board". However, no roll-out occurred.

Private prison HMP Forest Bank formed a partnership with Co-operative Bank in 2006, delivering a pilot project providing access to basic accounts. Only 39% of the 107 who opened a bank account reoffended[51]. The national reoffending rate of people serving sentences of less than 12 months was 59.9%[52].

The Co-operative Bank's openness to applications spread quickly into many prisons. The bank eventually came to cover 29 prisons[53]. Simon Read reported that over 3500 people in prison have been able to get a basic bank account under the scheme. UNLOCK continued to work with Halifax, developing prison-run services in three prisons, and later with Barclays and Foundation Training Company to establish projects in a further three prisons.

In 2008, UNLOCK formed a partnership with the British Bankers Association (BBA), jointly hosting two roundtable events attended by banks, charities and NOMS. NOMS re-engaged with access to banking as a policy issue, indicating their desire for a rapid increase in the number of prison/bank partnerships but recognising that the resources may not be available in all prisons. NOMS committed to a strategic approach to tackle the barriers. In December 2009, following agreement with the BBA, NOMS published a revised Prison Service Instruction (PSI 35/2009) which instructed governors to support access to banking by using the ID solution developed by the pilot[54]. However, as stated in the PSI, "The completion of the form does not mean that a bank will automatically accept it as ID for the purpose of opening an account." Local bank branches remained unaware of the form, causing significant frustration for people in prison, prison staff and branches.

In 2010, a joint UNLOCK and Ministry of Justice initiative agreed three objectives:[55]

- increase the extent to which banks offer bank accounts to serving prisoners
- increase the number of prisons which offer support to prisoners wishing to open a bank account
- establish links between prisons and banks wishing to offer a bank account support service.

UNLOCK mapped existing provision, identifying that 53 prisons had been able to develop relationships with banks but that many others had found it impossible to do so. Guidance is due to be published for prisons on how to deliver access to banking, based on best-practice. Dialogue was established with the major banks with a view to the development of a co-ordinated national approach to prisons. As a result, Barclays committed to covering an entire NOMS region, consisting of a total of 14 prisons.

The DWP financial inclusion champions initiative has also recognised the issue and its nominated strategic leads on banking and offenders are working with UNLOCK to co-ordinate actions.

In addition to work by banks, there have been local developments between prisons and credit unions. An example of a successful partnership is Leeds city credit union, which has been working with local prisons HMP Leeds and HMP Wealstun since 2007. This collaboration has led to the opening of 600 savings accounts. At Leeds prison, the scheme offers money management services to people in prison and staff.

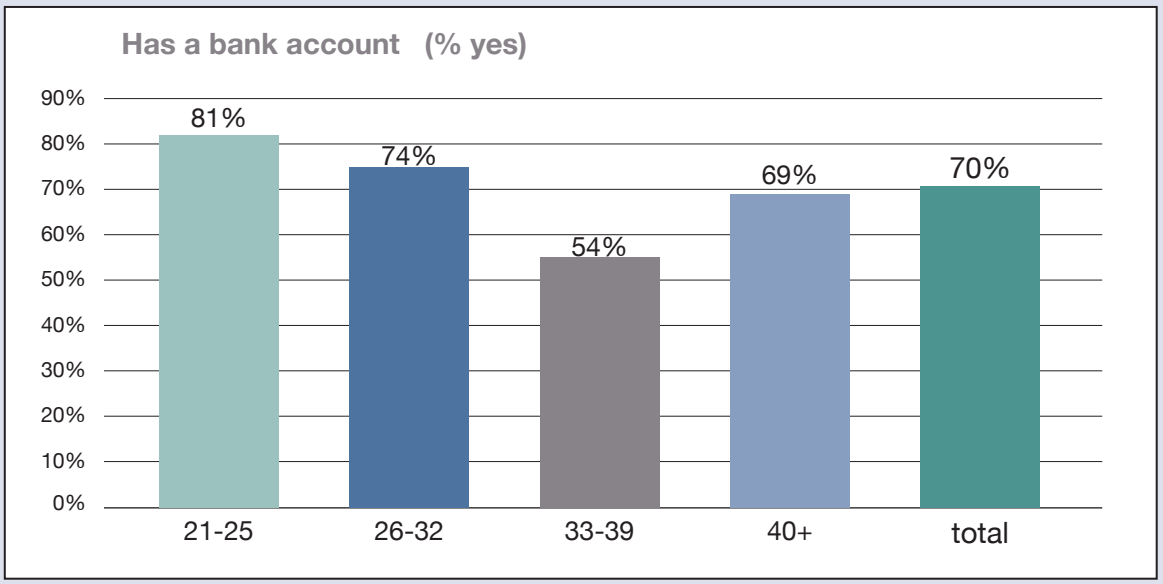
Findings on banking

People in prison

- 30% (42) of those surveyed said they did not have a bank account and 70% (99) said that they did.
- Most of those surveyed who did not have a bank account had previously held one at some time but 13/42 had never had one.
- Fewer women than men had a bank account. Half of the women interviewed had a bank account, in contrast to almost three-quarters of men.
- People from minority ethnic groups were more likely than white British people to have a bank account (81% and 64% respectively).

The proportion of surveyed people in prison who currently held bank accounts was much higher than in recent studies. For example, the LSRC research in 2007 found that 64% of people in prison did not have a current or basic bank account[56]. This may reflect some improvement in access to banking over time. However, some of those interviewed mentioned that an UNLOCK bank account project was active in their prison. Therefore it is likely that the sample of people in prison surveyed were

Graph A: Bank accounts by age



both more likely to have a bank account and better informed about finances than the norm.

The 47 people who were interviewed were asked further questions about bank accounts.

- 13 (28%) said that they did not have a bank account.

A few people described the difficulties they had faced in opening accounts. The main obstacle appeared to be a lack of the required identification. For example, few former prisoners are likely to have a utilities bill.

I've got a bank account, but I've only had it two years; never been abroad, so no passport. I've been disqualified since I was 14 years old, so no licence. They need a photo I.D. So I had my mother, who had been banking with them, to vouch for me. So we got it. We still had to argue the case.

- 8 had a Post Office card account. Women were far more likely to hold this type of account (over one-third of women and about one in 10 men held a POCA); only two held an account with a credit union.

Interviewees who held a bank account were asked whether they could access their account while in prison.

- 34/47 people interviewed had a bank account but only 3/40 interviewees (8%) who had an account, or shared one with a relative, said they could manage it directly during their sentence. Five others (10%) depended on their families to manage their bank accounts while they were in custody.
- 25 (63%) said they could not access their account while in prison.

One commented on arrangements to repay a debt:

I can't pay them myself – my wife has to do it. That worries me.

About half of the people surveyed in prison who had a bank account (50/99), had a conviction when they opened it.

- 12% (6/50) felt the conviction had made it harder for them.

However, 11 (85%) of the people interviewed in prison who did not have a bank account had tried unsuccessfully to open one. This suggests that the problem may not be the presence of a conviction but other elements involved in being in prison.

People in prison who said they did not have a bank account were asked further questions about how they managed their money without one. The responses made clear that many people depend on family members to negotiate finances. For example, people explained how they paid for things that required a cheque or credit card:

Via another person, such as my mother or girlfriend.

I'm just a cash man. If it's a bill, I just give it to my missus and she does it by direct debit.

Many people who did not have accounts dealt with their finances by Post Office card accounts or cash alone.

- 6/13 who did not have an account said they managed their outgoings on a cash basis; and another four said they used their Post Office card account.

People interviewed in prison were asked whether there were any banking services they did not have that they would want to access after being released. Just under half (45%) said that they would need new or further services from their banks when they were released, which included, for example: a credit card, an overdraft facility, a new savings account, or a chequebook.

Former prisoners

Surveyed (n=24)

- 22/24 (92%) former prisoners stated that they have a bank account and two did not answer the question. (This proportion may be higher than average, reflecting sampling bias inherent in conducting an online survey).

Respondents were asked whether their conviction had made it harder to get a bank account. One fifth explained that they did not have a conviction at the time.

- A quarter said that having a conviction had made it harder to obtain a bank account.

Two of the former prisoners did not have a bank account during the time they were in custody. Of the rest:

- Over one-third felt that going to prison had made it harder to keep their bank account, or to use it again after their release.

Their comments revealed a variety of experiences in how prison affected their ability to manage banking:

[I was] not allowed access to my bank account by prison authorities.

I have a joint account with my wife who therefore kept the account in effect while I was in prison.

I didn't know if I had to change my address of if I could keep it at my home address. It wasn't easy to find out what you could and couldn't do.

As a direct result of going to prison, I ended up bankrupt. I have now got a deposit only account.

When I came out of prison I could only get a basic account for the first 18 months.

Families of people in prison

Surveyed (n=29)

Families were slightly more likely to have bank accounts than people in prison or former prisoners.

- 1/27 family members did not have a bank account.
- 8/27 said they held more than one kind of bank account.

Most of those surveyed only had one account, normally a simple transactional account. Savings and fee-based accounts were rare.

- 11 had a current account and six had a basic account.
- One had a savings account and one had a credit union account.

Although most had an account before their relative was convicted, a quarter stated that they had opened a bank account since the conviction.

- 2/15 said that they had trouble opening an account due to their relative's conviction.

Recommendations

- Prison induction processes should include a section on practical financial matters, backed up by provision of relevant services within reasonable timescales. Questions should include whether the person has a bank account.

  Responsibility for action: HM Prison Service and contracted prisons

- A secure process should be developed by which people with bank accounts who are in prison can access their accounts in an appropriate and secure manner (e.g. to pay bills and terminate direct debits) without having to rely on a third party such as their family.
- Banks should work in partnership with prisons and service providers to allow people the opportunity to open an appropriate bank account before release, integrated with the delivery of appropriate financial capability training and information provision.

  Responsibility for action: banks, Ministry of Justice, commissioners of offender services

- People on very short prison sentences, and any other people who are unable to open an account before release, should be given information on how to open a bank account after release and referred to an external agency who can offer support.

  Responsibility for action: prison governors and directors

- The potential for credit unions to provide access to savings accounts, basic banking, money advice and (when in the community) affordable credit should be explored, with particular consideration of the emerging role of the community prison.

  Responsibility for action: credit unions, Ministry of Justice, commissioners of offender services, prison governors and directors.

Credit, debt and saving

Literature review

Credit

Obtaining credit is often most expensive for the people most in need – due to low incomes, low savings and unpredictable financial burdens. The Legal Services Research Centre (LSRC) estimates that over three million people are unable to access mainstream credit; typically, the APR charged by a doorstep lender is 177%[57]. The main sources of credit for these households are the social fund, home credit companies, and hire purchase, some of which lead the customer into high interest debts.

Illegal money lending

Making it difficult to access credit can drive poorer customers to unlicensed lenders, at still more exorbitant rates. A 2006 report estimated that 165,000 UK households use illegal money lenders, which equates to 6% of households in the most deprived areas[58].

Illegal money lenders or loan sharks as they are commonly known lend money without a credit license. They target the most vulnerable people in society and their relationships with their customers are often based on fear and intimidation[59]. As a result of their intimidating and violent practices, loan sharks have been found to cause crime in communities, as people become increasingly desperate to repay loans[60].

Debt

The Legal Services Commission piloted debt advice outreach for financially excluded people, a wide-ranging programme which was evaluated by the LSRC. The LSRC found that imprisonment exacerbates the debt of people who are already in debt when they enter prison. Sixteen per cent of people in prison were already unable to repay their bills when they entered prison. Twelve per cent had fallen into debt since being in prison[61]. Many of these referred to housing as the main cause of their debts[62]. Over half (a far higher proportion than in other financially excluded groups) reported that they were behind on court fine payments[63].

The financial harm that imprisonment imposes on individuals can be passed on to their families. Almost a third of people in prison stated that their partner or family was facing problems due to their debts[64]. The problems are intensified by the obstacles a person in prison must face if he or she tries to

correspond directly with creditors. There are currently no guidelines regarding the suspension of interest charges on loans when someone is in prison[65].

The LSRC produced more detailed information about people in prison whose debts got worse while they were inside. The reasons cited included:

- interest and or penalty charges on existing loans which they were unable to pay back or freeze
- loss of earnings reducing the family's capacity to meet credit commitments
- a mobile phone contract which the respondent could not cancel
- credit card bills
- mortgages
- car finance
- bank charges.

Mental health and debt

The majority of people in prison have more than one mental health problem. People with mental health problems are three times as likely to be in debt and twice as likely to have difficulties managing money as the general population[66]. MIND found that 85% of people said their mental health problems had made their debt and financial problems worse while 91% of respondents said that their financial problems had exacerbated their mental health problems[67].

People who are in real financial difficulty are likely to fall behind with their credit commitments and regularly lack the money to keep up with their rent or utility bills. The MIND report found that over half of those responding to their survey had missed two or more consecutive payments with at least one bill[68].

Saving

The Revolving Doors Agency works with adults who, due to mental health needs, are vulnerable and often in contact with criminal justice agencies. Their recent study, *Hand to Mouth*, was based on their clients' experiences with personal finances. They found that around two thirds of those interviewed had no savings, which they believed made them vulnerable to financial problems because they lacked the safety net that savings can provide[69].

Policy context – general

Credit boom and bust

The credit crunch and recession have swiftly brought to a close a long period of growth in consumer credit. The high levels of personal debt laid bare by this change have particular impact on low-income groups. In 2009, the Scottish Poverty Information Unit found that the reasons households get into financial difficulties include financial shocks, persistent low income, poor money management, creditor behaviour and over-commitment and over-spending. Creditor behaviour can make problems worse for people and add to their distress.[70]

Credit unions and the growth fund

Credit unions are financial co-operatives owned and controlled by their members, without external shareholders. Their central purpose is offering affordable financial services, including savings and affordable credit to their membership. The community is defined by a "common bond" which, though often geographical, could be a shared employer or association such as a trade union. They range considerably in size, with larger ones now offering a wide range of services including current accounts. Credit union current accounts offer access to the LINK ATM network, direct debits, standing orders, bill payment and direct payment of benefits but do not provide an overdraft or credit facility. Credit unions came under FSA regulation in 2002 and have had deposits guaranteed under the financial services compensation scheme to the same limits as banks and building societies since 2002. The growth fund was introduced in 2006 to increase the availability of affordable credit to financially excluded people on low incomes in deprived areas via not-for-profit lenders such as credit unions.

Saving gateway

The saving gateway was a scheme planned by the Labour government for launch in July 2010.

It would have provided people on a range of benefits with the opportunity to gain 50 pence for every £1 they saved, limited to a maximum savings rate of £25 per month for a maximum of two years. Plans for the scheme were suspended in the May 2010 budget.

Policy context – criminal justice

Credit in prison

Convicted people are not permitted to use credit cards or enter into any loan or credit agreement whilst in prison. People in prison are permitted to make payments to reduce an outstanding balance or any other debt re-payment.

Saving in prison

Progress towards the NOMS 2004 action plan policy objective on saving via opportunities to earn was never made. Due to negligible income it remains extremely difficult for people in prison to save. Under the National Minimum Wage Act 1988, while in prison a person "does not qualify for the national minimum wage in respect of any work which he does in pursuance of prison rules".[73] This does not include those who work for outside employers doing a normal job on a 'working out' scheme. The pay of people in prison is controlled by individual governors to reflect regime priorities[74]. People are eligible for pay when employed in work, induction, education, training or offending behaviour programmes. Average prison wages are between £7 and £12 a week (around 30p per hour), with a minimum rate of £4 per week (around £200 per year).

If the prison is unable to offer employment, unemployment pay is £2.50 per week. Those who are unwilling to work receive nothing. Elderly people are not required to work but may be locked in their cells for more than 20 hours per day as a result. They may receive the unemployment rate or a 'retired rate'. Levels of pay for those in education are often lower than for undertaking repetitive unskilled work for commercial purposes in what was referred to by Phil Wheatley, then director general of HM Prison Service as the 'mindless shop'[75]. Some workshops often provide bonus payments for completion of work.[76]

In 2005, the Barbed graphic design workshop was established by the Howard League for Penal Reform inside HMP Coldingley. During the two years in which the social enterprise operated, people in prison were paid at the minimum wage, contributed 30% of their wages to charity and paid income tax. However, after discussions with the Prison Service, the Inland Revenue returned the income tax, stating that people in prison could not pay income tax and Barbed was closed down.[77]

Findings on credit, debt, and savings

People in prison

Access to credit can be an important source of support for people in prison, former prisoners and families as they try to resolve the pressures that can arise from imprisonment. The main sources of credit for the surveyed people in prison were banks and family members.

- 60 (42%) had borrowed from a bank
- 53 (37%) had borrowed from their family
- 12 (8%) had borrowed from a loan shark
- 11 (8%) had borrowed from a credit union.

Men were more likely than women to have attempted to borrow from a bank. Women were slightly more likely than men to try to borrow money from family members: 48% of women said they had tried to do so, as compared to just over a third of men.

