

HARD TO CREDIT IT

Access to Credit Facilities for the Traveller Community

Executive Summary

Exchange House Travellers Money Advice and Budgeting Service was set up in 1998 in response to a research report compiled by Paul Quinn and Thomas McCann “*ACCESS TO CREDIT FACILITIES FOR THE TRAVELLER COMMUNITY IN THE GREATER DUBLIN AREA.*” (1997). The issues arising in the work to date include:

- Travellers encounter barriers in opening Bank and Credit Union accounts
- They have difficulty accessing credit to purchase a Caravan
- This leads to reliance on illegal moneylenders.
- These difficulties have implications for Travellers during the Euro changeover.

To address these issues, Exchange House Travellers MABS promotes access among the Traveller community to legal and affordable credit by raising awareness of Traveller issues among financial institutions and linking Travellers into local MABS or Credit Unions.

Exchange House Travellers Money Advice and Budgeting Service recommends that:

- **The Government address the issue of inequitable access for Travellers with the financial institutions**
- **The Irish League of Credit Unions ensures that discriminatory practices towards Travellers are discontinued among its member organisations.**
- **An interim Loan Guarantee Scheme be set up to address the urgent and immediate accommodation needs of Travellers who are unable to find a guarantor in order to take a loan out from a Credit Union or Bank**
- **The setting up of a Revolving Loan Guarantee Scheme to address the long-term needs of Travellers who are required to furnish a guarantor for loans and who do not have a credit history**
- **A Caravan Loan Fund be set up for the minority of Travellers, who for a variety of reasons, are unable to access loans from other sources.**
- **Alternative credit options be considered for Travellers in need of secure and habitable accommodation**
- **Media coverage on the Euro focus on basic everyday issues surrounding the changeover and the introduction of the new notes and coins.**

“HARD TO CREDIT IT”

ACCESS TO CREDIT FACILITIES FOR THE TRAVELLER COMMUNITY

Introduction

Exchange House Travellers Money Advice and Budgeting Service was set up in 1998 in response to the research report compiled by Paul Quinn and Thomas McCann “***ACCESS TO CREDIT FACILITIES FOR THE TRAVELLER COMMUNITY IN THE GREATER DUBLIN AREA.***” (1997) The main recommendations contained in that report highlighted the following issues:

- The need for a service linking Travellers to existing Money Advice and Budgeting Services within their local community
- The importance of disseminating information within the Traveller community on issues relating to money advice and credit facilities
- The necessity for further research to explore the development of a facility along the lines of a Credit Union for the Traveller community.

The most significant issue arising in the work of Exchange House Travellers MABS has been the fact that access to credit for Travellers is difficult.

1. They encounter barriers in opening Bank and Credit Union accounts,
2. They have difficulty in accessing credit to purchase a Caravan
3. This leads to reliance on illegal moneylenders.
4. In addition, Exchange House Travellers MABS has addressed the issue of the changeover to the Euro and its implications for the Traveller community.

This report will outline the context within which these issues arise, highlight the responses developed by Exchange House Travellers MABS and identify some of the gaps which still remain to be addressed.

1. ACCESS TO BANK OR CREDIT UNION FACILITIES

The Banks

Following the introduction of the Criminal Justice Act (1994), proof of permanent residence and photo identification are now required when opening Bank, Building Society or Credit Union accounts.

Proof of residency usually comes in the form of a utility bill (Gas or ESB) with the postal address of the applicant. For the 25% of Travellers in the Greater Dublin area who live on the roadside or in unofficial halting sites, and who do not have access to electricity, gas or water supplies, such proof of residency is difficult, if not impossible, to produce. Those Travellers who live in official halting sites, unlike the settled population, pay in

advance for their supplies of electricity on a metered system and consequently they do not receive utility bills.

For Travellers not in possession of a Driving Licence or a Passport, photo ID is not easy to produce. Travellers have reported to Exchange House Travellers MABS that even when they are in a position to produce the above documentation, they have been refused permission to open accounts.

For example, a Traveller living in a Local Authority house, and therefore in a position to produce the required documentation, was refused permission to open a Bank account in the city centre, on the grounds that she was not living in the immediate area. This, in spite of the fact that she is working adjacent to the Bank and that Branch would have been more accessible to her than her local Branch.

Credit Unions

The basic tenets of the Credit Union Movement are embedded in social justice. The unique nature of Credit Unions differentiates them from other financial institutions. Their Operating Principles state that the vision of social justice “extends to serving not only the needs of members but the larger community in which members work and reside.” The Common Bond of a Credit Union defines the area within which it operates and can refer to residency or employment.

Exchange House Travellers MABS works closely to link Travellers into their local Credit Union. In most cases, this results in a positive and equitable relationship, however, in some instances, this has not proved to be the case.

Take the case of St Oliver’s Park, a Local Authority Traveller site in the Dublin area, which does not fall within the Common Bond of any local Credit Union. As a result of this, residents on the site have found it difficult to open accounts in Credit Unions.

