Lloyds Bank Consumer Digital Index 2017

Benchmarking the digital and financial capability of consumers in the UK

In association with

Doteveryone

LLOYDS BANK

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With thanks to

Doteveryone · Toynbee Hall · Good Things Foundation · TECH PARTNERSHIP · Department for Culture Media & Sport · Ipsos MORI

Foreword

LLOYDS BANK

NICK WILLIAMS

Managing Director, Consumer Digital

I am pleased to share with you the second annual Lloyds Bank UK Consumer Digital Index.

More than ever, financial and digital capabilities are interlinked. As in the 2016 report, this year's Index highlights how being digitally capable can support financial wellbeing. People are saving money by using discount or cashback websites and they are using online banking to help them manage their money better and to become more financially resilient.

Last year, I had an opportunity to share the Consumer Digital Index with the House of Lords Select Committee on Financial Exclusion, where a lot of the discussion focused on how financial and digital inclusion should be addressed jointly as a single agenda.

This year's Index shows a positive improvement in financial and digital capability. Within the last year, 1.1 million more people have gained Basic Digital Skills. There are 332,000 fewer people with low financial capability. The numbers are moving in the right direction but the rate of change is too slow. For the pace to increase, new intervention is now needed.

The data clearly shows there is a growing reluctance amongst those who aren't online to start using the internet. They are far less likely to recognise the benefits and aren't as interested in finding out more.

Organisations in all sectors, whether that is banks, utility companies, public sector or others, must focus more on one-to-one interactions, in places where many of those offline are already going. The Index shows that 45% of people prefer informal ways of learning. 43% of people don't know where to go for digital support. Those offline are harder to reach but they will respond most to trusted faces in local places. Good Things Foundation and libraries have already established this approach with great success through their Online Centre network.

I am particularly delighted that our research with Toynbee Hall into people without a bank account has expanded since last year. Now the leading research in this area, the findings highlight new data on why they don't have an account and what more could be done. The research looks in far more detail at the links between financial and digital capability and how greater support could be given. This is not just important for the 1.7 million without an account but also the 16.2 million with low financial capability.

It is vital that organisations act on the insights found in the Index. Lloyds Banking Group has more than 24,000 Digital Champions across the UK, helping customers and communities in a face-to-face informal setting, to improve digital skills. We launched our new Helping Britain Prosper Plan in March 2017. Part of this is a pledge that we will provide face-to-face support to 2.5 million individuals, small businesses and charities to develop their digital skills by 2020.

It has been a privilege for me to have shared the 2016 Consumer Digital Index with so many policymakers and organisations over the last twelve months. I was personally very proud to see it referenced in the Government's Digital Strategy. I am delighted that the Government is committed to provide free basic digital skills training, placing it on an equal footing to adult literacy and numeracy training. It is always so encouraging to see how the Index's insights have been used by so many. I hope this year's findings will continue to be of such great interest.

I am extremely grateful to Doteveryone, Toynbee Hall and Ipsos MORI for their contributions to this report and I'm really looking forward to working with the Tech Partnership as we look to evolve the digital skills research, making sure it remains valuable to all. I want to thank the teams at Good Things Foundation and the Department for Culture, Media & Sport for providing their expert insights into the Consumer Digital Index. Finally, my thanks go to the Lloyds Bank Customer Insights team who has provided such unique and valuable analysis for this report.

Doteveryone

MARTHA LANE FOX

Executive Chair

I'm delighted to be part of the second-ever Lloyds Bank Consumer Digital Index, the largest study of financial and digital skills across the UK. This year's report shows both the magnitude of what we've achieved so far and the significant challenges we still face in helping people get online.

As before, we can see the real impact digital skills have on people's financial wellbeing: put plainly, those who are highly digitally capable save more money, more often than those without the skills to use the internet.

However, whilst the total percentage of offline UK residents has dropped since last year – from 11% in 2016 to 9% in 2017 – the remaining 9% now overwhelmingly cite a lack of interest, as opposed to issues like privacy or cost, as the reason they don't go online. And with two thirds saying "nothing" could change their minds about the internet, reaching and persuading that last 9% will be a massive challenge in the years to come.

As the Tech Partnership carries on the legacy of our work in Basic Digital Skills, these considerations will have to be at the forefront of all our minds. The insights in this year's Consumer Digital Index will be key in helping the last 11.5 million of our neighbours discover just how much of a difference the internet can make to their lives.

Once again, I would like to thank Lloyds Banking Group for their continuing commitment to increasing digital skills in the UK – as a principal partner for both Go ON UK and Doteveryone – and as an industry leader in spotlighting the massive financial opportunities the internet can offer. And of course, I also want to thank Toynbee Hall for their significant contributions towards making this report a success.

TOYNBEE HALL

SIAN WILLIAMS

Director of the Financial Health Exchange

Advisor to the Financial Inclusion Commission

For the second year, Toynbee Hall is delighted to contribute to the Lloyds Bank Consumer Digital Index.

We were very grateful to offer additional information this year with the use of ground-breaking original survey data and interviews, both with people that have no bank account, or who have only recently opened one.

Financial and digital exclusion continue to have a significant impact on the lives of people all over the UK. But what Lloyds Bank's research does so well is to delve deeper into unanswered questions: is age really a big factor in the digital divide, what impact is digital confidence really having, and why isn't income level a barrier to digital capability?

