

Age UK is the new force combining
AGE and **HELPTHEAGED** WE WILL
Concern



The Way We Pay

Payment systems and financial inclusion



About Age UK

With more people needing our services than ever before, Age Concern and Help the Aged have joined forces, combining almost 120 years of experience. Together, we are Age UK. The Age UK family includes Age Scotland, Age Cymru and Age NI and, additionally, many local Age Concerns are changing their name to Age UK.

We are the new voice for millions of people in later life. We believe that by combining our time and our talents, our services and our solutions, and with your help, we can do more to enrich the lives of many, both at home and abroad. By joining forces, we will ensure that more of our funds go where they are needed. We are now one of the most powerful and influential organisations in the UK.

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Quantitative research

Survey conducted by Ipsos Mori.
See Appendix 2.

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Foreword



Age UK is here for 14 million people aged over 60, working for a better life today and tomorrow. We give information and advice to over 5 million people in the UK, campaign on a range of issues and provide financial services to over 1 million

older people. Age UK has received many letters and calls from older people concerned about how they would pay for things if cheques were withdrawn. It is also a major issue with older people in discussion with our local forums, friendship centres and across our network of partners in the UK. It is clear that, for many people, cheques are an essential payment method that is often the only way to access essential services at no extra cost or risk.

While the potential withdrawal of cheques from 2018 may be the most obvious cause for concern, there are still many people of all ages who are financially excluded, without banking and payment services that meet their needs and paying extra costs as a result. This report argues that we all need a range of payment mechanisms that allows us to access essential services safely, conveniently and at low cost. In an ageing society, Age UK advocates inclusive design for all payment systems.

When all users' needs are taken into account in the initial design process, the result is a product that can be used by the broadest spectrum of users. In the payments industry, where scale is critical and where many users value simplicity, inclusive design can bring improvements for all consumers, not just those who were previously excluded.

In the light of this, Age UK is pleased to publish this report, which reveals the importance of payment systems in the daily lives of older people, sets out their needs and draws on the experience of other countries. We are grateful to the many older people who shared their views with us and to the Friends Provident Foundation who funded the research. And we hope that our ten recommendations for Government and the payments industry will be debated and acted on.

Tom Wright CBE

Group Chief Executive

Key findings

Research aims

A secure, convenient and affordable method of paying for things is an essential part of everyday life. Imagine buying a train ticket without a credit or debit card, or paying for a cup of coffee without cash. We regard some services, such as energy, water and telecommunications, as so essential that providers are legally obliged to deliver them to all who wish to buy. How is it, then, that some groups of people still have difficulty accessing these essential services, or pay more, simply because no suitable payment method is available?

The proposal to withdraw cheques in 2018 provides a prime example of the central role that payment methods play in our lives. Age UK has received numerous letters and calls from older people worried about how they will pay for things they need if cheques are withdrawn. However, as yet, the Government has not explicitly recognised payment services as an essential service.

This report was designed to explore the essential payment mechanisms and banking services to which an individual must have access in order to be financially included. It set out to learn from other countries and from other industries. Although the project originated from the challenge of cheque withdrawal for older people, this report is not just about cheques or age, but about how individuals actually use the payment services currently available to them.

The study aims to answer the following questions:

- What are the essential payment mechanisms and banking services required for ‘inclusive’ banking?
- How are these services delivered in other countries? Which countries have universal service obligations, how are these defined, and how do they match up with criteria for inclusive banking?
- What are the current alternatives to cheques?
- To what extent can we expect new technologies (such as mobile payments) to meet the needs of financially excluded older people?
- Who should deliver essential banking services – the existing retail banking sector? Or can other organisations meet the need? Should essential banking services be part of a standard current account and how should they be paid for?
- What can be learnt from the application of universal service obligations in other industries, for example, utilities, telecoms and postal services?
- What should be the role of government, either as a provider of services or as a regulator? Should any of the core services required for inclusive banking form part of a universal banking obligation in the UK?

This report

Where are we now? reports the findings from a UK literature review commissioned to establish current knowledge on use of payment systems.

What can we learn from other countries? summarises an international study (Australia, Belgium, Canada, Denmark and Germany) designed to investigate alternative payment systems and delivery methods in use overseas.

What older people told us they need contains key messages received during workshops with older people in the UK and from quantitative research to test the prevalence of issues raised.

The role of government looks at how the Government ensures essential services are delivered in other sectors.

Recommendations for future research contains priorities for future research.

All elements of the research consistently reinforced the same core messages and found that essential payment needs are not limited to particular age or income group but can have a universal application.

Where are we now?

What are the essential payment mechanisms and banking services required for 'inclusive' banking?

To date, financial inclusion initiatives have focused on access to basic bank accounts and barriers caused by low income. Although more people than ever before in the UK have bank accounts, this has not necessarily led to full financial inclusion and the focus is shifting to examine how the newly banked use their accounts.

For example, advisers told us that bank accounts are often used solely as a method of receiving benefit payments, with budgeting and other payments taking place exclusively in cash.

Our studies found that ability to pay safely and conveniently in the following four scenarios is widely considered essential.

- 1 Low-value person-to-person transactions, e.g. buying a newspaper or a cup of coffee. Cash is often preferred, however accessing cash is not always free, easy or perceived as safe.
- 2 Higher-value person-to-person payments, e.g. paying a tradesperson for work in the home or reimbursing a carer for shopping.
- 3 Regular payments, e.g. utility bills.
- 4 Irregular remote payments, which fall into two main categories: (1) gifts to individuals and charities: although these payments might appear optional the overwhelming majority of our research participants considered them essential; and (2) distance purchases, for example, online or catalogue shopping.

People also told us that they needed to be able to delegate payment authority either regularly or from time to time. Almost one-fifth of people aged 65+ use others to withdraw cash for them and disclosure of PINs is common. Irrespective of age, 10 per cent have disclosed their PIN to a family member, friend or carer. The systems that sit behind the payment method are also important and so it is difficult to completely separate payment methods from other aspects of banking. Existing research on financial inclusion among low-income groups and our qualitative research with older people found that the ability to control payments and check balance and statements easily were key to the viability of a payment system.

In order for the UK to have an ‘inclusive’ banking system, we consider that payment methods should meet the following criteria:

- easy to use
- accessible, without the need for special equipment
- operable from home
- accepted by retailers, including small traders, clubs and societies
- allow payments to individuals
- controllable (so that people can budget)
- secure, and perceived to be secure
- protected
- difficult to abuse
- easily available
- suitable for people on low incomes.

The methods should provide payment solutions for each of the four essential payment scenarios. This requires a comprehensive approach to the entire payment systems infrastructure as it is unlikely that one single payment solution will meet the needs of all users in all scenarios.

What can we learn from other countries?

How are these services delivered in other countries? Which countries have universal service obligations, how are these defined and how do they match up to the criteria for inclusive banking?

Although very little research was available on use of bank accounts, especially by older people, findings indicated that barriers to access and use are broadly similar to those found in the UK. Social context is important. For example, Australia faced specific problems reaching geographically remote communities, which would not be an issue in Belgium. Expectations of community-based assistance also affected the international responses.

No ‘silver bullet’ replacement for cheques seems to be available overseas, but some alternative methods were worth considering. Denmark’s price regulation has meant that debit cards are now accepted by most tradespeople, which helps to remove the problem of small payments in the home. In Germany and Australia a range of bill payment systems is available that could help people who need to pay larger unexpected amounts or who need to make remote payments.

An important finding from the international research was that all of the countries surveyed had a paper-based payment option available. In Belgium, where cheques are no longer used, a state subsidised voucher system is provided. Cash also appears to be heavily used in most of the countries surveyed.

One common theme in service delivery internationally is a more interventionist role for government, both as a regulator and through service subsidy. Belgium and Canada have both legislated to provide rights to basic bank accounts. In Belgium minimum account services are precisely defined in legislation; Canada has a voluntary specification.

Denmark has the most far-reaching price intervention policy controlling charges to retailers and banning retailers from passing costs on to consumers. This has resulted in a debit card-based system (the Dankort) which is cheaper than cash for retailers and is almost universally accepted, including by very small traders.

Credit unions and community banking initiatives are important in a number of countries. Consistent with the UK picture, we found that the countries surveyed had generally focused on access to basic bank accounts, rather than developing a strategy for provision of essential financial services.

What older people told us they need

What are the current alternatives to cheques?

The UK currently has no alternative to cheques in a number of the scenarios we explored. Improvements in existing systems could help to make current alternatives work better, for example, improving telephone banking. However, significant innovation will be required to bridge the gap that cheques currently fill. Evidence showed that people use a range of payment methods and many older people told us that cheques were not always their first choice or default payment option, but that they used them in circumstances where no other payment method would do: as one person said, 'I only write cheques when there's no alternative.'

Sixty per cent of people of all ages surveyed for this report told us they currently use cheques and 63 per cent of cheque users told us that cheque withdrawal would be a problem for them. Older people told us that cheques are most valued for the following four scenarios: payments in the home, e.g. gardener or window cleaner; payments of larger, less predictable amounts, e.g. payment for fuel delivery; reimbursement, e.g. paying a friend back for shopping; and paying for and running clubs and societies.

To what extent can we expect new technologies (such as mobile payments) to meet the needs of financially excluded older people?

Older people reflect society as a whole and significant numbers of older people are comfortable using credit and debit cards while some choose new methods such as internet banking. However, branch closures and other process changes are making it increasingly difficult for people to carry on using existing methods.

The automation that has already taken place (e.g. increased use of ATMs and chip & PIN) provides lessons for those seeking to develop new payment systems. Although people told us that changing to a new system does get more difficult with age, there was willingness to adopt new methods. Providing support for the transition will increase the number of people who can adopt new methods, but other more substantive barriers will prevent people either taking up new payment methods or using them effectively. For example, the design of PIN pads and ATMs can make them difficult to use for people with arthritis or sight impairments. The fact that a person uses a payment method is not a good indication that it really fulfils their needs. For example, 43 per cent of people had written down their PIN or told it to someone else.

The greatest barriers to internet- and mobile-phone-based banking are access to and ability to use the technologies themselves. Again, it is important to distinguish between those who have access to a technology and those who are confident users. People aged over 65 are significantly more likely to be what Ofcom calls 'narrow users' of the internet, less confident of their skills and less likely to make content judgements about internet sites.¹ Although mobile phone usage among people over 75 has risen, only 56 per cent personally use a mobile phone.² However, ownership does not necessarily equate to usage and there are also design, usability and affordability problems with mobile phone technology and handsets. People over 65 are significantly less likely to use a smart phone than the whole adult population (2 per cent vs 30 per cent).³

To some extent the lower take-up of these technologies can be attributed to lack of familiarity among today's older generations. However, some barriers are caused by design features that inhibit use by people with some impairments, e.g. the small buttons on most mobile phones. Over a third of the population lives with limited mobility, almost 15 per cent have limited dexterity and nearly 10 per cent have a sight impairment.⁴ Consequently we do not think that mobile-phone- or internet-based services are able to meet the needs of the majority of older, or indeed many other people at the present time. There is potential for these methods to become mainstream among older people in the future, but only if both the processes (e.g. security procedures) and physical devices are designed to take into account the needs of an ageing population. When we ask older people what they would use to replace cheques if they were withdrawn now, the overwhelming answer is cash.

The role of government

Who should deliver essential banking services – the existing retail banking sector or can other organisations meet the need? Should they be part of a standard current account and how should they be paid for?

With the exception of basic bank accounts, much of the innovation aimed at increasing financial inclusion has come from outside the mainstream retail banking sector, e.g. services such as PayPoint. It is clear that the established players are restricted by the cost of changing legacy systems and by investments sunk into existing systems. This report has identified significant, long-standing barriers to take-up and use of payment systems, and innovation from new providers may well be needed to overcome these.

A workshop we conducted with advice workers highlighted the need for additional support services for money management. Some people may need occasional help to set up direct debits, others may need more regular assistance reviewing statements and even accessing cash. These services may be best provided by community-based providers, such as credit unions.

However, provision of payment systems requires extensive reach and a trusted brand. Payment systems must be acceptable to tradespeople and retailers, who have limited resource to invest in multiple payment solutions. Participants in our research were consistently concerned about who would provide new services, how they would be regulated and how complaints would be dealt with. This means that mainstream payment solutions are likely to continue to be provided through retail banks for at least the foreseeable future, although not necessarily through a current account. Scale also affects cost: if a system is used by large numbers it will usually cost less per transaction and be sustainable. Essential banking services provided through retail banks should be accessible and affordable for all.

What can be learnt from the application of universal service obligations in other industries, for example, utilities, telecoms and postal services?

The research found that transactional banking services fulfil the criteria set at European level for an essential service and are equivalent to other services in the UK for which a universal service obligation already exists. It also found that government intervention in terms of price, service level and universality in provision of basic banking services is common overseas, sometimes after the failure of voluntary systems.

Examining universal service obligations in other sectors showed that they operate in industries that are considered competitive, e.g. telecoms and energy, as well as for services that are not, e.g. water provision.

Although service obligations are largely set out in legislation and in formal regulatory requirements (e.g. companies' licence conditions), there is also informal guidance from regulators and examples of industry self-regulation. For example, the Energy Retailers Association's 'safety net' voluntary code to prevent disconnection of vulnerable customers. However, the existence of formal obligations does not necessarily result in adequate service provision: regulatory approaches vary and have a significant impact on the effect an obligation has on the market. Even so, having universal service goals and obligations is an important way of establishing people's rights to those services that are essential to function in society.

What should be the role of government, either as a provider of services or as a regulator? Should any of the core services required for 'inclusive' banking form part of a universal banking obligation in the UK?

A number of the barriers preventing people from accessing and properly using essential payment services are long-standing, with little or no progress towards solutions (e.g. inability to safely delegate payments). Yet the Government has had a role where mainstream payments systems do not meet the needs of certain customer groups. For example, the important work of the Financial Inclusion Task Force was achieved with Government backing. The Government also provides safety-net solutions where the market fails (e.g. benefit cheques and their successor and the Post Office Card Account).

We believe that the need for safety-net services should be minimised through promoting inclusive design to ensure that more people can safely and conveniently use mainstream payment systems. The Government should seek to move from stepping in to provide services where the market fails to using regulation and other tools to encourage a market that serves the full range of consumer needs. Niche solutions may be less sustainable and are likely to cost more for consumers who cannot use the more standard methods. For example, pre-paid card systems are increasingly being used by local authorities as a means of delivering direct payments for social care, but if mainstream services were more inclusive it would not be necessary for local authorities to bear the costs of these systems.

What is required is a national payments strategy that is centred on ensuring that consumers have access to essential payment services and is co-ordinated with other transactional banking services (e.g. access to current accounts and accessibility of banking services). Currently the National Payments Plan is set by the Payments Council, a voluntary membership industry body. Although the Payments Council has been open and consultative, the current progress of the cheque withdrawal process demonstrates that government oversight and full independence of the decision-making body, at a minimum, is required.

Recommendations

- 1 Government and industry should explicitly recognise payment services as essential services. Where industry does not ensure access for all to essential services, the Government should intervene. Payment systems should not be exempted from the age discrimination provisions of the Equality Act 2010.
- 2 There should be a Government-led programme to ensure that consumers and the businesses, clubs and societies on which they depend have a convenient, safe and affordable way to pay across a range of scenarios.
- 3 Banks and financial regulators should treat access to this essential service as a mainstream management issue, not as an optional extra to be dealt with through corporate social responsibility.
- 4 All new payment systems should be designed inclusively – that is, to meet the needs of the widest possible range of users. Government and retailers should require inclusive design in the services they procure.
- 5 Banks and payment service providers should improve existing payment methods, in particular by offering second cards in the name of a third party with separate PINs and withdrawal limits on personal current accounts, without it needing to be a joint account.
- 6 There is currently still no satisfactory, inclusive alternative to cheques. Cheques should not be withdrawn unless and until a suitable alternative is in operation and has proven acceptable, and an effective safety net is in place to help any customers who will not be able to make the transition. Cheques are such a critical part of the overall payments system that the decision as to whether they can be withdrawn should be taken in the public interest by an independent body.
- 7 Access to cash remains vital. The Government should ensure that the payments industry delivers a sustainable cash-delivery network, including access to all current accounts at a post office.
- 8 Government, local government and the payments industry should provide funding and administrative support for community-based solutions, such as post office access, credit unions and bank branch sharing.
- 9 The banking industry should wake up to the reality that some people need support to access essential banking services and ensure that support is available to them.
- 10 More research is needed about how older people use payment systems, especially into security and authentication procedures and access to cash.

1 Where are we now?

Summary of key findings

Little information is available on older people and access to banking: there is limited age segmentation in research and very little research specifically on age-related issues.

Financial inclusion initiatives have focused on access to a basic bank account: however, many of the barriers faced by older people arise because they can not make full use of their bank account.

Increased automation of banking has tended to make it harder for older people to use bank accounts: especially as automation has been accompanied by large-scale branch closures.

Older people tend to be highly capable money managers: with or without a bank account.

Cash is very important to older people: yet they may face even more barriers to access than people in other age groups.

There is concern that if cheques are withdrawn older people will rely more heavily on cash: person-to-person payments are especially important and there are few payment alternatives at present.