People in prison were also asked whether, in the community, they had ever been threatened for money they owed.

- Overall, one in four said that they had been threatened for a debt.
- People who said that they had tried to borrow from a loan shark were four times more likely to have been threatened for a debt than people who had not done so.
- 55% (26/47) of the interviewees said that they had tried to get a credit card. 34% (16/47) of the interviewees stated that they presently held a credit card.

The people interviewed in prison were also asked whether an application for a loan had been rejected. **Table A** shows how many applied to each source and the percentage of those who applied who had been turned down.

Table A: People interviewed in prison (n=47) turned down in applying for credit

Have you ever been turned down by . . .			
Source	**# applied**	**# turned down**	**Valid %**
Bank	30	16	53%
Credit union	7	4	57%
Doorstep	12	1	8%
Loan shark	8	1	12%
Family	31	6	19%

Table B presents the number of people interviewed in prison who said that they now owe money to different sources.

Table B: People interviewed in prison (n=47) who currently owe money

Do you owe money to . . .		
Source	**# applied**	**Valid %**
Bank	16	34%
Credit union	1	2%
Doorstep	5	11%
Loan shark	0	0%
Shop	0	0%
Family	7	15%
A prisoner	0	0%

- 21/45 (47%) said that at the present time, they had no debts.
- 7 (15%) said that they owed between £5000 and £25,000. Two of these were paying a mortgage and the other five were living in rented accommodation.

The age group most likely to have debts this large was 26 – 31. Almost two-thirds of those who owe money (15/24) estimated that the amount was less than £5000. **Table C** shows the amounts owed by the people interviewed

Table C: People interviewed in prison (n=47) Estimated amount owed

I owe nothing	**21**	**47%**
In debt	**24**	**50%**
Up to £100	1	2%
£101 to £500	4	8%
£501 to £1000	4	8%
£1001 to £5000	6	13%
£5001 to £25,000	7	15%
Indefinite amount	2	4%
Total	**45**	
Excluded		
No data	1	2%
I decline to answer	1	2%
Total	47	

Table D: Proportion of people in debt interviewed in prison (n=24) by amount owed

Amount of debt	**Number**	**Cumulative percentage of those in debt**
Up to £100	1	100%
£101 to £500	4	92%
£501 to £1000	4	63%
£1001 to £5000	6	38%
£5001 to £25,000	7	21%
Indefinite amount	2	4%

All 47 people interviewed were presented with a list of goods and services. They were asked if they currently owed money for any of them. Table E shows the proportion of people who owed money for each item.

- Over one-third said they currently owed money for housing
- Other likely reasons for debt included crisis loans (25%), court fines and mobile phone bills (about one in five).

Table E: People interviewed in prison (n=47) Reasons for debt (multiple responses)

What do you owe money for?	%
Housing	36%
Crisis loans	25%
Court fines	19%
Mobile phones	19%
Drugs	13%
TV licence	11%
Alcohol	4%
Gambling	4%
Stores	4%
Child support	4%
Others	25%

Asked which debts they would consider most urgent when they are released, people in prison were likely to choose housing (36%) or court fines (23%). Other debts considered urgent were mobile phone contracts (13%) and TV licences (13%).

The interviews also gathered views about whether prison had affected their financial situation, whether their family had been affected, whether their debts affected them while they were in prison and if they thought their debts would influence them when they got out.

- 55% (26) said that being in prison had affected their financial situation
- 73% of these (19/26) said that being in prison had made their levels of debt worse.

I've had no chance to get in touch with the credit card people about it, to freeze it.

I can't work or access my bank [in prison] which is the only reason I am in debt.

A person on remand described the impact of a lengthy period of custody on his finances:

The doorstep loan – no income, I can't pay. Same with the bank mortgage. I'm innocent till proven guilty, but I'm still facing these debts. The bank could repossess my home, but I'm in here.

Twenty-seven people responded when asked whether their being in prison had affected their family's finances.

- 13/27 (almost half of those who answered) said that their family was worse off financially as a result of their imprisonment.

One woman described how her finances were linked to her need for housing, in order to be reunited with her children:

They're all in foster care. To get them back we would have to get a place and get the housing sorted.

About half of those who commented on the effects of their debt on their family described situations in which parents or partners were left to face up to the debt:

They are the ones who have to answer the letters. My mother has got to go to the bank to talk to them.

Bailiffs knocking on the door.

My husband can't get any credit now because of me. My father gets letters from the council saying he'll lose his home – it's my debt at the end of the day, I can't understand why they threaten to kick him out of his home because of it.

Twenty-eight people responded when asked whether their debts affected them while they are in prison.

- 61% (17) said that their debts were a source of distress while in prison.

Sleepless nights; worry and depression.

I'm trying not to think about them, but they worry me because I know I'll have to face them when I get out.

I worry that my wife has to pay it and I can't do a thing to help her.

Only mentally, thinking about it. The worst thing being in prison is helplessness. Outside, you can do it yourself through the internet. While you're in here, you're like a toddler. Any plan you made outside to deal with debts is lost.

A small minority replied that they did not worry about money when they were inside:

Only bank debts. I'm not worried, they will be sorted out. It's the bottom of my to-do list. It's hard to liaise with banks when you're not getting mail and it's hard to get in touch.

Debts don't really worry me. Can't pay them when you're in lock.

Twenty-seven people responded when asked whether their debts would affect them after release from prison.

- 78% (21/27) said that their debts would make it worse for them when they were released.

My overdrawn current account is increasing whilst in prison and so is my credit card balance. I think this will affect my ability to rehabilitate successfully. I don't want to set up a home, get a job etc., and then have creditors banging on the door.

They build up and it is an added crisis to coming out.

First of all, I wasn't able to continue to pay back, so I will be on the unreliable list for six years. That extends my prison sentence. All my creditors were unable to claim money while I am in: credit cards, insurance, fees – all these have been adding up while I've been in prison. No credit: they all want cash straightaway.

As this person implied, the impact of imprisonment on personal finances has long-term consequences:

When I get out, it's still going to be there. I need to pay a lot of money before they'll re-house you. That's wrong because you'll be homeless. They should give you a flat and let you pay off so much a week. They won't do that if you owe loads and I owe loads. People won't give you a chance when you come out of jail.

The number of people in prison who discussed how prison affected their debts was small, due to the fact that 21 of those interviewed said that they had no debts. Therefore, the questions about the impact of debt applied to just over half of the people interviewed in prison. Although each finding must therefore be treated cautiously, the overall conclusion is that financial worries make things more difficult for individuals and their families.

Among those interviewed, women were slightly less likely than men to say that they were currently in debt. Of the respondents who were in debt, women were slightly less likely to say that their debts had worsened and that their family was worse off due to their debts.

- 27% women and 44% men said prison made their debts worse.
- 18% women and 31% men said their families were worse off due to their debts.

The interviewees were also asked which debt worried them the most. The most common response (17/32: 53% of those for whom the question was relevant) was that housing was most important.

The housing, because when you come off a housing association, when you try to get on another one, they'll check. If you've got arrears, they'll turn you down. That's why so many people go homeless.

Housing debt – roof over your head. If you lose it you've got nothing.

I'm holding my flat, which I will need for HDC [early release]. I'm one and a half months' arrears on my flat.

One of my big worries is housing. But if you say that to the OASys people, you increase your risk level. It's ludicrous. But yes, housing, and getting a deposit together.

Other high priority debts were court fines, credit cards, overpayment of benefits, and mobile phone bills but all of these were mentioned far less often than housing.

Former prisoners

Surveyed (n=24)

- Over two-thirds of former prisoners stated that they had borrowed money from a bank (much higher than the number who had borrowed from banks among the people surveyed in prison – 42%).
- 17% had borrowed from a family member.
- Two had borrowed from a credit union.

Respondents were asked who, if anyone, they currently owe money to. Nineteen people responded.

- No one said they owed money to a shop or to a loan shark.
- 58% (11/19) owed money to a bank.
- 16% (3/19) owed a family member or someone else.

Asked which debts caused them the most worry, fewer than half responded. Four of those cited their mortgage:

Mortgage because I need a home in order to have a job and to get re-integrated back into society.

Three cited the bank:

The bank because it is an overdraft and I can't see myself being in a position to pay it off anytime soon.

People were asked to gauge what impact, if any, being in prison had had on their levels of debt; 20 responded.

- 30% (6/20) said they had no debts.
- 9/14 for whom it was relevant said that being in prison had made their debts worse.

With me in prison not working, my partner run up some extra debts. Also, when I came out, I found it hard getting work, which made it worse.

I couldn't pay them. I had no support in negotiating them.

Mortgage lender wouldn't give a break from making payments so had to rely on savings and handouts from others.

Families of people in prison

Surveyed (n=29)

Just over half of the families responding to the survey said that, since their relative was convicted, they had had to borrow money.

- 39% (11) said that they currently owe money to a bank.
- 14% (4) owe money to other family members.

The possibility that imprisonment has a direct, negative effect on a family's finances is backed up by the families' debt levels before and after imprisonment. Fifty-nine per cent (17) were in debt when surveyed.

- 3 families said that the conviction had no effect on their debts.
- 3 families said that their debt levels had actually improved.
- 11 of the families who were in debt (almost two-thirds of those in debt) said that their debts had increased since their relative was convicted.

Families were asked who they had borrowed from and given a list of possible sources. No one who had needed to borrow money since a relative was convicted had done so through a credit union, building society, or loan shark. Of the 18 who had borrowed money since the conviction, the following numbers used these sources:

- 44% (8/18) had borrowed from a bank.
- 28% (5/18) had borrowed from family members.
- 11% (2/18) had borrowed from doorstep lenders.
- 11% (2/18) had borrowed from 'others'.

Recommendations

- Prison induction processes should include a section on practical financial matters, backed up by provision of relevant services within reasonable timescales. Questions should include whether the person has existing debts or ongoing credit commitments which will create debts.

  Responsibility for action: HM Prison Service and contracted prisons

- The Ministry of Justice and the commercial credit industry should work together to agree practical and realistic protocols for dealing with people who are in prison who are in debt, including:
  - how creditors will be informed of imprisonment
  - how people in prison can contact their creditors
  - freezing or writing off the debts of people on long sentences
  - approaching family members.

  Responsibility for action: Ministry of Justice, Credit Services Association, Consumer Credit Trade Association, British Bankers Association

- People in prison should have the opportunity to earn a real wage if they are prepared to undertake real work. This would allow people to save toward their own resettlement or make supporting contributions to their family as well as allowing deductions to be made including income tax, national insurance and debt reduction.

  Responsibility for action: Ministry of Justice, HM Revenue and Customs

- A system should be established whereby people in prison are enabled to make contributory payments to housing debts (rent arrears) during their sentence in order, in return for a guarantee not to refuse to house them on release.

  Responsibility for action: Ministry of Justice, housing providers

- The illegal money lending teams should include a focus on working with people in prison and their families.

  Responsibility for action: Trading Standards, Ministry of Justice

- Information on accessing affordable credit should be given to the families of people who are sent to prison. For example, credit unions could provide leaflets in visitors' centres or contribute to family days.

  Responsibility for action: credit unions, prison governors and directors.

Note: See chapter on 'Financial capability, financial advice and debt advice' for recommendations on debt advice.

Financial capability, financial advice and debt advice

Introduction

A range of terminology is used in the literature to describe this area, which might broadly be described as money advice. Distinctions between its constituent parts often differ dependent on perspective, the views of industry and government not always agreeing neatly with those of the charitable sector or those receiving assistance.

The development of personal financial capability, the offering of generic advice about money matters and the provision of debt advice are distinct but closely related issues. For example, debt advice is typically a crisis intervention in order to solve a current problem. This may have an impact on an individual's capability to act in the future, but building their capacity to be self reliant is not the focus. Similarly, the provision of information and advice about financial products will not solve a debt crisis.

> *Financial capability is about being able to manage money; keeping track of your finances; planning ahead; choosing financial products; and staying informed about financial matters.*
>
> Consumer financial education body (www.cfebuk.org.uk)

> *Generic financial advice helps consumers identify their current financial position, the choices and possible priorities for action appropriate to their needs, how to take the next steps in addressing their priorities; and how to access other relevant sources of information and advice.*
>
> Financial Services Authority[78]

> [Debt advice is] *a series of tools and professional strategies used by advisers to counter the problems encountered by clients in debt.*
>
> Citizens Advice Scotland [79]

Financial capability

Making the right decisions about money depends on having access to the right information, the capability to process it and the confidence to use it. The Legal Services Research Centre (LSRC) observed:

> *The often limited personal capability of offenders limits their capacity to address problems that contribute to their offending, and makes them highly reliant on the assistance of others. This is particularly so in the case of prisoners, because of the restrictive environment in which they live.*[80]

Ipsos MORI evaluated a Vale of Glamorgan CAB prison project which included delivery of UNLOCK's "UNLOCKing Financial Capability" training resource. Between April 2008 and March 2010, 553 people in prison attended the workshops and 45 peer supporters were trained.

- Topics were rated as extremely or very useful by 80 to 89%.
- Greatest benefit came when the workshops were close to release.
- Many felt there should also be personal support upon induction.
- Over half left the workshops feeling confident about the financial capability issues covered except for 'dealing with debt' where confidence rose from 17% at the outset to 45% at the end.
- The most marked improvement was in confidence getting insurance and mortgages when you have previous convictions: rising from 9% to 58%.

Some younger offenders taking part in qualitative follow up research described a great improvement in their knowledge and confidence after starting from a very low base, though those returning to the family home considered some parts less relevant. People reported intentions to take more care with money management, shop around for value, notify insurance companies of their conviction to avoid invalidating their policy and cutting back on expenditure when they left prison. Participants in the qualitative follow up showed evidence of applying their learning by, for example, using budget sheets or reducing their expenditure on non essential items[81].

Ipsos MORI drew comparative conclusions based on the three approaches that were piloted.

- Delivering in prison is less challenging and has greater reach and impact than in a probation setting.
- Raising the skills of staff working with offenders is an effective way to reach large numbers but specialist advisors are needed.
- Organisational 'buy in' is a prerequisite of success.
- One on one advice should be part of prison induction to ensure debts and commitments are dealt with, followed by training shortly before release and advice once settled into accommodation.
- Peer advisors wanted formal certification to mark their achievement and add authority.
- Group workshops needed to be clearly linked to the offer of one on one advice.
- There is an appetite for leaflets to take away from the training[82].

Work towards a national financial capability strategy began in 2003, led by the Financial Services Authority (FSA) as a result of its statutory responsibility to promote public understanding of the financial system. The focus was set on educational establishments, workplaces, excluded young adults, new parents and online. In addition, a £200,000 innovation fund was established to fund twelve 'grassroots' voluntary-sector pilots. In 2006, the FSA committed to spending up to £10 million on financial capability in 2006/07, funded by its general levy on the regulated financial services industry[83].

In 2006, the third of three Treasury select committee reports on financial exclusion highlighted the importance of financial capability as the demand-side complement to the supply-side reforms that the government has been undertaking.[84] It welcomed the FSA-led national strategy and the inclusion of financial capability in GCSE mathematics but warned that, "In over 70% of schools, personal finance education is only provided in the form of occasional lessons happening once or twice a term." The report recommended that the FSA continue to lead and expand on financial capability. It also recommended that the allocation of funding be geographical, focusing on the areas of highest need. The report noted that the government had invested substantially through the financial inclusion fund but criticised the lack of joined-up thinking that occurred because money was administered by different departments at different times. It also reiterated the need for "sustained and predictable" funding for financial inclusion work to avoid the loss of experienced staff.

Financial capability in criminal justice

Development of policy on financial capability in criminal justice has often been driven by the voluntary sector's work, backed by a fragmented range of funding sources. However, 'offenders' is now a recognised financially excluded group within the national financial capability strategy, which is aligned with the finance, benefit and debt (FBD) pathway via a partnership between the consumer financial education body (CFEB) and the National Offender Management Service (NOMS).

In 2005, the UNLOCK/Halifax prison banking project developed tailored financial capability resources in order to ensure positive outcomes with regard to access to basic banking. Capacity-building training was later delivered to around a quarter of prisons in England and Wales. Recognising the need for training as a result of its own prison banking projects, the Co-operative Bank worked with Credit Action to develop materials for people in prison, leading to these resources being used in many prisons.

The FSA has provided funding for a number of projects to develop financial capability. In 2006, as one of twelve financial capability pilots, Lincolnshire Action Trust developed an employment based resource for people in prison and former offenders. In 2007, NOMS published guidance, also funded by the FSA, which highlighted key issues faced by offenders, showcased best practice and provided guidance for practitioners as to where clients could receive more in-depth support[85]. In 2008, two pilot projects were launched by the CAB (one in two prisons in south Wales and one in partnership with Hampshire Probation) to develop financial capability. Finally, Nacro delivered financial capability training for staff working in prisons and probation.