We know existing research from the Office for National Statistics finds that 1.71 million adults do not have a bank account. This year, as a way of supporting Lloyds Bank's innovative and timely research into digital financial skills, we have devised a typology of those people who do not have a bank account, in order to better understand their varied digital and financial characteristics. We believe this information will be extremely useful for a variety of organisations and services wishing to understand the consumer dynamics of those operating outside of the financial mainstream.

To this end, Toynbee Hall, through its Financial Health Exchange, will continue to help identify ways to improve the financial health of this group of people.

Executive summary

The Lloyds Bank Consumer Digital Index provides a unique view of the financial and digital capability of all adults in the UK. It combines actual behavioural data with survey research to understand the attitudes behind their behaviour. This year, for the first time, the Index brings together in one place data from key additional sources.

This year the report features the Basic Digital Skills measure for UK adults, compiled in association with Doteveryone. It also includes an extended research study of people without a bank account, carried out by Toynbee Hall. Using Ipsos MORI's Tech Tracker, it also incorporates new insights about how people use internet banking and how they can gain digital skills support. This builds on outcomes from the 2016 Consumer Digital Index, which demonstrated the positive effects on well-being that managing money online can have.

There has been an improvement since the Index and Skills reports were published. Within the last year, 1.1 million more people have gained Basic Digital Skills. The survey data shows the number of people without skills has reduced to 11.5 million. There are also 332,000 fewer people with low financial capability.

More people are now benefiting from digital skills. This is thanks to the great work of practitioners such as libraries and Good Things Foundation. For example, The Good Things Foundation has improved the skills of over 230,000 people in the past year (and 2 million since 2010).

But there is still more work to be done. There are still 9% of people not using the internet. Women are now 9%* less likely than men to have all five Basic Digital Skills, especially Problem Solving. Although interestingly, actual behavioural data results for men and women show there to be less of a difference, with 82.3% of women and 83.2% of men reported as having high digital capability.

The report's sources broadly agree on the profile of those who are offline or have very few Basic Digital Skills. The 2017 Lloyds Bank survey also highlights that a core group is more reluctant than ever to go online, with 74% saying nothing would motivate them to do so. This is a significant change.

The internet offers many benefits and direct contact is key for the remaining people who do not yet understand the benefits. Ipsos MORI results show that 45% of people prefer to learn digital skills from friends and family.

A key opportunity is for organisations to raise awareness of the support available as the people who need the support the most do not know of the free education available.

*All % figures throughout the report represent percentage point changes.

> Earlier this month we published our Digital Strategy, which set out our plans for creating a world-leading digital economy that works for everyone, with improving people's digital skills at its heart.
>
> The Consumer Digital Index highlights many of the issues our new strategy aims to address, and Government will be working even more closely with individuals and organisations to make sure the benefits and opportunities of digital are spread across the country and throughout society.
>
> I'm pleased Lloyds Banking Group has committed to offer face-to-face training to an additional 2.5 million individuals, small businesses and charities by 2020, and welcome the insight in this report.
>
> Alongside our new Digital Skills Partnership, this will help make sure everyone is equipped with the skills they need to share in the benefits from the digital revolution.
>
> **Rt Hon Karen Bradley, MP**
> **Secretary of State for Culture, Media & Sport**

Executive summary – key findings

Over one-quarter of people can't manage for more than one month without regular income

Financial resilience looks at how people might be able to manage if there was a change in their financial situation, such as their income. The Index found that 30% would not be able to manage for more than one month.

Digital skills are key to saving and managing money for everyone

The 2016 Index found that people can save an average of £744 a year by being online, through shopping, discounts, saving on utility bills or reducing costs. The 2017 report looks deeper into this 'Digital Dividend', this time focusing on how people benefit from using discount or cashback websites. It shows that people have said they can save an average of £444 per year from these alone.

New insight shows how online banking has helped two-thirds of people to avoid paying overdraft fees, as well as highlighting the digital 'jam-jar' way of managing money.

68% of those offline say nothing can motivate them to get online and they are not aware of the free support available

The number of people not using the internet has reduced from 11% to 9% of the UK adult population, which is in line with the increase in those with Basic Digital Skills.

This is encouraging, but it is in marked contrast to the fixed position of those who remain offline. They are simply not convinced or aware of the benefits.

There are 16.2 million people in the UK with low financial capability

The Index uses behavioural data from 1m consumers to assess levels of financial and digital capability. There are now 16.2m people in the UK with low financial capability, less than a year ago. 9.2m people have low digital capability. 3.1m people are low in both, which is 100,000 fewer than in 2016, all of which is an improvement since 2016.

Longitudinal analysis shows how people have moved from one segment to another over the past year. Encouragingly, the data reveals people are more likely to stay in the digitally high segments with 86% of them remaining in the highest digitally and financially capable quadrant over the past year.

Within a year, 1.1 million more people in the UK now have Basic Digital Skills

1.1m more people in the UK now have the skills to make the most of the internet. This is a very positive increase in just over a year. It is also encouraging to see that skills are increasing across the board. The greatest improvement has been amongst the over 65s, who have improved more rapidly than any other age group, by 6 points within a year. Even so, 'problem solving' remains the one most difficult to attain. Only 59% say they know how to solve a problem online using online help and there still remains 11.5m without all five Basic Digital Skills.

People without a bank account who own a smartphone are more than twice as likely to state they manage their money better than those without a smartphone

Toynbee Hall's extended research fills a gap in understanding how people without a bank account manage their money and use digital technology. It now provides updated results for bodies such as the Financial Inclusion Commission, showing that nearly one-third say the reason they don't have a bank account is that they don't have the right identification. It must be made much easier and clearer for people to know what ID they need to open a bank account.