Under the Government's plans to increase 'direct payment' of social care support, recipients will need fully operational bank accounts: or will require local authorities to procure alternative payment solutions.

Older people tend to find ways to cope with payment system barriers: however, this can place them at increased risk of financial abuse and theft.

There is much overlap between the needs of older people and other financially excluded groups: ensuring that the needs of older people are met will help other marginalised users.

The UK literature review

We commissioned a UK literature review of existing evidence on the extent to which developments in UK banking and payment systems have affected older people and their ability to receive payments from various sources, make payments and store value safely. This review formed the foundations for further deliberative and quantitative research and provided lessons about the future requirements of payment systems.

Of course, older people are not all the same. They have a very diverse range of income levels, physical and cognitive ability, financial capability, attitudes to technology and so on. In some cases older people will have more in common with younger people who have similar characteristics and attitudes than with other people of the same age and this report therefore contains lessons that are relevant across all age groups.

The importance of payment systems

‘Not all consumers need to borrow and not all have money to save. But it is impossible to participate in a modern economy without cash, and increasingly inconvenient and expensive to participate without access to forms of electronic payment. The networks of payments systems that support these everyday transactions matter to everyone. They affect not just prices to consumers but the ways in which economic exchanges can develop in the future. In particular, e-commerce cannot by definition flourish without effective means of electronic payment’.⁵

In 1998 the previous government commissioned an independent review of the UK banking industry. The Cruickshank Report criticised the limited competition in banking, including in payment systems, and the lack of access to banking services for lower income groups. In the 12 years since the report there have been numerous developments in payments systems and access to banking.

- 2003 Universal Banking Initiative launched, including the introduction of the Post Office Card Account (POCA)
- 2004 Government and banks agreed to a ‘shared goal’ of halving the number of adults with no bank account
- 2005 Financial Inclusion Task Force established to consider how government and industry can ensure that everyone can access the financial services they need; it met the shared goal in 2009
- 2005 Direct payments for individual social care introduced as a pilot
- 2007 Payments Council established by the payments industry to set the strategy for UK payment systems
- 2007 Three major supermarkets stopped accepting cheques
- 2009 Retail banking became subject to conduct of business regulation by the Financial Services Authority (FSA)
- 2009 Payments Council set a target date of 2018 for the closure of the cheque-clearing system
- 2010 Consumer Financial Education Body launched as independent body (now renamed the Money Advice Service)
- 2010 General Election Manifesto commitments: Labour committed to the right to a basic bank account/Coalition committed to expand POCA
- 2010 European Union consultation on basic bank accounts
- 2010 Reform of financial services legislation proposed
- 2010 Treasury Select Committee inquiries on cheques and competition in UK banking
- 2011 Independent Commission on Banking interim report criticises lack of competition in banking
- 2011 Credit union reforms expected and Government subsidy of £73 million announced
- 2011 Benefit cheque service closure announcement: to be replaced by PayPoint/ Citibank service starting in 2012
- 2011 Contactless card technology increasingly added to debit cards as standard
- 2011 Branch closure trend continues, with 18 per cent reduction in branches over last ten years
- July 2011 Cheque guarantee cards cease to be effective

Potential barriers to financial inclusion

The preceding section shows just some of the government- and industry-led initiatives affecting individuals' participation in banking and access to payment systems. However, 1.75 million people still do not have access to a transactional bank account, of whom 39 per cent are over 65,⁶ whereas this age group only makes up a quarter of the overall population.

Although many older people remain fit and active, they are more likely than other groups to have overlapping multiple problems or disadvantage (e.g. low income and poor mobility), or a combination of minor impairments.⁷ In addition to the great range of diversity among older people, financial circumstances, health, physical and cognitive condition and access to social networks can all change as people grow older. Loss of a partner, illness and a change of residence can have a major impact on people's sense of independence and ability to cope.⁸ Other temporary difficulties, such as severe snow, can leave some older people without any access to money. The nature of challenges faced by older consumers and the fact that they may already be dealing with significant change has implications for payment systems.

Older people and financial services

- Two-thirds of the value of savings and investment accounts is held by people over 50, but individual amounts are often very small and about one in four people of this age group have no significant savings or investments.⁹
- Those over 65 account for over £100 billion of spending each year in the UK.¹⁰
- The average (median) income for pensioners is £237 per week.¹¹
- Difficulties with activities of daily living rise from one in ten in the 50–54 age band to 40 per cent of those over 80.¹²
- Over half those over 75 live alone.¹³
- Over a quarter of people over 65 have difficulties with eyesight¹⁴ and over half of people over 60 are deaf or hard of hearing.¹⁵
- Almost a quarter of people over 75 report difficulty walking 100 yards.¹⁶ Six per cent do not leave the house more than once a week.¹⁷
- Although household internet take-up is now at the UK average for people aged 55–64 (74 per cent), it is still considerably below average for those aged 65+ (35 per cent).¹⁸ The proportion of those offline is higher among the older age groups: 55 per cent of those aged 65–74; 80 per cent of 75–84s; and 92 per cent of 85+.¹⁹ Only 56 per cent of people aged 75+ personally use a mobile phone.²⁰

Older people and access to banking

The literature review found very little research on the subject of older people and their interaction with the banking system, yet almost one in five of the UK population is over State Pension age, and there are more people aged over 60 in the UK than aged under 18.²¹ The over-85 age group is also the fastest growing age group in the UK, because of increases in life expectancy.²² Not only do older people represent the highest number of adults in the UK without access to a bank account, but even those who do have accounts may not be using them fully due to barriers, such as inaccessible security procedures. Given the increasing importance of older people in UK society, this report recommends that the needs of this group are further examined and that other research provides age segmentation wherever possible.

Use of bank accounts

Developments in banking in recent times and the work of the Financial Inclusion Task Force have meant that more people than ever have bank accounts; however, this has not necessarily led to full participation in banking. Some people lack the ability to use the increasingly automated services on offer, perhaps because they do not have access to the internet or because the technology is not designed to be accessible to those with health impairments. This is exacerbated where the individual does not have access to a branch, or where the branch refers customers to other departments which can only be reached by telephone or internet.

Certain features of bank accounts make them unattractive or costly for those operating on tight budgets or without easy access to technology. People without access to transactional banking or the internet face higher costs when purchasing goods and services.²³

However, only a minority of people of all ages who had recently opened a bank account were benefiting by achieving savings through use of direct debits. A large percentage, four in ten (mainly those in the bottom 20 per cent of the income distribution), actually suffered a net loss after opening a bank account, mainly as a result of penalty charges on unmet direct debits and unauthorised overdrafts.²⁴

The vast majority of recipients – 98 per cent – now have their pension and benefits paid directly into a bank or Post Office Card Account (POCA).²⁵ A POCA offers limited functionality – benefits can be paid in but no other form of credit can be accepted. It does not offer direct debit or standing order facilities. Older people are by far the largest group of users of the POCA, with around 15 per cent of households headed by someone over 75 having one, compared to a national average of 7 per cent,²⁶ while 40 per cent of people who receive benefits into a POCA are pensioners.²⁷ Although so many older people are now able to receive payments into an account, advice workers report that many people use accounts simply as a means to receive payment, but continue to operate in cash in most other respects.

Increasing automation and branch closures

One person reported to Age UK the case of an older relative with sight problems, who, unable to easily hear the bank staff on the phone, walked with his white stick in his hand to the local branch over a mile away. On arrival, he found that there were no chairs, no privacy and he found it difficult to obtain information about savings accounts from poorly informed staff.

Although technology has brought many benefits, it has also tended to increase rather than remove barriers to banking for some groups of people.

For example, automation and online banking have allowed reductions in the number of bank branches. This increases challenges for those with reduced mobility and lack of access to relevant technology who cannot either travel the increased distance to get to a branch or access the replacement available through the internet or telephone.

The Commission for Rural Communities estimates that around 200,000 people living in rural England do not have access to a bank account. They identify a large number of financial ‘deserts’ where no households are within 2km of a post office, 4km of a bank or building society or 2km of an ATM.²⁸ Not having access to online banking, living in an area without a local branch, being unable to use PINs, or finding that direct debits and bank charging practices do not suit their money management strategies are all significant issues that may prevent people with bank accounts from using them effectively.

Although ATMs may be a suitable alternative to counter withdrawals for some groups, research among older people on middle incomes reveals that withdrawing cash in a branch is perceived as safer than using an ATM on the street.²⁹ Cashback facilities and ATMs within shops may provide a safer source of cash, but cashback is not available in all retail outlets and may require a minimum spend.

Twelve per cent of those surveyed for this report stated that they access cash via cashback when shopping but just 4 per cent stated that, given the option, cashback was their preferred method of withdrawing cash. Research by the Runnymede Trust reveals the existence of ‘fee-charging hotspots’, where a combination of branch closure and lack of free ATMs means there is no free access to cash.³⁰ While the Runnymede research focused on black and ethnic minority groups, the Commission for Rural Communities highlights the same problem for rural areas, stating that only 46 per cent of cash machines are free to use in rural areas.³¹

Use of both internet and mobile phones is increasing among older people. However, as just 35 per cent of people aged 65+ currently live in households with internet access³² and only 56 per cent of people aged 75+ use a mobile phone, the UK will need alternatives to internet banking and mobile payments for some time.³³

There is a substantial body of research demonstrating the importance of maintaining social relationships in the wider community, and their impact on both mental and physical health. Social interactions are important in the context of financial inclusion and are valued by older people who may choose to make a visit to a bank branch or post office even if an automated system is more convenient or offers cost savings.³⁴

Where the difficulty lies is in inputting the number on the key pad at the post office. [My mother] has impaired vision, is not very nimble with her fingers, and is in a wheelchair. This means that my mother cannot see the number well and has to stretch up with her hand so that people standing behind her in the queue can see what PIN she is inputting.

– Letter to Age UK

Acceptance of cards and chip & PIN

One previous Age Concern study has found a difference in attitude to card usage between people aged under and over 75. People aged under 75 were 'using either a debit or credit card on a regular basis with no problems ... debit cards were seen as a very convenient way to pay and compared favourably to cheques'. Those over 75 tended to withdraw their pension as cash once a week.³⁵ However, this research was among people on middle incomes and was qualitative. Other studies have found barriers to card use which will prevent some groups from finding them acceptable.³⁶ Quantitative research for this study found that card use in the oldest age group is lower than average: those aged 75+ were less likely to hold a chip & PIN card and more likely to use cash to pay for groceries.

One 2006 study on remembering PINs revealed that almost half of older people may find it difficult to remember or use PINs. The ability to get money out over the counter without using a PIN was the second most important element when older people were asked what features a bank account should have.³⁷ Quantitative research we carried out for this report found that ease of remembering a PIN falls with age and disability. Whereas nine out of ten of people aged 25 to 34 find it very easy to remember, this falls to around three-quarters of people aged 65+ or those people with a disability.

Even if people don't have problems remembering PINs, lack of manual dexterity, fear of being too slow, and problems with eyesight can make it difficult for people to use them.³⁸ Age Concern research reveals the stress and fear factor involved for some older people when they have to use a PIN: 'I feel physically sick sometimes when I know I've got to do it.'³⁹

The importance of cash

Many older people appear to have a strong preference for cash with over 70 per cent of people aged 80+ using it to pay for food, compared to just over half of people in their 50s,⁴⁰ therefore easy access to a safe source of cash is vital. Little is known about how far older people have to travel to obtain cash and apart from research undertaken for this report the literature review found almost no published material on the relative acceptability and importance of branches, ATMs and cashback. Our quantitative research found higher than average cash use among people aged over 75, both for payments in the home and for grocery shopping. The same research found that cash use for grocery shopping was higher among low income groups; however, low-income groups had lower than average cash use for payments in the home.

This suggests that although older people's preference for cash may sometimes be related to income, there are also other factors driving the choice of payment method.

Preference for cash is driven by perceived advantages for budgeting, control of payments and near universal acceptance.⁴¹ It may also be related to lack of suitable alternatives. The importance of the social interaction provided by a visit to a branch should not be overlooked.

Several studies show that those on low incomes also have a preference for cash. Lack of control and fear of getting into debt were common reasons for avoiding automated payments.⁴² Other research suggests that direct debits are commonly used for paying bills and are seen as a useful way to plan and budget among middle income older people.⁴³

There is insufficient data to identify what makes people more liable to use automated payment systems, although there is speculation that they are people who are more confident money managers who are 'satisfied that they could live within their means and their finances would not get out of control'.⁴⁴ Another study – supported by our own research – shows that use of direct debits to pay utilities decreases directly with age, and decreases in correlation to people feeling they have too little money.⁴⁵

PayPoint (and Payzone) offer a payments service available through a network of local retailers. The system is primarily used for cash payment of bills and services and also as pre-payment for energy meters.

PayPoint claims that their coverage is better than the Post Office's in some areas, particularly some deprived and urban areas. However, customers using PayPoint in shops are predominantly female, on a lower income, with an average age of 39 and living within a quarter of a mile of the store. Just over a quarter of customers are aged 55 and over.⁴⁶

To date, PayPoint does not seem to have significantly changed older people's payment habits. Our own research found that only 10 per cent of people aged 65+ use it often (compared to 18 per cent of people under 45). Thirty-nine per cent never use it and 18 per cent have never heard of it. However, as the Department of Work and Pensions has awarded PayPoint and Citibank the contract for delivery of benefits to those recipients who remain unbanked, this may change.

The importance of cheques

Analysis of cheque use by the Payments Council shows that paying bills is the most common reason for writing a cheque followed by: paying a tradesperson, a club or society, paying someone else, donating to a charity and children's activities.⁴⁷ Our quantitative research for this report also found that although half of people aged 65 and over (53 per cent) use them sometimes or often, compared to around one-fifth (19 per cent) of those aged 18 to 24, cheque use is still significant in the middle age groups, with 32 per cent of people aged 35 to 44 using them at least sometimes. Use of cheques as a way of getting cash also increases with age.

Cheques are more than just a payment system: 'a chequebook (and paying-in book) provided a useful, tried and trusted way of managing ... money'.⁴⁸

There is a risk that, unless an acceptable alternative can be found, older people will revert to cash and could be pushed into increased dependency on helpers to access cash and pay bills and gifts. This exposes them to a greater risk of theft and financial abuse.

Any alternative to cheques therefore needs to suit the needs of all older people. Some characteristics of ageing may change in the future (such as attitudes to technology), but others (such as physical impairments) may not. Given the growth of the older population and also the increase in life expectancy, older people can not be viewed as a niche market. Although some people may have needs that can only be met through specialist provision, for payment systems to be sustainable they must be designed inclusively, so that the broadest possible number of users can access them.

Older people tend to be highly capable money managers

Despite the barriers to banking identified earlier in this report (e.g. challenges in accessing cash and use of PINs), it is important to note that many older people are adept at managing their money. Analysis of financial capability shows that the ability to make ends meet and keep track is higher among older people than younger age groups. Few reported any difficulties with budgeting, despite many managing on very low incomes.⁴⁹ Nevertheless, sudden changes in circumstances such as ill-health, incapacity or bereavement can cause problems and financial hardship.

However, indications of increasing debt among people entering older age may suggest that an ability to manage money is a cohort rather than age effect. Further research is needed to understand whether increasing debt among older people is a sign of changing money management skills or is caused by insufficient income to meet basic needs. There is already a minority of people who have retired with very high debts.⁵⁰

Older people tend to find coping strategies, although they may involve serious risks

People tend to find ways to cope and maintain independence, although some of these coping strategies may expose them to reduced consumer protection or risk of financial abuse. A survey on elder abuse found that 2.6 per cent of those over 66 living in private households reported some mistreatment from a family member, friend or care worker, with financial abuse being the second most common form. Family were the most common perpetrators.⁵¹ This study did not include those in residential care. Another study based on 10,000 phone calls to a helpline found that 20 per cent of elder abuse reports concerned financial abuse.⁵²

There is no meaningful research on third-party assistance and how older people depend on helpers to access banking services. Which? estimates that millions of debit and credit card holders write down their PIN or tell a friend or family member, yet still believe they would get a refund if they were a victim of fraud or crime.⁵³ Our quantitative research confirms that 26 per cent write down their PINs.

How are older people's needs changing?

One major change on the horizon is the personalisation agenda for social care. Personalisation involves recipients of social care taking control of their individual care budget, with the option to have payments made directly into their current account. For direct payments to work, users must be able to make regular and irregular payments with ease and be able to provide the local authority with a robust audit trail. A basic bank account is not currently suitable for people managing direct payments because it does not include a cheque book. Currently 1,464,140 people in England receive community-based care and so are eligible to receive direct payments.⁵⁴ If the direct payments initiative is successful, it could significantly increase the demand for accessible payment services that can be operated with third-party assistance.



2 What can we learn from other countries?

Summary of key findings

Financial inclusion initiatives in the countries studied are focused on access to and take-up of basic bank accounts: however, some countries specify characteristics of basic bank accounts to promote their usability.

Little information is available on older people and access to banking: as in the UK, there is limited age segmentation in research and very little research specifically on age-related issues.

Government intervention is common, both in setting the minimum service offer and price intervention: formal requirements are more common than informal agreements. Price intervention includes both price-capping for accounts and limits on passing transaction costs to consumers.

Countries in which cheques are no longer used have alternative paper-based systems and appear to have high cash use: paper systems may be both subsidised and rationed.