CFEB's 2010-12 offender operational strategy confirmed that, based on the pilots, the body has chosen to focus on training criminal justice staff to understand financial capability, rather than funding financial specialists to deliver within the criminal justice system, as it is "represents the best value for money"[86]. CFEB are due to pilot access to the Money Guidance telephone service, using a unique direct dial number, in a small number of prisons.

In some instances, elements of financial capability may be delivered as an offender behaviour programme. If a person's offending behaviour has been linked to financial problems, such as debt, they may be expected to complete an NVQ in budgeting and money management, or a course that integrates budgeting with other life skills such as basic cooking, in order to reduce the risk of them reoffending.

In 2005 the government published a green paper which applied a strong employment focus to education for offenders[87]. Financial capability and the related strategy were not mentioned in this or the follow-up document in 2006[88]. However, the basic numeracy and literacy functional skills which support financial capability were identified as critical to employment.

The Offender Learning and Skills Service (OLASS) was piloted and rolled out across England in 2006, replacing the functions carried out by the Prison Service's vocational training instructional officers with education providers under contract to the Learning & Skills Council (now the Skills Funding Agency).[89]

> *The vision for OLASS [is] that offenders, in prisons and supervised in the community, according to need, should have access to learning and skills, which enables them to gain the skills and qualifications they need to hold down a job and have a positive role in society.*[90]

The Skills for Life curriculum (the national strategy in England for improving adult literacy, language and numeracy skills) can be delivered through OLASS contracted providers in prisons to learners who "will require at least one year for progress to be achieved."[91] Therefore some education providers within prisons may deliver financial literacy courses as a way of embedding basic numeracy and literacy skills in a practical context.

OLASS provision is also available for some people serving sentences in the community but is subject to certain eligibility criteria, such as being seen by Probation and being below level 2 in terms of prior education attainment (no O Levels or GCSE's). In the spending review 2004, the Home Office and DfES each received funds to build the necessary infrastructure and ensure the availability of Skills for Life provision for people serving community sentences. As a

result, the LSC receives £9.3 million a year to support this group. However, despite the importance of financial capability for reducing reoffending, Skills for Life qualifications are made available to only a tiny minority of offenders. Annually, some 12,000 people serving community sentences gain Skills for Life qualifications[92]. The Probation Service throughput is around 230,000 per annum.

Financial skills in prison life

Financial exclusion is embedded in the prison culture and people in prison have little opportunity to practise financial skills in their every-day lives. Expenditure in prisons is paper-based and people do not handle cash or conduct electronic payment methods. Since 1995, the amount an individual can spend is dependent upon the status assigned to them by the prison under the incentives and earned privileges scheme (IEP). For convicted people, this ranges from £4 to £25 per week. People on lower IEP levels may be prevented from accessing the higher-earning jobs. Most spending occurs via the canteen, which retails a range of goods including food, drink, stamps, stationery, phone cards, and toiletries. Normal competitive market forces do not operate within prisons. Canteens are delivered by DHL under a commercial contract under which NOMS sets prices. Prices are broadly in line with supermarket prices for the same products. However, people in prison have been critical of the focus on high-margin branded goods, noting a lack of an economy label alternatives usually available in supermarkets[93].

People in prison may also purchase additional goods, such as footwear, from the approved catalogue provider, usually Argos. People in prison are not able to compare prices with those of other retailers or to purchase from other sources. Under a government agreement with Argos, the retailer provides a 5% discount although this is retained by the Prison Service to fund administration, rather than being passed on to customers to redress the lack of competition[94].

Findings on financial capability

People in prison

Most of the people surveyed in prison expressed confidence about their money management skills.

- 28% (38/138) said that they were unsure or very unsure about handling finances.
- People surveyed in prison 25 years old and younger were less likely to express confidence, as 42% of them said they were unsure or very unsure.
- Women in prison were more likely than men to say they were unsure about managing money (40% women to 24% men were unsure or very unsure).

One person said that she was not even allowed to manage her private cash account properly in prison, which prevented her from practising financial skills whilst inside:

I wish, in this prison, they would give us a weekly print out of how much we spend. I have to ask my personal officer, "How much have I spent and how much have I got left?" I don't even know how much I've got in my private account.

The people interviewed in prison were also asked how confident they were in dealing with banks. Overall, they were less confident in dealing with banks than in managing their money.

- Just over half of those interviewed said that they were unsure or very unsure about dealing with banks (23/44).

The people interviewed in prison gave mixed responses when asked whether their own offending was related to pressures about money.

- 7 (17%) said that most of their offending, and another 17% said all of their offending, was related to worries about money.
- 21- 25 year olds were the most likely to say that most or all of their offending was money-related.

The small sample precludes clear findings linking offending due to worries about money with the type of offence. For example, the five people in prison who had committed property offences were divided on whether their offending was related to money worries:

- 3 stated that all of their offending was money-related.
- 2 stated that none of it was related to money.

People in prison were also asked to give an opinion on the extent to which money worries are a motivation for crime. It proved to be a controversial question, as some adamantly disagreed that poverty could excuse crime:

I don't agree. It's about greed. Nothing says a 22 year old needs gold, needs a fast car. Somebody stealing bread is necessity, but the expensive 'Puff Daddy' lifestyle is just greed.

People do crime because they want to, for all different reasons. Some are used to living above their means. It's down to the individual – how their mind's set.

Others believed that money was often a central reason people turned to crime:

Criminals tend to commit crime for financial gain. If they have more knowledge, they might be able to refrain.

It's about desperation – got no other choice.

The housing wants a month rent in advance. It could be £800 they want. You think, 'I'm homeless. How am I going to get that?' So you go thieving, then you go back in here.

The reason I'm in here, I did it to get money to pay off my bills. I regretted it from the moment I agreed to do it. But there was no other way at the time to pay my debts. I tried banks. I'd already asked my mum for far too much. I now know I could have discussed it with the people I owe, to pay off what I could. But I didn't think of that. I've got two years to regret it.

A number of respondents drew a link between acquisitive crime and drug misuse, as shown in the following examples:

You want money for different things, under different circumstances. A lot want money for drug abuse. If they never had the money tools in the first place, advice would be very beneficial.

Anyone supporting a drug habit. Mainly drugs. But when you're released, you need more than £46 to survive. £46 is nothing. People will steal and do whatever they can to get more. It's not rocket science, is it?

A majority of people surveyed in prison felt that money problems were likely to be a major worry once they were released.

- Of the 96 people surveyed in prison who responded, 60 (63%) agreed that money would be a major problem for them.

In common with the LSRC research, the interviews asked the respondents to assess their money management on a scale. Table F presents the range of responses.

Table F: Keeping up with bills and credit commitments (people interviewed in prison, n=47)

How good are you at keeping up with bills?	#	Valid %
No difficulty	16	35%
Sometimes struggle	10	22%
Constant struggle	9	20%
Falling behind	8	17%
Real financial trouble	1	2%
I don't have bills	2	4%

The responses seem to show that very few people in prison considered themselves to be in real financial trouble.

- 28/46 (61%) said they struggled with bills sometimes or often, or were in real financial trouble.
- Male respondents to the interviews were twice as likely as women to state that they were in financial trouble; over 20% of men (as compared to 10% of women) said that they were falling behind or in real financial trouble.

When I'm on me own, it's difficult to look after me money. But [when I am] with a woman, it's never a problem.

Former prisoners

Surveyed (n=24)

- 5 (one in four of those responding) said that they felt unsure about handling money.

Very few former prisoners reported that they struggled to fulfil their credit commitments.

- 8/20 said that they kept up with bills with no trouble, and another 4/20 said they kept up with their bills, but it was a struggle from time to time (see Table B).
- Former prisoners were less likely than people in prison, and far less likely than families, to say that they were in serious financial trouble.

Families of people in prison

Surveyed (n=29)

Families were asked how well they were keeping up with their bills and credit commitments. The numbers of families responding are small, but their situation suggests that many families are more acutely aware of financial struggles than people in prison.

- One third said meeting bills and credit commitments was a constant struggle, in contrast to one in five people in prison.
- 3 of the 24 families said they were in 'real financial trouble' as compared to only one of the 47 people interviewed in prison.

Family members indicated that the relative's conviction had undermined their own confidence about managing money. The family members were asked how confident they had been about handling money before their relative's conviction, and now, at the time of the survey.

- One in five said they felt unsure about managing money before their relative's conviction but at the time the survey was filled out, the proportion who felt unsure had risen to 46%.
- Before their relative was convicted, 13 said they had felt confident, which had fallen to nine feeling confident at the time of the survey.

Although the numbers are small, these comparisons could have important implications. During a partner's imprisonment, the family member outside usually has to take on full responsibility for managing the family's budget. Although this can initially be an intimidating task, the family member might be expected to become more confident as they become more familiar with managing the accounts. This survey suggests that the reverse is true, that family members become less – not more – confident about managing money after a relative's criminal conviction. Although there is insufficient evidence from this study to explain this shift, the loss of confidence may be linked to the negative impact of a criminal conviction and imprisonment on a family's finances. A family who are coping financially before a relative is convicted may find that their finances become much more strained during time spent in prison, with a negative impact on the person's self-confidence.

These rates can be compared to the general public, as surveyed in the FSA's 2006 report *Financial capability in the UK*:

- 65% of people say that they are able to keep up with their bills and other commitments without any difficulties.
- 26% are able to do so although it is sometimes a struggle.
- 9% say that keeping up is a constant struggle or worse.
- 3% falling behind, sometimes severely.

Table G: How well are you keeping up with bills and credit commitments?

How well are you keeping up with bills and credit commitments?			
	Families (23/29)	**Prisoners (46/47)**	**Former prisoners (20/24)**
No difficulty	3 (13%)	16 (35%)	8 (40%)
Sometimes struggle	6 (26%)	10 (22%)	4 (20%)
Constant struggle	8 (35%)	9 (20%)	5 (25%)
Falling behind	3 (13%)	8 (17%)	1 (5%)
Real financial trouble	13 (13%)	1 (2%)	1 (5%)
I don't have bills	1	2 (4%)	1 (5%)

Financial advice and debt advice

A survey by the Citizens Advice Bureau, which currently provides advice in 43 prisons and 29 Probation settings, found that only 6% of people in prison had received advice on day-to-day money management[95].

The LSRC found that people in prison were likely to express a preference for advice from the Citizens Advice Bureau or banks, rather than other sources of financial advice. In particular, few people in prison mentioned independent financial advisers, solicitors, or Job Centres as reliable sources of financial advice[96].

The authors of *Hand to Mouth* stated:

> *'Most of the people we spoke to had never sought specialist financial advice... and the majority had the perception that these services were 'not for people like us'[97].*

However, respondents in the LSRC research drew a link between good financial advice delivered in prison and a reduced risk of reoffending on release. One interviewee said:

> *It's a very good place. The people here have done crime for money. If they had better advice – on budgeting, saving – this would stop the crime.*

In 2006, the Treasury select committee's first report on financial exclusion recommended a new form of 'generic' financial advice to prevent people getting into financial difficulty.[99]

In responding to the select committee reports, the government described its intended policy for 2008-11. Plans for financial capability were outlined, focusing on the long term aspirations of universal access to generic financial advice, coherent personal finance education for children and young people, and a range of government financial capability initiatives aimed at the most vulnerable.[100]

In 2007, businessman Otto Thoresen, CEO of AEGON, was asked by the Treasury to examine the feasibility of a national approach to generic financial advice. The Thoresen Review[101] took forward the idea of 'generic financial advice', researching and designing a national approach branded as 'money guidance'. The review identified a strong need for a service which helped with; budgeting, saving, borrowing, insuring, retirement planning and 'jargon-busting'. The service would be free, impartial, and universally available and designed to be preventative, not provide crisis management. It would not conflict with the specialist debt advice sector or provide specific product recommendations like the regulated advice sector.

The FSA/HM Treasury joint action plan, which followed the review, confirmed a jointly funded £12m 'Money Guidance Pathfinder' in the north of England, trialling face-to-face, telephone and internet delivery through contracted intermediaries from the private and third sector. The plan also included a commitment to create a 'one-stop-shop' for financial information and support by developing, expanding and promoting the FSA's Moneymadeclear website and consumer helpline.

A national roll-out of the service was launched in 2010, under the Moneymadeclear brand. A national telephone number was established, staffed by trained 'Money Guides', while the expanded website continued to provide self-help tools and information. Although some face-to-face money guidance is now available in a limited number of places, full national coverage is expected during 2010.

The service is under the management of the new consumer financial education body (CFEB) which was formed from the financial capability division of the FSA in April 2010. Under the Financial Services Act 2010, CFEB now has the statutory responsibility to enhance the understanding and knowledge of members of the public on financial matters and their ability to manage their own financial affairs. CFEB has taken over the leadership of the national strategy for financial capability.

Generic financial advice

The Thoresen Review made clear that any national service would not be purely targeted at the most vulnerable and that government work to promote and increase financial inclusion had a 'different scope and remit'. However, it did recognise that in order to reach a diverse user base intermediaries, including "those who are rehabilitating prisoners", would have to be able to market the service.

CFEB's 2010-12 offender operational strategy indicates that it is considering how the Moneymadeclear money guidance service, being rolled out across the country, can be delivered within the justice system. At a local level, Moneymadeclear staff have already begun some delivery inside prisons such as HMP Liverpool. CFEB will also continue to build support for financial capability among criminal justice policy makers and commissioners.

Debt advice

The LSRC found that 90% of people in prison in real financial trouble had not received any advice for their problems[102]. One reason for this may be the 'significant logistical and cultural challenges' involved in delivering advice to people in prison[103]. However, people in prison surveyed by the LSRC were more likely to say that they had received advice about housing or benefits. A third (32%) said they had received advice about these when they first came to prison[104].

The CAB has written:

> *Reducing re-offending by investing in advice services for prisoners would cost a lot less than building more prisons. On average the costs of a CAB prison advice service serving the whole UK prison population could amount to as little as £319 per prisoner per year, compared to the costs of £35,000 per year keeping them in jail if they return.*[105]

In its 2009 report, *Locked up Potential*, the Centre for Social Justice called a strengthening of the advice services for people soon to be released.

The Mail on Sunday developed a newsletter, Financial Freedom, aimed at women in prison, to fill the gap in advice and information about personal finances. In the first issue, Juliet Lyon, director of the Prison Reform Trust, described the relevance of the newsletter for women in prison:

> *Most women look forward to getting out of prison, but many also dread it. Prison is tough enough, but life outside can be the real challenge. Debts can rack up, banks and insurance companies don't want to know and safe housing is hard to find. … This paper is a starting point for getting in touch with groups and organisations who can offer you help and support on your release*[106]*.*

The LSRC also explored the kinds of topics likely to interest people in prison. Almost half (45%) wanted advice about how to get out of debt; over a third (35%) would want advice about handling debts after release; and a third wanted practical advice about managing debts while in prison[107].

Asked at what point of a prison sentence it would be best to get money advice, the highest

proportion (38%) said they would prefer advice at the beginning of their sentence. Only 12% said they would like it shortly before they left prison[108].

Some people in prison do not wish to disclose financial problems while they are in prison. For example, the LSRC reported that:

> *Prison interviewees seemed more unsure . . . than other outreach location interviewees about whether prisons would be a good place to offer money outreach advice.*[109]

Half of the people interviewed in prison by the LSRC believed that they did not have money problems, while 39% said that they would think about consulting professional advice about serious money problems after their release[110]. However, 15% said that financial advice would not make a difference to their money problems, and this was why they would not seek advice[111]. This suggests that in some circumstances, without added income, advice may only have a limited impact on the situation.

Policy context

In 2006, the Treasury select committee's first report on financial exclusion found that debt advice was suffering from short-term funding.[112]

Between 2006 and 2008 £45m of financial inclusion fund money was allocated to Department for Business, Enterprise and Regulatory Reform (BERR), now known as Business, Innovation and Skills (BIS), to increase the provision of free face-to-face debt advice to specific socio-economic groups and geographic areas of high financial exclusion in England and Wales. These projects recruited 544 advisers, around half of which were already working in the advice sector, who helped over 90,000 clients.[113]

In the 2008-11 plans, the BERR/BIS face to face money advice continued with £74m from the FIF and £2m from the department. However, future initiatives would have to include outreach work.

The Legal Services Commission (LSC) funds Legal Aid contracts in England and Wales. Among many other areas service providers, such as solicitors and charities, provide debt advice and legal representation. In 2006, the LSC and Department for Constitutional Affairs set a fixed fee of £196 (ex VAT) for each debt advice client, irrespective of the amount of time spent with that client. Exceptional cases, where costs are more than three times the fee, can be paid at hourly rates but can be subject to checking.[114]

Public accounts committee

Shortly after the March 2010 budget was published, the public accounts committee (PAC) published a report which severely criticised the management of the government's strategy for helping people in debt. The PAC report highlighted that, since 2004, 51 different projects had been uncoordinated, with joint responsibility lying with the Department for Business, Innovation, and Skills (BIS), the Department of Work and Pensions and the Ministry of Justice. The report pointed out that there had been no reporting on its progress since 2007. The £130m FIF + BERR/BIS project was commended, though the PAC felt even this project was failing to help all those it was aimed at.

