Report

Ensuring Financial Inclusion for the Most Vulnerable: A Call for Action

Eurodiaconia

Connecting faith and social justice through action

Eurodiaconia is a European network of 52 organisations in 32 countries, founded in the Christian faith and working in the tradition of Diaconia. Representing over 30.000 local organisations, our members provide social and healthcare services and promote social justice. They are engaged in all facets of social inclusion, from the integration of people with a migrant background, to work with disadvantaged young people, to elderly care.

Mission

Eurodiaconia is a network of churches and Christian organizations that provide social and health care services and advocate for social justice. Together we work for just and transformative social change across Europe, leaving no-one behind.

Vision

Driven by our Christian faith, our vision is of a Europe where each person is valued for their inherent God-given worth and dignity and where our societies guarantee social justice for all people, including the most vulnerable and marginalized.

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POLICY SNAPSHOT

In this report, Eurodiaconia highlights the problem of financial exclusion and over-indebtedness, which are two sides of the same coin as they both relate to banking problems and both have as a consequence the deprivation of all or part of financial services - exacerbated by the COVID-19 pandemic.

Access to financial services is essential in our "normal" lives and is stated as a right under the European Pillar of Social Rights. However, financial exclusion remains a massive problem in Europe. Vulnerable groups of people who lack the financial means, documentation, or the capabilities (social, physical, mental, cultural, …) to access financial goods are most at risk of exclusion and face a stressful and uncertain time.

Some of the most vulnerable groups affected by financial exclusion include overindebted, homeless, (long-term) unemployed, elderly, migrants, Roma, and prison inmates, among others. Financial inclusion is a key enabler to reducing poverty and boosting prosperity and must be promoted.

Financial insecurity must be addressed as soon as possible. The revised version of the Consumer Credit Directive should ban exploitative credit; base credit decisions on proper creditworthiness assessment; organise early detection of financial issues of debtors and guarantee access to qualitative debt advice. There is no end to poverty without financial inclusion.

In the bottom income group, more than ¾ of people do not have sufficient liquid savings to remain above the poverty threshold for more than 9 weeks. This problem amplified during the pandemic because people are not adequately covered by a social safety net (e.g. platform workers).

About this publication

The COVID-19 pandemic has a devastating impact on the entire world, leaving no one untouched. People are forced to adapt their lives as they face a new reality. In these ongoing challenging times Eurodiaconia members provide services to people in need across Europe.[1] Among those services, they provide financial inclusion services such as services of responsible money borrowing, arrears management, advocacy on responsible lending, emergency financial assistance, assistance with taxes and debt related services (debt-advice, debt-prevention, and debt-alleviation i.e., welfare support for households with debt problems). With the Corona outbreak, the situation has worsened for many people that were already financially excluded or lived with debt before and our members additionally report of an increase of numbers in terms of “new poor”.

In this report, Eurodiaconia highlights the problems of financial exclusion and over-indebtedness and its consequences for some of the most vulnerable groups in our societies, which has worsened considering the pandemic.

Firstly, we want to define financial exclusion and over-indebtedness, outline some of the main barriers to accessing financial services for marginalised groups and identify key elements of financial inclusion. Secondly, this report reflects on the widened income gaps and the danger of increasing inequalities because of COVID-19, but also other related societal challenges such as digitalisation and the increase in (digital) poverty/inequality are addressed. The role of Churches and Diaconia (members) in this context will be discussed. Finally, we will focus on our members experience and present some of their work followed by policy recommendations for the EU to tackle financial exclusion.

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[1] See Eurodiaconia, 2021: Second Report on the Impact of COVID-19 on Diaconal Services

What is financial exclusion?

‘Financial exclusion’ is defined as having difficulty accessing and using the mainstream financial products needed to live in each society.[2] Achieving financial inclusion is aiming to counterbalance this phenomenon by opening access (for example people are entitled to have access to a credit or a bank account) and appropriate use (people may have access to a service, but it may not be appropriate to their needs or they may be using it ineffectively) of financial services to all people, regardless of their socio-economical or legal status, living on a territory. This is based on an understanding of banking services as public goods, essential to social participation and therefore to the achievement of social cohesion.

