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# **National Traveller Money Advice and Budgeting Service**

## **Response to the IBF Submission to the Department of Finance on the Basic Payment Account**

*December 2011*



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## Response from National Traveller MABS

National Traveller MABS broadly welcomes the IBF proposal on Basic Payment Accounts and is grateful for the opportunity to respond.

### Universal access to Standard Personal Current Account

Since 2003, National Traveller MABS has highlighted that the main reason why many people were unable to access banking services, was not due to the lack of availability of financial services or products appropriate to their needs, but rather due to a lack of access to existing services and products. The cause of this, in the main, was their inability to adequately establish their identification or was the result of insufficient regular income on the part of the applicant. The Criminal Justice Act, 1994, placed an obligation on financial institutions to “take reasonable measures to establish the identity of any person for whom it proposes to provide a service”. Guidelines detailing acceptable forms of identification clearly laid out alternatives to the standard forms of ID. This was to ensure access to all. However the failure of many financial service providers to implement these guidelines, led to the widespread exclusion of many, to financial services over the past decade.

The current Guidelines are sufficient to allow access to existing services and products. While we welcome the work of the Department of Finance and the Banks in developing new products to ensure universal access to financial services, National Traveller MABS recommends that rather than creating a two tiered system, access is provided for all to existing standard personal current accounts. National Traveller MABS are concerned that the establishment of a Basic Payment Account (BPA), exclusive to those on low income, may lead to exclusion within inclusion, and may be seen as a “poor man’s bank account”.

### Access to the BPA

1 The IBF submission details the entry criteria for BPA holders. National Traveller MABS is concerned about people who have been previously banked within the last 5 years but due to for example, unemployment, they may have had their bank account closed. Are such individuals excluded from opening a BPA and if so can they access a standard personal current account?

2 In the case of non- welfare payments, the IBF submission states that should quarterly payments exceed €4,500 the customer will be “upgraded” to a standard personal current account. Does this mean that if an individual or family earn over this amount per quarter they are deemed ineligible to open a BPA? If so, will the previous barriers to a standard personal current account be removed? Many of Irelands working poor, who are currently unbanked earn over this figure per quarter but are still unable to access a standard personal current account due to lack of ID or irregular salary,

### Cost of operating a BPA

1 The BPA in the main will offer free banking. However it should also be noted that free banking currently exists for many Standard personal current account holders, for example with Permanent TSB and Ulster Bank. Such accounts do not allow overdraft facilities and do not charge for direct debits.

However such accounts are not exempt from stamp duty associated with holding a debit or ATM card, and we welcome the Department of Finances commitment to wave such charges for the BPA.

2 It is indicated in the IBF submission that Transaction Fees “include” but are not conclusive, and Service Fees are given as a “sample”. Can a more detailed breakdown of these fees be given?

3 We welcome the decision not to include a direct debit feature in the BPA. Managing in a non cash environment is very difficult for people with limited resources and could cause further hardship for those already struggling on a low income. This may be compounded when literacy and language difficulties exist. National Traveller MABS had concerns that utility and service providers may insist on customers avail of this service. Allowing customers to avail of a standing order facility will ensure greater control of their money.

4 We also welcome the proposal that customers can choose not to accept a direct card. Many banks have replaced their ATM only card with a joint ATM/ Debit card. Bank balances can be difficult to monitor when using a debit card. Additionally many retailers insist on a €10 minimum spend to cover the charge they are paying to the bank when accepting such transactions. We hope that all bank officials when facilitating the opening of BPA will ensure that the customer is fully aware of the possible costs associated with the use of debit card.

### **Pilot**

The IBF notes that “other outstanding issues pertaining to this initiative will need to be addressed before the launch of the pilot”. National Traveller MABS recommend that such issues include:

- 1 Prior to implementation of the pilot a comprehensive consultation is undertaken with all stakeholders to determine the real needs of the user.
- 2 A comprehensive promotion and education programme for new customers is undertaken by financial institutions prior to the implementation of the pilot.
- 3 Consideration is given to operating a pilot within the confines of the Traveller community, one of the most financially excluded groups in society.
- 4 As every BPA opened will result in significant cash savings for the state, consideration should be given at the onset to allocate such savings back into a saving incentive scheme for participants. This would not only act as an incentive but would also establish the essential savings feature into the BPA. Individual saving incentive accounts could be operated by the banks, Post Office or credit unions
- 5 Diversity Awareness Training is compulsory for all bank officials.

National Traveller MABS is grateful for the opportunity to respond to the IBF submission. As an organisation we will continue to work to build financial capability within the Traveller community while simultaneously pressing for an accessible and equality based financial services sector.