Finance and credit industry

Industry funding for money advice has been voluntary and targeted via the Money Advice Trust supporting the training and quality standards infrastructure of the advice industry and the provision of the National Debtline telephone helpline. Taking this into account, industry funding for money advice is around 3% of the total, including funding from their charitable trusts.[115]

The coalition government

In May 2010, the coalition government made a commitment to launch a national financial advice service, which would be funded by a 'social responsibility levy' on the financial services sector. This was in effect a continuation of the previous government's money guidance service, Moneymadeclear. In the June 2010 budget, the coalition government announced that a new family financial health check would be introduced in Spring 2011 as part of the CFEB national financial advice service[116].

The budget did not include any references to debt advice. No plans have been announced with regard to the BERR/BIS funded debt advisors after 2011.

Debt advice in prisons

Following pilot projects funded by the financial inclusion fund (FIF), from 2008, advice outreach funded by the Legal Services Commission was reconfigured to focus on prisons as they had proved to be the most effective location. This was placed under the NOMS finance, benefit and debt pathway and became jointly commissioned with £3m from the Ministry of Justice and £2m from the FIF. Under the contracts, only 55 prisons were able to receive debt advice services. Provision is limited to a maximum of two 45-minute sessions of face to face debt advice per client, as well as the delivery of group general advice and financial capability sessions.[117]

Prisons which do not benefit from the LSC/NOMS contracts may still host advice services. For example, Citizen's Advice Bureaux operate in 29 probation settings and deliver regular in-reach services in forty prisons. Provision is funded from local core and discretionary budgets, charitable sources such as Big Lottery and the financial inclusion fund.

Findings on financial advice and debt advice

People in prison

- 32% (46/143) people surveyed in prison said they had been asked about their personal finances while in prison.

There is little evidence about the extent to which people in prison were asked about finances in previous years, so it is difficult to assess whether prisons have improved in this regard. However, once again, the fact that some of the people surveyed in prison had benefited from UNLOCK's bank accounts for people in prison scheme suggests that these people may have had a better than average chance of receiving information.

Some prisons were more likely than others to ask about finances.

- At one local prison, fewer than one in five said they were asked, and only one in four women had been asked about finances.
- In another local prison, almost half of the people surveyed in prison had been asked about their personal finances.

The interviews suggested that prison staff are the most likely to ask people about finances, perhaps reflecting questions regarding financial management and income in the OASys assessment process or at induction.

The impact of imprisonment on a family's financial situation has not yet been taken into account in providing advice about finances.

- 2/44 (5%) of people in prison said that they had been asked about how their families would cope financially while they were in prison.

It is important that having asked people in prison about finances and debt, that the prison ensures that advice is provided to those who need it. The interviews provided insights into the likelihood that someone who was asked about finances actually received some advice.

- 13 interviewees said that they had been asked about finances while in prison and 10 of these (77%) said that they appreciated being asked.
- 10 said that they had been given financial advice and of these eight said they found the advice useful.

Thus, most people who were asked about finances in prison were provided with financial advice and the vast majority of them found it useful. However, the majority of those interviewed had never been asked and the problem was most widespread among women and older people.

- Almost three-quarters of those interviewed had not been asked about finances, or received any advice.
- Less than one-fifth of the women interviewed had received advice.
- People aged 26-32 were the mostly likely to have been asked about their finances.

The survey of people in prison was evenly divided on whether better money advice would prevent a lot of crime. One group felt that advice provided in prison would be likely to reduce the risk of reoffending after release:

> *You won't get through to everyone. But give them the knowledge, so at least they have that. They may not listen now, but two years down the line it might kick in. If there is no money to be managed, it might be a while before it's relevant to them. But at least they'll know.*

But the question elicited doubts among some that crime is necessarily connected to financial pressures. Others made clear that providing money advice presumes that the client has sufficient funds to manage their life but lacks skills. They argued that sometimes the problem was simply a lack of money.

[You] need money in [the] first place. Good jobs help to stop crime. On benefits it is difficult to manage anyway.

I've had a good upbringing, I've understood about budgeting, I still commit crime because I've got to support my kids. You want to buy them things and benefits aren't enough.

The problem with that [providing money advice to cut down on crime] is people have done crime because they're in desperate need. Then they do things that get them in trouble. People's personal circumstances guide how they deal with money. Advice doesn't help when they become desperate.

People interviewed in prison were also asked at what point during a prison sentence it would be best to provide money advice.

- Most said 'within two months of release' and
- the second most common response was 'at induction'.

People outside prison can obtain advice about money from a number of sources. **Table H** shows the numbers of people surveyed in prison who have received advice from each provider:

The interviews measured the degree to which people in prison trusted the possible sources of advice. The findings are presented in **Table I**. The levels of trust are given in percentages, excluding those who stated that they had no knowledge of that source (the 'not relevant' column).

The 'not familiar' figures show that people interviewed in prison had very little experience of credit unions or peer advisers.

Table H: Sources of financial advice (People surveyed in prison, n=144)

Ever received advice from . . .	Number	Per cent of 144
A bank	42	29%
The Citizens Advice Bureau	18	13%
A peer adviser	9	6%
Probation	11	8%
A credit union	3	2%
Anyone else	33	23%

Table I: Levels of trust in financial advice among people interviewed in prison (n=47)

How much do you trust these sources of advice?				
Source	**Total number of relevant responses**	**Number who trust source mostly or totally**	**Per cent of relevant responses who trust source**	**Number not familiar or not relevant**
CAB	27	22	81%	20
Banks	39	17	59%	8
Probation	28	12	43%	19
Peer advisers	23	8	35%	24
Credit unions	13	7	23%	34
Others	16	12	75%	31

Former prisoners

Surveyed (n=24)

- Three quarters of former prisoners stated that no one had asked them about their finances when they were in prison. This was about the same proportion as people in prison.
- 9/21 former prisoners said that they had, at some time, received advice about money from the Citizens Advice Bureau, and eight were advised by a bank.
- More than one in five former prisoners said that they had never received financial advice.
- Former prisoners were most likely to say they trusted the CAB, with 10/16 who responded saying that they trusted the CAB 'mostly' or 'totally'.
- In contrast, 8/21 said that they did not trust banks at all.

In common with people in prison and their families, former prisoners were also likely to say that they were unfamiliar with credit unions as a source of financial advice.

- 11/18 who responded said that they could not gauge credit unions because they were not familiar with their services.

Former prisoners generally supported the idea that better money advice in prison would have helped them to lead a law-abiding life after release.

- One-third said that advice, delivered while they were in prison, would have helped 'a lot', and half agreed that the advice 'might have helped a bit' in leading a law-abiding life.

7/20 former prisoners said that it would have been 'very hard' to get financial advice after prison, had they needed it.

Families of people in prison

Surveyed (n=29)

- Four families said they had received advice about money from the Citizens Advice Bureau; three, from banks; and two from a credit union.

When asked about their levels of trust in sources of financial advice, families were most likely to trust the Citizens Advice Bureau.

- Three quarters of families stated that they trusted the CAB mostly or totally, significantly more than people in prison trusted them.
- Families were likely to state that they were unfamiliar with credit unions or probation as sources of financial advice.
- Families were least likely to trust probation or peer advisers (see **Table J**).

Table J: Families' levels of trust in financial advice (survey, per cent trusted excludes those who did not respond)

Trusted mostly or totally	Number	Valid % who trust source	Combined missing data & not relevant
CAB	15	75%	9
Banks	6	27%	7
Credit unions	2	17%	17
Probation	1	7%	14
Peer advisers	1	5%	10
Others	5	29%	12

Recommendations

Financial capability

- Financial capability initiatives should be recognised as distinct from, but integrated with, basic skills, financial advice and debt advice provision.

  Responsibility for action: commissioners of offender services, governors and directors

- Financial capability initiatives should reflect need by going beyond simple budgeting to a broader focus on developing the awareness, understanding, skills and confidence to choose, access and use products and services in a way which allows them to operate effectively in the modern world.

  Responsibility for action: heads of learning and skills

- To reduce the 'insulation effect' of prison, and encourage people who are not willing to talk at induction, prisons should promote 'money awareness' through:
  - staff training
  - posters
  - money awareness days
  - financial healthchecks (as per government plans for families).

  Responsibility for action: Ministry of Justice

- The process by which people manage and spend money within prisons should be normalised so far as is possible.

  Responsibility for action: Ministry of Justice

- Financial capability initiatives should be aimed at the families of people who have been sentenced to prison. Providing services within visitors' centres may be challenging, given the limited time and specific purpose of the visit to the prison. However, information and referrals should be provided for services local to the family.

  Responsibility for action: Consumer financial education body

Financial advice

- All people in prison should have the opportunity to access quality-assured financial assessment, linked to relevant services within timescales that are appropriate given the length of their sentence and the nature of the needs identified.

  Responsibility for action: Ministry of Justice

- All people in prison should have access to the CFEB money guidance service, either through phone, web or face-to-face, throughout their sentence.

  Responsibility for action: Consumer financial education body, Ministry of Justice, governors and directors

- Within two months before release, advice and information should focus on issues related to re-integration, such as insurance.
- The potential for prison peer supporters to be trained in generic money advice, linked to qualifications (such as NVQ Level 3 in Advice in Guidance as has been achieved with housing) should be explored.

  Responsibility for action: Ministry of Justice, service providers

Debt advice

- People in prison should have access to independent quality-assured debt advice that is sufficient to meet their needs, including where appropriate self-help, casework support, advocacy, negotiation with creditors and representation at courts or tribunals.
- People in prison should be supported in managing any ongoing commitments (e.g. direct debits) and dealing with existing debt from the start of a sentence or time on remand.

- People in prison should have access to the National Debtline telephone helpline throughout their sentence.

Responsibility for action: Ministry of Justice

- Sources of independent advice should be actively promoted to people in prison and on probation.

Responsibility for action: Ministry of Justice

- Probation Services should make strong local links with providers of free financial and debt advice services.

Responsibility for action: probation

- All people in prison should be asked whether their family is likely to have financial difficulties as a result of their imprisonment. Information on relevant local services should be provided which they can send to their families.

Responsibility for action: HM Prison Service

- Debt advice initiatives should be aimed at the families of people who have been sentenced to prison. Providing advice services within visitors' centres may be challenging, given the limited time and specific purpose of the visit to the prison. However, information and referrals should be provided for advice services local to the family.

Responsibility for action: HM Prison Service

Benefits and the finance gap

Photo: Andrew Aitchison

Literature review

Benefits

A Home Office study in 2002 found that the employment prospects of prisoners are well below those of the community in general: 67% of people in prison were not in work or training in the four weeks before going to prison and 76% of people in prison do not have paid employment to go to on release.[118]

Many people continue to receive benefits while in prison, primarily because they are unaware of the requirement to inform the benefits agency of their sentence. The situation causes long-term damage to their personal finances because, after release, their benefits are reduced to repay the difference[119].

The Department of Work and Pensions reported that the benefits system could draw people into debt in different ways. Some former prisoners experienced a vicious cycle, in which deductions of benefits increased the person's levels of debt:

> *Debt was not an uncommon characteristic amongst ex-prisoners. Debts which interviewees were paying and which caused financial problems – for those who remained on benefits as well as those who moved into employment included:*
>
> - *deductions from benefits to repay social fund loans;*
> - *re-payment of personal loans;*
> - *re-paying housing benefit (HB) and council tax benefit (CTB) arrears; and*
> - *paying compensation to the victim of the crime for which the interviewee had been imprisoned[120].*

On release, few people gain enployment and 81% of former prisoners claim benefits. People discharged from prison have the same rights to housing, healthcare, and community support as anyone else. However, the local authority must be informed of their situation and given an opportunity to assess their needs in good time prior to their release. An article by Paul Bowen et al. describes the duties mandated under the National Health Service and Community Care Act (1990):

> *The duty to assess the needs of a potentially vulnerable person is triggered when a local authority becomes aware of an individual*

who might need support. The duty may apply before the services are required (as, for example, a prisoner prior to his/her release) when it appears that the person may need services after discharge from prison. If the local authority thinks the person might need health care or housing, the local authority must notify the relevant PCT or housing authority and invite them to assist the assessment.[121]

As a result, people in prison may be entitled to claim for some benefits, including housing and income support, up to three months before release, although the rules differ for people who are sentenced and on remand. For example, unsentenced people can continue to claim housing benefit under existing claims for up to 52 weeks after entry to prison, while sentenced people can do so only for 12 weeks[122]. However, many prison staff are not aware of this and hence people in prison are often discouraged from applying[123].

The Legal Services Research Centre (LSRC) research explored what kinds of advice topics interested people in prison. 39% wanted to know more about the benefits to which they were entitled[124].

Hand to Mouth found a consensus between offenders and service providers that the benefits system often acted as a barrier to financial inclusion. Many people experienced delays and paperwork that hindered their access to benefits. The stress often adversely affected their mental health and, in the opinion of service users, led them to turn to other – often illegal – methods of obtaining money.

People who are vulnerable due to mental health problems, learning disabilities, or a lack of money management skills, are disadvantaged by a benefits system that many find hard to use:

Most people found benefits a highly complex system to negotiate. People were particularly confused about their entitlements. In the service user focus groups 'confusing benefits system' came out as one of the most important issues for participants.[125]

[The] benefits system ....can operate to detriment of adults with multiple needs, e.g., difficulties with the application process, regularity of payments and temptations presented by 'lump sum' back payments.[126]

Hand to Mouth described a range of problems that recently released people faced when trying to access the benefits to which they were entitled:

- Delays of up to four weeks before the first payment with no explanation.
- Problems with claims made before going to prison that had to be resolved before any new claim could be made.
- Claims delayed because of no fixed address or other unstable living arrangements.
- Disputes over prison admission and release dates; and
- Problems caused by not closing down a claim on entry to prison which resulted in a fraud investigation and the new claim being suspended.

In addition, when benefits are eventually paid, individuals receive a large lump sum which they may find difficult to manage effectively[127].

The finance gap

The first few weeks after release from custody are critical, and personal finances can be both stretched and a cause of anxiety. The Social Exclusion Unit stated that: "Not having enough money is likely to increase the danger of a prisoner reoffending within the first few weeks after release"[128].

Locked up Potential, the Centre for Social Justice report, recognised that delays in processing benefits meant that many people who are discharged have no source of income when it was most urgently needed. It recommended that benefit applications are processed well before release from prison, so that the benefits start upon release:

To bridge the finance gap, with the objective of reducing the resulting crime which it can fuel, we recommend that all prison employment and benefits advisors be required by the Department of Work and Pensions (DWP) and the MOJ to initiate core benefit applications at least three weeks prior to a prisoner's nominated release date.[129]

Discharge grant

The discharge grant was established to cover living costs during the period between release and the first benefit payment. Until 2005, people in prison aged 25 and over were entitled to a grant of £46.75, while those aged 18 to 24 were entitled to £37.00. These rates, which were set in 1995, were criticised as being insufficient for meeting former prisoners' needs on release. The SEU recommended increasing the discharge grant but this did not occur. Instead, NOMS standardised the grant in 2005, meaning all eligible people aged 18 or over sentenced to a custodial sentence of more than 14 days receive a discharge grant of £46 on release. A proposal by NOMS to index-link the discharge grant did not resurface and hence its value has continued to reduce significantly in real terms. In comparison, single people aged over 25 receive £130.90 per fortnight in job seekers allowance, around 285% more than the discharge grant.[131]

There are eligibility criteria attached to the discharge grant. People on very short sentence are particularly affected. It is a condition of the discharge grant that the person has served longer than 15 days in prison. In addition, people may not have been in prison long enough to attend financial capability courses or to receive any money advice provided in prison. If they were sentenced to less than 12 months, they will not have the support of a probation officer on release.

People in prison are also ineligible if they have in excess of £8,000 in savings, have a sentence or recall of 14 days or less; are awaiting deportation or travelling to an address outside the UK; are a fine defaulter; or are unconvicted[132]. Therefore, people released from court after a not-guilty verdict do not receive the discharge grant, irrespective of the length of time they may have been held on remand.

A higher rate of £96 was previously available for those becoming homeless on release however this was replaced in 2004/05 with a discretionary payment "within available budgets being held by establishments" to pay £50 directly to a housing provider, if accommodation can be secured.

Pensions

The majority of European member states pay state pensions to eligible people in prison. Under the 1911 National Insurance Act, older people in prison in England and Wales are ineligible to receive any state pension. Older people held in prison on remand may have their pension reimbursed if they are found innocent in court. The Social Security Act 1992 also denied payment of a prisoner's state pension to a dependent, thus preventing older people's wives or husbands from benefiting from the prisoner's pension. The government's stated explanation is that the removal of the state pension is part of the punishment.

In 1997, the UK's position was challenged by two applications to the then European Commission of Human Rights. The applicants argued that they had paid into their pensions for their working lives and therefore the state was denying them their lawful possessions. The Commission declared that the applications were inadmissible, finding that as the state maintains people in prison, and shields them from the costs of living, paying them a state pension would amount to a double benefit.