[2] Réseau Financement Alternatif, March 2008, pg. 9

Initially, financial inclusion was understood mainly in opposition to financial exclusion seen as the geographical difficulty to access services. The concept of financial exclusion has then widened to be "a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong."[3] ("Mainstream market" is understood here as "non stigmatizing" providers). Generally, four mainstream financial products as central to financial inclusion: banking, credit, savings, and insurance. These products are deemed to be central to financial inclusion as they are instruments of social participation.

'Financial exclusion' is defined as having difficulty accessing and using the mainstream financial products needed to live in each society.

Access to financial services is essential in our "normal" lives and is stated as a right under the European Pillar of Social Rights (EPSR). However, financial exclusion remains a massive problem in Europe. Vulnerable groups of people who lack the financial means, documentation, or the capabilities (social, physical, mental, cultural, …) to access financial goods are most at risk of exclusion.[4] Some of the most vulnerable groups affected by financial exclusion include overindebted, homeless, (long-term) unemployed, elderly, migrants, Roma, and prison inmates, among others.[5] According to a World Bank report, 75% of unbanked people live in poverty.[6] They also agree that there is no end to poverty without financial inclusion.

[3] Réseau Financement Alternatif, March 2008, pg.10
[4] See Finance Watch, 2020: Financial exclusion: Making the invisible visible
[5] ibid
[6] World Bank, 2017: The Global Findex Database 2017

What is Over-indebtedness? How does it relate to financial inclusion?

Household over-indebtedness can be defined as a "temporary or permanent disequilibrium in the budget of a household resulting from expected or unexpected expenditure increases or from the household's income decreases"[7]. Literature distinguishes three categories of causes for over-indebtedness: change in life, gradual over-commitment, reaching a reasonable standard of living. Other studies insist that the main cause is clearly to be found in the occurrence of a disruptive event for the household budgetary equilibrium (change in life). The COVID-19 pandemic has caused an unexpected disequilibrium in the budget of many households.

Over-indebtedness should not be disconnected from the issue of financial inclusion. As underlined by G. Gloukoviezoff[8], over-indebtedness is one of the aspects of financial exclusion. It therefore relates to financial inclusion strategies. Financial exclusion and over-indebtedness are two sides of the same coin as they both relate to banking problems, and both have for consequence the deprivation of all or part of financial services.

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[7] Toward a common operational European definition of over-indebtedness, European Commission, February 2008

[8] GLOUKOVIEZOFF G., 2006: « From Financial Exclusion to Overindebtedness: The Paradox of Difficulties for People on Low Income? », in ANDERLONI L., BRAGA M.D., CARLUCCIO E. (eds), New frontiers in banking services. Emerging needs and tailored products for untapped markets, Berlin: Springer Verlag, (forthcoming, 2006)

Barriers to accessing financial services for the most vulnerable

In March 2020, Finance Watch used surveys, interviews and workshops with 69 experts in 23 different European countries to identify groups most vulnerable to financial exclusion, and singled out three key barriers that they face[9]:

Financial services are often too expensive for low income households or for those at risk of poverty. Certain groups of people, such as migrants, are not able to provide the documents required by law as proof of their identity and place of residence.

1. ***"Legal requirements for access**: Certain groups of people, such as migrants, are not able to provide the documents required by law as proof of their identity and place of residence. This is a particular barrier for accessing a payment account. Without it the chances of exclusion are high.*
2. ***Financial requirements for access**: Financial services are often too expensive for low-income households or for those at risk of poverty. First, access to financial services often has partly hidden costs, such as a phone or internet connection. Second, the poor and vulnerable often face higher costs of financial services as they are perceived to carry higher risk for providers.*
3. ***Lack of required skills or means**: A lack of literacy can disproportionately affect vulnerable groups. There are also serious issues over the physical abilities needed to access financial services: certain visual, hearing, physical or mental abilities are considered 'standard' and access may not always be possible for those that do not fit these criteria."*[10]

[9] See Finance Watch, 2020: Financial Exclusion: Making the invisible visible
[10] Finance Watch, 2020: Financial Exclusion: Making the invisible visible

Key elements of financial inclusion

On 20 November 2014, the annual convention of the European Platform Against Poverty and Social Exclusion (EPAP) held a workshop on financial inclusion, where Eurodiaconia participated in. There, we studied five key elements of financial inclusion:[11]