The findings also show that there is significant digital confidence and that using a smartphone can support better money management.

Recommendations

Organisations across all sectors engaging directly with those offline should do more in those settings to encourage and help people to develop their digital skills.

This is the key recommendation and applies across every sector. It is especially important for the core group of people who are most reluctant to go online, but would benefit most from doing so.

Existing approaches may not work with this group. For instance, 74% of over-60s say nothing will motivate them to go online. A new approach is needed.

1. Trusted Faces in Local Places

Direct dialogue is the best way to increase the pace of change in the level of financial and digital skills. This could be through face-to-face support or peer-to-peer guidance with those not yet online or financially capable. The Index shows that 45% of people prefer to learn about the internet through informal settings, such as friends and family.

Learning from peers is crucial as they can communicate more clearly and authentically the benefits of being online and could help to support those offline to use the internet. Organisations should work to raise awareness with people who already understand the benefits of digital skills, such as peer groups, and signpost where to go for support. To broaden outreach, partners should work through organisations that already serve online audiences. Mumsnet and Gransnet are good examples of where this could be done.

Particular focus should be given to help people with 'Problem Solving' online. This is the Basic Digital Skill which the fewest number of people are able to do.

2. Widen the conversation

43% of people don't know where to go for support to get online. Organisations in regular contact with those who would most benefit from increasing their digital skills should make more of existing interactions, and help inspire people by sharing awareness of the benefits and signposting people to support. To reach those offline, partners and practitioners in all sectors should look to extend or implement one-to-one programmes.

The Basic Digital Skills and Toynbee Hall research found that people with the least skills and those without a bank account are most likely to live in social housing (around two-thirds and 55% respectively). Regular contact offers a platform to remind people that they can save or manage money better online, and that free help to learn is available. Social housing providers are already doing a great deal in this area and other organisations should look to build and emulate these practices.

Banks, utility companies, telecoms, central and local government, housing associations, elderly care charities, social services and many other touchpoints – they all have existing interactions with people who may need support.

We should all look to widen those interactions beyond their immediate purpose and offer help, guidance and support to help people widen their digital skills and increase their financial capability.

Recommendations

3. Start from the inside out with digital skills

Employers have a great opportunity to support their own colleagues and improve their digital skills. 10% of those in full or part time work lack Basic Digital Skills. Toynbee Hall also state that 51% of those without a bank account are in work. There is an opportunity to support employees to develop their digital and financial skills. This also applies to the public sector, which employs more than 5 million people in the UK*.

* ONS, UK Public sector employment. (December 2016)

4. Increase financial education, support and guidance

16.2 million people in the UK have low financial capability, including 9.2 million people with little or no savings. Toynbee Hall's research found over half of those without a bank account had not sought financial or debt advice. This is because they did not see themselves as needing such 'emergency' support.

More consideration should be given to improving awareness of all forms of advice available and to provide this as early as possible, through schemes such as Money for Life. This applies especially to those outside mainstream financial services. Partners and practitioners should ensure anybody who may need advice knows what is available, where to go and how to get it.

5. Greater focus on helping people understand what ID they need to open a bank account

Toynbee Hall has shown there are a number of reasons why 1.71 million people don't have a bank account. But almost one-third of those (29%) don't believe they have the right identification. Better communication would help this group to understand more clearly what types of identification are accepted. Providers should encourage customers to discuss alternative options. Partners across all sectors can support this to provide more information and signposting. Partners can also talk about more of the digital benefits of having a bank account.

Toynbee Hall's research shows significant evidence of digital confidence amongst those without a bank account so there is an opportunity to talk about how online banking could be of help to be in more control such as digital 'jam-jarring'. The research also highlights how using smartphones may help better money management, with 63% of those using a smartphone managing better vs. 28% of those who don't.

While it's encouraging to see the numbers of those who have never been online, or who are lacking the five basic digital skills, have decreased since the 2016 Index, there are still a huge number of people who continue to be digitally excluded. People without digital skills are likely to be the most excluded, to be living in poverty, and to have little financial security. It's clear that they have a significant amount to gain from improving their digital skills, and accessing both financial savings and tools online.

Helen Milner,
CEO, Good Things Foundation

Methodology and definitions

Methodology

In 2017, in addition to the behavioural data and attitudinal research found in last year's report, the Index now incorporates five distinct data and research sources, including Basic Digital Skills and wider research on people without a bank account. Additional quantitative questions were also asked through Ipsos MORI's Tech Tracker to help further understand how people view internet banking. All of this provides further rich insight which will build upon the 2016 Index findings.

1. **Behavioural data** – a robust and UK-representative sample of 1m consumers aged 18+. The data analyses 12 months of actual transactional behaviour. It also provides a longitudinal view to understand if or how people have shifted their financial or digital capability over the last year.
2. **Attitudinal research** – a quantitative survey of 2,700 adults, across the UK and sourced from the 1m behavioural data sample. The research was undertaken to understand financial and digital attitudes, all of which support and enhance the behavioural data.
3. **Basic Digital Skills (NEW)** – conducted by Ipsos MORI, this quantitative research of 4,000 adults (aged 15+) across the UK, measures the 5 Basic Digital Skills as defined by Doteveryone (appendix 1*).
4. **Research on people without a bank account (NEW)** – in 2016, Toynbee Hall undertook 28 in-depth qualitative interviews. This year, this research has expanded to include:
   - national quantitative study of 104 respondents
   - in-depth interviews with 29 participants
   - two one-hour in-depth interviews with people who are newly banked.
5. **Internet banking quantitative research (NEW)** – given the proven benefit of internet banking and digital skills shown in the 2016 Index, additional research was conducted by Ipsos MORI with 1,000 respondents, asking new questions in the Ipsos MORI Tech Tracker to understand more about internet banking usage, barriers and potential improvements.