The UK's position has been questioned by a range of critics. The National Pensioners Convention stated:

> *The NPC considers 'the State Pension to be a right rather than a benefit' and that 'the disqualification provision in section 113 of the Contributions and Benefits Act should be withdrawn from the statutes book'.* [133]

The Prison Reform Trust explained that, in practice, the effects of the policy amounted to age discrimination:

> *Younger and fitter prisoners, who are able to earn money through working in prison, are in a more advantageous position to be able to pay for their basic needs. Older prisoners of pensionable age, especially those who are unable to work, will not be able to afford basic items from their prison canteen.*[134]

Samantha Hamilton, solicitor, criticised the UK's stance on the grounds that the impact on the people's families can amount to arbitrary punishment:

Many women have not been able to work for enough years to receive a full State Pension. A couple may therefore be reliant on the pension of the husband in order to make ends meet. Removing the husband's pension if he is in prison may lead to financial difficulties for the wife. Whilst she may qualify for benefits to help with the financial situation even relatively small amounts of savings can effectively rule out state help. This may leave a wife with the only option of depleting life savings in order to maintain herself as the result of her husband's imprisonment.[135]

The PRT report describes exceptional situations in which individuals had lost pensions through imprisonment and it was reinstated through effective and timely advocacy.

A person sentenced to prison had his pension book mislaid prior to sentencing and was unable to access the amount still due him. An advocate was able to raise the issue with the local pensions office and he was offered the backdated amount.

A prisoner had his private pension stopped on entering prison. He did not think he was entitled to it. An advocate took up his case with the insurance company and his pension was reinstated.[136]

Very few of the people surveyed were of pensionable age, and therefore the study generated no new data on the subject. However, the loss of a pension during a time of imprisonment is a clear example of the damaging impact imprisonment has on someone's financial situation and on their dependants. The rapid growth in the population of older people in prison indicates that the problem will become more prevalent, and increasing numbers of people will be placed under greater financial stress, unless the anomaly is addressed.

Policy context – general

Employment and support allowance

In 2008, incapacity benefit and income support (paid on incapacity grounds) were replaced by the employment and support allowance for new claimants. People claiming this benefit are expected to "take appropriate steps to help prepare for work", including attending work focused interviews.[137] Under the new employment and support allowance, medical experts assess what work an individual can do rather than what they cannot do.

The social fund

The discretionary elements of the social fund include community care grants, budgeting loans and crisis loans. Community care grants are available to people who have less than £500 and who are either in receipt of specific employment benefits (such as job seekers allowance) and are leaving institutional or residential care in the next six weeks or are leaving such care and are likely to be eligible for those benefits.

Budgeting loans are for essential larger expenses and are only available to people who have been on specific benefits for 26 weeks. Crisis loans are for emergencies and rent in advance in certain circumstances. Applicants do not have to be on benefits. Both are interest-free, means-tested loans which must be paid back to the social fund.

Welfare Reform Act

In the Welfare Reform Act passed in November 2009, the government took powers to:

- offer an advance on a customer's first benefit payment (payments on account) to bridge the gap between making the claim and the first benefit payday
- change the way that community care grants are awarded so that individuals may receive goods or services instead of money, and
- contract with external providers to provide social loans (e.g. credit unions).

Policy context – criminal justice

Freshstart

Many people in prison are unemployed on release and eligible for job seekers allowance (JSA). However, they are ineligible to apply for JSA while in prison as they are considered to be unavailable for work.

In 2002, Jobcentre Plus initiated the 'Freshstart' programme to encourage people to engage with the benefits agency as soon as possible after release from prison. Freshstart was intended to narrow the gap between release and receipt of benefits. Those who sign up to Freshstart are provided with benefits advice and linked to appropriate benefits. They also have access to other relevant Jobcentre Plus programmes, such as Progress2work LinkUP. However, despite closing the gap between release and interview, Freshstart does not speed up the processing of claims. Therefore, applicants do not necessarily actually receive their benefits more quickly.[138] Jobcentre Plus has a target of 11 days before the initial payment for all claimants.[139] However, the CAB reports that 80% of advisers say clients faced serious delays in receiving benefit payments.[140] In addition, the many former prisoners who are ineligible for JSA do not benefit from Freshstart.

Progress2work LinkUP

Initiated in 2002, progress2work LinkUP is a specialist Jobcentre service, supporting people with a history of alcohol abuse, or who are homeless, or former offenders. It is typically delivered by voluntary sector organisations to provide a more personalised and holistic approach than the Jobcentre. Progress2work includes; advice on debt issues and money management, basic skills and vocational training, work experience and job search support[141]. The coalition government is not progressing with this service and is currently considering whether employment support for these customers is best provided via their work programme or by separate specialist provision[142].

Employment and benefit surgeries

In 2003, Jobcentre Plus made a further £4.5m a year investment with the introduction of employment and benefit surgeries (EBS) in prisons.[143] EBS advisors close down benefit claims on entry to prison, preventing the previously common phenomenon of benefits continuing to be paid during a period in custody. With some variance across prisons, EBS advisors also engage in job-seeking, providing referrals to community provision and making applications to the social fund.

Social fund

Community care grants can be used to help to care for a prisoner or young offender who is on home leave or as part of a planned resettlement programme. For example, families of prisoners may be eligible for a grant if they are supporting a prisoner released on temporary license. Some prisons make applications on behalf of all people due for discharge.

People in prison are not eligible for crisis loans but they often rely on them on release to bridge the gap between application and receipt of benefits.

In 2003 social fund guidance was amended in relation to crisis loans for those discharged from prison, clarifying that their crisis loan applications should be treated with particular urgency and sensitivity, highlighting the risk of reoffending if a former prisoner is destitute and providing information about the discharge grant[144]. In 2004, Jobcentre Plus issued guidance to EBS staff and social fund staff on common types of financial need for people discharged from prison and how the social fund might help, in order to improve liaison between them.

There has been sustained criticism of the use of crisis loans as a method of dealing with the finance gap, as it can be difficult to access and immediately places the person into debt. Although there has been no official confirmation, a system of 'payment on account' may be introduced in Autumn 2010. This would mean that subject to initial assessment, people could receive an interim payment of their benefits before the full assessment is completed.

Findings on benefits and the finance gap

Although the benefits system was not originally a focus area for the study, the qualitative data, gathered through a survey and interviews with people in prison and surveys of former prisoners and families, revealed a range of problems arising from the benefits system.

People in prison

People in prison identified a need for accurate and up to date information about benefits while they were in prison.

One person perceived a shift in the assessment and advice provided in prisons, such that the focus was on stopping benefits rather than preparing people for resettlement by ensuring their benefits would be in place upon discharge:

> *There's no help once you are inside. At induction the officers make sure you aren't getting any benefits and that's all. They used to be more helpful five years ago than they are now. Now it's just, "There's your cell, there's your prison sentence. Get on with it."*

Another person suggested that good financial advice while in prison would logically cover benefits, and particularly the finance gap:

> *[We should have] a specialised course with a financial adviser. He should spend time with each individual, telling them what can be done for them. If your benefits don't kick in, in time when you leave the prison, what are you going to do?*

One person said that many people discharged from prison do not even take the small amounts they have saved during their sentence, largely due to a lack of opportunity to manage their own private cash account.

> *A lot of prisoners don't even bother to take their money out of their private account when they go.*

Some people anticipated the kind of problems they would face to obtain benefits after discharge. One said that he would not be able to produce identification:

> *It's ridiculous. We have a photo I.D. here. They take it off you when you are released. So you haven't got that to show the benefits agency.*

One person explicitly stated that he wanted his benefits paid by giro cheque, as he would not receive the full amount if the benefits were paid into his bank, where he had an overdraft.

- A quarter of people interviewed in prison owed money for a crisis loan.

One said that he still owes almost £1000 for a crisis loan. Knowing that deductions would be made to his benefits to repay the loan, he expected that the money he would be left would be insufficient to live. He had been unable to make any contribution to repay the crisis loan while in prison.

> *Nobody has got paid, so it is mounting. I'll come out with £46 in my pocket. And you're spending half of your benefit on rent and there's no kitchen so you're eating out. It's a circle, a battle to survive.*

Former prisoners

Surveyed (n=24)

- 55% of former prisoners (12/22) stated that they were not on benefits immediately before going to prison while 45% (10) were on benefits.
- 8/10 who were on benefits before going to prison said it had affected their benefits.

Imprisonment continued to affect the receipt of benefits, even after release. One person stated that delays in receiving benefits after discharge had caused him problems:

> *The first few months were very difficult until benefits came through. I struggled paying utilities, clothes and food.*

Another person made a link between prison, benefits and employment:

> *I am seeking work so prison took me out of full time employment and onto JSA on release.*

A third person gave a more detailed account of the impact of his conviction on employment and benefits:

Having to live on state benefits at the moment does not allow me to have my own transport which is having a detrimental effect on my employability prospects as I cannot use public transport for a lot of the otherwise suitable vacancies taking into account the restrictions of my criminal record.

Families

Surveyed (n=29)

Eleven families surveyed responded to a question about their benefits.

- 46% (5) said their benefits were affected by their relative's conviction.
- 54% (6) said their benefits were not affected by their relative's conviction.

Many families said that they would value better advice about benefits, and they would find this advice especially helpful after their relative's release. Asked to specify the kind of advice she would like, one respondent stated:

I think it is the prisoner that needs money advice especially about coping outside while possibly living on benefits on release.

Recommendations

- The discharge grant should be set in line with the current rate of job seekers' allowance until benefits are available to the individual immediately on release.

  Responsibility for action: Ministry of Justice

- Benefits should be available from the day of release. People released from prison should not have to rely on the inadequate discharge grant and being forced into debt via the crisis loan system. The Department for Work and Pensions should initiate a new system which ensures that the application process is completed while the person is in custody.

  Responsibility for action: Department for Work and Pensions

- Resettlement units in prisons should alert local authorities to people in need of benefits, housing, and other support (e.g., with learning disabilities) well before the anticipated release date to ensure that the mandated duties to vulnerable people are met.

  Responsibility for action: HM Prison Service and contracted prisons

- Sources of independent benefits advice should be actively promoted to people in prison and on probation.

  Responsibility for action: HM Prison Service, Probation

- Prisons must ensure that all people receive the money that is held in their private cash (prison) account on release.

  Responsibility for action: governors and directors of prisons

Insurance

Literature review

Households with limited access to financial services are less likely to have insurance, particularly household insurance, than a bank account. The Office for National Statistics has stated that 78% of the country has contents insurance, but under half of those in the lowest income bracket have contents insurance[145]. *Hand to Mouth* revealed that a quarter of people with mental health problems had been refused insurance.

As there are around eight million people on the government's offender index[146], the ambiguities regarding insurance and convictions affects a significant proportion of society; and eight million under-estimates its impact, as many more are involved as family members or potential employers.

Insurance was included, in the Social Exclusion Unit's 2002 report as one of 17 key issues under finance, benefits and debt. However, in comparison to research evidence on banking, less research has focused on access to insurance for people who have convictions.

In 2004, UNLOCK and Mark Oaten MP found that when someone posed as a reformed offender with a conviction for assault, five out of the six leading insurance providers refused to provide cover because of their criminal conviction[147].

For many common forms of insurance, such as buildings and contents, the response of major insurers to the disclosure of any 'unspent' convictions is almost always a blanket ban, without analysis of the relevance to the risk posed[148].

Research by UNLOCK found that:

- People can be excluded from insurance for very minor convictions, as well as for convictions that occurred a long time ago.
- People can be excluded from accessing insurance even when they have no convictions, if they happen to live with someone who does.
- Employers can have difficulty accessing commercial insurances if they employ people with convictions. People with convictions who run businesses can find it difficult to access insurances which are required in order to be able to run them.

- Insurance comparison websites often do not provide adequate information to enable people with convictions to make informed choices, and can lead people to purchase inappropriate insurance cover which may not pay out in the event of a claim.[149]

Over the three years June 2007 to May 2010, 37% of calls to UNLOCK's general information service related to insurance and 10,315 copies of the charity's list of insurance broker were downloaded.

The charity also maintains an online discussion forum for reformed offenders (forum.unlock.org.uk). Posts by reformed offenders provide further evidence of the particular difficulty people with convictions and their families have when trying to obtain insurance.

I tried company after company only to be refused the insurance due to my previous conviction. I even wrote to the Home Office without any joy. I felt totally isolated until I contacted UNLOCK. I then found that we are all in the same position.

Biff, Forum Member, September 2008

I have a criminal conviction, but it is now spent (got an 18 month sentence back in 1999). I was reading my current insurance T&C'S and noticed that they will not cover anyone who has any criminal convictions.

tbm1397, Forum Member, April 2010

Policy context – general

Household insurance

People in lower income families, often in social housing, are more vulnerable to the consequences of events normally covered by insurance. However, insurance is an example of how financial services can be easier to access for those who are 'better off'. Insurance costs are typically higher if you live in an area defined as having higher crime rates, which are typically those in lower income communities.

As a consequence of the 1999 PAT 14 report, the then government called on insurance companies to introduce insurance with rent schemes[150]. The 2006 Treasury select committee report, *Financial inclusion: credit, savings, advice and insurance*, suggested that to make insurance more affordable, the risk of insuring people needed to fall (for example through security and safety measures) and that 'insurance with rent schemes' should be expanded. *Financial inclusion: the way forward*, published by the Treasury in 2007, formally extended the concept of financial inclusion to include insurance services.
The financial inclusion champions, established in the action plan of 2007, were mandated to include insurance in their remit, targeted on social housing and tenancy insurance.

Tenants contents insurance

Standard insurance policies are not appropriate for some people. Many social landlords now offer simple, straightforward and inexpensive tenants contents insurance (TCI) policies, specially designed for their tenants. TCI policies have low premiums (often from £1 per week), no excess to pay on claims, no requirement for a bank account, and the option of weekly, fortnightly, monthly or annual payments, and often integration into rent payments.

In 2001, the Association of British Insurers (ABI) and the Housing Corporation launched a best practice guide on establishing insurance with rent schemes. By 2004 around half of local authorities were operating such schemes. In 2009, the ABI published a guide on the value of TCI for local authorities and housing associations.[151] The ABI conducted regional events to promote TCI schemes and its website provides information to landlords to promote contents insurance to their tenants.

Policy context – criminal justice

Insurance and criminal convictions

Under insurance law, the onus is on the customer proactively to disclose any 'material facts' which a 'prudent insurer' would consider relevant in setting premiums or deciding to cover. Insurers are not required to ask a specific question about convictions in the application process but they can use non-disclosure to justify a rejection of a claim. Insurers consider convictions as material facts although those

defined as 'spent' under the Rehabilitation of Offenders Act 1974 do not have to be disclosed.

Access to insurance is fundamental to functioning full financial participation in modern society. It supports stable housing, employment and self-employment. For example, buildings insurance is a prerequisite for holding a mortgage. However, mainstream insurers often have a blanket exclusion policy against people with any unspent convictions or a policyholder living in the same home. Disclosure of unspent convictions almost always leads to refusal for insurance cover, or unaffordable premiums, both for people with convictions and for the households to which they return on leaving prison. This is a problem both for individually arranged policies and for tenants contents insurance.

Non-disclosure can invalidate insurance and potentially lead to prosecution. Many people with convictions are unaware that insurance law places the onus on them to disclose all material facts, including any unspent convictions. If full disclosure is not made, consumers can pay premiums over long periods in the belief that they are covered, when in fact their criminal conviction might render any claim invalid.

Three quarters of consumers now visit comparison websites when renewing insurance[152] and exclusions are often hidden within an 'assumptions' page which many consumers do not view[153]. The results can include families being made homeless, businesses going under and severely limited employment opportunities.

Some progress has been made with regard to industry policy towards people with convictions or 'non-standard needs'. Since 2000, UNLOCK has been developing a panel of specialist brokers providing insurance for people with unspent convictions.

Information produced by UNLOCK has been widely shared, including within NOMS/Financial Services Authority (FSA) funded financial capability pilots for offenders, the Department for Work and Pensions' *Now Let's Talk Money* campaign, and UNLOCK's own capacity-building training for criminal justice staff.

In 2008, research by UNLOCK[154] led the FSA to require some comparison websites to review the findings. The charity worked with the British Insurance Brokers Association (BIBA) and the Chartered Insurance Institute (CII)[155] to challenge the industry to develop a more flexible approach to people with previous convictions. In 2009, UNLOCK worked with the ABI on the access to insurance working group[156] and to develop improved industry guidance for online insurance sales[157].

In 2009, the Law Commission published a report and draft bill which would require insurers to ask questions about matters which they believe are relevant. This would match the approach usually taken by the Financial Ombudsman Service (FOS). The Law Commission stated that the "confusion over the law penalises some vulnerable groups… particular problems exist …for those with criminal convictions." Also in 2009, following representations to the economic secretary, HM Treasury indicated that the lack of information provision to consumers could potentially represent a market failure, with consequent potential for the Treasury to intervene directly should the market not respond. The March 2010 budget stated that "the ABI will continue to work to improve access to insurance by developing guidance for insurers on how to treat customers with criminal convictions." [158]

Findings on insurance

People in prison

The survey showed that a minority of people in prison have insurance, at least while they are in prison.