1. Financial inclusion is about creating access for all to quality financial services at the right time, in the right way and at the right affordable cost.
2. Over-indebtedness needs to be addresses through policies, not by individuals. European Commission research shows that macroeconomic policy, poverty, and unemployment play larger roles in over-indebtedness than personal reasons.
3. Over-indebtedness is linked to the overselling of services, rather than over-borrowing of services. Therefore, financial education is important not only for the beneficiaries of financial services, but also for the organisations offering financial services so that they do not sell their services to people who do not need them or are not suited to them.
4. Many civil society organisations are working with the consequences of financial exclusion and over-indebtedness, and have made proposals to address the issue structurally, at its roots. They should therefore be involved at EU and national level, in partnership with financial institutions and public authorities, to establish measures and pathways to prevent and tackle financial exclusion and over-indebtedness.
5. To avoid pushing vulnerable people further into debt and exclusion, debt should be restructured, and existing practices regulated. The European Commission should encourage member states to develop their regulation of this issue. It should also support interest-free grants to NGOs to practice social debt restructuring.

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[11] Social Platform, 2014: Are you financially excluded?

Why this publication?

Eurodiaconia's membership reflects the diversity of experiences in Europe as members' report - in this case - of the different realities of the banking and social systems. According to our members, the common trend is that difficulties persist in accessing financial services for some groups of most vulnerable consumers, including overindebted, homeless, (long-term) unemployed, elderly, migrants, or Roma.[12] In a further "bankarised" society and the advance of "cashless-societies", not having access to a bank account or internet is of increasing difficulty. In Germany, for instance, the Deutsche Bank was forced to offer its basic account to poor, homeless or refugees at a lower price. This was decided by the Federal Supreme Court in June 2020.[13] Therefore, Eurodiaconia believes there is room for the European Commission to go further in its incentive and encouragement to Members States to impose binding measures on banks and financial institutions regarding access and transparency of bank account fees for the most vulnerable people. Eurodiaconia is committed to continue supporting the European Pillar of Social Rights implementation process in partnership with the EU and together with all our members in Europe.[14] The EPSR action plan needs to be ambitious, innovative, include clear indicators and must be underlined by the highest political will to support an improved social reality of people's lives through appropriate implementation initiatives at EU and member states level.

This report builds on previous Eurodiaconia publications, for instance, our Policy Paper on household over-indebtedness (2015), a Briefing for members or the Extreme Destitution Network Meeting in Utrecht, Netherlands (2019).

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[12] See Finance Watch, 2020: Financial Exclusion: Making the invisible visible
[13] See Der Spiegel, 2020: So klappt es mit dem Grundrecht aufs Girokonto
[14] See Eurodiaconia, 2020: Contribution to the European Commission public consultation - Implementing the European Pillar of Social Rights: The way forward

COVID-19 has widened the income gaps

In the wake of the last financial crisis, the focus on pursuing austerity saw investment in social services and social protection systems fall and, in the decade since, it has still not returned to its pre-crisis levels. COVID-19, through the massive and sudden demand for services and social protection, brutally exposed and deepened the cracks that have developed due to this long-term under-investment. Eurodiaconia has been advocating for years that social divergence is as threatening to stability as economic divergence.[15] We need to ensure that the money from the Recovery & Resilience Facility as well as the budget of the new Multi Annual Financial Framework is spend wisely and puts the wellbeing of people at its heart. It is time to rethink finance to build back better. Using the recovery to transform our economic and financial system might be our best chance to avert catastrophic climate change, build a just society, and reduce the threats from an over-sized financial sector.

According to research from the Institute for Fiscal Studies, sector shutdowns and homeworking have hit low paid workers the hardest whilst high-income families may be "forced" to save.[16] This shows the importance of savings and that the lack of liquid financial assets often means being unable to maintain an acceptable living standard. Eurodiaconia reiterates that adequate minimum income schemes are indispensable to achieve poverty eradication in Europe as stated in the UN's Sustainable Development Goals (SDGs). At the EU level, the necessity of adequate minimum income schemes is also manifested in the European Pillar of Social Rights (EPSR) with principle 14. We call on the European Commission to propose a legally binding EU Framework Directive on Minimum Income. This would be remembered as one of the new European