Older people seem to have similar preferences and barriers to transactional banking in all countries surveyed: e.g. effect of sight and dexterity impairments; urban/rural issues; digital exclusion; preferences for cash and paper.

No silver bullet innovation found, but some interesting adaptations of existing systems: including one-off direct debits and use of informal shop credit. These developments appear to often be at the initiative of retailers rather than banks.

Community-based intervention and alternative banking providers considered crucial: interviewees expected solutions to be community-based.

Our international study

We commissioned research to examine how other countries deliver payment systems and in particular whether alternatives to cheques exist that meet the needs of all users. The study looked at five countries: Australia, Belgium, Canada, Denmark and Germany. These countries were chosen because of similarities to the UK (in terms of access to transactional banking, affluence or culture) but also because of key differences (e.g. governmental approach to universal access or in the way people pay for things). The research was carried out through in-depth telephone interviews or questionnaires with key representative organisations (banking associations, regulators and older people/ consumer groups).

What payment methods are available?

Each of the countries studied has adopted at least one unique payment method; however, common themes emerged. All countries have a minimum of one paper-based payment option, even if cheques are not used. All countries use something similar to direct debits, although variations which increase consumer control (by initiating payments) are common. Cash remains popular in all countries for which statistics are available, but government intervention on charging in the card market in Denmark has provided effective alternatives to cash even in small transactions such as for paying the window cleaner.

None of the countries surveyed had undertaken a process similar to the UK Payment Council's cheque withdrawal programme. Respondents in Germany reported that cheques are still available on request and used in very rare circumstances. Canada and Australia are starting to experience a decline in cheque use and Canada has established a task force to look at payment systems available, including cheques, which is due to report by the end of 2011.

Population density is relevant to the viability of solutions, e.g. Belgium's dense population has allowed very high ATM and branch penetration. Conversely geographic variation in Australia has inspired 'book-up' in some rural areas: retailers give customers credit, sometimes taking a debit or credit card as a form of security and this allows customers to be billed less frequently.

Bank account take-up is relatively high in all countries surveyed. The UK is almost unique in its current model for pricing current accounts. In other countries customers pay an up-front fee for an account and in some cases additional charges per transaction. There is little research available on the extent to which pricing acts as a deterrent to opening a bank account; however, transaction-based pricing models, if adopted in the UK, would impact relatively heavily on older consumers.

This is because counter and paper transactions, which are often preferred by older users, tend to be more expensive. There is evidence from respondents that there is diversity of pricing even within countries. For example, some Australian banks have waived fees and most banks in Canada offer free accounts to older people. Australian research shows that while consumers generally seek to avoid fees by changing their payment habits, older consumers are less able to minimise costs, with 28 per cent of those over 70 taking no steps to minimise the impact of charges.⁵⁵

Table 1 overleaf summarises payment systems available and the extent of use in the study countries.

Table 1 Payment methods available in Australia, Belgium, Canada, Denmark, Germany and UK

Country	Cash	Cheques
Australia	High, 70% of consumer payments undertaken using cash ⁵⁷	Yes, but in decline. In 2000, 71.1m cheques were processed each month to the value of AU\$319.5bn, dropping to 27.6m cheques per month to the value of AU\$129.4bn in 2010 ⁵⁸
Belgium	Statistics not available	No
Canada	Some retailers do not take cash	Yes, but in decline
Denmark	Statistics not available	No
Germany	Statistics not available; reportedly 59% of all payments	Not used by consumers, but still available on request
UK	56% of payments by volume in 2010 ⁶³	Yes, but in decline 1.113bn written in 2010 ⁶⁴

	Card	Households with internet access⁵⁶	Other
	Debit cards accounted for almost one-third of the number of non-cash payments; credit card payments accounted for about 25% of non-cash payments ⁵⁹	67%	<ul style="list-style-type: none"> • BPay (customer initiated one-off or regular transfer) • Money Orders • Book-up: in some remote areas retailers are customers' only cash source and may also provide goods on credit
	About 40% of non-cash payments are card-based ⁶⁰	72.7%	<ul style="list-style-type: none"> • Credit transfer/pre-notified direct debit (by paper or automated) • Government subsidised pre-payment voucher schemes for certain services • Bill on delivery • Bill payment at ATM
	About 40% of non-cash payments are by debit card and 25% by credit card ⁶¹	35.1%	<ul style="list-style-type: none"> • Direct debits
	Statistics not available; reportedly 95% of consumers have Dankort	78%	<ul style="list-style-type: none"> • Direct debit common • Mobile payments increasing • Paper-based system still available
	About 15% of all non-cash transactions are card-based ⁶²	70.7%	<ul style="list-style-type: none"> • Direct debit • Electronic direct debit initiated by retailer and signed by consumers • Paper-based bill payment
	36% of payments by volume in 2010 ⁶⁵	Average household internet take-up 74%, but 35% for those aged 65+ ⁶⁶ 59% of home internet-users bank and pay bills online, but only 32% of those aged 65+, 19% at 75+ ⁶⁷	<ul style="list-style-type: none"> • Direct debit • Standing order • Bill payment through retailers and over counter

How do people pay?

We asked representatives of older people's organisations, banking bodies and relevant government institutions how older people would pay in a range of scenarios, in order to focus on how people actually use payment systems. We chose scenarios that covered the most important non-discretionary spending situations and that included payment inside and outside the home. During the deliberative research (see Chapter 3) we used similar scenarios in order to test UK participants' payment needs.

Utility and other bills: direct debits are popular in most countries studied, but in some (e.g. Belgium) customers are pre-notified by a copy of the bill sent out by post or email a few days in advance of payment, so that it is possible to make sure the account has sufficient balance. BPay in Australia allows customers to initiate each payment (a 'push' rather than a 'pull' system); it can be used for one-off and regular payments and utility bills are commonly paid in this way. Belgium, Denmark and Germany all still use paper-based systems, essentially a giro without the cheque attached. These can be used at ATMs and bank counters, but completion at bank counters may be discouraged because of the higher cost of service provision.

Personal food shopping: most respondents reported a situation similar to the UK; a mix of cash and card use. Germany offers an interesting alternative, known as an electronic direct debit, whereby the customer signature on a receipt or other document authorises the trader to collect the amount by direct debit. This is a system developed by retailers, who bear the risk if the transaction fails.

Payments in the home, e.g. for the window cleaner: government intervention in Denmark has resulted in a majority of retailers and traders accepting a debit card, the Dankort, as it is cheaper for the retailer than using cash.

A trader that has fewer than 500 transactions per year pays around £85 equivalent per year rental for accepting the Dankort.⁶⁸ Other forms of debit and credit cards are also available, but they are less popular and accepted in fewer outlets.

Paying for home-based support services: none of the countries surveyed reported anything similar to the UK's personalisation and direct payments approach. In Denmark, the expectation was that payments would be made directly between social services and the supplier. In Belgium the government subsidises vouchers that are accepted by registered service providers for social care and similar services including gardening and other home payments. Not everyone is eligible for the vouchers, but people receiving state benefits will be eligible. The system is also designed to ensure that care and related services are supplied by reputable providers. In Germany, paying for care or help in the home would usually involve an electronic transfer between a third-party account (such as the benefit-paying authority or insurer) and the provider. Representatives from Germany, Denmark and Belgium all reported that cash was heavily used for smaller payments to carers.

Paying someone back and gifts: person-to-person payments are vital for older consumers, especially those who rely on others for help within the home, but aside from internet banking, interviewees were at a loss as to how older people might reimburse individuals who have helped them. This echoes one of the most challenging UK payment scenarios. Interviewees thought that the older people would revert to cash, both for reimbursement and gifts. Pre-paid cards were mentioned by respondents from both Australia and Canada.

Access to banking and payment systems

All payment methods need an access point, these include branches, ATMs, internet, landline, mobile phone, post, retail outlets and post offices. Consumers need varying degrees of mobility, income, dexterity and knowledge to interact with these points. Penetration of the access points also affects customers' ability to interact with, and therefore the acceptability of, different methods. A study of consumers across the EU in 2005 found that out of those who used the internet, around 40 per cent also used online banking.⁶⁹

The complexities of managing an account and levels of education and language skills generally are reported to be major barriers to holding a transactional bank account, both in Europe and internationally.⁷⁰

In Australia government agencies work with community organisations to develop education programmes that target vulnerable groups. They also have dedicated outreach teams – particularly for indigenous communities and recent immigrants. In Canada, the specialised Financial Consumer Agency provides both printed and online interactive tools to help people choose a bank account that is right for them.

Table 2 shows comparable penetration rates for branches and ATMs in the countries studied and the UK. The number in brackets is a ranking of the total of 90 countries surveyed (1 = highest penetration).

Table 2 Access to payment systems

Country	Geographic branch penetration ⁷¹	Geographic ATM penetration ⁷²
Australia	0.77 (83)	1.66 (66)
Belgium	181.65 (3)	229.28 (6)
Canada	1.56 (74)	4.64 (57)
Denmark	47.77 (16)	66.51 (18)
Germany	116.90 (6)	144.68 (8)
UK	45.16 (19)	104.46 (16)

Financial inclusion is focused on access to and take-up of basic bank accounts

Through interviews and reviews of the literature it was found that in the countries studied financial inclusion initiatives are consistently focused on ensuring access to and take-up of basic bank accounts. Limited research was found on how consumers interact with available payment methods and even less on the particular impact for older people. Some countries do specify facilities that must be available to make basic bank accounts more useful. For example, Belgium requires that at least three counter transactions are available each month and Canada requires basic bank accounts to offer cheques.

Laws banning age discrimination may also have an impact. Belgium has had such legislation for some time and one respondent cited an example in which a major bank reversed its decision to limit the amount of cash that people aged over 65 could draw at the counter after an immediate backlash involving age discrimination claims.

These approaches can result in niche solutions, such as the government-subsidised vouchers available in Belgium. Denmark has taken a different approach by introducing measures that apply to the whole population, even though they may have a bigger impact on lower-income groups who did not previously hold a bank account.

There is some research on household payment patterns, notably in Australia and the UK, but out of context this can be misleading. Changes in the costs of various payment methods to retailers or other merchants can have major effects on payment methods used, so usage statistics do not necessarily indicate that households find the new methods convenient or whether people are able to use them safely.

Government intervention is common

European research suggests that levels of concentration and competition in the banking sector do not necessarily have a direct link with levels of exclusion, which are more heavily influenced by various policies or regulation applied to the sector.⁷³ Table 3 shows how governments in the countries studied are involved in ensuring that financial services are available to those who need them.

Older people seem to have similar attitudes and difficulties in all countries surveyed

The significant lack of research on older people's interaction with payment methods and banking means that most analysis in this area is drawn from interviews and from anecdotal evidence. The lack of research could be interpreted as a sign that other countries do not have significant problems in access to payment services for older people. However, given the UK experience it is more likely that, as in the UK, the problem has been hidden and the scale of the issue is understated. There was a particular absence of published research on PIN and other security use.

Access to the internet and other technology was identified as a limitation, and preference for cash is reported to be higher among the older population in the majority of countries surveyed. Older people are more likely to use the paper-based alternatives. In general, respondents told us that older people's financial and payment habits increased their vulnerability to fraud and financial abuse, especially as reduced mobility makes access to cash more difficult and so people take out more cash out at once and keep more at home.

Table 3 Government intervention

Country	Obligation on consumers	Service obligation on banks	Price intervention	Other subsidy/ price intervention
Australia	Social security almost always paid into bank accounts, bridging payments can be made by cheque for individuals without accounts	None, but some report that banks introduced basic accounts in response to lobbying, to avoid a formal obligation	None	None
Belgium	None	Legal right to basic bank account since 2003; minimum account services precisely defined	Cap on charges for basic bank account of €13.60pa; Government setting up system to ensure all banks share costs caused by caps	Government subsidises rationed paper-based voucher system usable for social care and other similar services
Canada	Government continues to provide benefits by cheque to people without a bank account	Access to basic bank account for those who meet minimum ID requirements; voluntary minimum account services specification	Agreement between government and banks to provide low cost account to vulnerable customers; terms of the account specified	Banks must cash Government-issued cheques (up to CN\$1500) without charges: banks may be indemnified if the wrong person cashed the cheque
Denmark	All state payments must be made to a bank account	Danish Bankers' Institute has made recommendations to members on terms and cost of basic accounts	None	Tight regulation of costs of Dankort, making it cheaper to use than cash (for traders and consumers)
Germany	Germany continues to pay benefits by cheque if requested, but fees for cheque cashing can be high	Voluntary agreement that banks will open accounts for those who meet basic requirements; mixed results reported	None	None
UK	Increasing pressure on benefit recipients to use accounts	Voluntary agreement/ shared goal	None	Post Office Card Account; credit union funding

Community-based intervention and alternative banking providers are considered crucial

The research shows that availability of alternative systems of banking, e.g. co-operative or community banks, public banks or credit unions can also have a significant impact on access to banking. Credit unions offering full transactional bank accounts play an important role in both Australia and Canada. In Australia they make up 13 per cent of retail banking,⁷⁴ while in Canada one in three of the population belong to a credit union or equivalent.⁷⁵ The more remote indigenous communities were highlighted as beneficiaries in Australia. Interviewees also expected that many of the solutions for older people would be community-based and often informal. This approach does offer a flexible response to need, but some examples cited were worrying, e.g. there was a reference that in Belgium bank staff may 'help' customers with their PIN, placing both staff and customers at risk.

No 'silver bullet' innovation found, but some interesting adaptations of existing systems

The way people pay now in the countries surveyed is not so different from the way we currently pay in the UK. Examination of methods used in the survey countries shows that differences tend to be in adaptations of systems we already use (e.g. push rather than pull payments used in German supermarkets or Australian bill payment systems) or caused by government intervention (e.g. the high use of the Dankort among Danish tradespeople due to low cost created by government price controls).

These adaptations should not be dismissed as potential solutions for the UK simply because they are not major departures from existing UK practices: some, especially the higher use of 'push' payments could significantly improve the current system. A 'push' payment is initiated by the person making the payment and this therefore offers greater control than a payment which is 'pulled' out of an account by the recipient.

We specifically asked respondents to tell us about new developments in payment systems and banking, especially any developments that might make it easier for older people to access payment services. The countries focused on in this study again told us about initiatives similar to those being used or developed in the UK, notably mobile-phone-related innovations. Greater innovation is taking place in countries that do not already have a developed banking infrastructure, perhaps because the absence of sunk capital. Innovation in these countries may also be driven by the numbers of people unable to access banking services, so that there is a larger market for new payment solutions.

New ways of paying

Our five focus countries mentioned mobile phone banking as a system in its infancy that is only just beginning to take hold. The systems mentioned were variously ones where you pay for small purchases via your mobile phone, which are then charged on your bill – this is more mobile e-commerce than mobile banking – or, increasingly, systems whereby your mobile phone becomes a payment device, rather like a debit or a credit card, linked directly to a bank account.

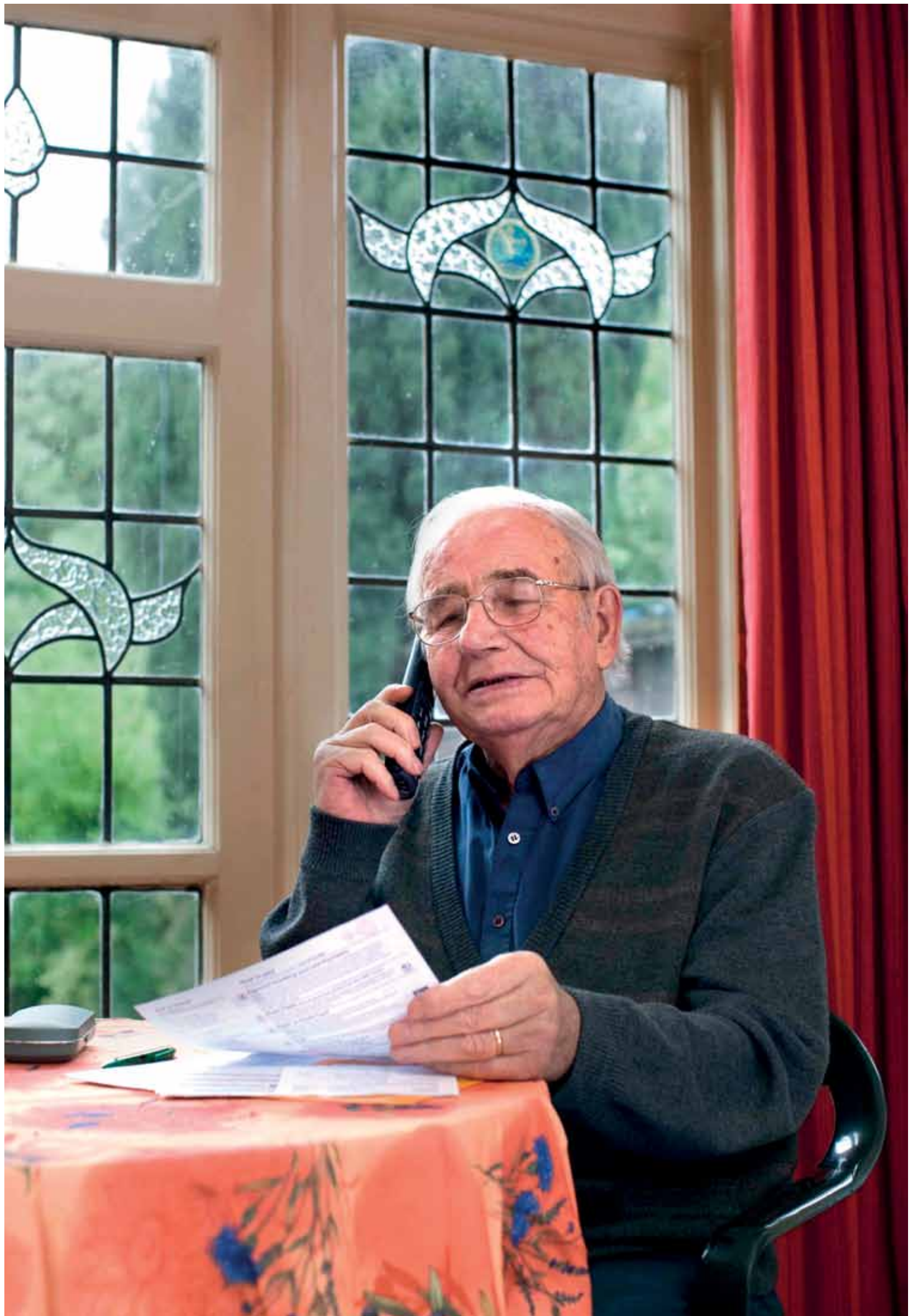
In contrast, innovation in banking and payment systems is taking place in Asian countries like South Korea, as well as Africa, where the sheer size and the need of the majority un-banked population has spurred on innovation.