Data & research sources used throughout the report will refer to the numbers shown above.

For example, source no.1 refers to the Lloyds Banking Group 1m consumer behavioural data.

* All appendices can be found online at lloydsbank.com/consumerdigitalindex

Definitions

The Consumer Digital Index uses financial and digital measures to analyse people's overall capabilities. These measures are created using actual behavioural data, identifying different types of activities. For each measure, there are five segments which show differing levels of capability. Further detail on the segments can be found on pages 34 and 35.

> ONS welcomes the publication of the 2017 Consumer Digital Index. This report contributes to the understanding of the impact that the internet has on people's everyday lives and how digital skills are important in helping people to access online services.
>
> **Daniel Groves, Economist, National Accounts and Economic Statistics, Office for National Statistics**

Digital capability

The Index's digital capability complements the Basic Digital Skills measure, as it analyses individuals' actual behavioural data – from no evidence of digital activity, right through to sophisticated use of the internet, such as multiple device use and streaming content.

This is a useful supplementary view to Basic Digital Skills, which are based on survey responses and an individual's perceived digital skills, whereas the Index identifies actual online behaviour, such as use of online shopping. Both are also aligned to the ONS Labour Force Survey report on internet use, which states that 10% of UK adults aged 16+ have never used the internet (see p34 for digital capability breakdown).

Financial capability

This year's Index methodology is aligned to the UK Financial Capability Strategy, which focuses on developing people's financial skills and knowledge, and improving their attitudes and motivation. The US approach was applied in 2016, as the UK Strategy did not exist at the time of publication.

Financial capability is measured using actual behavioural data, providing a scale from very limited access to products and services, through to those demonstrating strong borrowing and repayment behaviours, as well as having savings (see p35 for financial capability breakdown).

Key findings

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Financial resilience

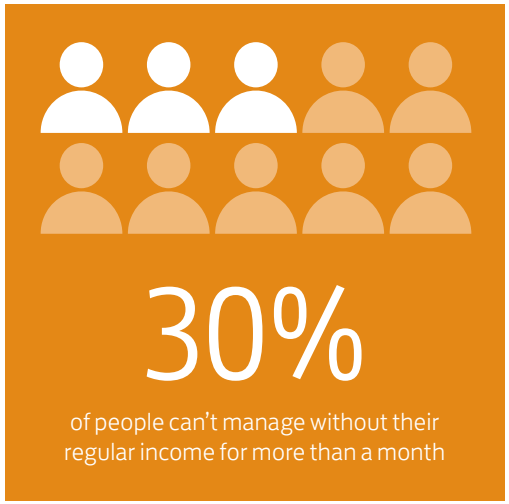
Without regular income, 30% of people can't manage financially for more than one month

The 2017 Index survey included a question regarding people's financial resilience, asking how long they could manage financially without their regular income. Nearly one-third (30% - 14.8m) people could not manage for more than one month, and half of those (15% - 7.4m) of those would struggle immediately. This is broadly in line with the 16.2m shown to have low financial capability within the Index score (see pages 34 and 35 for more on capability).

This insight also echoes work published in 2014 by the debt charity, StepChange, whose findings showed that 13m people did not have enough savings to last more than one month if their income dropped by 25%[1].

> I moved to London a few years ago to start my apprenticeship and I'm flat-sharing with friends. I don't really have enough to save very much so if I lost my job, I'd be in trouble pretty quickly.
>
> **Max, 23 , London**

Figure 1: Consumers' survey response to "How long could you manage financially without your regular income?"



15% say they would struggle immediately

15% say they'd manage for a month

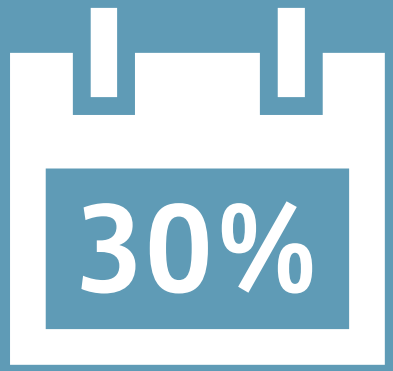
14% say it would take two months for them to start feeling a financial strain

14% of people say they'd cope for three months

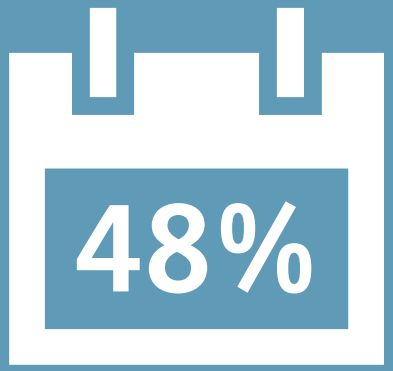
42% could manage for more than three months

Source: No.2 - 2,229 respondents

[1] https://www.stepchange.org/portals/0/stepchangelifeontheedgereport.pdf



Without regular income, 30% of people can't manage financially for more than one month



For low-income households, this rises to 48%

Some groups are more likely to struggle sooner

18-24 year olds are the least able to manage, as they will have only had limited time to build any financial reserves. As figure 2 shows, 46% would be unable to manage for more than one month – significantly higher than the UK average (30%).