One particular local Credit Union, which has made provision for residents of St. Oliver’s Park to open savings accounts, has imposed restrictions on credit facilities. For example, residents of St Oliver’s Park are only able to borrow up to the value of their shares, while in most cases, members may borrow up to three times the value of their shares. Exchange House Travellers MABS is working with the Irish League of Credit Unions and the local Credit Union to address inequality of access to credit.

In other cases, Credit Unions have required Travellers to produce a guarantor when applying for a loan, although this is not the norm for other members.

Exchange House Money Advice and Budgeting Service is attempting to address the above issues in a number of ways:

- The Money Advisors will supply photo ID to clients with whom they are familiar and who wish to join their local Credit Union.

- Representations have been made to the Irish Bankers Federation (IBF) with regard to accepting more flexible identification requirements from individuals who wish to open accounts. The latest guidelines from the IBF reflect a more positive move in this regard.

Recommendations: *Exchange House Travellers Money Advice and Budgeting Service recommends that:*

- **The Government address the issue of inequitable access for Travellers with the financial institutions**
- **The Irish League of Credit Unions ensures that discriminatory practices towards Travellers are discontinued among its member organisations.**

2. THE ABILITY TO PURCHASE A CARAVAN

For most people, the biggest loan they will ever take out will be to purchase their home. The cost of a Caravan which will survive the Irish winter can vary from £5,000 to £23,000, depending on size, facilities and condition.

The life of a Caravan in the Irish climate has been estimated to be about five years. Over 50% of queries to Exchange House Travellers MABS relate to the need, usually urgent, for a family to upgrade a Caravan. There have been many schemes, promoted by both the statutory and non-statutory sectors, to address the need. The Department of the Environment (DOE) currently provides the opportunity for Travellers to access affordable loans through the DOE Caravan Loan Initiative (2000) which is administered through Local Authorities. The benefits of this scheme include:

- More Travellers are eligible to access a loan than with previous statutory schemes
- Clear applications procedures and transparency in relation to failure to obtain a loan
- Traveller organizations are involved in providing information about the Scheme
- The Household Budget is one method of repayment.

While Traveller organisations, including Exchange House Travellers MABS have welcomed the DOE Scheme and have participated in disseminating information about it to the Traveller community, their experience has highlighted several issues including:

- In many cases, Travellers on the roadside or in unofficial sites are excluded from the scheme
- Restrictions imposed on Travellers in relation to where they can purchase a Caravan results in the buying power being taken away from the Traveller community.
- Interest varies on the loans, in some cases significantly increasing repayments.
- The applicant must come up with 10% of the loan, which is impossible for those on low income, and often leads them to look elsewhere, for a loan for the 10% deposit.

An example may help to illustrate the difficulties facing some families.

A woman came for help to Exchange House Travellers MABS. She has Hepatitis C, her husband has cancer and they applied for £5,000 to purchase a Caravan.

Weekly income

(Disability Payment): £177.00

Diet Allowance: £36.00

Weekly total income: £213.00

Weekly outgoings

Groceries etc: £100.00

SVP loan repayment: 10.00

Laundry: 25.00

Petrol: 20.00

Fuel: 20.00

Total outgoings: £175.00

These figures do not take account of clothing, or entertainment or leisure or any other items that may arise in the course of daily life and require expenditure. This couple, between them, have £38 over each week to deal with such occasions. Few people would agree that that is a sufficient sum with which to face the week.

The Local Authority granted the woman a loan of £2,000, on the grounds that this would be the maximum sum she could repay from her weekly income. Her repayments on the loan would be £9.00 per week for the period of five years. That would leave her £29 per week to cope with additional costs. In addition, she would have to find the £200 deposit from other sources.

The sum of £2,000 would not buy a Caravan which would outlive the lifetime of the loan repayments. The Caravan in which they are currently living is, according to medical advice, too small to meet their health needs. This family is now firmly caught in a poverty trap with limited options.

In such situations, the only credit open to Travellers comes from the illegal moneylender. Illegal moneylenders currently operate a 100% interest charge on the loan. If a weekly payment of, say, £50 is missed, that amount becomes £100 and is added on to the overall debt. It can be seen that this debt can rapidly become one from which there seems no escape.

Exchange House Traveller MABS endeavor to arrange loans with Credit Unions to enable people to escape the clutches of the illegal moneylenders.

Recommendations: *Exchange House Travellers MABS recommends that:*

- **An interim Loan Guarantee Scheme be set up to address the urgent and immediate accommodation needs of Travellers who are unable to find a guarantor in order to take a loan out from a Credit Union or Bank**
- **The setting up of a Revolving Loan Guarantee Scheme to address the long-term needs of Travellers who are required to furnish a guarantor for loans and who do not have a credit history**
- **That a Caravan Loan Fund be set up for the minority of Travellers who for a variety of reason are unable to access loans from other sources.**

Models of such initiatives are available in this country and elsewhere. Exchange House Traveller MABS is in the process of a Research Initiative funded by the Combat Poverty Agency to explore models of Social Finance from other countries and make recommendations as to appropriate responses in the Irish context.