In South Korea, there are 12 mobile phones for every ten people, with 50 million phones in a total population of 48 million, according to figures from the telecoms regulator reported by the English-language press.⁷⁶ In addition, 3G networks are very developed and universally used, so mobile phone banking is taking off in a big way. This means that South Koreans are using a mobile phone as a miniature ATM, which can carry out transfers, bill payments, deposits, etc. – in fact, everything except provide cash. However, even this is changing as mobile phones are also becoming repositories of electronic cash, called T-money, which is stored and refilled in each phone's SIM card and chip. This can be used to pay for a number of things, like public transport.⁷⁷ However, like elsewhere in the world, older citizens still rely heavily on cash and over-the-counter services, as reported by our national consumer organisation respondent.

This means that older Koreans pay more for their banking services than those using ATMs or internet banking. According to our respondent, there is recent effort being made in Korea to make ATMs more 'senior citizen-friendly' by simplifying their use. For example, some ATMs now have 'Enlarge the letter and number' functions. So it looks like these innovations in Korea, while habit-changing for the younger generations, have not as yet solved the payment needs of the older citizens.

In Africa, particularly Kenya and South Africa, there has also been an explosion in mobile phone banking, but driven by different needs. There are millions of people in those countries that do not have transactional bank accounts but have the need to transfer cash to their families in other parts of the country.

The m-banking system is operated by mobile phone companies and allows consumers to buy electronic money with cash that they can then transfer anywhere by text message, assuming there is an agent (such as a retail store). This system caters not just for cash transfers, but also for most other transactional services such as deposits, payments, etc.⁷⁸ It is now also available in the UK.⁷⁹ Millions of people in Africa now use this system. For example, the Safaricom M-Pesa system in Kenya has 10 million subscribers. While clearly a good solution to the banking needs of the low-income consumers, the functionalities of the mobile phone (small screen, software use, tiny keyboard) could still be a barrier to use by older consumers.



3 What older people told us they need

Summary of key findings

Existing payment systems do not meet all the payment needs of older people:

delegation and reimbursement, access to cash and remote payments are some of the most difficult issues.

Participants had rational reasons for using cheques rather than other payment methods:

often they were using cheques when no other payment method was suitable for their payment need.

Security, trust in the provider, and paper-based proof of transaction: were all important to participants.

Existing systems could be improved to increase access: e.g. better telephone banking scripts and staff training could enable greater use of non-branch communications with banks.

Improvements in the technology required to access payment systems are necessary:

this would increase the number of people able to use mainstream payment methods, e.g. improvements in mobile phone design.

Participants were often not aware of niche solutions: even those that are already available and that might assist them.

Reluctance to change is based on good reasons: including the difficulty and risks involved in change itself and lack of attraction in alternatives being proposed.

Paying for goods and services is a near-universal experience. We all do it throughout our lives. However, our preferences and indeed ability to choose different payment methods will be affected by our access to information, mobility, income and health, to name but a few factors. As found in both the UK literature review and the international study, research on the specific needs of older consumers is rare. A significant deliberative research component was therefore included in this research in order to listen to what older people need.

This chapter covers what participants and results from our survey told us about:

- how older people pay now
- barriers to alternative payment methods
- older people's priorities
- attitudes to change.

The research

The objective of these sessions was not for Age UK to design the perfect replacement for cheques, but to explore what people actually need from their payment systems. To help do this we designed a fictitious 'Magic Card', described in more detail below. We decided to use a hypothetical payment method so that we could test reactions to a range of facilities, interacting in a way not currently available in existing systems and also to make it easier for participants to look beyond their personal experience. We carried out four workshops with members of older people's local forums: two workshops with participants aged mainly 65–85, and two with participants aged over 85. Participants represented a wide range of abilities and needs, including people with significant disability. Workshops were held to ensure regional variation (within England). We also held one workshop with advisers working with particularly excluded groups who were harder to reach directly, including housing association tenants, low income groups and people who have dementia.

As the workshops could only give us qualitative results we also commissioned quantitative research. Over 1,000 people were surveyed in an omnibus survey with a boost for older people. The methodology is attached at Appendix 2.

Each workshop started with a short quiz created to get participants thinking about payments and to ensure a standard knowledge base (e.g. ensure that all participants knew what transactions could be carried out at the post office).

Workshop participants were then introduced to the fictional 'Magic Card' (see below) and asked to consider using it in three scenarios: (1) payment for services in the home, e.g. the window cleaner; (2) reimbursing someone for shopping; and (3) payments by post, e.g. gifts.

Participants were asked what they liked about the idea of using the Magic Card in the scenario and what would make them hesitate to use it. Participants were also asked for suggestions on how the card could be improved.

As described in the illustration below, our imaginary Magic Card can be loaded through multiple methods (phone/internet transfer, standing order, cash payment at post offices or local shops or direct credit of pension). The card user determines how much is loaded on to the card – a low balance with regular top-ups, or a higher balance with greater risk of loss. Card balance can be checked at most shops and all post offices and by telephone or internet. It is not possible to be overdrawn and therefore payments will be refused if insufficient funds are available on the card. The Magic Card is a contactless card with no PIN, cash can be obtained via cashback and we assumed that all sole traders and small businesses had a terminal. As seen in the lessons learned from Denmark, this universality is not such a far-fetched idea. Very importantly, users can have as many cards as they like, so they can load different amounts onto cards and give cards to third parties to use, knowing that only the amount on the card can be spent.

Figure 1 shows the illustration used to explain the Magic Card to workshop participants.

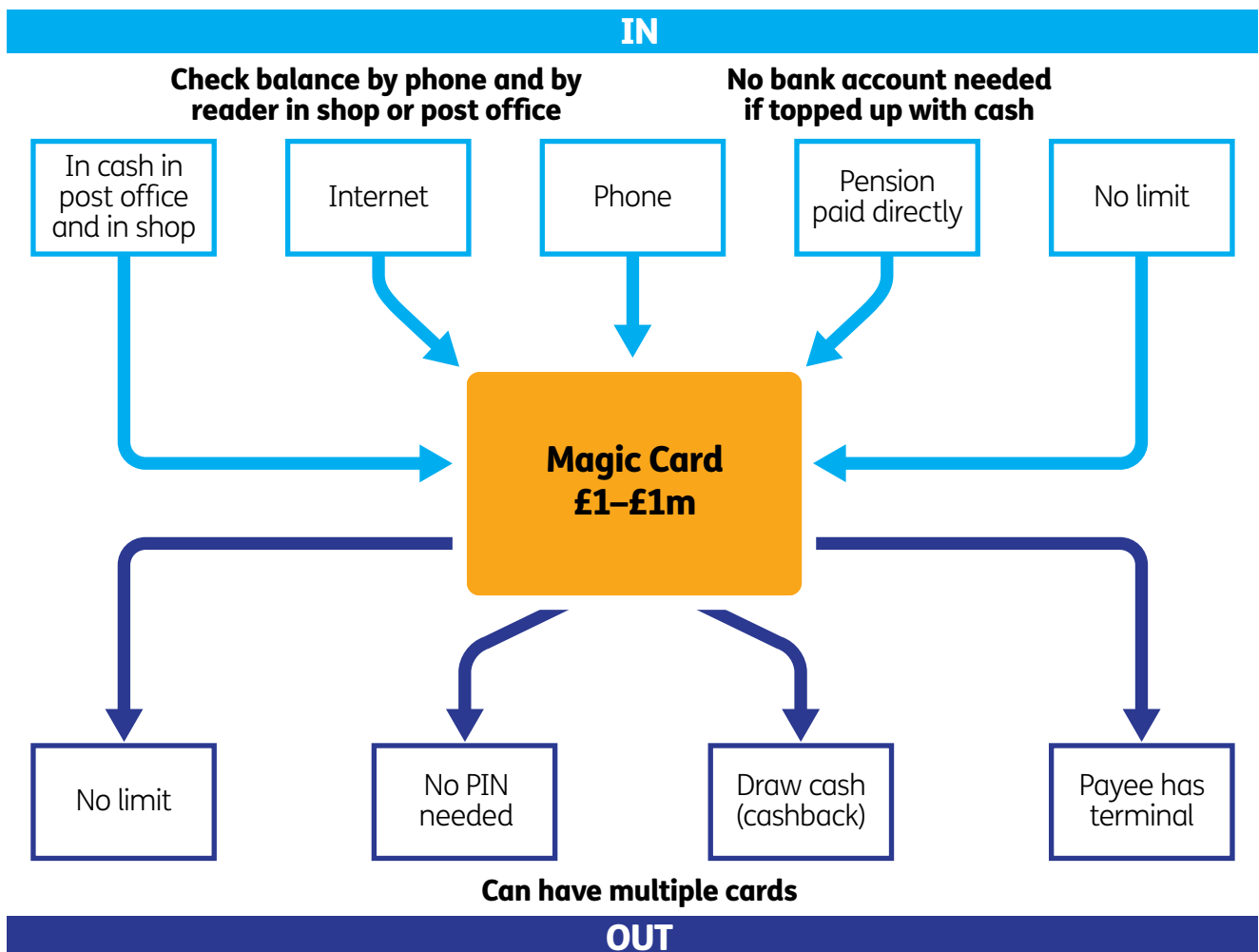
Key themes consistently emerged throughout the research, and the themes are used in this section to describe the results. Physical and practical difficulties were common and heavily influenced by physical capabilities of the participants. Attitudes to change and other mental or psychological factors were more mixed and did not appear to be determined by physical characteristics or wealth. We also observed variations relevant to mobility, physical and cognitive impairments and income. These are noted where appropriate.

Therefore, although almost all participants were aged over 65 years, lessons learnt will be applicable to a number of other financially excluded groups, especially digitally excluded people and people with mobility challenges.

Throughout the workshop we made clear that the research aim was to find out what older people needed from payment systems generally, and not focused on cheques. In spite of this, in every workshop, participants made clear to us that they were very worried about plans to withdraw cheques and so reasons why participants rely on cheques are noted where relevant.

The Magic Card was generally not considered a viable alternative to existing payment methods. Although most participants found some characteristics useful, overall they preferred cash. Lack of security, difficulties in loading the card and lack of audit trail were common complaints. The multiple card option, which allowed delegation to friends, families and carers was one of the more popular features, although some participants felt that multiple cards would be difficult to manage in practice.

Figure 1 The magic card



How do people pay now?

Current mainstream methods

During discussions about the relative advantages and disadvantages of the Magic Card, we also heard how participants currently made payments in our three core scenarios: payments in the home, paying someone back for shopping and gifts, or other payments by post.

Payments for goods and services in the home

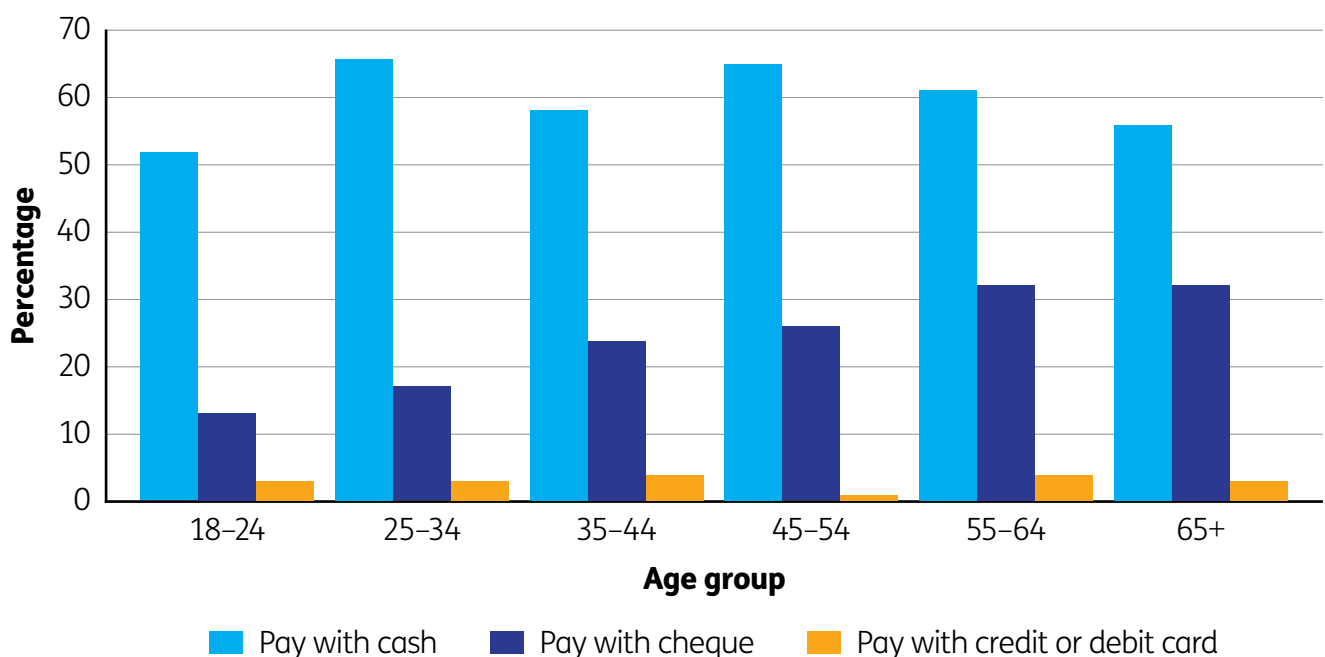
Participants relied heavily on services provided in the home that allowed them to remain independent. Window-cleaners, hairdressers, chiropodists, carers and many other service providers were raised as important. Most of these services were provided by small traders or other extremely small businesses. Some participants who used cheques to pay for these services had discussed with their service provider how they would pay if cheques were abolished.

They were very concerned that none of the current alternatives (other than cash) were seen as realistic by the businesses they used. In fact, usability and cost implications for sole traders and small businesses were often the first issues raised in this scenario. These transactions clearly also have particular significance for the health of local economies.

Cash and cheque remain the main methods of payment for services in the home among our workshop participants. This was confirmed by our quantitative research. Cheque usage is significantly associated with age, with 31 per cent of people aged 65 and over using them to pay for goods and services in the home compared to 23 per cent of those under 65.

A range of other methods was used, but unlike the payment of household bills, where direct debit is common, there is no clear alternative to cheques for person-to-person (or business) payments made in the home.

Figure 2 If someone comes to your home to do something for you (e.g. cleaner, carer, hairdresser, plumber), how do you pay them?



Base: 1,169 people aged 18+

Paying someone back for shopping or delegating authority

‘I couldn’t get out because of the snow ... a friend got cash for me and I gave them a cheque back.’

In our quantitative research, 10 per cent of people aged over 75 relied on somebody outside their household to do their shopping for them. Not all our workshop participants regularly relied on others to do their shopping, however most had at some point, and many also shopped for other people who needed help. Depending on who was doing the shopping, some participants reimbursed the helper afterwards (usually if a friend or neighbour was helping), while in other circumstances (such as a professional or other paid carer) it was necessary to give money to the helper before they went.

Some participants also mentioned that people who did their shopping would also bring them cash, sometimes via cashback.

A person shops for a neighbour (who has Alzheimer’s disease). She reimburses with cash. Her son gets cash for her (on a regular basis).

‘I don’t want a Magic Card – wouldn’t feel comfortable to take it. Pay me when I get back. I never take money beforehand – I wouldn’t take the responsibility.’

There was a strong preference for cash and cheques in this situation, although some participants did give out their card and PIN or used a second card on a Post Office Card Account (POCA).

The specific advantages of cash in this scenario were:

- it is easy to see how much change you have – this was important because participants were reluctant to check a receipt in detail in front of someone and would certainly not feel comfortable calling a telephone line to check a balance or review a card statement on the internet in the presence of someone who had been kind enough to get their shopping
- there was a perception that giving a card to someone, even with a limited amount, would be a greater temptation than cash, especially if the shopper knew that the owner could not quickly and easily check the card.