The younger generation have the most to gain and need the most help with understanding financial capability.

Those on a lower household income (of less than £20,000 per year) may have fewer reserves in place to cushion any loss of income. The results reflect this, showing even more than 18-24 year olds would not manage financially after just four weeks.

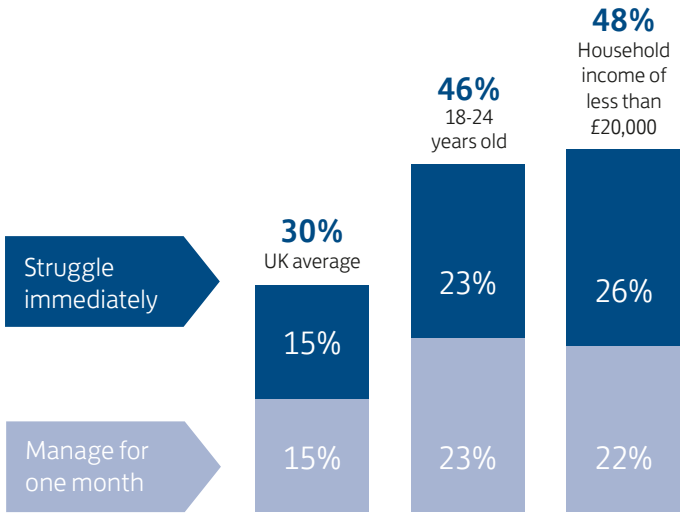
The difference of being online

The Index also shows the impact digital capability seems to have on people's capacity to manage in this situation. Those who are offline are far more likely to struggle immediately (22%) than those who are online (15% - see appendix 2). This would suggest that having some kind of digital capability could enable people to manage for longer should their income no longer be available.

The results also suggest that being online can help with financial resilience. The most digital people, including those with low income, save more often than less digital people. They also save more money and check their balances more often.

Source: No.2 - 278 respondents with household income of less than £20,000, 293 respondents aged 18-24 and 2,229 total UK respondents

Figure 2: Consumers' survey response to "How long could you manage without your regular income?", by age (18-24) and household income of less than £20,000, vs UK average



Digitally capable people are

Saving nearly twice as often

4.5 times
vs.
2.5 times per year

Saving more than twice as much

£83
vs.
£34 a month

Checking their balance more than twice as often

14 times
vs.
6 times per month

than those without digital capability

Digitally capable low-income households are also benefiting

2.4 times
vs.
1.6 times per year

£29
vs.
£15 a month

11 times
vs.
5 times per month

How to save money and manage online

Understanding the Digital Dividend – the financial benefit of cashback and discount sites

People can save an average of £444 per year by using cashback and discount sites alone

In 2016, the Index showed that people could save an average of £744 per year by being online.

As it is not thought this figure will substantially change each year, the 2017 Index focuses solely on how people can benefit from using cashback and discount sites to save money. This was calculated from survey responses alone.

People in the survey stated they can save an average of £444 each year just by using such money saving websites.

When asked, only 50% of those online actually use these websites, such as Groupon, HotUKDeals or Quidco. This suggests there is missed opportunity for those online, who are not realising the full potential of the digital dividend.

Those aged 30-39 are using these sites the most (59%) to save money. Furthermore, all the younger age groups are gaining the most benefit.

For this type of saving, there is no difference between households with higher and lower incomes, nor is there any regional variation. This suggests all demographic groups are able to access the same discount opportunities.

Figure 3: Average annual saving by using discount and cashback websites

> My girlfriend and I really enjoy going out with our friends, but it does tend to get very expensive alongside other financial commitments. I always keep a look out for days out or evening meal discounts on Groupon or Bookatable. We also want to go on holiday this year too. We wouldn't be able to find the prices that are online on the high street. The online savings you can make are great.
>
> **Pete, 32, South West**

Source: No.2 - 1,241 respondents

The average amount people can save per year by using discount and cashback websites alone

Savings continue to be made online

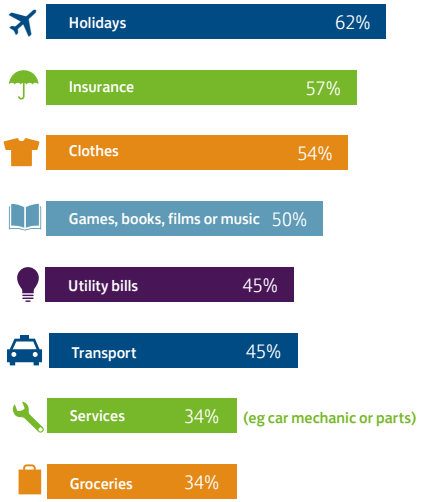
People continue to make savings when buying products or services online, as figure 4 shows, with nearly two-thirds (62%) saving money on holidays and over half saving on insurance (57%) and clothes (54%).

There are some unsurprising trends in certain categories. For example, more young people save on clothing, whereas more of those between the age of 30 and 49 are saving money on insurance (see appendix 3). For those aged over 60, the most popular categories are holidays (52%) and insurance (51%) (see appendix 4).