[15] See Eurodiaconia, 2018: Towards a Social, Sustainable, and Equitable Europe: Integrating and Implementing the European Pillar of Social Rights and the Sustainable Development Goals or European Union, 2020: Social Sustainability

[16] See Institute for Fiscal Studies, 2020: COVID-19: the impacts of the pandemic on inequality

Commission's flagship initiatives that guarantees a right to an adequate income to the most vulnerable, demonstrating to all that the EU delivers on its promises and prioritises protecting people as well as planet. It is a proposal which could reunite the EU around a shared political and moral commitment to end poverty and social exclusion.[17]

Churches and Diaconia have the strength of a widespread network within the local community

Eurodiaconia members have years of experience and the strength of a widespread network within the local community in working with people that are financially excluded and live with debt. Over the years, they have made several observations on what works well and what still needs to be changed to not only fight financial exclusion and existing over-indebtedness, but to prevent it in the first place. The lessons they learned from their work and experience in this field are outlined below:

Prevention is a must:

- Early identification: Eurodiaconia members insist on the necessity of a preventive approach to financial exclusion. There is a need to support people in financial distress as early as possible because as social services providers, Eurodiaconia members have observed that people often come to look for help too late, the situation becoming much more complex to deal with than if people had come for support earlier.

[17] https://www.eurodiaconia.org/wordpress/wp-content/uploads/2020/12/FINAL-DE-Presidency-Booklet.pdf

Eurodiaconia members continue to stress the need for financial education:

- First, financial education in schools for children (primary prevention) should be included in school curricula, including financial literacy and budgeting.
- Second, financial education for adults and households (secondary prevention) are essential steps in addressing over-indebtedness and financial exclusion, helping people to make a budget and access the benefits they are entitled to.

Integrated approach: Financial exclusion and debt is rarely the main issue. It is often linked to social inclusion, employment, health, housing, access to services, education etc.:

- In order to respond to this reality, Eurodiaconia members adopt an integrated approach to debt relief, for instance by also providing debt counselling brochures on major life changes, helping people accessing the benefits they are entitled to, providing marriage counselling or children clubs.

Advocacy is a means to address financial exclusion:

- A counter-analysis of the social reality stocktaking: Eurodiaconia members as local grass-root organisations know the reality of the causes and consequences of financial exclusion. They can (and they do) therefore denounce for instance the persistence of predatory or aggressive lending practices or the presence of ''toxic'' financial products on the market.
- A visionary voice advocating for a better society: Eurodiaconia members are active advocates on a broad range of issues, all aiming towards the protection of the most vulnerable. Whether they are advocating for an adequate minimum income or a limit on what creditors can take from individuals, they contribute to create a policy framework limiting the possibility to fall into debt and being exposed to financial exclusion.

Social innovation enables new ways to overcome over-indebtedness:

- Information and communication technologies (ICT) as a way forward for debt relief: Eurodiaconia members have developed new tools for both prevention and support of people in debt such as online self-tests on financial behaviour, targeted online advertisement for debt relief services, e-learning programs to train social care workers or online support platforms to reach out to the increasing number of younger people in debt.
- Cooperation outside of the strict traditional framework of social workers: Eurodiaconia members are often at the forefront of cooperation, creating new dynamics to respond to the multi-dimensional nature of over-indebtedness. To provide a few examples amongst many, Eurodiaconia members have been establishing partnerships with debt collectors to train indebted people, they have been providing free legal aid through law-firm volunteers and they have been working with energy providers and local municipalities.

Humanitarian and curative services remain necessary to provide emergency material support for people affected by financial exclusion:

- Emergency material support: Sometimes the help arrives too late. People have been pushed into extreme poverty and social exclusion by over-indebtedness, triggering unemployment and sometimes addictions, breaking families and bringing homelessness. In these circumstances, Eurodiaconia members are present as well to stop people falling further into poverty and support them to re-build their lives. Food banks and shelters are often the first step, building bridges to enable a path toward social inclusion.

Eurodiaconia members' experience

The following section will focus on our members experiences and presents some of their work.