- 30% (42/141) had a motor insurance policy.
- 18% (25) held household insurance.
- 9% (13) had a public liability policy.

Age was clearly a factor in household insurance. The proportion of people surveyed in prison who held household insurance increased with age.

- 6% of those 21 to 25 years old held household insurance.
- 25% of those 40 years and older held household insurance.

Comparing the people interviewed in prison to the general public gives an indication of their lack of access to insurance.

- 83% (39) people interviewed in prison had relatively stable accommodation (council rent, private rent or mortgaged).
- Of these, 77% (30) did not have home insurance. This compares to 22.2% of all UK households having no contents insurance and 35.3% having no buildings insurance[159].

People in prison who did not have insurance were asked why not. A number of different reasons were given.

- About one in four said they did not have home insurance because they did not have a house to insure.

For the past few years I've been living with girlfriends and my parents off and on.

- One in seven said that they could not afford home insurance.

When I got into debt, I was advised to get rid of anything I could. That meant the TV, TV licence, life insurance, my motorbike . . . So I got rid of the buildings and contents insurance.

- One in seven said they were living with a parent (usually their mother) who insures the property.
- About one third of those who did not have motor insurance said it was because they do not drive. A small number explained that their motor insurance had expired while they were in prison. Others said they did not have a car.

I had it prior to coming in, but we've now sold the car.

- One third of the 69 people who had insurance when surveyed said their conviction had made it harder to get insured.

In response to being asked whether they or their family had ever been asked to pay more for insurance due to their conviction, there were 92 survey respondents from prison.

- 20% (18/92) said they had been given a higher quote.
- 76% (70/92) said they had not been given a higher quote.

The 47 people interviewed in prison were also asked about their insurance and their criminal conviction; 44 responded:

- 18% (8) said that they or their families had had trouble obtaining insurance.
- 15% (4) said that they had been given a higher quotation due to their conviction.
- 12% (5) said that they had had their insurance cancelled due to the criminal conviction.

People interviewed in prison were also asked whether they would need insurance when they were released from prison.

- 47% (22) will need home insurance.
- 45%, (21) motor insurance.
- 9%, (4) public liability.
- 13%, (6) other types of insurance.

People interviewed in prison were also asked if they informed their insurer when they received a criminal conviction, but this question was relevant to a tiny minority of the people interviewed in prison. For example, of the 20 who said that they had motor insurance:

- 3 informed the insurer of the conviction
- 9 did not inform the insurer
- 7 did not have a conviction when they took out the policy.

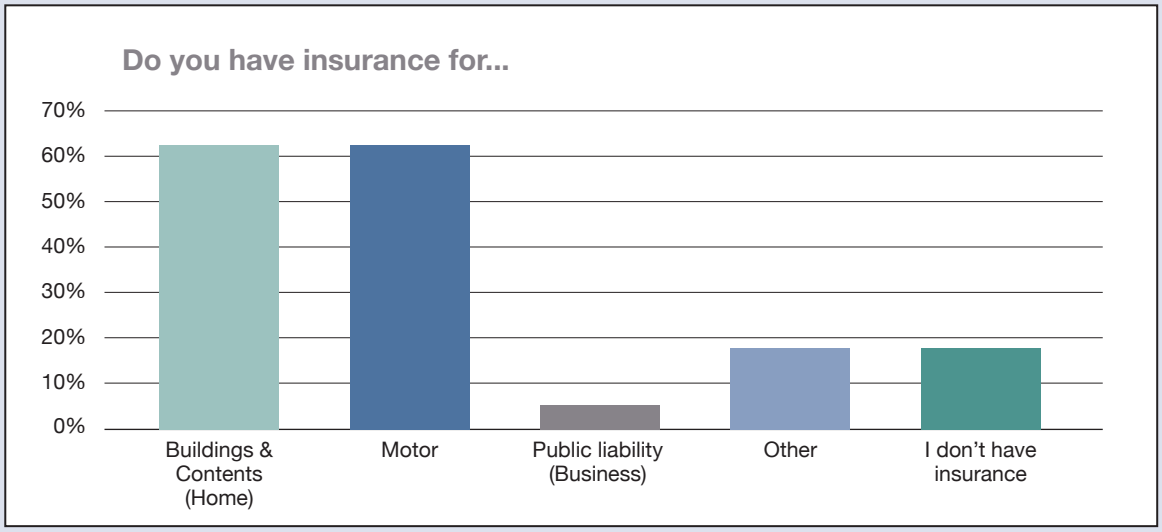
Former prisoners

Surveyed (n=24)

As might be expected, many more former prisoners than people in prison had some kind of insurance.

- One in five stated that they did not have insurance.
- 62% had motor insurance and the same proportion had home insurance.
- One respondent had public liability insurance.
- One fifth had another kind of insurance policy.

Graph B: Insurance policies held by former prisoners



However, in contrast to people currently in prison, almost all of the former prisoners felt that having a conviction had made it harder for them to obtain insurance.

- 86% (18/21 responses) felt their conviction made it harder to obtain insurance.
- Four in five said that having a conviction had meant that insurers charged more for their insurance.
- Only two people said that their conviction made no difference to the price.

However, far fewer stated that their conviction had made it difficult for them to make a claim.

- 43% said the conviction had not made a difference to making a claim, although this applied only to those who had had to do so.
- 3 (14%) of people surveyed after prison said it did make a difference.

Asked which types of insurance they needed, the former prisoners' responses differed significantly from those of people currently in custody. The former prisoners were twice as likely to state that holding insurance was important.

- 95% (19/20 responses) said that it was important for them to hold motor insurance.
- 86% (18/21) said it was important to have home insurance.

Former prisoners were also asked whether they had ever informed an insurer about their conviction.

- One third said that insurers had never asked them about convictions.
- Almost two-thirds (13/21) said they informed their insurers.
- A quarter (5) said they 'sometimes' informed insurers.
- 2/21 respondents said that they had not informed their insurers.
- However, a majority of former prisoners (55%) said that, at some time in the past, they had deliberately not informed an insurer about their conviction in order to get insurance.

The former prisoners were invited to comment on their experiences with insurers. Their responses demonstrate the lack of consistency in the ways insurers deal with customers' convictions, in some cases leading to catastrophic results:

Our broker informed our insurance companies both for our vehicles and our commercial. We were refused vehicle cover with our existing company and had to completely change to another company. Our new vehicle was refused and we obtained cover through [UNLOCK's]

recommended insurer. As a result of our business insurance being completely refused we have had to close our business.

After my first conviction I knew just how difficult it was to get motor insurance. Most insurers were not interested and the others wanted extortionate premiums. With this in mind when I applied for home insurance, I deliberately lied about my record.

Whenever I informed home insurers I was refused except for one specialist company recommended by UNLOCK who accepted me but at higher premium. Other insurers who claim not to discriminate against those with convictions proved to have a two tier discriminatory policy depending on type of offence.

I didn't really know what I needed to tell insurers. Until I found UNLOCK, I didn't think I had to tell them unless they asked.

I told an insurer about my conviction and they advised me not to declare it because it was spent and declaring it would mean I couldn't have home and contents insurance with that insurer. I now believe that if I had made a claim and the conviction came to light it would have probably invalidated my claim.

I called my insurance companies, after finding out via UNLOCK I needed to. I'd never been informed of this during my sentence or after my release.

My own bank won't give me insurance at all. I have not committed any offences for over seven years.

My parents told their home insurers and motor insurers of my conviction and they were refused cover. This has stayed on record and now they cannot get cover at all even though I don't live with them any more. It makes me really furious that my family are being punished as well as me.

Families of people in prison

Families were asked about the types of insurance policy they currently held:

- 61% (17) had motor insurance
- 57% (16) had home insurance
- 18% (5) had life insurance
- 14% (4) had public liability insurance
- 10% (3) said they had other types of insurance
- One person said that she had never had any type of insurance.

Only a few of the families had informed their insurer of their relative's conviction. Fifteen had insurance at the time of the conviction:

- 4 had informed their insurers when the conviction occurred
- 10 had not informed their insurers when the conviction occurred
- (one did not know).

14 took out insurance after a relative's conviction:

- 5 informed their insurers when taking out the policy
- 8 did not inform their insurers when taking out the policy
- One person did not know whether they had informed their insurer.

Many relatives did not recall being asked by an insurer whether their relatives had any convictions.

- 14 said they had never been asked about relatives' convictions
- 8 said that they had been asked about relatives' convictions.

The decision to inform an insurer of a relative's conviction had consequences for the premium. Twenty three families responded to the two questions – whether they had informed an insurer and whether the premium was affected.

- 14 did not disclose a relative's conviction
- 9 disclosed a conviction, of whom:
  - 7 were charged a higher premium
  - 2 were not charged a higher premium.

A significant number had also experienced policy cancellation and even difficulties making claims after an accident. One in four who responded said that:

- An insurer had cancelled a policy due to their relative's criminal conviction
- They had had difficulty making a claim since their relative was convicted.

Recommendations

- The Law Commission's draft bill on misrepresentation and non-disclosure should pass into law, moving the onus onto insurers to ask questions about convictions if they are relevant to their decision to insure.

  Responsibility for action: government, parliament

- People in prison and on probation should be provided with information on the importance of insurance, the impact of a criminal conviction and where they can go to secure insurance with a conviction at a stage of the sentence that allows them time to prepare for release.

  Responsibility for action: prison governors and directors, probation

- Insurance companies should ensure that all customers are aware of the need to declare the unspent convictions when applying for insurance, including those of anyone in the household for home insurance and anyone on the policy for motor insurance and make clear whether disclosure is required at application, mid-contract and/or renewal.

- Insurance companies that exclude people with convictions should make this clear to customers and create links with specialist providers to ensure that customers with convictions are treated fairly.
- Insurance companies that did not make clear the need to declare convictions at the point of policy inception, should honour claims made against the policy.
- The insurance industry should replace its discriminatory blanket ban with a data-driven risk pricing model.

  Responsibility for action: Insurance companies and brokers

- Government efforts to increase the take-up of tenants contents insurance should take account of the specific needs of people with convictions.

  Responsibility for action: Department for Work and Pensions, Association of British Insurers, housing associations

The Rehabilitation of Offenders Act (1974)

Photo: Edmund Clark

Literature review

The Gardiner committee: Living it Down

In 1972, the Gardiner committee's report, *Living it Down*, proposed a law which would "restore the offender to a position in society no less favourable than that of one who has not offended." It was recognised that continually forcing individuals to disclose their offence was counter-productive, as they were unable to secure employment or insurance. This led to the enactment of the Rehabilitation of Offenders Act (ROA) in 1974. The following year, an exceptions order was introduced to limit the ROA to ensure the protection of the public, with particular concern for children and vulnerable adults. Over time, sentences 'inflated' and more exceptions were added, despite more effective rehabilitative programmes being developed[160].

The Rehabilitation of Offenders Act 1974

The Resettlement Plus *Helpline Guide* explains the Act and gives some indication of its complexity:

> *The Rehabilitation of Offenders Act 1974 gives people with spent convictions, cautions, reprimands and final warnings the right not to disclose them when applying for most jobs. Most convictions become spent after five years because most lead to fines and community orders. These periods are halved for juveniles. Prison sentences of up to six months become spent after seven years and sentences of up to two and a half years become spent after ten. Prison sentences of more than two and a half years never become spent. Detention and training orders for 12-14 year olds become spent one year after they expire. Detention and training orders for 15-17 year olds become spent after three and a half years or five years, depending on the length of the sentence. Conditional discharges and bind overs become spent after one year, or when the orders expire (whichever are longer). Convictions for triable-eitherway and indictable offences extend rehabilitation periods – the time it takes earlier unspent convictions to become spent. Simple cautions, reprimands and final warnings become spent instantly.*[161]

Insurance

All sentenced people leave custody with an unspent conviction, while they are still in their 'rehabilitation period'. Disclosure of unspent convictions can lead to refusal for insurance

cover or unaffordable premiums, both for people with convictions and for their households. Non-disclosure can invalidate insurance[162]. However, consumers are not obliged to disclose convictions which have become spent under the Rehabilitation of Offenders Act 1974 as the ROA states[163]:

> *any obligation imposed on any person by any rule of law… to disclose any matters to any other person shall not extend to requiring him to disclose a spent conviction or any circumstances ancillary to a spent conviction (whether the conviction is his own or another's).*

Breaking the Circle

In 1999, the better regulation taskforce recommended a review of the rehabilitation periods. The then Home Secretary, Jack Straw, ordered a more fundamental review in 2001, describing the ROA as:

> *…cumbersome, anachronistic, and ineffective in its primary aim of reducing offending by helping those with criminal convictions who stay 'straight' to leave their offending past behind.*[164]

The review had broad-based support, including representatives from charities, industry, police, probation, judiciary, government departments and local government. The ensuing report, *Breaking the Circle*, published in 2002, found the ROA to be "not achieving the right balance between resettlement and protection" and to be "confusing" for offenders and employers alike. The report made a number of recommendations including:

- Significantly reducing the periods of disclosure
- Ensuring all people with convictions are included
- Ensuring that offenders and businesses understand how disclosure requirements apply to them.

Locked up Potential

The Centre for Social Justice has also taken account of the criticisms of the Rehabilitation of Offenders Act (1974). *Locked up Potential* states, "We recommend a radical reform of the Rehabilitation of Offenders Act 1974. This 35 year old legislation should be replaced by new legislation titled *The Second Chance Act*".[165]

The CSJ adds:

> *critics argue, we conclude rightly, that ROA 1974 offers very little hope or incentive to most offenders seeking to live a purposeful, active and crime-free life. Often it is a disincentive.*

Locked up Potential spells out, in detail, the changes that must be made to the Rehabilitation of Offenders Act (1974):

> *We concluded that disclosure periods should be substantially shortened for all sentences. We concluded that offenders deserved far better explanation of the provisions within the Act than they receive at present. We concluded that new guidelines for employers should be drawn up to ensure ex-offenders receive fair and proportionate treatment from employers, preventing such things as irrelevant requests for disclosure which we have heard happen frequently*[166]*.*

There are around eight million people on the government's offender index[167]. With 85,000 people in prison, around 99% of people on the database are in the community, a number equal to around one fifth of the UK's working population.

Policy context

Insurance

The relevance of the existing ROA is recognised by the insurance industry at a policy level, as the Association of British Insurers has confirmed:

> *It is an unlawful breach of statutory duty for firms to rely on spent convictions in order to disadvantage an applicant. In which case, even if an insurer asked for spent convictions, and details were provided, the insurer wouldn't be able to use them in their underwriting decision.*[168]

Mortgages

Mortgage providers vary as to their policies on criminal convictions but the relevance of the ROA is not always explicitly recognised in lending policies:

> *We do not accept applications from customers with a criminal record (or where they are living with someone who has), unless the conviction is for a minor traffic offence, or is spent under the Rehabilitation of Offenders Act 1974. (Abbey)*[169]

> *If an application is received where an applicant has declared any criminal conviction (other than a driving offence) or there is a pending prosecution, the application will be declined. (Britannia)*[170]

Government response to *Breaking the Circle*

In 2003 the Labour government responded to *Breaking the Circle*, rejecting only one of the 15 recommendations and amending one. The amended recommendation related to changing the rehabilitation periods enshrined in the Act, though the principle of reduced periods was accepted.

Campaign for reform

Since 2003, regular pressure has been applied to government to implement reform of the ROA, led by charities such as UNLOCK, the Prison Reform Trust and Nacro and individuals including Lord Dholakia (Liberal Democrat), Lord Ramsbotham (Independent) and Baroness Secombe (Conservative). Though in its responses the Labour government regularly stated that it was committed to reform, no action was ever taken.

> *While the government remain committed to reform, no timescale for this has yet been set.*[171]

Private members bill

In November 2009, the Liberal Democrat Lord Dholakia introduced a private members bill, the rehabilitation of offenders (amendment) bill. The objective was to introduce the rehabilitation periods which the government proposed in response to *Breaking the Circle.*

The Labour government continued to be unsupportive, stating:

> *On the private member's bill on rehabilitation of offenders, I get into enough trouble as it is. If I stood here and said, "Yes, the government will support it", I would be terribly told off, so I had better not say anything at the moment. However, I await with interest to see how that goes.*[173]

Despite this apathy, the bill quickly completed its passage through the House of Lords but following the general election had to be re-introduced to the Lords in June 2010.