Holiday savings for all

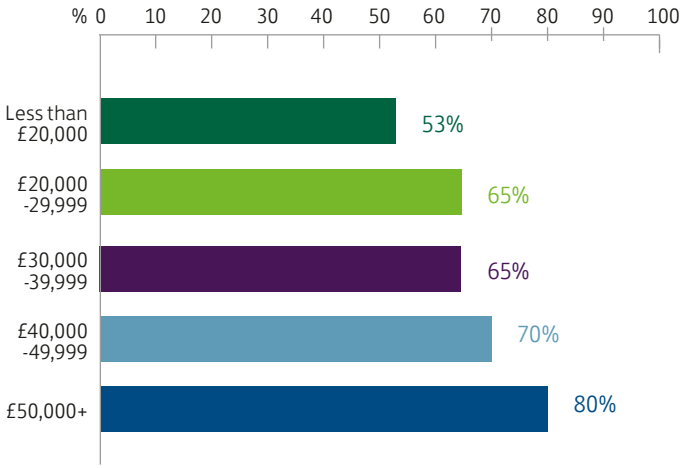
Holidays continue to be the most popular saving (62%) and interestingly, the Index shows that this is regardless of income. For example, over half (53%) of those with a household income of less than £20,000 are saving money on holidays (see figure 5).

Figure 4: Consumers' survey response to "Which are the things you think you save money on by being online?"



Source: No.2 - 2,464 respondents

Figure 5: Percentage of consumers saving money on holidays – by total annual household income



Source: No.2 - 1,526 respondents

How to save money and manage online

The value of internet banking – 67% of people said online banking helped them to avoid paying overdraft fees

There are now 60%[2] of people using internet banking, whether through their laptop, PC or mobile.

A new question was asked in the main Consumer Digital Index to those who use online banking. Just over two-thirds (67%) said that online banking had helped them to avoid paying overdraft fees.

Positive results for some vulnerable groups

As seen in figure 6, the number grows to 71% for those whose annual household income is less than £20,000. What is more, when looking at age bands, the number of those agreeing amongst 18-24 year olds rises to 77%. This shows how online banking is putting them more in control in a tangible way.

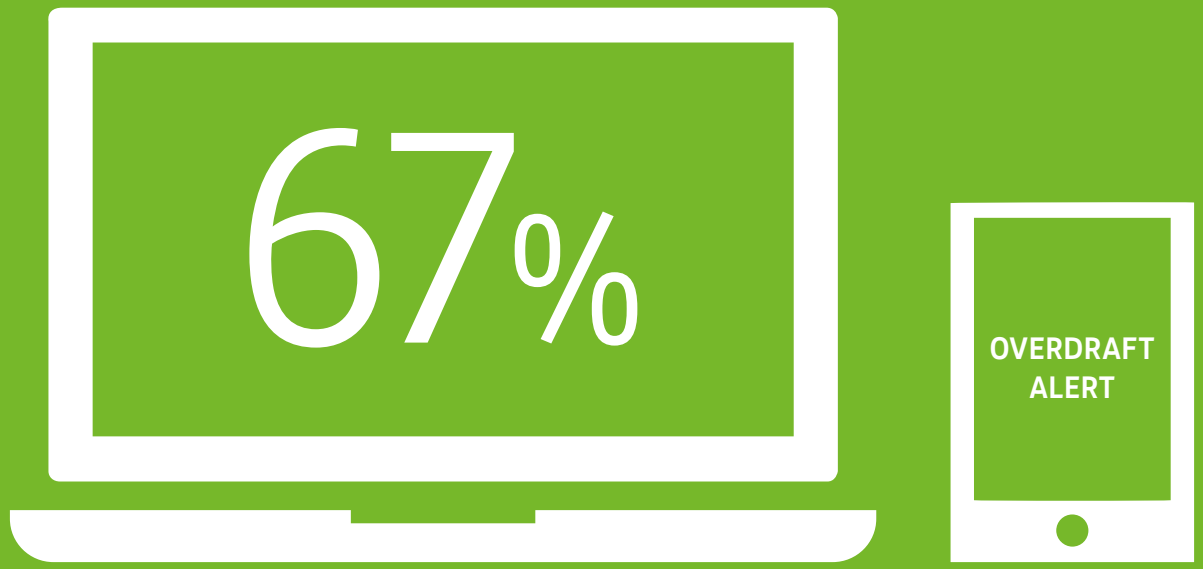
Figure 6: Those able to avoid overdraft fees by using internet banking

UK Average	Household income under £20,000	Aged 18-24
67%	71%	77%

> I recently signed up to online banking which is a real life saver. I can check my bank balance whenever I need to, and I can keep an eye on payments going in and out so I don't go overdrawn. I've signed up to text message alerts which tell me when I have reached my limit, so now I don't even have to log on, which is an added comfort.
>
> **Paula, 38, North West**