Cash Assistance Card - The Hungarian Reformed Church Aid (HU)

Since the beginning of the COVID-19 outbreak, our member the Hungarian Reformed Church has been at the forefront of helping people in need to cope with the crisis in Hungary. In a quick response, the Hungarian Reformed Church Aid (HRCA) provided fast and effective assistance to families in an unexpectedly difficult situation, for whom the provision of basic daily needs was endangered. Thanks to the funds received by the National Charity Council, the organisation was able to offer a new form of financial support for families in need worth about 10,000 EUR.

In the frame of the pilot program **"Cash Assistance Card"**, utilizing the technological developments of the financial world, HRCA donated **100 pre-filled bank cards with contactless technology to 100 families for 3 months**, which they topped up with HUF 10,000 per month during the first wave of the coronavirus epidemic.

This amount could be used according to the individual needs of the families, but only for one of the following specific purposes:

- purchase of food
- purchase of cleaning and toiletries
- purchase of medicine
- top up prepaid meter

Those involved in the program came from families who turned to HRCA for help. The goal is to allow the program to continue with additional families

based on the gained experience and support. Families supported in this project are also involved in a survey (keeping a household diary) to receive detailed information about the short plus long-term effects of the Corona crisis. In addition, to address the negative effects of the crisis within the family and to prevent the development of a deeper debt problem, HRCA provides professional assistance to distressed families by involving expert mentors.

The “Cash Assistance Card” can be used by families who have lost income due to COVID-19 and the following reasons:

- job lost (as a registered jobseeker in the relevant employment department)
- unpaid leave (e.g., providing childcare because of closed facilities)
- falling ill with COVID-19
- a member of the family died because of the pandemic.

The main target group of the program are families raising a minor child, including single parents. In addition to the specified entry conditions, there are income conditions for admission to the program, for which the following definition of the poverty line value is considered: 60% of the median income per unit of consumption (equivalent) in purchasing power parity, expressed in euro and national currency.

Within the framework of the “Cash Assistance Card”[18] program, beneficiaries receive targeted assistance that fits the consumption habits of the given family and does not impair their right to self-determination. The card donation helps to do this in a contactless way without logistics costs, generating local consumption.

[18] For more information, please visit our members website: https://reformatus.hu/english/

SchuldHulpMaatje: Prevention is the only way to overcome debt problems - Kerk in Actie (NL)

SchuldHulpMaatje aims to reach people with (impending) debts at an ealy stage and offers help via internet and with trained volunteers, who can help in a professional and personal way towards a life without debt. Guidance in behavioural change and financial self-sufficiency are central to this. The initiative started in 2010, after lobbying to recognise the role of trained volunteers supporting people to overcome their debts. Now, SchuldHulpMaatje is active in 90 locations and 123 municipalities. They help about 72.000 people online with five web platforms and ca 8.000 people with 'buddies'. They act at national level in cooperation with different churches, government, social organisations, banks, health insurance companies, market parties. Their motto is "together we are strong".

In the last year(s) the Church helped more and more people, as more people face debt problems.[19] There are approx. 7,9 million households in the Netherlands. In total, there are 1,4 million households with risky debts (840.000) or problematic debts (540.000). From that amount, only 193.000 households are registered by debt assistance. 86.200 persons ask for debt assistance, with on average 43.300 Euro debts and 14 creditors. SchuldHulpMaatje focusses more on people with risk of debt.

Debt ReliefBuddy expects that many households will be in financial difficulty as a way of getting through the corona crisis and will need help.[20]

Causes of debts are multiple: Complex social system, low income, taboo, asking too late for help, stress, incasso system, unemployment, low literacy, behaviour to mention but a few. Debts can have several effects:

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[19] The following calculations are from 2019.
[20] SchuldHulpMaatje website: News Feed: Corona and Debt. This page provides an overview of relevant news about corona and money matters and tips to prevent or mitigate problems.

for example, making wrong decisions by stress, accumulation of debts, relation problems, social isolation, financial exclusion, problems at work (people in 62% businesses have debts), problems of health, suicide, social costs.

SchuldHulpMaatje's vision is to try to find people at an early stage so that they end up with 2 creditors and not 14. Therefore, prevention is a very effective way to solve problems and needs actions from all, such as: signalling and addressing the problem in people's network. Breaking the taboo through the work of churches and signalling or referring to (voluntary) organisations. Organisations with debt assistance by working together with buddies and local governments by investing in prevention. National government by changing the system. Society by changing mentality. Market parties by stopping chasing people. Banks by investing in prevention. Health insurance companies and home cooperatives by investing in prevention. Businesses by supporting people to overcome their problems. Individuals by asking on time for help. Their vision overall is "the sooner the better". The first phase consists in prevention. Then Schuldhulp intervenes in the second phase. Finally, there is a follow-up and maintaining stability phase.