3. THE EURO

On January 1st 1999, eleven Member States of the European Union adopted the Euro as their currency. On January 1st 2002, Euro notes and coins will come into circulation and Irish pound notes and coins will be gradually withdrawn from use. By midnight on Saturday, February 9th 2002, the changeover will be complete. The fixed conversion rate for the Euro is €0.787564 = £1.

On January 1st 2002, accounts in Banks, Building Societies, Post Offices and Credit Unions will be converted to Euro free of charge. From then on, cash going out will be in Euro, within incoming Irish notes and coins being retained and not issued outwards again. In addition –

- Withdrawals in any form from Banks, Building Societies, the Post Office and Credit Unions will be in Euro
- Wages, salaries, pensions and social welfare payments will be in Euro
- Retailers while charging in Euro, will accept Irish notes and coins up to February 9th, but will give change in Euro only.

In relation to cash conversion, Banks, Building Societies and the Post Office will exchange up to an overall total per individual of £500 for Euro, free of charge. Individuals do not have to have an account in the relevant institution to convert sums less than £500. However, for sum in excess of this figure, the individual must have an account and have the necessary ID. The above institutions will continue to accept lodgments in Irish pounds until February 9th. Credit Unions, where feasible, will exchange, for members, £500 worth of Irish pounds to Euro, free of charge, and will continue to accept Irish notes and coins as lodgments until February 9th 2002.

Exchange House Travellers Money Advice and Budgeting Service has been working with the Traveller community in relation to the Euro since the beginning of 2001. The issues which have emerged as critical in relation to the Traveller community and the Euro changeover are:

- Lack of access to Bank and Credit Union facilities
- Illegal debt conversion
- Literacy.

Due to the issues highlighted above, the situation for Travellers who do not have access to accounts in financial institutions means that they will be faced with difficulty in converting cash they hold to Euro. Unless they are fully aware of the regulations, they may be left with Irish money which will have no legal currency after February 9th.

Those Travellers who have perceived no alternative but to borrow from an illegal moneylender are concerned that they may find themselves vulnerable to overcharging in relation to Euro conversion. There is a concern that Travellers will find themselves in a vulnerable position, dependent on the moneylender to convert both the overall debt and the weekly repayments to Euro.

This dependency is compounded by the high rate of poor literacy and numeracy skills among many adult members of the Traveller community. Exchange House Travellers MABS has found this a significant issue in relation to the dissemination of information on the Euro changeover. Even when resources have been produced to take account of low literacy levels, there is a certain amount of anxiety among many members of the Traveller community in relation to the whole process.

Exchange House Travellers Service, the Agency which manages Exchange House Travellers MABS provides literacy and numeracy education to both individuals and groups of Travellers on an ongoing basis.

In addition to the responses identified above in relation to access to bank accounts and acquiring loans to purchase caravans, Exchange House Travellers MABS has been working with individual Travellers and the Traveller community within the Dublin area to ensure that Travellers have sufficient information and adequate resources to convert to the Euro as smoothly as possible. Actions include:

- Whenever possible, Travellers are being encouraged to open credit union accounts before year-end. This will facilitate a smooth conversion of savings to Euro.
- The Exchange House Money Advisors have undertaken a promotion of credit unions in tandem with dissemination of information at both local and regional level within the Traveller community.
- Specific resources have been developed in consultation with members of the Traveller community to ensure they are as user friendly as possible.
- The Money Advisors provide information workshops both to the Traveller community and to Traveller organizations in relation to access to credit for Travellers

and have incorporated training in regard to the Euro into these workshops during the lead up period.

- A “Training for Trainers” Information Day was held in September, at which Traveller friendly resources were distributed to Trainers specifically dealing with illegal debt conversion. These resources are suitable for people with a very basic level of literacy and numeracy skills.

In its work in relation to the Euro changeover, Exchange House Travellers Money Advice and Budgeting service has been greatly helped by the Euro Changeover Board, NALA and the NCBI by being provided with resources and information. We have welcomed this cooperation and have used and adapted resources where appropriate to the Traveller community. However, as the changeover date approaches, we are conscious that there is still a significant amount of work to be done with those who are marginalised within society and therefore most vulnerable to change. While Exchange House Travellers MABS welcome the efforts made by the Government to facilitate the changeover to the Euro, **we recommend that:**

- **Access to mainstream financial institutions is extended to all members of society**
- **Alternative credit options be considered for Travellers in need of secure and habitable accommodation**
- **Media coverage on the Euro focus on basic everyday issues surrounding the changeover and the introduction of the new notes and coins.**

Conclusion

This report has highlighted the lack of equity for the Traveller community in relation to access to credit facilities and the implications for individuals of that situation. It is hoped that the issues will be addressed so that all members of society in this country will be in a position to avail of saving and lending facilities on an equal basis. This is particularly necessary in relation to being able to live in safe and secure accommodation.

The advent of the Euro will prove problematic for the Traveller community if the issues of equity are not addressed in advance, so that all may move forward in a spirit of fairness and confidence.