Table K: Summary of ROA 1974 and proposed changes[172]

Sentence	Current periods of disclosure	Periods proposed by *Breaking the Circle*	Periods proposed by amendment
Fine	5 years	1 year	1 year
Community sentence	5 years	Sentence + 1 year	Sentence + 1 year
Custody < 6 months	7 years	Sentence + 2 years	Sentence + 2 years
Custody 6 – 30 months	10 years	Sentence + 2 years	Sentence + 2 years
Custody > 30 months	Forever	Sentence + 2 years	Sentence + 2 years
Custody of 4 years +	Forever	Sentence + 2 years	Sentence + 4 years

Findings on the Rehabilitation of Offenders Act (1974)

People in prison

- Only one of the 47 people interviewed in prison could demonstrate an accurate understanding of what the Act meant.
- 60% of those surveyed in prison stated that they did not understand the Act.
- This means that the majority of people to whom the Act applies do not understand what it means and that many others mistakenly think that they do understand it.

I don't know. I've got the gist of it, but it's a bit complicated.

I thought "spent" meant have I done the time.

It's how the Prison Service has to rehabilitate me. Courses to deal with violence and drugs.

The age of the person did not substantially affect whether or not they said they understood the ROA. However, people from ethnic minorities in prison were less likely to say that they knew what the ROA meant for them.

- 26% of BME people claimed to understand what the ROA meant, as compared to
- 43% of white British surveyed in prison.

The people interviewed in prison were also asked under which circumstances they would be legally required to declare their offence(s).

- 13 (almost one in four) listed job applications only
- 9 mentioned applying for insurance.

About one in 10 people in prison described the damaging impact of the ROA on their efforts to get a job and live a law-abiding life.

With a criminal record, you feel you are always being discriminated against. It's like a noose round your neck: you are in fear of it tightening at any time. So, you don't disclose. And when it's found out, you're punished again.

I've lost a couple of jobs by not telling them. I lost a security job. They came to me and said I had to go, cos I didn't tell them. When I do mention my offence, I don't get the job. You can see their face change when you mention it. So that's why I didn't tell them.

Former prisoners

Surveyed (n=24)

Former prisoners were also asked whether they knew what the ROA required of them.

- 59% (13/22) who responded said that they did not know what it meant for them.

As these respondents had been out of prison and in the community for some time, it might have been expected that they would have been more likely than people in prison to understand the implications of the Act. However, the former prisoners were just as likely as people in prison to say that they did not understand what the Act required.

One former prisoner wrote:

I know that I don't have to tell people about my conviction unless I am asked, but I don't know what the Rehabilitation of Offenders Act requires of me.

Other former prisoners explained that the Act had indirectly caused serious damage to their financial and employment status:

It affected my ability to get a job and still does, as more organisations undertake CRB checks even on jobs that aren't actually exempt from the ROA it cuts down the number of jobs that I can apply for without embarrassment even though my conviction was 19 years ago. If I get a job I am always worried that at some point my employer will ask me to undertake an CRB check and then sack me because I didn't declare my conviction although I didn't declare it because I wasn't asked and the role I am in does not include access to children or vulnerable adults and so therefore should not be exempt from the ROA in any case, but most employers do not understand the law in this respect and are worried about employing ex offenders and usually handle it badly if someone does have a conviction. This has made my career very precarious and causes me to worry a lot about unemployment.

Recommendations

- All people convicted of a criminal offence should be made aware of the Rehabilitation of Offenders Act and offered information and guidance on the long-term impact of having a conviction.

  Responsibility for action: Judiciary, HM Prison Service, contracted prisons, Probation

- The Rehabilitation of Offenders Act should be fundamentally amended to ensure a proportionate balance between the rights of employers and the need to remove barriers to economic activity among the millions of people with convictions.

  Responsibility for action: Ministry of Justice

- Processes should be established to ensure the Rehabilitation of Offenders Act is easily enforceable.

  Responsibility for action: Ministry of Justice

Discussion and conclusions

Photo: Edmund Clark

The cycle of criminal justice and financial exclusion

The links between poverty and crime are complex and powerful. Financial inclusion, including fair access to financial services, is part of the route out of poverty. A criminal conviction can block access to needed services such as banking and insurance, with the unintended consequences of increasing the risk of reoffending while trapping the person in low income levels. Access to financial services is a foundation for active participation in society. Poor access not only affects a person's financial status, but has long term impacts on their future employment and housing prospects. The focus of the study was to consider how the criminal justice system might create, exacerbate or alleviate financial exclusion and therefore affect efforts to reduce reoffending.

The research suggests that, as a group, people entering the criminal justice system share many of the aspects of financial exclusion faced by people living in deprived areas of the UK. For example, 42 of the 144 people in prison surveyed for this study had no bank account (30% of those who responded to the question).This compares to 35% of people in deprived areas[174] and 4% of all UK households.[175] Previous studies have found people in prison to be even less likely to have an account (The Legal Services Research Centre found that 40% of people in prison had no current account or other financial product).

Of the 42 people surveyed in prison who did not have an account, 13 had never had an account. Eighty five percent of the people interviewed in prison who did not have an account said they had tried to get one without success, showing that poor access to basic banking among people in prison is not due to a lack of demand for the product.

This illustrates that a substantial proportion of people coming into prison were already experiencing extreme and persistent financial exclusion, relative to the wider public. People interviewed in prison said that when they were in the community, they had conducted financial transactions through third parties such as parents or partners. The data showed that fewer women in prison than men had held an account outside; and white people in prison were slightly less likely to have one than people from ethnic minorities.

The decision to sentence an individual to either a community or custodial sentence largely determines the severity of the impact on that individual's financial life. Several key 'pinch points' can be identified throughout the criminal justice system, where financial exclusion undermines efforts at rehabilitation and resettlement. This summary describes the main effects of a criminal conviction on a person's finances, under the following themes:

- **sentencing**
- **going to prison**
- **serving a prison sentence**
- **leaving prison**
- **life as a reformed offender.**

Sentencing

There are important, relevant and timely links to be made between sentencing and financial exclusion. The coalition government has indicated the need for "intelligent sentencing" which is more effective and better value for money and utilises appropriate alternatives to prison.[176]

Currently, many people appear locked into a cycle of financial problems and the criminal justice system. In July 2010, the National Audit Office reported that the amount courts were owed in unpaid fines and confiscation orders had increased from £920 million in 2005/06 to £1,330 million in 2008/09, suggesting many people are unable to pay back the fines they have been given.[177] Unpaid fines can ultimately lead to prison sentences, which write off the debt. This use of custody is both expensive and unnecessary. It's expensive, because the true costs encompass the harmful effects of imprisonment on the individual, such as increased homelessness and unemployment, and the impact on their families. It is unnecessary because the initial offence which led to the fine was not thought serious enough to require custody.

The use of credit provides further evidence of a tough core of financially excluded people in prison for whom financial difficulty may be driving criminal behaviour. More than half said that they had been turned down by a bank; 8% said they had tried to borrow from a loan shark. Our sample of people in prison were 33% more likely to have borrowed from a loan shark than the average for UK low income families (6%) and over 10 times more likely than the average UK household (0.64%). One in four people surveyed in prison had previously been threatened for a debt while in the community. People who had borrowed from a loan shark were four times more likely to have been threatened over a debt than those who had not. Over four in five people in prison who had borrowed from a loan shark had been threatened. This can act as a driver for further crime, as people take extreme actions in a bid to pay debts and avoid violent consequences.

Some systems do exist within the court process to take account of financial issues. Solicitors may make representations regarding a person's employment status and financial commitments. Where the Probation Service carries out a pre-sentence report for the Judiciary, this is likely to include a person's employment status and a recommendation as to whether a community or custodial sentence should be given. If a community sentence is given, the Probation Service has some discretion, allowing them to fit it around employment. The length of time over which fines are paid can also take account of a person's financial situation. However, without professional advice, a person may not understand the importance of making their financial situation clear; preventing sentencers from exercising informed discretion.

- The illegal money lending teams should include a focus on working with people in prison and their families.

Going to prison

When someone is sentenced to prison, the impact on their finances can be extreme. The loss of liberty is the most severe form of punishment in the UK but with it come many unintended consequences that equate to a double punishment.

When sentenced to prison, almost all people instantly lose their entire income. Around a third will lose a job, with the remainder having their benefits closed down. Some might argue that this is an inevitable consequence of a prison sentence. It is logical to discontinue certain

benefits while HM Prison Service is providing shelter and food. However, in the modern world of regular credit commitments and personal debt, where credit ratings are critical, prison may have more severe and long-term consequences than in the past.

The best time to assess the person's financial situation, and the likely impact of prison on their finances, is on arrival to prison. However, a lack of priority given to the person's finances in prison reception processes can seriously exacerbate any existing financial problems. Effective assessment is essential if resources are to be efficiently and properly allocated. Assessment can also raise an individual's awareness about issues that they can tackle during their sentence and generate referrals to specialist services. However, in this study, three quarters of people interviewed in prison and the same proportion of former prisoners said no one had ever asked them about their finances while in prison.

The delivery of assessment within prisons is a complex picture. Different departments (e.g. learning and skills, offender management, and resettlement) and different service providers may conduct their own assessments. These are not always co-ordinated, leading to over-assessment, loss of credibility with clients and the missing of crucial issues. The Prison and Probation Service's assessment tool, OASys does not cover people on short prison sentences. The OASys process assesses a person's 'criminogenic factors', predicts the likelihood of reconviction, and identifies interventions to reduce risk. That is not the same as assessing people to establish what support will be most helpful to them on release.

There is a strong correlation between income and reoffending but financial circumstances are often linked to employment and research has not clearly identified whether finances are an independent factor in predicting reconviction.[178] The section in OASys on financial management and income is now optional. A recent study indicated that this section was unreliable because the assessments being made by staff were inconsistent.[179] Even when the section is used, it does not include some practical questions that would identify financial exclusion, such as whether someone has a bank account. In recognition of the need to identify these practical issues, multiple local solutions have been developed, such as the London initial screening and referral tool (LISAR).

Information and advice is not routinely available to people arriving in prison regarding how best to organise their finances. For example, people are unsure whether to update their bank with their prison address or contact their loans company to advise that they are in prison. Those confident enough to act without advice find it difficult to communicate with financial services providers. People in prison cannot visit branches and the modern tools of internet and telephone banking are forbidden[180]. Professional advocacy services are rarely available for those who lack the ability to act themselves. As a result, information is rarely provided to financial service providers and the opportunity to alleviate some of the worst financial impacts of imprisonment is lost.

From mortgages to mobile phone contracts, many people now have long-term financial obligations including commitments via direct debit. For example, one third of people in prison said they held a credit card. This research found that on entry to prison, people are severed from control over their financial life, losing access to their financial products and communication with their creditors. From a creditors' point of view, individuals simply stop their regular payments mid-contract and with no communication, leading the creditor to impose increased charges for interest and other penalties, and even consider legal action.

A relative being sent to prison can also plunge the rest of the family into financial trouble. This research illustrates how families' confidence in their own financial capability can drop severely, with the number of families who feel unsure about managing money more than doubling (to 46%) after the conviction of their relative. Only 4% of people in prison said they had been asked how their families would cope financially while they were in custody.

- Prison induction processes should include a section on practical financial matters, backed up by provision of relevant services within appropriate timescales. Questions should include whether the person has a bank account, ongoing financial commitments and existing debts.

- The credit industry should develop protocols for dealing fairly with people who are sent to prison.
- Financial capability initiatives, debt advice and affordable credit information should be targeted at the families of people sent to prison.
- Commercial financial services should work with the Ministry of Justice and HM Prison Service to produce a financial information leaflet (in easy to read language) to be made available to every prisoner, particularly on entry to prison.
- All people in prison should have the opportunity to access a quality-assured financial assessment, linked to relevant services within appropriate timescales.
- People in prison should be supported in managing any ongoing commitments (e.g. direct debits) and dealing with existing debt from the start of a sentence or time on remand.
- Sources of independent advice should be actively promoted to people in prison and on probation.
- All people in prison should be asked whether their family is likely to have financial difficulties as a result of their imprisonment. Information on relevant services which are local to the family should be provided.

Serving a prison sentence

Shutting down emotionally and cognitively from the outside world is a common coping mechanism for people in prison. This can arise from the strain of constantly thinking about loved ones but can be encouraged by those poor prison regimes that do little more than warehouse people during their sentence.

However, prison can provide an opportunity for people to begin to deal with problem finances. With effective assessment in place, advice services can make a constructive impact. Although three quarters of prison interviewees (34/47; 72%) said they had not been asked about their finances while in prison, nearly all of those who were asked subsequently received advice in prison and eight out of 10 said it had been useful. A third of former prisoners said that financial advice delivered while in prison would have helped ‘a lot’ and a further half said it would have helped ‘a bit’.

Citizens Advice Bureaux (CABs) were the most trusted source of financial advice for both people in prison (47%) and families (75%) indicating that independent advice is more highly valued than advice from banks or prison staff. However, only 13% of people in prison and four out of 29 families had used the service. The organisation provides services in around half of prisons but the capacity of each service is variable and there is an excess of demand.

Around two thirds of people in prison in this study said they had a bank account. However, only 3/40 interviewees (8%) who had an account, or had access to one, said they could manage it directly during their sentence. People who could access their account typically did so by relying on their families to manage the account. These were often informal arrangements that could breach the terms and conditions of their account, putting the account at risk. Twenty five (63% of people interviewed in prison) said they could not access their account while in prison. The lack of opportunities for communication with banks, combined with regular movement between prisons, increase the chances of bank accounts becoming dormant over time.

Two thirds of people interviewed in prison (31/47) said they felt confident or very confident in managing money. However, 28/47 (60%) said they struggled sometimes, often, or were in real financial trouble, before coming to prison, contradicting the idea of the ‘feckless poor’ and suggesting the real issue is the amount of income rather than just the way it is spent.

In contrast to community sentences, which typically allow a person to maintain their employment, prison sentences rarely provide an opportunity to earn a meaningful income. Average prison wages are between £7 and £12 per week, with a minimum of £4 per week (£200 a year). The lack of real work and real wages in prisons means that people are prevented from meeting their commitments such as paying back creditors or supporting their families.

They are also prevented from saving towards the costs of re-establishing themselves on release.

Confidence in money skills among people in prison did not equate to financial capability. Being an expert at budgeting on a very low cash income is a skill forged out of necessity. However, these skills are not the same as those required to successfully navigate an increasingly complex financial services market. Being confident about making ends meet does not automatically mean the person is also good at choosing financial products or staying informed about financial services. For example, almost half of people in prison said they were unsure or very unsure about dealing with banks.

A by-product of the way control is imposed in prisons is the curtailment of personal responsibility. There is little opportunity to take responsibility for, or practise, modern financial skills during a prison sentence. For example, in prison, people are prevented from using plastic cards or cash. Any cash the individual brings into the prison on entry or money earned while inside is put into a 'private cash account' under the control of the governor. A cashless canteen system operates, in which all transactions are on paper and spending is allowed only once a week. Checking a balance involves a written application to the prison for a statement, for which the prison can make a charge. This environment discourages self-reliance, which would be increased by providing opportunities to practise normal financial operations and develop the increased awareness, confidence and skills required to use modern financial services.

Limited communication and access to creditors, combined with negligible prison wages can lead to exponentially rising debts and even legal action. Without income, a bank overdraft can be rescinded and charges can amass. Just over half of people in prison said they had debts, two thirds of whom owed over £1000. People in prison indicated that the main causes of their debts were housing, crisis loans and court fines, rather than banks or credit cards.

The rolling process of electoral registration means that people serving a custodial sentence are de-registered from the electoral roll. The UK is unusual in imposing a blanket ban on people voting in prison despite the European Court of Human Rights ruling that this breaches the law. A lack of presence on the electoral roll, combined with an unstable address, further impairs a person's credit rating.

Such is the desperate nature of some people's situation that, in a financial sense, a prison sentence can actually bring some short-term relief. There are no longer demanding letters on the doormat each morning, no incessant debt collection agency calls, and a presumed relief from threatening bailiffs at the door. However, of the 28 interviewees who had debts, 17 (61%) said their debts were currently a source of distress for them. Bailiffs can come into prisons to take a person's belongings or money from their private cash account, though the low amounts that people in prison typically have usually make this unprofitable.

However, despite being innocent of any crime, the families of people in prison are susceptible to all of these pressures; another kind of double punishment. Many people in prison said they worried particularly about the effects of their debt on their families. They felt guilty that their families had to deal with the consequences, including bailiffs and difficulty getting credit. During a prison sentence it is often families that bear the brunt of financial difficulty. Lacking their relative's income, more than half of the families surveyed had had to borrow money since the conviction. Seventeen of the 29 families (59%) said they were in debt, of which two thirds said their debts had increased since the imprisonment of their relative. A third said meeting bills and credit commitments was a constant struggle. Only 2% of the people in prison said they were in 'real financial trouble' compared to more than 10% of families.

Similarly, the exclusion of people from insurance on the basis of conviction is more transparent among families than people in prison. Whether families experienced problems with insurance related to whether they disclosed their relative's convictions. A quarter of families had an insurance policy cancelled as a result of their relative's conviction and a fifth had problems making a claim. It appears that, irrespective of the nature of the conviction or

the type of policy, a customer who discloses a relative's offence will pay more.