Loneliness and drinking issues are common problems for people with debt. Every two years a medical research looks at these measures. Once they have the data, SchuldHulpMaatje reaches people also through the internet. Additionally, they work with big banks that will suggest their website to their clients at risk of being indebted (usually 85% of the people that show the first signs of having problems). Banks have the capacity to target these people. And data protection is kept: SchuldHulpMaatje does not have access to the information of who is being contacted. Only people that feel they might receive the help they need will connect to this website and run a test to get personalised advice.

Back on Track: Money and debt advice - Kfum Sociale Arbejde (DK)

Kfum Sociale Arbejde in Denmark exist since 2009 and has grown from 4 to over 25 places. At national level they advocate within the Parliament, for instance, to raise awareness about quick loans with very high interest rates.

In the KFUM Social Work Debt Consultancy OnFoot Again, people in vulnerable life situations can get free and impartial advice about their private finances.[21] The advice is accredited by Consultancy Denmark. This means that the advice has undergone a quality assessment of whether the offer meets several common standards for free, social advice services.

[21] To find out more about the work of Kfum Sociale Arbejde, please visit their website: https://www.kfumsoc.dk/

In recent years they opened 8 new counselling sites. In some sites, they are working together with the municipalities and volunteer centres. Funding is, in these cases, provided by the municipalities. In Denmark, the municipalities are often also the creditors. In other locations, they are also working with the local Church. Some places offer a Social Café, where YMCA Social Work offers socially deprived people a cheap meal, a chat, advice on social issues, voluntary work, a community among other things.

In the beginning counseling sites were placed in major towns, but now they opened in remoted places as well. It takes longer time to find volunteers, but the need for money and debt-advise of course exists in more remote places, too. Counselling centres are mostly located in their social cafés, where their target group is already located. Some municipalities also offer rooms for counselling, or internet connection. They try to work closer together with local municipality. They often know who might need their help.

Policy recommendations

"Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need."[22]

The most vulnerable in our societies are under pressure. Those who find themselves on the margins on our society are disproportionately at risk. Thus, financial insecurity must be addressed as soon as possible and action needs to be taken to allow greater flexibility, e.g. in the banking and credit sectors to alleviate pressure on individuals with debt. Utility providers must also take into account the pressure that many households budgets face in light of COVID-19 and also increase their flexibility.

It is time to rethink finance to build back better. Using the recovery to transform our social, economic and financial system might be our best chance to avert catastrophic climate change, build a just society, and reduce the threats from an over-sized financial sector.

- The corona pandemic must not be an occasion to postpone or even abandon the ambitions to further strengthen Social Europe; on the contrary, it must lead to these plans being pursued even more vigorously. The promise to fully implement the European Pillar of Social Rights must be kept. Digital participation must be a right for all - especially in times of Covid-19.
- The revised version of the Consumer Credit Directive should ban exploitative credit; base credit decisions on proper creditworthiness assessment; organise early detection of financial issues of debtors and guarantee access to qualitative debt advice.
- Access to a bank account determines the ability for full participation in society and social inclusion, through e.g. the ability to pay bills and the

[22] Principle 20 of the European Pillar of Social Rights: Access to essential services

possibility to receive social benefits from public authorities. It is therefore a necessary element of social cohesion and should be protected at European level.

- Legislation must provide a description of the functions of a basic account such as credit transfers, direct debits and standing orders, withdrawals from ATMs, the possibility to cash deposits and Internet banking. This basic bank account should not charge excessive fees. The cost assessment should be made by independent organizations based on statistical studies. In the event of legal violations from a bank, the bank should be legally accountable and pay a fine.
- Moreover, there is room for action at EU level to mainstream the protection of vulnerable people against financial exclusion, through consumer protection (education, information) but also collection of information, monitoring and regulating of potentially dangerous practices in the internal market such as advertising.
- Eurodiaconia members also testify of the importance for Member States to ensure accessible education to all people on financial matters, such as financial management, interest rates and the consequences of debts. Eurodiaconia therefore recommends the European Union to develop guidelines to encourage member states to integrate such skills in school curriculums. These guidelines should particularly consider the involvement of local authorities and the targeting of young people.
- Eurodiaconia members reported their interest for further cooperation with different actors, on the model of the SchuldHulpMaatje (in the Netherlands) such as banks. Member States and/or the European Union could facilitate this dialogue through the establishment of formal platforms or task forces for cooperation.