Paying at a distance

‘I shall be richer but charities shall be poorer.’

Gifts, catalogue shopping, utility bills and charity donations were all important payments that participants often preferred to make by post, using cheques.

Participants who did not pay bills by direct debit gave reasons consistent with other research – they preferred to retain control of payment. In some cases this seemed to be more a matter of principle and of basic financial management, rather than concern that cash flow would fail, although this was also raised. Participants did not always trust direct debit originators and did not like to give them authority to take an undetermined amount from the account. Participants valued the ability to choose exactly when payments came out of the account.

A very few participants did use bank transfers to make gifts; however, most preferred cheques, and often told us that the personal touch was important, ‘a cheque is nicer to receive than a bank transfer’. Some people told us that their family preferred to receive bank transfers; however, for others the need to share bank details created a barrier.

‘If they’re young, it makes them feel important: grown up. I’ve given my grandchildren cheques for a long time.’

Practical barriers noted in Table 4 on page 38 also affect participants’ ability to change methods, e.g. lack of internet access, challenges using telephone banking.

The strongest reaction we experienced in this scenario was around gifts to charity. Participants did not see how they could send money to charities and did not raise options such as supplying bank or card details by post or telephone directly to the charity. Most participants could not envisage making bank transfers to charities.

As shown in Figure 3 opposite, cheques remain important as a way of making gifts, particularly for older people. Even one in five people on low incomes – who are much less likely in general to have bank current accounts – use cheques for this purpose. For people under 45, the plastic gift card is often used, although paper gift vouchers are still common.

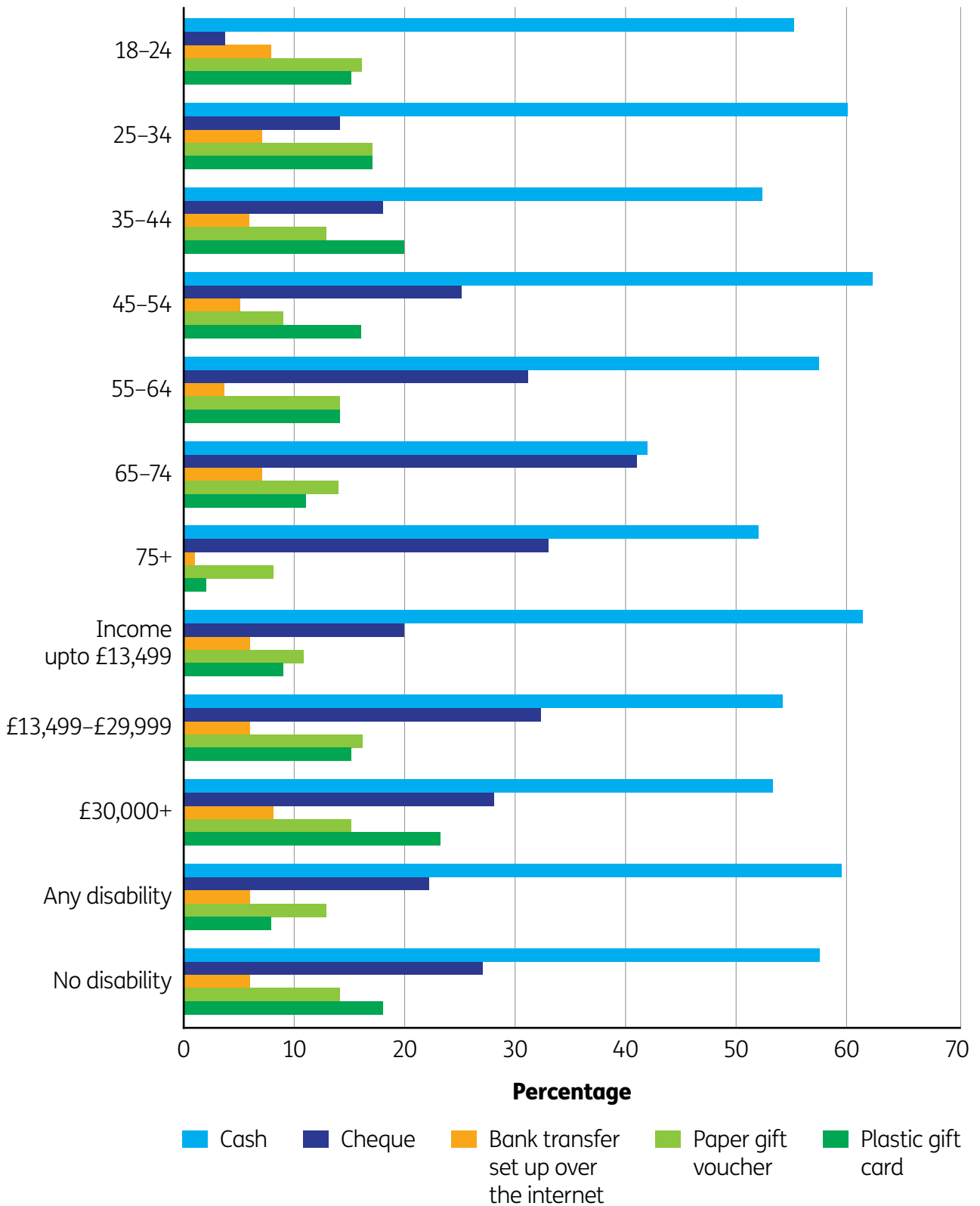
Barriers to existing methods of payment

‘These things are OK if you’ve got no problem but if you’ve got a problem then the [issues] are enormous.’

Participants raised a range of barriers to existing payment methods. Systems used to manage accounts ‘behind the scenes’ were important in determining whether payment methods were usable. For example, a direct debit might be more acceptable if it was easier to set up and change, a pre-paid card would be more useful if it was easy to load, and so telephone banking, ATMs and internet banking are included in Table 4, even though some of the barriers might not relate directly to payment. Suggestions on how banks could increase accessibility to existing payment methods are included in Appendix 1.

Table 4 on page 38 shows some of the most common barriers that older people told us they encountered when trying to use different payment methods.

Figure 3 If you are giving someone money as a gift, in which of the following ways would you give it?



Base: 1,169 people aged 18+

Table 4 Usability of alternative payment methods

Payment method	Usability
Telephone banking	<p>‘Older people don’t like using the phone – you wouldn’t be able to hear them and if you did you couldn’t understand them.’</p> <p>Difficult to understand (accents, terminology used, interacting with a script): ‘Can’t understand the people answering the calls, and they can’t understand me!’</p> <p>Difficult to hear: ‘and of course if [husband’s] hearing’s bad then I have to sit in and we go through all this about whether I’m authorised.’</p> <p>Mistrust, lack of audit trail: ‘Don’t get a receipt, how can you prove you have made a payment?’ Electronic bank records not trusted.</p> <p>Poor experiences of advice: ‘Don’t always get good advice ... [talked of fees mounting up because of not being told what to do when problem explained] and I mean £150 is a lot of money to me.’</p> <p>Time-consuming and expensive: ‘It takes ages, and so it’s too expensive for me, I’ve only got a mobile.’</p> <p>Hard method if you need help from someone ‘telephone banking is one of the hardest ways to advocate for someone’ (adviser).</p>
Internet banking	<p>Lack of internet at home: ‘Don’t have internet so wouldn’t use that.’</p> <p>Concern over intangibility: ‘What happens if things go wrong?’</p> <p>Concern over reliability of internet: ‘What happens when the computers are on the blink?’</p> <p>Privacy and security concerns: ‘I wouldn’t give anyone my details, rightly or wrongly.’</p> <p>Don’t trust the internet for payments.</p>
Debit card	<p>Need to remember PIN.</p> <p>You can lose it and not notice for a while if you don’t use it all the time.</p> <p>You have to be present to use it when shopping, or breach terms by handing out your PIN.</p> <p>Physical difficulties using PIN ‘if you get the buttons wrong three times in a row they lock you out’, ‘I can’t use the PIN pad, the numbers are too small.’</p>

Payment method	Usability
Credit card	<p>Complexity: 'I have too many cards.'</p> <p>Can get into debt: 'It's much easier to get into debt with credit cards.'</p>
Cash	<p>Physicality 'It's heavy.' 'I worry about whether I've handed over two notes instead of one.'</p> <p>Security: 'You don't want to keep much money at home, the burglars know where people keep cash, even if you think you've been clever.'</p> <p>Difficult to access cash: distance to travel to obtain cash.</p> <p>Difficult to get cash if you can't get out of the house yourself. How do you delegate power to obtain cash without giving out your PIN or giving power of attorney?</p> <p>No audit trail: you don't get statements with cash, need to make sure you get receipts.</p> <p>Can't post it: 'You can't send cash in the post, they can feel it in cards.'</p>
Cheques	<p>Limited use: 'Many places don't take them.'</p> <p>Physical obstacles: 'My neighbour can't write cheques, the gardener writes them out for her.'</p>
ATM	<p>Concern for personal safety: 'I don't like them when they're outside, people get mugged.'</p> <p>Lack of knowledge: 'Younger people know how to tell whether they've been tampered with, we don't know things like that.'</p> <p>Physical difficulties: 'When the sun's on them you can't see anything.' 'I don't have a PIN so I don't know what they are.'</p>
Direct debits	<p>Prefer to stay in control of amounts leaving account. May be seen as difficult to set up: 'My kids set them up for me.'</p>

Security

‘The more security there is, the more complex it is.’

One of the most controversial features of the Magic Card was the absence of a PIN, ‘not having a PIN would be a double-edged sword’. Most participants struggled for some time to see any use in a card which didn’t have any security at all. A range of alternatives were suggested: photo/signature on card, fingerprint, even iris recognition, but a total lack of security was initially a major barrier.

This led to interesting discussions about the safety of participants’ current payment practices. In some respects participants tended to have very good security practice, for example, checking statements carefully was common: ‘My bank statement comes in and I tick everything off and then destroy the receipts’. However, the need to disclose the PIN was widespread, ‘Visually impaired – I don’t do anything, I give it to my family and they do it for me’, ‘There’s lots of people that can’t get out.’

Some people also admitted that they wrote down their PIN or knew others who kept it with their card. Participants tended to be well aware that this was in breach of the terms of their agreement and also that it could mean that they lost protection in the event that there was fraud on their account, even if the fraud was conducted by an unconnected third party. Most groups contained more than one participant who directly knew people who had been refused fraud protection because they had failed to keep their PIN safe, ‘but what do you do? It’s not straightforward.’

In spite of this knowledge, PIN disclosure appeared to be considered the norm. Participants felt that they had no choice but to disclose their PIN in some circumstances, even if they would prefer not to. This lack of choice appeared to both disempower consumers and also reduce their honesty with the card provider.

One response to the risk of loss of fraud protection was simple: ‘you don’t really have to tell the bank you did it, do you? I mean they don’t give you any choice so I don’t really feel the need to tell them.’

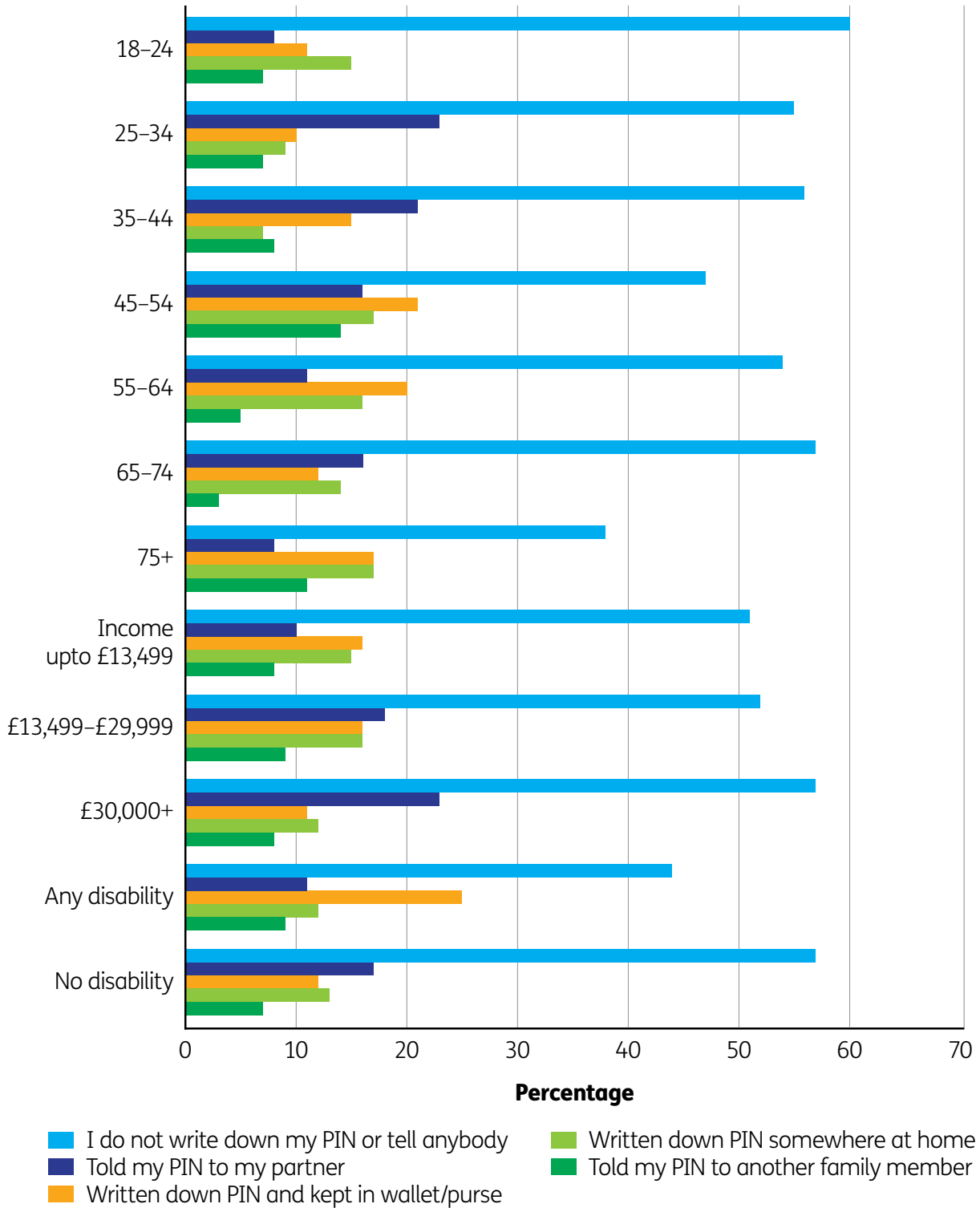
Disclosing a PIN is common, irrespective of age. Sixteen per cent told a partner and 8 per cent told another family member, and this is also common among people aged 25 to 44.

However, even people who say that they find it very easy to remember their PIN may need something to jog their memory, and this applies irrespective of age. Participants who did use a PIN themselves often did so at personal inconvenience, ‘I dread approaching the checkout and wondering which number it is.’ When the contactless nature of the Magic Card was demonstrated, there was general approval.

Participants in the advisers’ workshop noted that when the POCA was introduced and clients migrated to it, ‘people came in time and time again because they couldn’t get the PIN right; post offices were keeping lists and putting PINs in for people even though they weren’t supposed to’ (adviser group).

Note that Figure 4 relates only to people with a card with a PIN. Some people may have chosen not to have a card with a PIN because of concerns about remembering the number. For whatever reason, 7 per cent of people aged 65+, and 11 per cent of people with a disability, do not have a card with a PIN.

Figure 4 Thinking about the cards you have with a PIN number, which of the following have you done?

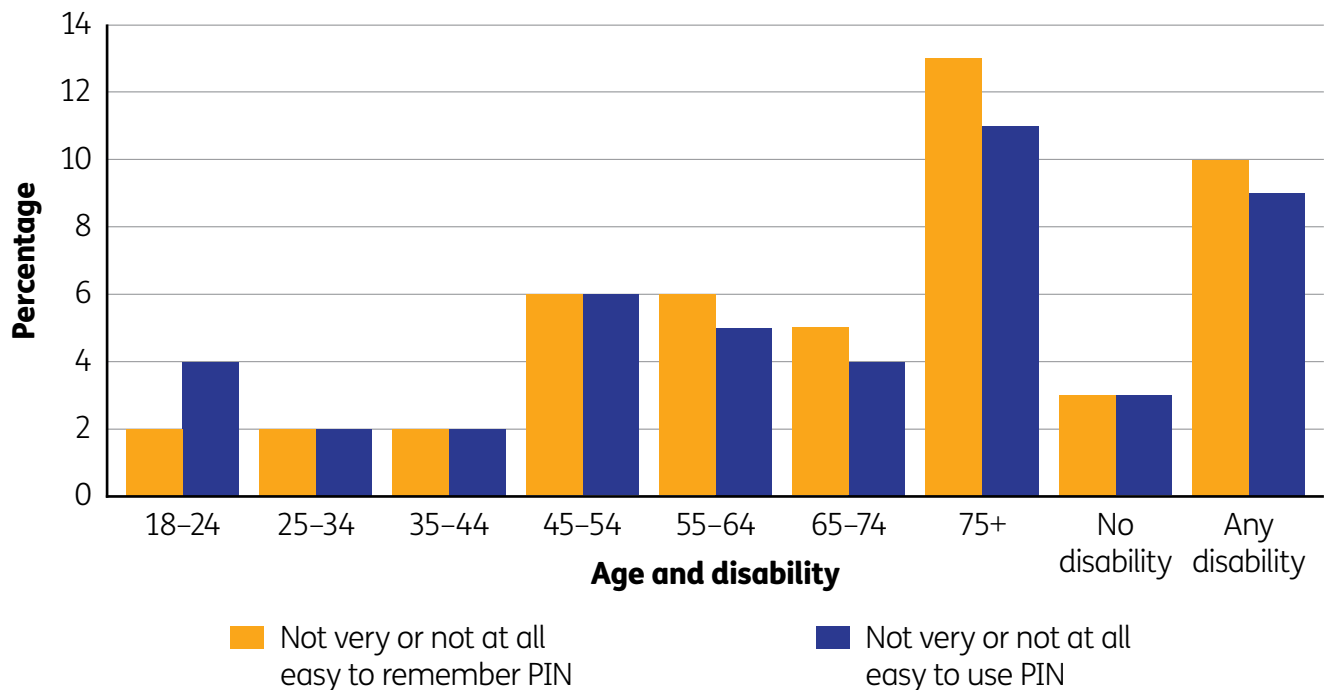


Base: 885 people aged 18+ who have a cash card with PIN. Note that respondents could give more than one answer.