Insurance is a low priority for many people in prison. Few feel they need it and often other expenses are prioritised over insurance. This is true of most people on low incomes as well, who are generally reluctant to spend any additional income on insurance. Compared to bank accounts, insurance is perceived as a luxury product.

Few people in prison are aware that their conviction will need to be disclosed to insurers and that this will have a critical impact on whether they can access insurance. As a result, the exclusion of people with convictions from insurance is often not apparent in prisons. However, specific groups are affected, in particular ways, such as those who live alone in mortgaged property which is unoccupied during their sentence and those who require the use of a car during their sentence in order to get to work. Many others will not be aware of the risk to their belongings incurred as a result of not informing their insurer of their prison sentence.

- A secure process should be developed by which people with bank accounts who are in prison can access their accounts.
- The potential for credit unions should be explored, with particular consideration of the emerging role of the community prison.
- People in prison should have the opportunity to earn a real wage if they are prepared to undertake real work.
- People in prison should be enabled to make contributory payments to housing debts in return for guaranteed housing.
- Financial capability initiatives should be recognised as distinct from, but integrated with, basic skills, financial advice and debt advice provision.
- Financial capability initiatives should go beyond budgeting to a broader curriculum that enables people to operate in the modern world.
- Prisons should reduce the insulation effect by promoting money awareness.
- The process by which people manage and spend money within prisons should be normalised so far as is possible.
- All people in prison should have access to the CFEB money guidance service throughout their sentence.
- The potential for prison peer supporters to be trained in generic money advice, should be explored.
- People in prison should have access to independent quality-assured debt advice including where appropriate self-help, casework support, advocacy, negotiation with creditors and representation at courts or tribunals.
- People in prison should have access to the National Debtline telephone helpline during normal working hours.
- Sources of independent financial, benefits and debt advice should be actively promoted to people in prison and on probation.
- People in prison should be provided with information on the importance of insurance, the impact of a criminal conviction and where they can go to secure insurance with a conviction.

Leaving prison

As a prison sentence nears completion, the practical challenges of resettlement become more urgent. During a prison sentence, problems are stored up for the point of release, making effective resettlement significantly more challenging. Just over half of people in prison felt being in prison had affected their financial situation and more than 60% said money problems would be a major worry on release.

The risk of reoffending is highest in the period immediately after release. At £46, the discharge grant fails to fill the 'finance gap' between release and the start of benefits, which can take weeks or even months. Half of former prisoners said that a lack of money had been 'quite a problem' and a further one in six said it had been a 'major problem' in the time after release.

Over one third of former prisoners who had a bank account when they were convicted (6/17)

said going to prison had made it harder to keep their account or to use it again after release. Those who, as a result of no income and mounting debts, have endured bankruptcy are excluded even from basic accounts (apart from one provider). One in four former prisoners said that their conviction had made it harder to open an account on release. This was mainly due to lack of identification rather than discrimination on the basis of a conviction. Banks typically only refuse people on the basis of a record of fraud and only 2% of the prison population consists of people convicted of fraud or forgery.[181] People find it extremely difficult to open an account prior to release from prison, making other elements of resettlement more difficult, such as gaining employment, arranging benefits and securing accommodation.

Forty percent of people in prison felt their debts had worsened during prison. Nearly all people in prison with debts said they would make things harder for them on release. Almost two thirds of former prisoners who had debts (64%) said that prison had made their debts worse.

Securing somewhere to live is a priority for people preparing for release from prison. Eighty three percent of people in prison said they had rented or mortgaged accommodation before being sent to prison and housing debts were identified as a major issue. One third of people interviewed in prison were aware that they currently owed money for housing and these debts were seen as the most important (36%) because they reduced the chances of securing accommodation on release.

As accommodation significantly reduces the risk of reoffending, failure to deal with these debts during a sentence is likely to adversely affect reoffending rates. One prisoner told the researchers that he would be stupid to tell probation that he had no accommodation on release as it would increase his perceived criminogenic risk and reduce his chances of release. The tendency to define people's needs as risks meant that he would not seek support to find accommodation and be at *greater* risk of reoffending on release. For some, most often women, the need to clear housing debts was directly linked to being able to activate residence rights in relation to their children, for which accommodation was a prerequisite.

Court fines were the second highest priority debt for people in prison due to their potential to return them to prison. Since 2003, there has been an increased use of deduction from benefit orders for people who are in receipt of welfare or other benefits.[182] Although these deductions may reduce the chances of going back to prison through failure to pay, they further reduce the individual's income.

Employment is similarly a primary factor in reducing reoffending. People with criminal convictions face widespread discrimination in the employment market, making it difficult to secure an income after release. This systemic barrier to employment is exacerbated by the way in which the justice system creates financial exclusion. People felt that debts which had grown in prison had created a disincentive to work due to the fear that creditors would catch up with them as soon as they had a significant income, leaving them better off on benefits. People who had formerly served prison sentences were highly critical of the time taken to pay benefits after release and the fact that in many cases prison had taken them out of employment and made them dependent on the welfare state.

On leaving prison, demand for financial services increases as they become more relevant and necessary. Around half of people in prison said they would want more products from their bank after release, including savings and credit products. The same was true of insurance products.

Around one third of former prisoners (7/20 who responded) believed that it would have been 'very hard' for them to get financial advice after leaving prison. Only 8% of people in prison had received advice from probation and only one in three said they would trust financial advice offered by them. Families were even less trusting of probation, with only 7% trusting their advice, versus 75% trusting the CAB. Banks and CABs were the most popular and most trusted sources across both families and former prisoners.

- People should have the opportunity to open a bank account, receive financial capability training and relevant information before discharge.

- People on very short prison sentences should be given information on opening a bank account and referred to an external agency.
- Within two months before release, advice and information should focus on issues related to re-integration, such as insurance.
- Prison and Probation services should make strong local links with providers of free financial and debt advice services.
- Until benefits are available on release, the discharge grant should be set in line with the current rate of job seekers' allowance.
- Benefits should be available from the day of release. The application process should be completed prior to discharge.
- Prisons should alert local authorities to people in need of support well before the anticipated release date to ensure that the mandated duties to vulnerable people are met.
- Prisons must ensure that all people receive the money that is held in their private cash (prison) account on release.

Life as a reformed offender

Over time, as people reintegrate into society, some elements of the financial exclusion associated with the criminal justice system appear to recede while others endure.

Almost nine-tenths of former prisoners in this research had been released more than a year ago (58% over two years ago) and 92% said they now had a bank account. The vast majority held a current account (82%) and over one in five (23%) had a premium account.

Former prisoners were less likely than people in prison, and far less likely than families, to say that they were in serious financial trouble. 40% said they kept up with bills with no trouble and only 4% said they were in real financial difficulty. At a rate of two in three, former prisoners were more likely to have borrowed from a bank than those currently serving a prison sentence, among whom only 42% had done so. None of the former prisoners responding to the survey had tried to borrow from a loan shark.

A criminal conviction has significant repercussions for a person's financial situation, and that of their family, irrespective of whether it results in imprisonment. The Rehabilitation of Offenders Act 1974 (ROA) is a complex piece of legislation which covers the requirement to disclose convictions in various situations and for various periods of time depending on the sentence given. The requirement to disclose a conviction for long periods of time, often forever, has particularly detrimental effects on a person's ability to secure an income and to access some financial products.

People given community or short custodial sentences must wait between five and 10 years before they receive any protection from disclosure under the Act, at which point their conviction is considered 'spent'. People given a prison sentence of more than thirty months are never deemed 'rehabilitated' under the Act and receive no protection. The proportion of people with convictions who fall outside the protections of the Act has increased over time due to sentence inflation and an increasingly vast set of exemptions.

The data revealed that about one in 10 people in prison felt that the ROA had a damaging impact on their efforts to get a job and make a positive contribution to society. One person described it as "like a noose around your neck: you are in fear of it tightening at any time."

Employment remained problematic for people who had been through the criminal justice system. Sixty seven percent of people are unemployed at the time of imprisonment, while 76% do not have paid employment to go to on release.[183]

The ROA is often rendered ineffective, even for those whom it ought to protect, due to a lack of awareness and understanding. Sixty percent of the people in prison and former prisoners surveyed said they did not know what the ROA required of them and almost all of those who believed that they understood the Act actually did not. When asked to explain it, only 2% of people in prison could do so accurately. People from ethnic minorities were much less likely to know what the ROA meant. The task of providing information about the ROA for individuals and their families is not part of the process in courts (in passing sentence), or the work of prisons (in preparing people for release) and offender managers (in providing supervision).

The laws and regulations around the disclosure of criminal records could have a significant effect on plans by the coalition government to introduce payment by results and market financing. Providers may be reticent to engage if the goals set out for them by government are unachievable due to government policy.

A criminal conviction brings about other negative effects on personal finances. Unspent criminal convictions are considered 'material facts' by insurance companies. This means that the onus is on the policyholder to declare them, whether or not the insurer asks about them. This includes the convictions of others resident at the property, even if they are not the policy holder. This research found that a third of the families who had a relative with a criminal conviction at the time they took out insurance informed the insurer. There are significant grey areas in the law concerning this subject, including the need for mid-contract disclosure and the relevance for a family's home insurance of a family member who is currently serving a custodial sentence.

Eighty six percent of former prisoners said it was harder to get insurance and four-fifths said that, when they did get insurance, they were charged more. The implications of an inability to access insurance are far-reaching, including preventing access to mortgages and many forms of employment and self-employment.

- All people convicted of a criminal offence should be made aware of the Rehabilitation of Offenders Act and offered information and guidance on the long-term impact of having a conviction.
- The Rehabilitation of Offenders Act 1974 should be fundamentally amended to ensure a proportionate balance between the rights of employers and the need to remove barriers to economic activity.
- Processes should be established to ensure the Rehabilitation of Offenders Act is easily enforceable.
- The Law Commission's draft bill on misrepresentation and non-disclosure should pass into law, moving the onus onto insurers to ask questions about convictions if they are relevant.
- Insurance companies should ensure that all customers are aware of the need to declare the unspent convictions when applying for insurance.
- Insurance companies that exclude people with convictions should make this clear to customers and create links with specialist providers to ensure that customers with convictions are treated fairly.
- Insurance companies that did not make clear the need to declare convictions at the point of policy inception, should honour claims.
- Government efforts to increase the take-up of tenants contents insurance should take account of people with convictions.
- The insurance industry should replace its discriminatory blanket ban with a data-driven risk pricing model.

Conclusion and strategic recommendations

The research showed that a criminal conviction and a prison sentence had major implications for the financial inclusion of individuals and their families. Imprisonment was likely to increase levels of debt both for individuals and families, and restrict access to affordable credit. Confidence in money management was high among people in prison but low in regards to modern financial services. People were unlikely to have their financial situation assessed or receive financial advice while in prison. Many people viewed insurance as a luxury while in prison and the terms on which it was provided for people with convictions and families were inconsistent and often unfair.

- Ministry of Justice should develop a national framework for tackling financial issues:
  - The strategy must be realistic, measurable, appropriately funded.
  - A national finance benefit and debt strategy group should be formed to support this development, including representatives from key government departments, operational staff from prison and probation, financial services providers, and charities with relevant expertise.
  - Efforts to tackle finance, benefit and debt issues should be linked with improved outcomes in other areas, such as accommodation or employment, rather than acting in isolation.
  - The strategy should set a framework which can be used by commissioners of offender services to guide regional commissioning and by local staff to guide delivery.
  - The strategy should focus on the areas of greatest need, including; bank accounts, income (work and benefits), saving, insurance, debt and credit, and financial capability.
  - The strategy should be tailored to the specific needs of women in the criminal justice system, who appear to be more financially excluded than men, particularly focusing on:
    - asking women about their financial situation
    - raising awareness of financial products and services
    - accessing money and debt advice
    - accessing insurance with a criminal conviction
    - accessing affordable credit.
  - Local finance, benefit and debt strategies within prisons should take account of the age of their population, tailoring services appropriately. For example:
    - Younger people may be more likely than older people to have a bank account but less confident about money management.
    - Older people may be less aware of more recent changes in financial matters, such as changes in how benefits are paid or using a cash machine.
  - Each area of need should be cross referenced with potential intervention types, including;
    - effective assessment
    - raising awareness
    - supporting access
    - improving ability
    - providing advice
    - providing advocacy.

Responsibility for action: Ministry of Justice

- Prison induction processes should include a section on practical financial matters, backed up by provision of relevant services within appropriate timescales. Questions should include:
  - whether a person has a bank account
  - whether a person has any insurance commitments
  - whether their family will be able to cope financially
  - whether a person has any debts.

Responsibility for action: Ministry of Justice

Appendix

Samples

- People in prison (survey and interviews)
- Families (survey)
- Former prisoners (survey)

A) People in prison

The team gathered evidence from people serving in four prisons, comprising three local prisons and a women's prison. We received information in two forms: through a survey of 97 people in prison and interviews with a further 47 individuals. Thus, we gathered some evidence from 144 people in prison; and more detailed and personal views from 47 of them.

B) Former prisoners

Twenty four former prisoners were surveyed through UNLOCK's e-newsletter.

C) Families

The views of family members were gathered through an on-line survey, recruited through UNLOCK's e-newsletter. A total of 29 family members responded.

A) People in prison

The 144 people surveyed (the survey sample) comprised:

- 81% at local, male prisons
- 19% women
- 65% between 21 and 39, with 34% 40 and over
- 3% over 60 years old
- 65% White British
- 13% Black; 6% Asian; and 3% Mixed race.

The people surveyed in prison came from a range of family relationships.

One in four people in prison said they had no children. Ten of the 144 (7%) had from five to seven children. A quarter had one child, and just over a fifth had two. Five (over half) of the 21 year old respondents stated that they had one child or more. The 139 people in prison, who stated the number of children they had, reported a total of 238 children; a rate of 1.7 children per person.

The ages of the people in prison interviewed were related to responses about their home situation. While one in five of people interviewed in prison said they were paying a mortgage, none of the people in prison aged 21-25 were doing so; about two-thirds of them were in council rented, or privately rented accommodation. Of the 26 to 31 year old group, over two in three were in privately rented housing (as compared to less than one in five of those between 33 to 39 or 40 to 53 years old). Those who were 40 to 53 years old were most likely to be in a home for which they were paying a mortgage (33% of them).

Seven of the 11 in the youngest age group (21-25) stated that they were single. While no one who was 33 -39 years old stated that they were single, over a third said they were separated or divorced. Those in the 33 - 39 year old group were also most likely to say that they were married (55%).

No one who was 21 to 25 years old said that they had two or more children. Half of the 26 – 31year old people in prison had two or more children, as did over 80% of the people in the 33 – 39 age range.

B) Former prisoners

Twenty-four former prisoners responded to the online survey about personal finances. Here is some information about these respondents:

- Most (14 or 58%) were aged between 36 and 49
- Very few (only three) were between 21 and 35 years old
- Almost one-third (7 / 24) were over 50 years old
- Four out of five were White British and two others were White Irish
- No one who was Black or Mixed race responded, although 17% were from minority ethnic groups (including white Irish)

- 21 of the 24 (88%) were male
- 63% were married or cohabiting; 21% were single, and 13% were separated or divorced
- 37% had no children; a quarter had one; another quarter had two; and three respondents had three; no one had more than three children
- When they were last in prison, half of the respondents had been serving sentences of one to four years, but one-third (8) were serving sentences of 12 months or less
- Over one-third had been released within the past two years; with almost a third having been released either two to five years ago or more than five years ago.

C) Families

Twenty said they were partners of prisoners, and nine described themselves as parents of a prisoner. Of the 29 family members who responded, 28 were women. The people who were related to the respondents were:

- Serving a prison sentence (20: 69%)
- Finished with their sentence (5: 72%)
- Out on licence (4:14%).

Only one of the relatives was female; 97% of the people whose family members responded were male.

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PRISON REFORM TRUST

Prison Reform Trust
15 Northburgh Street
London EC1V 0JR

Tel: 020 7251 5070
Fax: 0207251 5076
www.prisonreformtrust.org.uk

UNLOCK
The National Association of Reformed Offenders

UNLOCK
35a High Street
Snodland
Kent ME6 5AG

Tel: 01634 247350
enquiries@unlock.org.uk
www.unlock.org.uk

Time is money

When someone is convicted of a crime, the impact on their finances can be extreme. The loss of liberty is the most severe form of punishment in the UK but with it come many unintended financial consequences. The criminal justice system can increase financial exclusion, and reduce personal responsibility, creating problems with housing, insurance, employment and family relations, and thus contributing to a greater risk of reoffending.

This report explores the impact of the criminal justice system on banking, credit, debt, savings, financial capability, benefits, and insurance. The role of advice and the practical implications of the Rehabilitation of Offenders Act are also considered. The key findings inform practical, cost effective recommendations to achieve financial inclusion for people in prison, former offenders and their families, improve resettlement and reduce reoffending.

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