There is room for action at EU level to mainstream the protection of vulnerable people against financial exclusion, through consumer protection (education, information) but also collection of information, monitoring and regulating the internal market.

Based on the research findings of Finance Watch, Eurodiaconia echoes their six recommendations to increase access to financial services for vulnerable groups and so prevent financial and social exclusion:[23]

1. *"allow basic payment accounts to be offered to those without full documentation, with adapted and appropriate features;*
2. *regulate the use of credit scoring and prevent discrimination;*
3. *set price limits where there is evidence of indirect discrimination against poorer customers;*
4. *extend the EU Accessibility Act to include cash machines and other banking services;*
5. *ensure that a set of basic financial services and products are available to all;*
6. *include poverty in definitions of discrimination and equal treatment alongside gender, age, and disability to ensure an inclusive market"*[24]

Eurodiaconia would like to remind the European Commission that the burden of financial exclusion gets heavier as the rest of society gets more "financially integrated". If the European Commission is going to accentuate its efforts for further access to a bank account for a better achievement of the internal market, it must also include the most vulnerable people in its approach. The European Commission must therefore address the issues of transparency, switching and access to bank by making sure Member States will implement its recommendation keeping in mind the protection of the most vulnerable people – even more so during a health crisis.

Eurodiaconia also particularly wants to underline the need for further regulation on other topics related to financial inclusion. One key area that needs to be addressed by EU policy is the introduction of a

[23] Finance Watch, 2020: Financial exclusion: Making the invisible visible
[24] ibid

legally binding EU Framework Directive on Minimum Income to support vulnerable people across Europe.[25]

A strong social Europe must also ensure a fair transition to the digital age. We live in a society in which digital participation is increasingly becoming the key to social inclusion. One goal in terms of access to essential services must be to ensure the digital participation of the disadvantaged, too. As social and health care service providers, our members use digital access, tools and opportunities for the benefit of those involved and to improve their quality of life. The European Digital Strategy presented by the European Commission on 19 February 2020 mentions important points regarding digital participation.[26] Eurodiaconia welcomes, among other things, that technology should be at the service of people.

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[25] See Eurodiaconia, 2020: Policy Paper Update on Adequate Minimum Income – Recommendations for an Active Inclusion Strategy and Social Platform, EAPN or Caritas Europe
[26] European Commission, 2020: The European Digital Strategy

CONCLUSIONS AT A GLANCE

- The revised version of the Consumer Credit Directive should ban exploitative credit; base credit decisions on proper creditworthiness assessment; organise early detection of financial issues of debtors and guarantee access to qualitative debt advice.

- We live in a society in which digital participation is increasingly becoming the key to social inclusion. One goal in terms of access to essential services must be to ensure the digital participation of the disadvantaged, too.

- Eurodiaconia members insist on the necessity of a preventive approach to financial exclusion. There is a need to support people in financial distress as early as possible because as social services providers, Eurodiaconia members have observed that people often come to look for help too late.

- There needs to be an integrated approach which is able to not only focus on the financial aspect of over-indebtedness, but also on the social and health effects of financially excluded people.

Access to financial services is essential in our “normal” lives and is stated as a right under the European Pillar of Social Rights (EPSR). However, financial exclusion remains a massive problem in Europe. Vulnerable groups of people who lack the financial means, documentation, or the capabilities (social, physical, mental, cultural, …) to access financial goods are most at risk of exclusion. Some of the most vulnerable groups affected by financial exclusion include overindebted, homeless, (long-term) unemployed, elderly, migrants, or Roma, among others. There is no end to poverty without financial inclusion.

Eurodiaconia also particularly wants to underline the need for further regulation on other topics related to financial inclusion. One key area that needs to be addressed by EU policy is the introduction of a legally binding EU Framework Directive on Minimum Income to support vulnerable people across Europe.

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