Our quantitative research suggests that our workshop participants are not unusual and that a significant minority of people have difficulties remembering and using their PIN, particularly those in older age groups and those with disabilities. Whereas nine out of ten people aged 25 to 34 find it very easy to remember, this falls to around three-quarters of people aged 65+ or with a disability.

Participants, both older people and advisers, were very alert to the risk of scams of all kinds. Cashback scams, card-cloning and internet scams were all specifically raised repeatedly. This is a trend that we have noted from previous correspondence with older people who tell us that they are careful to shred statements and worried that people will try to steal their details from the bin.

Figure 5 To what extent is it easy or not to remember and use your PIN number on your cash card?



Weighted base 885 adults aged 18+ who have a card with a PIN

Coping strategies hide the problem

‘Lack of control is going to make you depressed and stressed.’

As detailed in Table 4 (pages 38–39), participants described various barriers, that limited the way in which they could use current payment methods. Participants also listed coping behaviours, including:

- Withdrawing large amounts of cash at once – ‘the blind lady I help, she just takes it out once a month.’
- Giving debit card and PIN to family to take out cash and do shopping – ‘I can’t do it, I can get it done because I trust my boys.’
- Asking third parties to fill out cheques – ‘the gardener fills it out for her ... you’ve got to trust somebody.’
- Reducing spending on essential items to make do because of lack of access to cash – for example, using careful budgeting to manage during the snow.

These strategies involve older people taking risks because they see no other option, for example:

- loss of fraud protection through PIN disclosure
- loss of independence
- increased risk of financial abuse
- increased vulnerability to burglary (keeping large amounts of cash at home).

When a consumer first starts to have difficulties using standard payment systems, this may often be a result of a stressful or limiting event, such as bereavement, illness or the onset of cognitive impairment. It may be a temporary or continuing state; however, in either case, people tend to be unprepared. Participants in the advisers’ workshop noted that they often saw problems starting when the person in a couple who usually managed the finances became ill.

Among participants who did not already rely on someone else to access cash for them, very few had thought about what they would do if they could no longer get out to get cash themselves.

‘I wouldn’t give my PIN even to my wife. I can’t imagine what I would do if I couldn’t get out to get cash myself, actually.’

Participants were typically aware of the risks they were running, but did not perceive any other options, ‘It’s not a question of method, it’s a question of must.’

In a few cases we could see alternatives, such as requesting a third-party mandate from the bank or using a POCA with a second card, but in most cases we could not see a viable alternative. This suggests that there may be some improvements that can be made through increasing awareness of existing solutions, but that more fundamental improvements are required to ensure that older people have access to secure and convenient payment systems.

We asked older people whether they would move provider to get a better service and found reluctance to change: ‘I’ve banked with [my bank] for over 50 years. I do write and complain, but I don’t want to change.’

For some people this was because of the ‘hassle’ factor and fear of things going wrong, ‘people don’t like switching anything – it involves sorting things out. Your bank will do it for you, you know. Yes, but do you have any confidence that they will do it!’ Many felt that there was just no point changing institution, ‘my attitude is, there is not much to choose between them’. This suggests that older people do not think that there is an existing option that will work for them.

‘I do find a difference between branches though. I went into a bank in Dorset, I was absolutely flabbergasted – I thought they were going to pay me for going in!’

Older people's priorities

Access to cash remains critical

'My God you need it! You pay 30p for coffee, somebody gives you a lift and you give them £1 or £2, you need that money!'

'I couldn't even get out of the house without cash!'

While use of cash might be waning across the population generally, it remains of critical importance to the older people we spoke to. 'In a place like this [sheltered accommodation] you need a certain amount of cash – for bingo and raffle, or for a grandchild.' It is especially important to those people who make high numbers of person-to-person payments: 'You need cash with so many people doing things that are not in business.' It is strongly preferred for reimbursements.

Participants consistently emphasised how the tactile, visible nature of cash makes it easy for people to check that they have received the right change when someone else has done the shopping: 'cash is more convenient because you can see how much change you have easily'. It is particularly valued by those with sight impairments.

Cash helps people to budget and keep track of what they have. People who budgeted in cash sometimes felt that there was no substitute for being able to see 'what you've got in your purse'. Participants in the advisers' workshop noted that many of their clients budgeted exclusively in cash, 'it all comes out in one go once a week, any left over might go into a building society savings account'.

This was true for clients who had bank accounts and POCAs, not only those who received benefits by giro cheque. Preference for cash was certainly one of the key barriers to a card-based solution such as the Magic Card.

However, access to cash was a problem. Some participants noted that the distance they had to travel for cash had increased in the last few years. Bank and Post Office closures appeared to have had a disproportionate impact on older users as they were generally less comfortable using ATMs outside shops or bank branches, 'I do sometimes take money out outside, but I'm very careful'. Even for those who are able to get out of the house, the effort involved does often increase with age and so relatively small increases in distance to those who have perfect mobility will again disproportionately affect many older people. Availability of public transport will also have a significant affect on accessibility of cash.

'My bank branch went but I can use the post office, but if that goes I don't know what I'll do.'

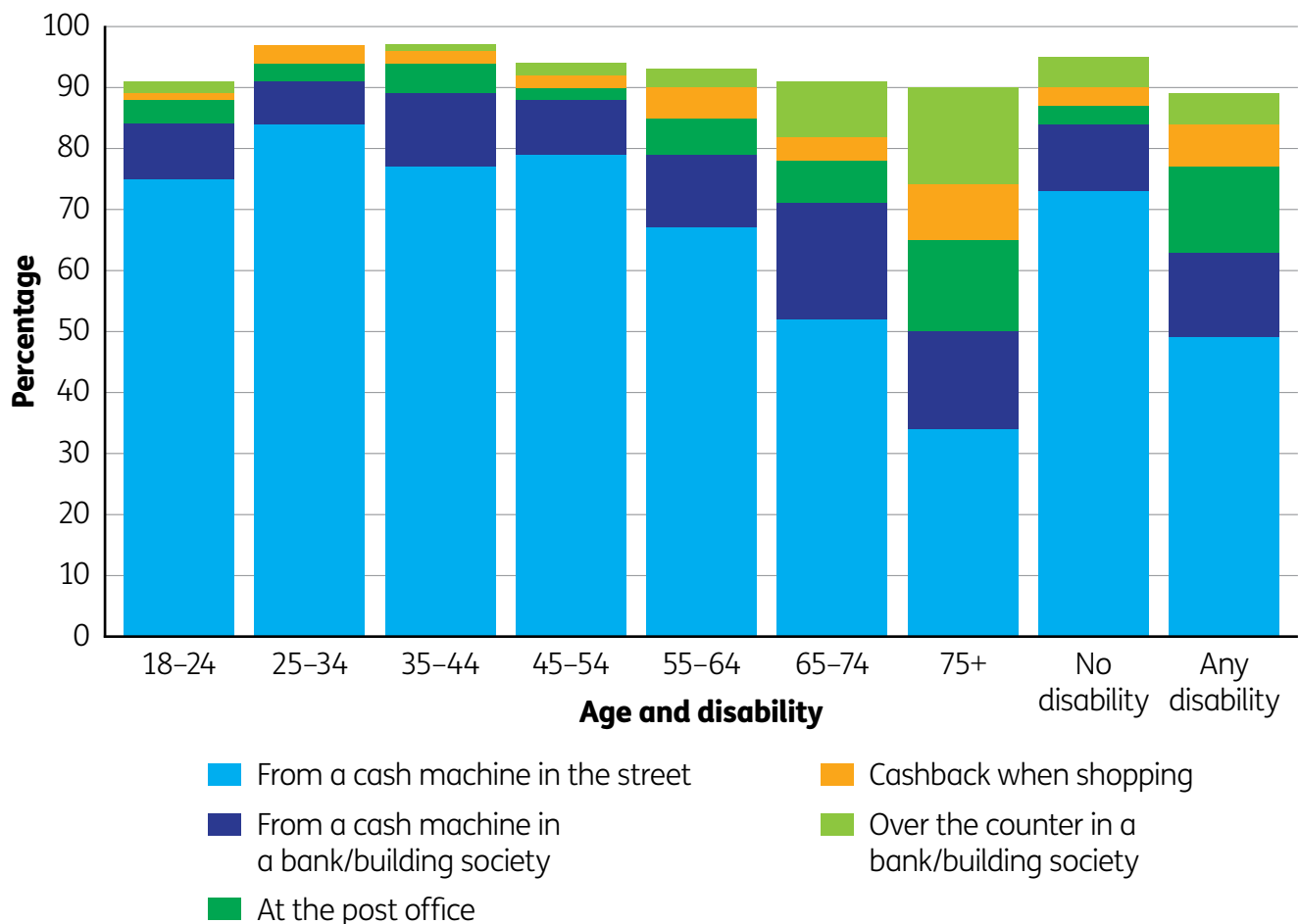
This was also a limitation on how effective credit unions might be for older people: 'the credit union is too far away, hasn't helped us at all really.'

Our quantitative research showed that the majority of the general public prefer to use a cash machine, and two-thirds are happy to use a cash machine in the street. But there is a marked difference for people over 65 and people with disabilities; only 43 per cent of people over 65 are happy to use a cash machine in the street, and there is a marked preference for face-to-face methods of drawing cash, with a quarter of people 65+ preferring to access cash either at the post office or over the counter at a bank or building society.

This supports earlier qualitative research,⁸⁰ which showed that people are concerned about security when withdrawing cash in the street. Only 34 per cent of those 75+ prefer a cash machine in the street. It is striking that the over-75s clearly have the greatest variety in preferences, probably reflecting a very wide variety of needs and circumstances.

In most groups at least some people had concerns that the industry wanted to withdraw cash and force everyone on to card-based payments. This was raised unprompted.

Figure 6 Given the choice, what is your preferred method of drawing cash from your account?



Base: 953 adults aged 18+
Some people did not give a preference so the statistics may not add up to 100.

Reliance on other people: needs, benefits and risks

‘There are lots of people who can’t get to the bank.’

‘I don’t know how they do it, but they have to rely on other people.’

Almost one-fifth of people aged 65+ use others to draw cash for them. Of course, this could reflect different social attitudes among older people but it is also associated with having a disability. In most cases, using others to withdraw cash stays ‘in the family’ but there were also small numbers who relied on a friend or carer. This was particularly the case for people with disabilities, 29 per cent of whom relied on their partner or someone else.

Most of our participants wanted to retain as much control as possible over their finances and daily money management, but there was a recognition that participants might not always be able to get out to get cash. Participants commonly knew people in this situation already.

In the advisers’ workshop we explored the options available to people who cannot access their account in person. We found that the only legal option available to someone with full mental capacity who needs to get cash, but who cannot get out of the house and who does not have a regular trusted carer, is to sign up to receive at least some benefits by giro cheque. One participant in the advisers’ workshop said that they had started advising clients in this situation to start requesting giro cheques, even if the client might have a bank account. Some pre-paid cards designed for carers are already on the market; however, none of our participants were aware of these models.

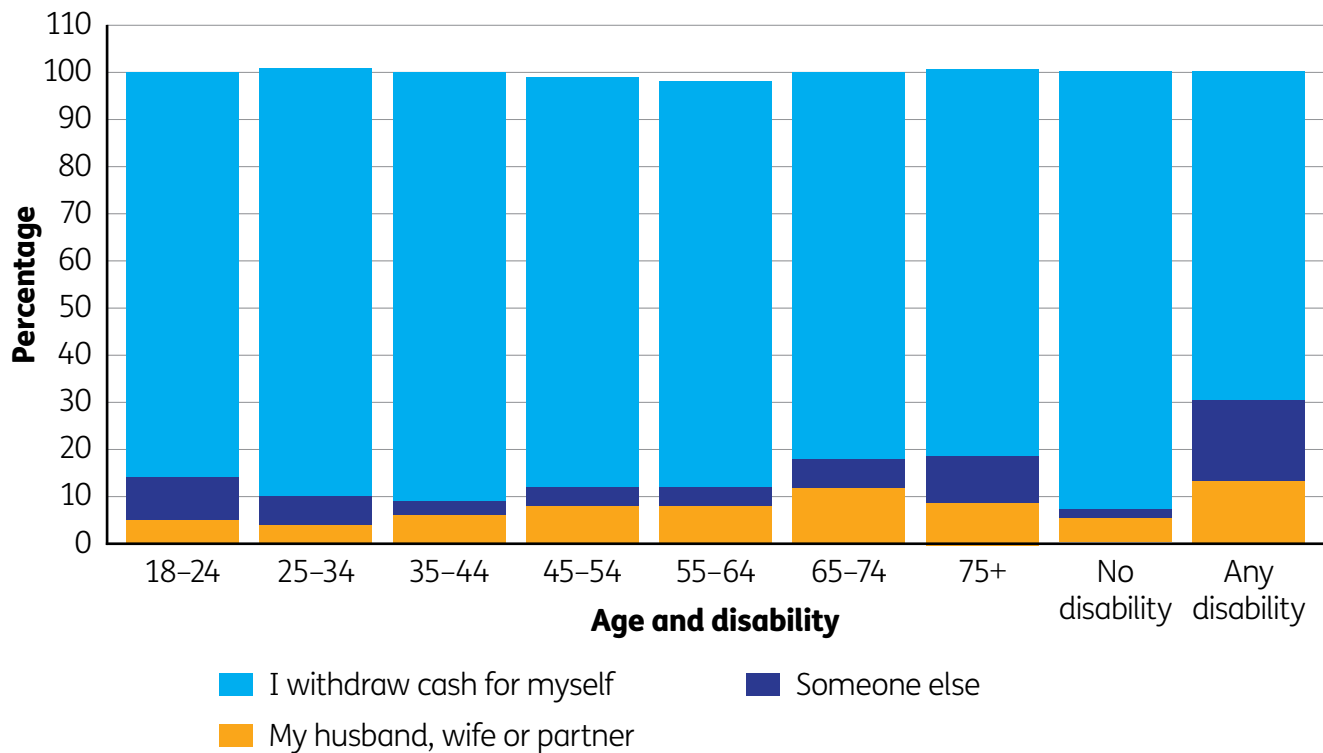
This may help to explain why disclosure of PINs is so prevalent (discussed in detail on page 40), especially when we also consider the time required to set up the other options. Age UK is aware that well-intentioned advisers and carers struggle to find alternatives to taking clients’ cards and PINs.

Those few participants who felt strongly that PINs should be kept completely secret could not say how they would access cash if they became unable to go and collect it in person: ‘I can’t imagine what I would do, actually.’

Another approach would be for a helper to get cash from his or her own account and be reimbursed by the recipient. Many people will not have someone able to do this for them. Issues similar to those discussed on page 35 would then apply.

One of the most frequent comments was about the need for a trusted helper. ‘I don’t see a difficulty if you have people you can trust’, ‘Close family – would give debit card’, ‘I give them a card and they do it for me’, ‘I’d give my children my details, but not my grandchildren, you don’t know whether young people have debts, it’s too much of a temptation’. In fact, those with close, trusted family recognised that disclosing their PIN was not a perfect solution. Often, participants did not need or want to give up or share control of their whole account: ‘they’ll know your business’, ‘you might lose it all’. This need is problematic not just because it reduces independence of people who have the capacity to manage, but also because it increases the risk of financial abuse.

Figure 7 Who most often draws cash out of your bank account for you to use and spend on a day-to-day basis?



Base: 953 adults aged 18+
Some people did not give a preference, or gave more than one, so the statistics may not add up to 100.

At least some participants in each workshop were usually aware of the fact that financial abuse often took place within trusted relationships and especially families: ‘they might think “oh, she wouldn’t mind”’. Within the systems currently available there is clearly a balance to be struck between an understanding of the risk of financial abuse and the need to trust others in order to be able to access cash. These discussions also highlighted the fact that we prefer to trust people we rely upon, especially where these are family members. ‘When someone’s helped you, you can’t stand there and go through everything.’ Advisers agreed that their clients would be unlikely to check a receipt in detail in front of a helper, as it would give the impression of mistrusting someone with whom they felt a trusting relationship was necessary.