Source: No.2 - 1,721 respondents

[2] Lloyds Banking Group data, January 2017



of people said they used online banking to help avoid paying overdraft fees

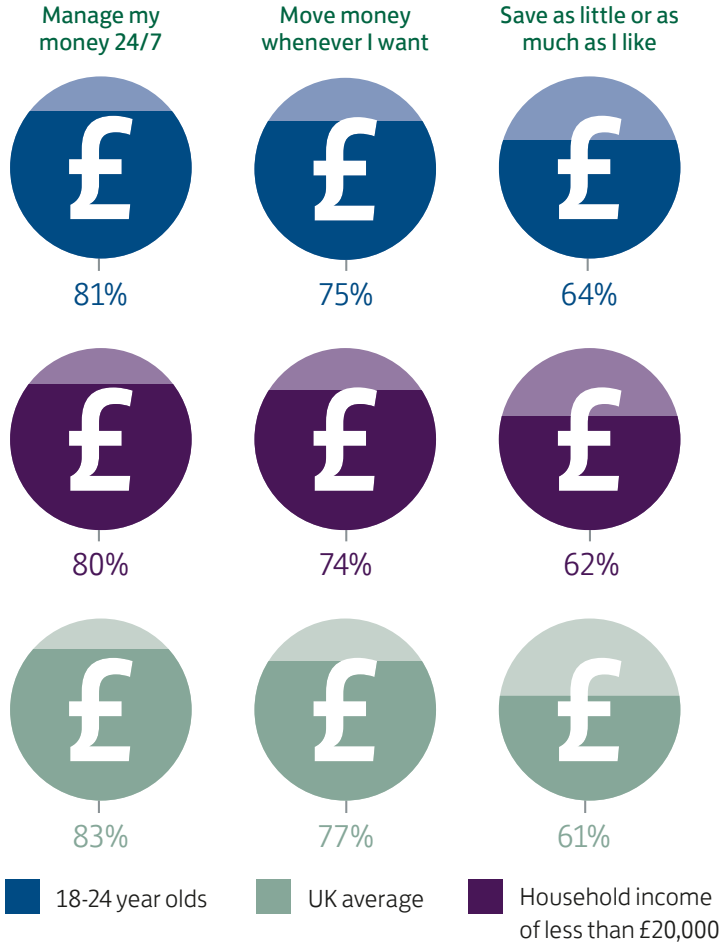
Benefits of banking online

As in the 2016 Index, there is still further value for those using internet banking. More than three-quarters prefer online banking as it allows them to access and move money when they want to, as well as a further 61% being able to save as little or as much as they like.

Everyone can benefit

The benefits are also equally positive for those on lower incomes or aged between 18-24, as shown. This is particularly important as it demonstrates how online banking can help support wider wellbeing, as well as money management.

Figure 7: Reasons for preferring to use online banking



Source: No.2 - 2,047 respondents

> Technology is allowing people to take more and more control over how they spend, move and manage their money. This is particularly useful for helping vulnerable customers; as innovative new technologies combine with mobile, voice and video banking services to make it easier to access, manage and keep track of their finances. However, it's important that no-one is left behind.
>
> Lloyds Bank's latest report provides a valuable contribution to the banking industry's ongoing efforts to address financial inclusion and digital skills.
>
> There's still more to be done to break down the barriers to digital engagement, but by working together we can continue helping customers manage their finances more quickly and conveniently than ever before.
>
> **Anthony Browne,**
> **CEO, British Bankers' Association**

How to save money and manage online

The 'jam-jar' effect – how digital can help you manage your money

For the first time, the 2017 report investigates a type of behaviour which could have a positive impact on customers' overall financial wellbeing. The concept of 'jam-jarring', in other words, managing cash between multiple 'jars' has been adapted for digital use – for online banking particularly – meaning that this is now possible online and instantly.

In this context, to 'jam-jar' is defined as someone moving money online from one bank account or savings account to another, in other words, moving from one online 'jar' to another, at least three times in one month.

The concept of managing money between different pots is widely recognised as a positive approach for the financial inclusion agenda. Credit Unions offer a formal 'Jam Jar' Account, which siphons off a proportion of a customer's income when it is deposited into a central account, helping them to save and not overspend.

The Money Advice Service also suggests this is a good way of dealing with money.

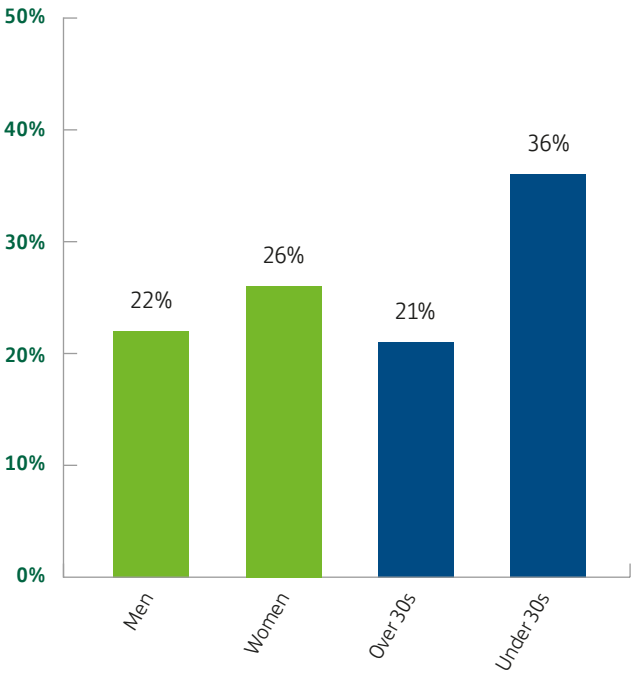
Gender

More women use this approach to money management than men. Focusing on the digitally high groups, figure 8 shows that 26% of women in the digital high and financially low quadrant are using the 'jam-jar' approach, vs. 22% of men in the same group.

Age

There are also differences between age groups. People under 30 are more likely to 'jam-jar' (36%) than those over 30 (21%).