In situations where people did need more than just help getting cash, this might mean that a power of attorney is appropriate. However, a number of the examples we heard of when participants wanted extra help were caused by poor design of the existing systems, e.g. barriers to telephone banking and difficulties getting to a branch at which business could be transacted.

The option of having multiple cards, especially cards that could have a separate withdrawal limit, was considered one of the most attractive features of the Magic Card, although not universally welcomed. It was attractive because you would be able to give these cards to more than one person and you could control the risk by the limit on the card. Also, because you would receive paper statements once a month, there would be an audit trail.

Ability to delegate payment authority was viewed from a different perspective by some advisers, especially those working closely with clients who have dementia and their carers. Advisers highlighted that even after a power of attorney or deputyship was necessary for major money management decisions, donors could often continue to manage household level expenditure.

Advisers noted that clients were often put off registering a power of attorney because they were afraid of taking all independence away from the donor, even when the donor could still exercise day-to-day decision-making and simply needed some support. Advisers and their clients recognised that in theory it should be possible for a power of attorney to be registered and for the donor to continue to be able to take action in relation to some or all of their accounts. However, in practice it is often very difficult for donors and attorneys to manage relationships with their bank once the bank becomes aware that the donor might have limited or fluctuating capacity.

Advisers thought that the multiple card option could significantly enhance independence (and therefore may in fact encourage appropriate registration of powers of attorney). There would be particular advantages if the cards could be loaded and managed remotely, through internet banking and if balances were available online as this would allow attorneys (who may often not be the day-to-day carer) to keep an eye on transactions remotely.

Of course it is not just the person who needs help who is affected by limited methods of delegation. In our quantitative research we found that helping someone out with their finances is common. Thirteen per cent of respondents help a relative not living in the same household (3 per cent help a friend).

The preference for person or community-based solutions was extremely strong, raising questions about whether solutions to some of the most problematic scenarios should be expected from banking systems, or might in fact be better provided by management services in the community.

Participants in the advisers' workshop felt that there was considerable need for community-based support: 'Our project was set up to provide advice, but what we've found is that people actually need more, especially support in getting to banks, we had to take one lady in a wheelchair to the branch four times just to open an account.'

Choice of payment method: one size does not fit all

'It's not us who choose, it's whoever you're paying that matters.'

'It's got to work for sole traders.'

During the course of the workshops we spoke to people who used the full range of payment methods, from those who were confident banking online to those who managed almost exclusively in cash. We heard time and time again that a range of payment methods is vital. Almost everyone will use multiple payment methods. Not only do different individuals need different payment methods, but the same person will use different systems for different payments.

'I try my hardest to stay away from those wretched cheques, but I don't know what I'd do without them. I pay the milkman by direct debit, but I still need cheques for some things.'

Participants were prepared to reduce the number of different systems that they used if methods were suitable for the transactions they wanted to make. Comments about having too many cards and the complexity of running different systems were common. 'I've already got too many cards', '[I want] just one thing you have to use.'

This suggests that consumers may be already relatively aware of the variety of payment services currently available, and also that there is no single system that currently meets their needs.

One exception to awareness is PayPoint. Workshop participants (including those at the advisers' workshop) had low awareness of this system and this is backed up by our quantitative research. This showed that PayPoint awareness and use is particularly low among people aged 65+. The Government has announced that from 2012 those benefit claimants who still receive benefit cheques (rather than direct payment into bank accounts) will start to be migrated onto a system using PayPoint outlets. Only 10 per cent of people aged 65+ use it often compared to 18 per cent of people under 45: 39 per cent never use it and 18 per cent have never heard of it.

Good financial management

'My father was very strict, "never a borrower nor a lender be" ... chequebooks have helped keep me straight.'

'When you're our age you know he's coming and you get the money ready.'

'I get carried away on the internet.'

Although diverse in many ways, a significant proportion of participants were highly capable money managers. Many criticisms of the Magic Card involved the need for receipts and statements, as well as questions about how users would be able to easily and regularly check balances, 'that's what I like about my building society. I take the money out and it says it there in a book', 'I like cheques because I have a record on the stub'.

Participants described highly developed money management systems, including collecting all receipts and noting them in a book to keep track of balances. Most participants put a high value on paper statements and said that they did carefully check their transactions. The absence of paper-based transaction records was given as reasons why some participants avoided telephone and internet banking.

Participants in the advisers' workshop noted that not all of their clients were strong money managers: 'They can be very diligent in checking everything or have it all stuffed in a plastic bag'. Advisers felt that payment methods therefore needed to allow people to be diligent but also make it easy for people who were not so skilled.

Those who operated in cash also cited 'knowing where you are' as an important advantage to cash.

'How many times have you sat with a young person with debts. They haven't even looked at them - you have to work out the interest for them.'

'I get into trouble with the bank for having too much in my current account, but that's [for] my peace of mind.'

Physicality

'Goes to Britannia (very friendly) – gets a counter cheque – takes it to a shop to cash it. Could get money transferred from Co-op but too complex. Visually impaired, so likes to know where he is.'

'I'd be worried I might not make the right kind of contact [using a contactless card].'

Many comments made on the Magic Card related to how it would be used by those with some of the impairments often experienced during ageing. Frequently, these comments were at a level of practical detail that we had not considered, but which was clearly of critical importance to users. For example, the fact that the colour of the card was bright yellow (entirely accidental in our design) won considerable unprompted appreciation, 'I like the bright colour, easy to find, very sensible'. However, participants were then quick to point out that this would not be adequate for those with severe sight impairments and that we needed to add easy to follow tactile features: 'You need notches or rounded corners or something'.

Visual impairment was the disability most commonly raised here, but dexterity issues were also raised, noted earlier in this report.

Some participants were put off having a second card by concerns about how they would keep track of which card was which, and there was considerable discussion about how this could be resolved by good design. Most of the solutions suggested could be incorporated into the mainstream design of cards and did not require special adaptations.

Post Office Card Account

Although take-up of the Post Office Card Account is high among older people, in our workshops around half of participants didn't recognise the abbreviation 'POCA'. This was partly because relatively few participants had POCA's but also because even those who did, were not familiar with the abbreviation. Again, even those who knew of a POCA had mixed understanding of what it could do. Participants were generally not aware that you could not pay in cash or cheques: 'They ought to be able to', 'It's a bit silly isn't it'. Although not investigated in detail, it seems that most who did not know about the POCA already received their pension directly into a bank account and so were not within the target POCA market. However, even those with conventional bank accounts were interested in the fact that the POCA offered a second card and thought that this could make the account more useful for them than their existing account.

In the advisers' workshop participants noted that many of their clients used the POCA, however (as other research has found) it did not change banking habits – clients would typically take money out once a week and continue to budget in cash.

Trust in providers

‘I would feel I couldn’t trust it.’

‘We don’t trust any of it, and we’ve got our brains about us, hopefully!’

We explained that the Magic Card was a new imaginary innovation and we suggested although banks might offer one, there could be other providers. At most workshops the question of who would provide the service and whether they could be trusted. ‘Who’s at the end of it?’ was one of the first issues raised, even though we asked no direct questions about it. This is especially relevant to the development of electronic money and pre-paid cards, where money will not be protected in the same way as bank deposits. This was important to people whether or not they were operating on tight budgets. ‘If there’s no bank, who holds the money – you’re not putting it into the government, it’s not the post office. ‘Who’s going to hold (the money) for you? Are we going to trust government to put money on it?’

If providers were not already well known, there were concerns over how participants would distinguish between firms: ‘How would you choose between different providers?’ was an unprompted comment.

Participants expected things to go wrong occasionally and this in itself was not a problem for them. The questions that did arise were about how things would be put right: ‘Who pays you back when it goes wrong?’ ‘Where do you get in touch when something goes wrong?’ There was also concern over how easy it would be to contact the provider and deal with the problem: ‘It costs money to call up.’

Attitudes to change

‘In the end we’ve all got to accept change.’

Participants acknowledged a reluctance to change, “When you’re old you know you can always find excuses not to change ... it’s your personal choice, isn’t it?” However, during the course of the workshops a number of good reasons for this reluctance emerged.

Participants identified some factors that might make change more difficult for people: ‘It’s OK if you’re well-sighted.’ ‘You can do almost anything if you’re mobile.’ ‘We’re very lucky – our bodies have gone but our memories are strong.’ These factors are relevant to change, but perhaps more relevant to the design of a solution.

In the advisers’ workshop participants highlighted what they called ‘the grey area of capacity’, when people have full mental capacity but lack energy, to the point where reading is a real effort. Change, which might seem simple for many people, will cost others greatly: ‘What is a sort code?’ ‘I find that very difficult to sort out – some squiggles and hieroglyphics, very difficult to find.’

Advisers also raised questions about the impact on their own services. One participant referred to the digital switchover, which was supposed to be a simple, one-off change, but which placed a significant extra burden on her service as they helped clients to adapt.

The process of change itself concerned some people: ‘Change can be awkward for people’, ‘People could make mistakes while adjusting to change.’ This indicated willingness to consider change, but stress and worry about the adjustment. Mistakes over financial management could be not just stressful but also costly.

Despite reluctance to change and the effort that change might require, older people do tell us that they are prepared to try: 'I try to accommodate what's best for everyone.' Indeed, one criticism made about the Magic Card was that it was not sufficiently innovative, 'Why don't they just implant the chip into our thumbs?'

Niche solutions

Cash was preferred to cheques by participants who had, or knew someone who had reduced vision, despite the excellent tools which are available from many banks to help partially sighted customers use cheques. The primary explanation given for this was that customers did not know you could get the aids. This chimes in with RNIB research.⁸¹ and underlines:

- the risks involved in relying on niche solutions such as chip and signature
- the work required to ensure that any niche solutions which are necessary do meet the target group
- the advantages of inclusive design in making sure that mainstream services are available to the broadest possible range of users.

We met several participants who had significant sight impairments. One uses a white stick and a range of assistive technologies, including online tools (although not for banking). She receives large print statements and uses cheques, but she did not know that her bank offers a cheque template and special card. She discovered their existence just a few weeks before the workshop, when her daughter took a cheque she had written into another bank who knew about the templates. The participant was extremely pleased with the simple template and found that it made writing cheques much easier.



The impact of cheque withdrawal

There is a clear age divide in the use of cheques, with half of people aged 65+ (53 per cent) using them sometimes or often, compared to around one-fifth (19 per cent) of those aged 18 to 24. However, cheque use is still quite significant in the middle age groups.

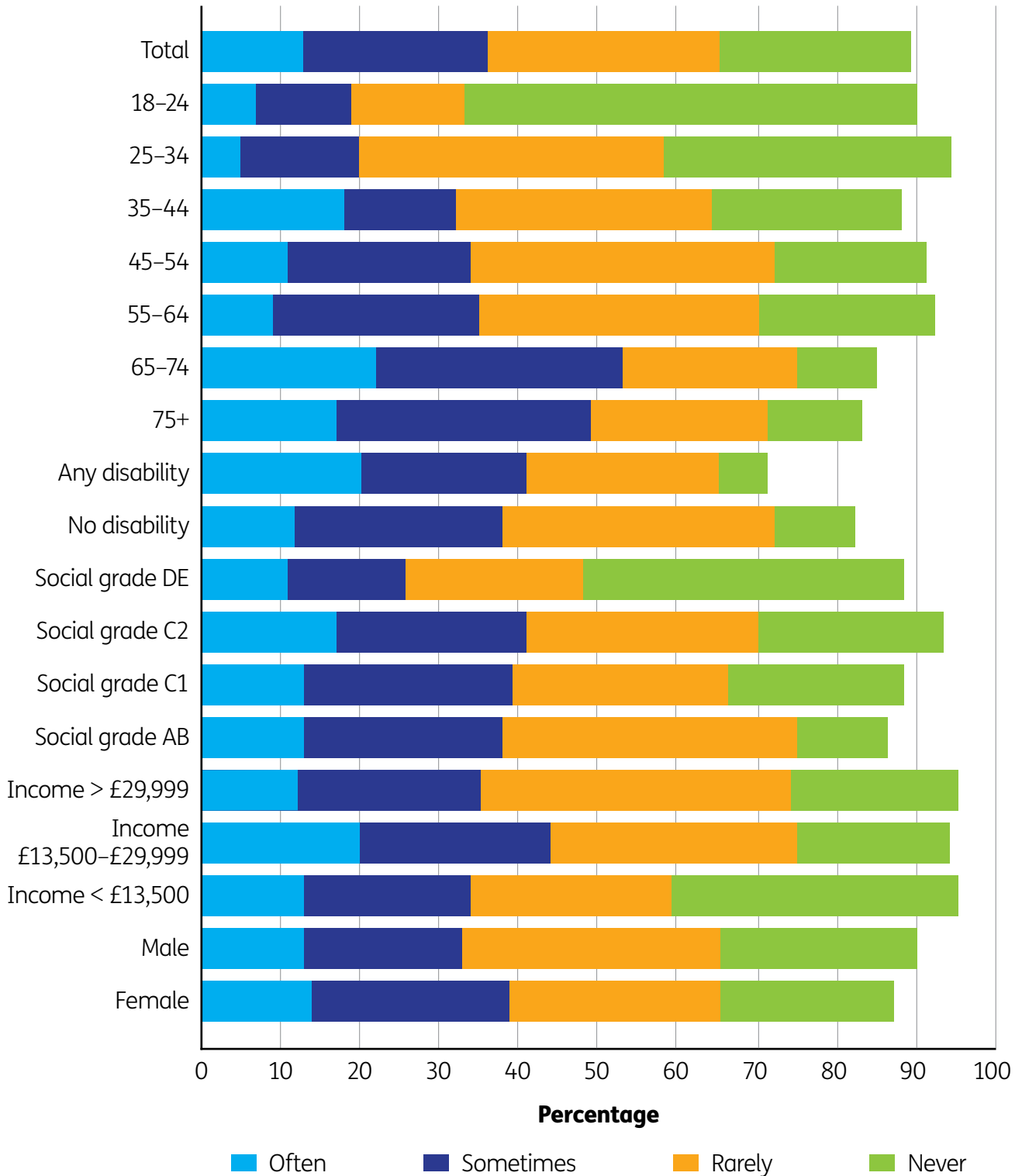
Sixty per cent of respondents told us that they had personally written a cheque in the last 12 months. Among these cheque users, 63 per cent told us that not being able to write a cheque will be a problem for them.

The workshops were deliberately introduced as being about payment methods generally. As we knew from organisers that many participants were already aware of and very concerned about the proposed removal of cheques we did refer to this in the introduction and we did ask questions about how people would pay if cheques were not available when they cited them as their preferred payment method. Other than that, we sought to place no more emphasis on cheques than on any of the other options.

Cheques were most valued for:

- payments in the home, e.g. the window cleaner or gardener
- payments (often in the home) of larger, less predictable amounts, e.g. payment for oil delivery
- reimbursement, e.g. a friend does the shopping and is paid back by cheque
- clubs and societies.

Figure 8 How often, if at all, do you personally write cheques from your banking account?



Base: 1,169 adults aged 18+ who expressed a view

‘I only write cheques when there’s no alternative.’

We found that many participants used a variety of payment methods and had already migrated to alternatives where they found them appropriate. This meant that where participants were still using cheques it was often because the alternatives were not acceptable to them in particular scenarios. ‘For her [housebound neighbour], everything is difficult but with a cheque she can manage. If she has to pay by cash she’s constantly relying on other people to go to the bank to get it for her.’

‘Been brought up with cheques – one of the last things to go – what you’ve been doing for a long time is easier to remember.’ The discussion on resistance to change is clearly especially relevant to the cheque replacement programme.

While participants did not generally consider that existing payment methods could replace the cheque in all payment scenarios, some participants were optimistic that a new payment method could be developed that would improve on existing methods, ‘There’s always an alternative – it’s just a question of finding it.’

‘They always say that the old people are going to die and it won’t be a problem but there’s always new ones coming up.’

The question of whether reliance on cheques is simply a cohort issue was dealt with directly by some participants. We heard that although participants recognised that younger people will be generally more comfortable with the internet and with other payment methods, participants expected that they would eventually face similar challenges.

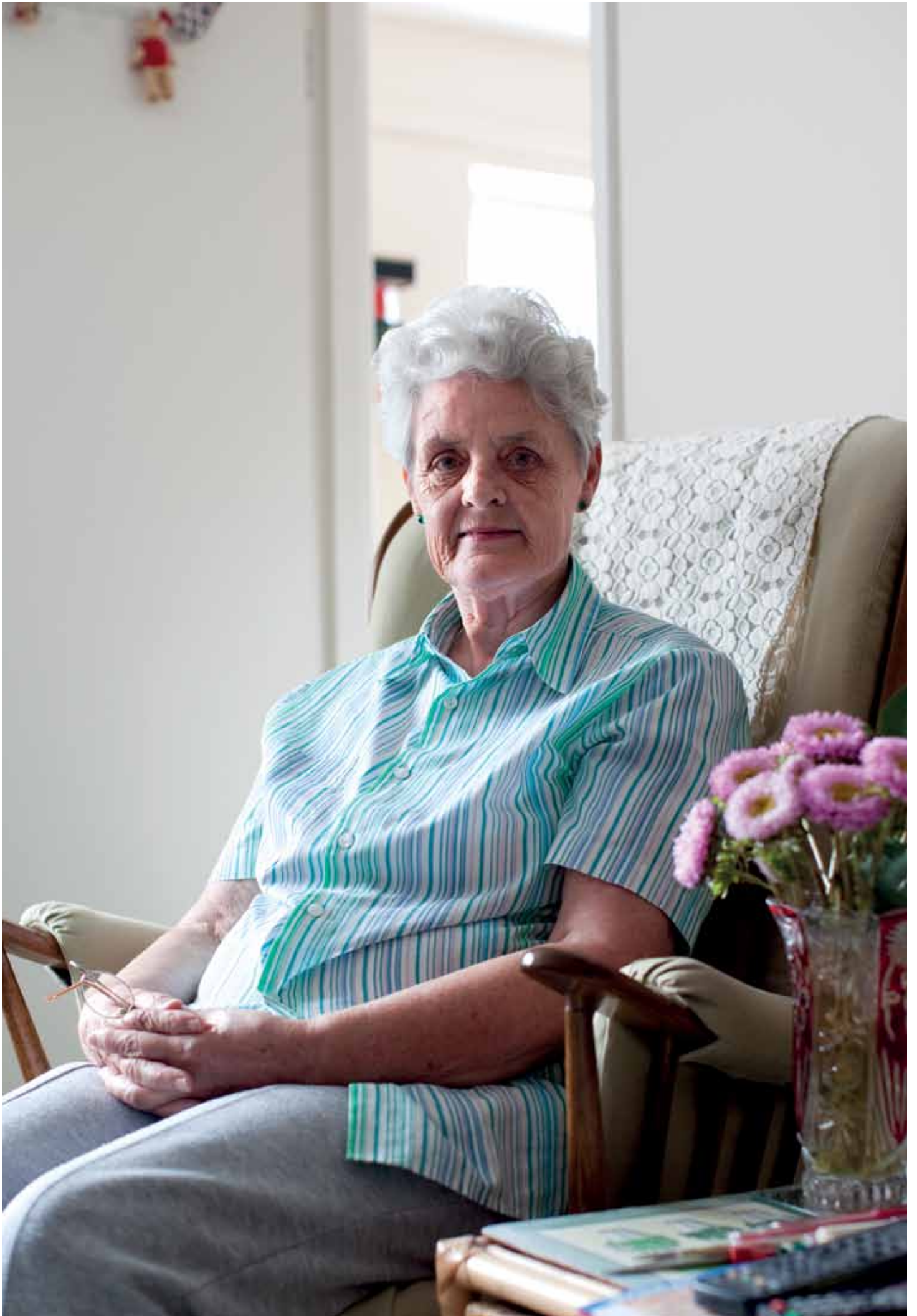
Clubs, societies and cheques

Participants were enormously worried about how they could continue to make payments to clubs and societies and also help to run them.

‘People trying to pay our subs – it would be very difficult.’

A significant number of participants helped to manage clubs and almost all were members of more than one. The ability to belong to, and importantly also to help manage these networks were fundamental parts of participants’ lives. Some clubs were very well-organised, long-standing affairs, with relatively affluent members, others were less formal and may require numerous very small payments.

The workshops made it clear that alternatives to cheques designed for clubs and societies must be operable by older people.



4 The role of government

What can we learn from other sectors?

There is no single definition of what constitutes an essential service:

and needs will change over time.

Payment services meet two of the current

EU definitions: ‘services of general interest’ and ‘services of general economic interest’.

Access to transactional banking is an

essential service in the UK: it is increasingly impossible to access other essential goods and services without it.

Competition alone will not provide essential levels of payment systems to

everyone in the UK: because of the nature of the financial services market, including demand-side weaknesses.

There is a range of options available to government to ensure provision of an

essential service: for example: government provision or subsidy; measures to encourage industry to provide service; or legislating for universal service provision.

Universal service obligations are established

in a variety of forms: most commonly in legislation.

Sectors with a universal service obligation often have particular obligations towards

‘vulnerable’ consumers: responsibility for supervising how this obligation could be placed on the new Financial Conduct Authority.

Enactment of a universal service obligation is not, in itself, automatically effective:

the nature of the obligation and the role of the regulator are important.

The importance of financial inclusion is well established in existing literature. Those who do not have access to mainstream payment methods can expect to pay more even though they will often have lower incomes. Financial inclusion work to date has focused on those who either do not want to be banked or to whom banks do not want to extend credit. Our research highlights significant numbers of people who do want to be banked, and may indeed have accounts, but who find it difficult to access current systems. These people not only pay more, but may also be forced to adopt risky behaviour in order to make the normal transactions of everyday life.

Increasingly, government policy makes it more difficult for people to remain cash managers, even if they prefer to do so. An example would be the efforts of the Department of Work and Pensions to move benefit recipients from benefit cheques to bank accounts. Trends such as branch closures and increasing automation and digitisation of payment systems suggest that exclusion is likely to increase, rather than decrease, without intervention.

There is no single definition of what constitutes an essential service and needs will change over time. For example, universal service obligations are beginning to be developed and rolled out in various countries with respect to broadband access. The EU has developed the concept of ‘services of general interest’, i.e. those that are essential for daily life and play a major role in social and economic cohesion, plus an additional concept of ‘services of general economic interest’. Banking services would fit these definitions of essential. We conclude that access to transactional banking is an essential service in the UK, as it is increasingly impossible to access other essential goods and services without it.

If access to suitable payment systems is an essential service, two questions follow: (1) is any intervention in the market needed to ensure access; and (2) if so, what?

We do not believe that competition alone will provide a solution. The Financial Services Authority (FSA) has identified a number of weaknesses in the distribution of financial services, many of which apply to payment systems as well as other financial products.⁸² Consumers often do not, and in some cases cannot, make demands that force change through competition. Further, it is likely that not all consumers will be profitable and firms can only be expected to compete for the most profitable. Also, many decisions regarding payments systems need to be taken on an industry-wide basis, e.g. the cheque replacement programme. Finally, we base our conclusion on the fact that we can not identify any significant improvements (other than basic bank accounts that were strongly encouraged by government) for vulnerable consumers as a result of competition to date.

International experience and experience from other sectors, such as telecommunications, suggest that government can effectively intervene to ensure that this essential service is delivered to all consumers. A number of approaches are available.

Government could convene a new task force on full financial inclusion and work collaboratively with industry and other stakeholders, in a similar way to the Financial Inclusion Taskforce. However, we would be concerned about the time taken to create change and the sustainability of provision.

We also note that competition appears to have had a negative effect in the basic bank account market, with uneven distribution of basic bank accounts between providers.

Government could consider a UK Community Re-Investment Act, similar to existing provisions in the United States. This legislation does not require banks to ensure that they provide services to vulnerable customers, but it strongly incentivises them to do so, through increased transparency and impacts on mergers and takeovers. It forces banks to disclose lending information and borrower characteristics (including race, income and credit score). The Community Re-Investment Act is attributed by many as promoting agreements between banks and local community groups and has led to increased lending to poorer borrowers and small businesses. However, legislation in the same form in the UK may have less effect due to the more consolidated nature of the banking sector and would need considerable tailoring to the UK banking system. Also, the Community Re-Investment Act is not designed to address the very specific issue of ensuring universal provision of an essential service.

Government could expand POCA, allow direct debits and deposits, and increase its accessibility. It could consider savings incentives to encourage users to retain money in the POCA, rather than just withdraw payments entirely in cash and therefore seek to make the POCA function more effectively as a stepping stone to a bank account. Although this would be welcomed by many, we understand that this is not possible due to EU state aid rules.

Another option is to reform the regulation of payments systems and, together with the FSA's Conduct of Business regime, lay down specific requirements that payment systems must be accessible to vulnerable consumers,

e.g. people who are digitally excluded and disabled people. The Equality Act 2010 provides a framework for this and we are disappointed that the recent consultation on the age discrimination ban proposed an exemption for banking. Giving the financial services regulator the role of protecting vulnerable customers need not greatly increase the obligations under existing disability discrimination legislation; however it could significantly increase protection of consumers.

The Government could establish a universal service obligation (USO) to require firms to provide services to all consumers.

There are a number of definitions of universal service in the UK and elsewhere. A useful overall definition was put forward by the EC in its White Paper on services of general interest: 'It establishes the right of everyone to access certain services considered as essential and imposes obligations on service providers to offer defined services according to specified conditions including complete territorial coverage and at an affordable price.'⁸³

How universal service obligations are framed in practice varies between sectors and across UK and EU legislation and regulatory frameworks. Key elements commonly include:

- universal access – often couched in duties to supply on reasonable terms
- affordability of charges
- transparent and non-discriminatory pricing
- consumer protection and users' rights, including protection for 'vulnerable consumers'
- quality of service

- complaint handling and dispute mechanisms
- services for people with specific needs
- continuity, security and safety of supply.

Although universal service obligations are largely set out in legislation and in formal regulatory requirements (for example, in companies' licence conditions), they may also be contained in less formal guidance from regulators, and in co-regulatory initiatives (involving self- and statutory regulation by industry and public authorities, typically with government or regulators having legal backstop powers.⁸⁴ There are also examples of industry self-regulation that are relevant in terms of universal service, for instance, the Energy Retail Association's 'safety net' voluntary code to prevent disconnection of vulnerable customers from gas or electricity.

Ofwat's 2010 publication *Services for Disabled, Chronically Sick or Elderly Consumers* states that: 'We recognise that because of age, disability (which includes those who are blind or partially sighted, deaf or hard of hearing) or illness (which includes those with learning difficulties or mental health problems), some consumers may require specific help in the way their company delivers water and sewerage services to them. This is to make sure that they are not disadvantaged when compared with other consumers.'⁸⁵

Regulatory approaches to the use of direct intervention in markets vary between regulatory authorities and over time, as shown by detailed research comparing different systems undertaken by Consumer Focus.⁸⁶ Regulation and enforcement approach will be important in ensuring that any obligation is implemented, the existence of an obligation alone will not necessarily guarantee universal provision.

5 Recommendations for further research

Both the UK literature review and the international study found significant gaps in research regarding how people use bank accounts and other payment services, with a particular need for research on how age affects use. One of the challenges to research in this area is the lack of availability of data on use of transactional banking services and on precisely how systems work from the perspective of the provider, which is often commercially sensitive. Banks and other providers should be encouraged to participate in research in this area, possibly through anonymous reporting/collation via industry associations.

Specifically, recommended topics for further research include:

- **Understanding of problems using PINs (and alternative security methods) and the scale of these problems.** To what extent are difficulties using PINs due to lack of familiarity and confidence, as against more intractable obstacles such as partial sight, lack of manual dexterity and loss of memory? Why do other countries that are more dependent on ATMs (e.g. Belgium) not report problems in this area? To what extent can better design overcome the difficulties? What roles can education and assistance play?
- **Understanding of the extent of dependence by some older people on third parties.** Who do people tend to depend on? Are dependence patterns for temporary incapacity different from longer-term incapacity? What level of dependence is involved? Does it involve disclosing banking security information and PIN numbers? Sharing of cards? What is the level of awareness of negligence issues involved? What is the extent of abuse both by trusted and non-trusted third parties in this area? What are the alternatives? Linked to this, there is currently very little work on older people in care homes and assisted accommodation.
- **Greater understanding of obstacles to take-up of internet and/or telephone banking.** What are the design features of the machines and interfaces that would make these services more accessible and attractive to older people? What is the relative importance of attitudinal obstacles (such as confidence, desire to learn), cost obstacles, physical/design obstacles. Which of these obstacles might be overcome in a generation due to cohort effect, and which will remain?
- **Greater understanding of barriers to accessing cash.** There is little quantitative research on the distance older people have to travel to obtain cash or the difficulties/costs in doing so, or into attitudes to 'safe' sources of cash and the relative importance to them of cashback, ATMs and branches. What is the impact on older people both socially and financially of the ever-decreasing access to face-to-face counter service?

Appendix 1: Improving existing systems

Age UK recommends that financial service providers prioritise improvements to existing systems which will improve access to banking.

Second cards

Firms should offer second cards with separate PINs and a separate withdrawal limit. Firms should consider how those with irregular care can access accounts, e.g. could firms establish a special account with a second card that can be shared by multiple carers?

Chip & PIN

Firms should recognise that significant numbers of their customers cannot operate this system and should prioritise the development of alternatives.

Security policies

Until firms have developed systems that allow people to operate them safely, they should share some of the risk with consumers. For example, it is not fair that a consumer loses fraud protection automatically on sharing their PIN with one trusted partner if the partner has taken care to keep the PIN safe. The partner should also not be treated as committing a fraud if they use the card as requested by the owner.

Account flagging

Firms should ensure that they have systems in place to provide all reasonable assistance to customers. Account flagging could mean that when a customer registers for large-print statements they are also offered other relevant aids, such as cheque templates and the option of chip & signature cards. Systems should also ensure that once a mandate has been properly set up (e.g. that a partner may need to help with telephone banking because the account holder has difficulty hearing the questions), this information is available to all relevant staff.

Telephone banking

Some participants reported excellent service from telephone banking: easy to speak to an operator, skilled staff, easy to understand. Providers who still use many automated options, rigid scripts and minimally trained staff should learn from best practice. Although we prefer an inclusive approach, firms may wish to consider offering a priority service to customers who have extra barriers to using telephone banking.

Branch and post office access

Firms should recognise that branch access will continue to be important to certain groups for a considerable length of time. If firms determine that individual branches cannot remain open, they must consider enhanced post office access and the shared branch option.

Staff training and knowledge

Firms must prioritise staff training and access to appropriate resources. Participants perceived bank staff as a sales force rather than service providers, and their lack of knowledge has significant impact on the ability of older people to operate payment systems.

Attorneys and deputies

Firms must ensure that their systems and staff can correctly and swiftly process powers of attorney and deputyships.

Financial abuse

Firms must recognise that current systems increase risk of abuse to older people as they are forced to rely on others for help. Systems and staff training must be improved to help staff recognise and take appropriate responsibility for preventing abuse.

Preference for paper

Some people will continue to rely on paper statements to manage their money. Firms should recognise that not everyone has access to alternate systems and should not automatically withdraw paper statements. Account flagging may also help in this instance.

Appendix 2: Methodology

This report summarises (1) communications sent to Age UK by older people worried by the state of the payment systems and (2) specially commissioned research on older people and the way they pay.

UK literature review

The purpose of the review was to summarise work already done on older people and their ability to receive money from various sources, obtain cash and make payments. The review sought to establish what lessons could be drawn about future needs of payment systems from the perspective of older people and other often marginalised groups. The review was conducted by Kate Scribbins and Anna Fielder.

International study

The aim of the study was to learn from international experience by examining how other countries deliver payment systems and, in particular, whether alternatives to cheques exist that meet the needs of all users. The study investigated relevant literature and more in-depth research in five countries: Australia, Belgium, Canada, Denmark and Germany.

These countries were chosen because of similarities to the UK (in terms of access to transactional banking, affluence or culture) but also because of key differences (e.g. governmental approach to universal access or in the way people pay for things). The specific selection was based on preliminary investigations and discussions with umbrella groups representing older people. The research was carried out by Kate Scribbins and Anna Fielder through in-depth telephone interviews or questionnaires with key representative organisations (banking associations, regulators and older people/consumer groups) in each of the five countries (total responses =16).

Universal service in other sectors

In addition to learning from what other countries have achieved, this paper brings together evidence of how universal or essential service obligations work in other sectors and was undertaken by universal service experts George and Lennard Associates. Information is drawn from UK and international literature.

Universal service obligation discussion paper

Consultant Kate Scribbins combined lessons learnt from the first three reports into a discussion paper on possible application for the UK banking and payments sector.

Deliberative research

Age UK, with assistance from Helena Poldervaart, an experienced deliberative research facilitator, conducted four workshops with older people and one with advisers who supported older people and other vulnerable adults. Participants were recruited with the assistance of independent forums and clubs and were selected to represent a spread of age (although predominantly above 65), health, mobility, income, rural/urban and geographic location. (Limitations on selection meant that we were not able to fully reflect all minorities, and so this remains an area for further research) Sixty-three older people and 11 advisers participated in total.

The workshops were designed to test early conclusions from the UK literature review, international study and correspondence received by Age UK on the subject of cheque withdrawal. Participants considered the issues around paying in three scenarios: (1) for services provided in the home, e.g. the window cleaner; (2) for shopping done by someone else, e.g. a carer does shopping and brings it home; and (3) payments, including gifts, remotely/by post. In each scenario, participants were asked to consider the advantages and disadvantages of a fictional 'Magic Card' designed with a range of sometimes provocative features and also to discuss how they would prefer to pay in that situation.

Quantitative research

The deliberative research provided some fascinating qualitative insights and questions were designed to obtain quantitative feedback on some of the resulting propositions. Quantitative research was carried out for Age UK by Ipsos MORI with a representative sample of 1255 Adults 18+ in the UK, boosted for age so that at 469 respondents were aged 65 or over. Face to face fieldwork took place in February 2011 and the data was weighted back to be representative of the UK.

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