Figure 8: Percentage of 'jam-jar' usage by gender and age group



Source: 1m Lloyds Banking Group customers

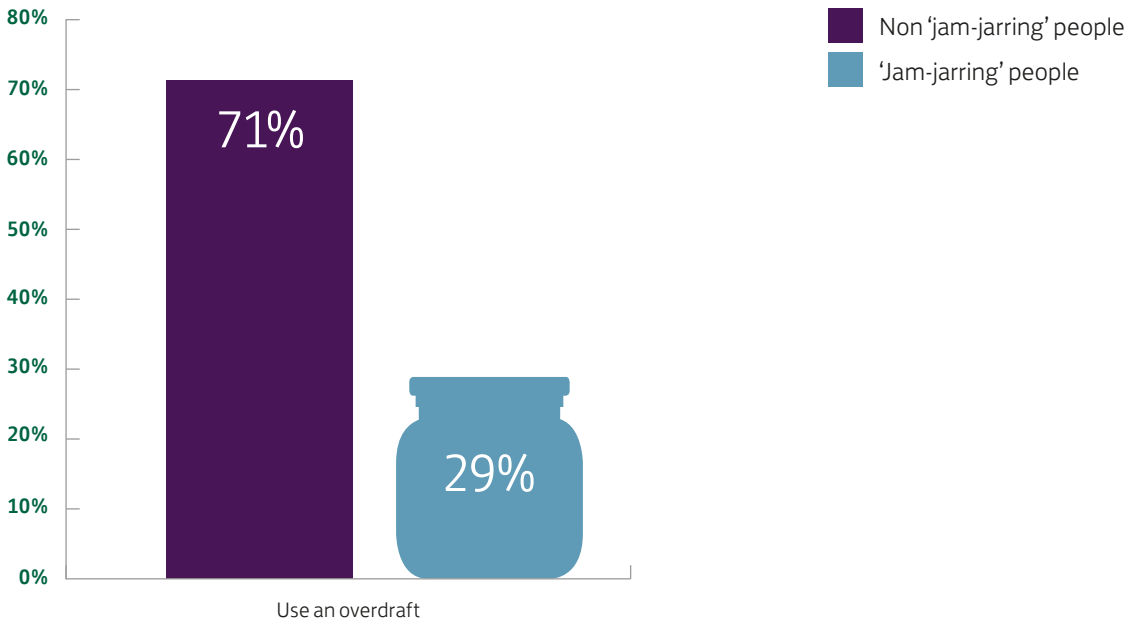
The value of 'jam-jarring'

As well as being more prevalent amongst the young and women, 'jam-jarring' appears to have tangible value, as users are less likely to use overdrafts.

Figure 9 shows that people who 'jam-jar' online are far less likely to use their overdraft.

> My boyfriend and I have just bought a house and we need to do loads of work to it. As well as having our own bank accounts, we now have one for the mortgage and bills, plus another for all the renovations, as well as three different credit cards. I am constantly online moving money from one place to another and to be honest, if I couldn't do that, I'd easily lose track of where my money is. We're on a real budget so we can't afford to go overdrawn. This is the only way to make it work!
>
> **Susanna, 28, South East**

Figure 9: Those who have any type of overdraft facility in place, by behaviour type



Source: No.1 - 1m Lloyds Banking Group customers

The challenge of those offline

The challenge of motivating the last 9% – entrenched attitudes and reluctance to be persuaded

It is becoming increasingly challenging to motivate those who are not yet using the internet. 9% of the UK adult (aged 18+) population are still offline. This has reduced from 11% in 2016, so an encouraging move forward. And this, along with the Basic Digital Skills 'zero skills' number, is broadly in line with the May 2016 ONS Internet Use survey.

However, the 2017 Consumer Digital Index shows that the remaining 9% are less engaged and less easily persuaded than ever before.

Learning how to use the internet from friends and family is the most popular way to learn, with 45% doing so, suggesting that a peer-to-peer approach could be a solution for the remaining 9%.

The over 60s are still prominent

There is a clear demographic weight towards older people, which is not a new insight. It is well documented that many of those yet to move online are over 60, which is in line with Ofcom's 2016 Adults' Media Use & Attitudes research. That is not to say that all over 60s are offline – 71% are now using the internet. This is reflected in improved Basic Digital Skills and increased usage of tablets and smartphones (see p50) amongst this age group.

The 2017 Index shows that many of the online over 60s are making savings in a variety of ways, with over half saving on insurance and holidays, and more than a third doing so with utilities, clothes and even games, books and films (see appendix 4).

of the UK adult population are offline

This report is a timely reminder of how many people aged 60 and over remain offline and the barriers they face to becoming more digitally engaged.

All sectors need to do more to make it easier and more attractive for older people to get online – while still ensuring that essential services remain accessible to all.

Older people often tell us the internet makes life more convenient and enjoyable, enabling them to keep in contact with loved ones, make savings and pursue hobbies.

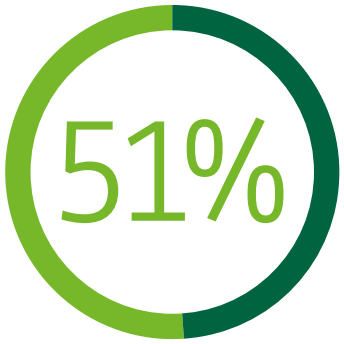
That's why the Age UK Network supports older people in a variety of ways, such as drop-in sessions, classes and peer support programmes that are tailored to individual needs.

Tom Wright
CEO, Age UK

A lack of interest

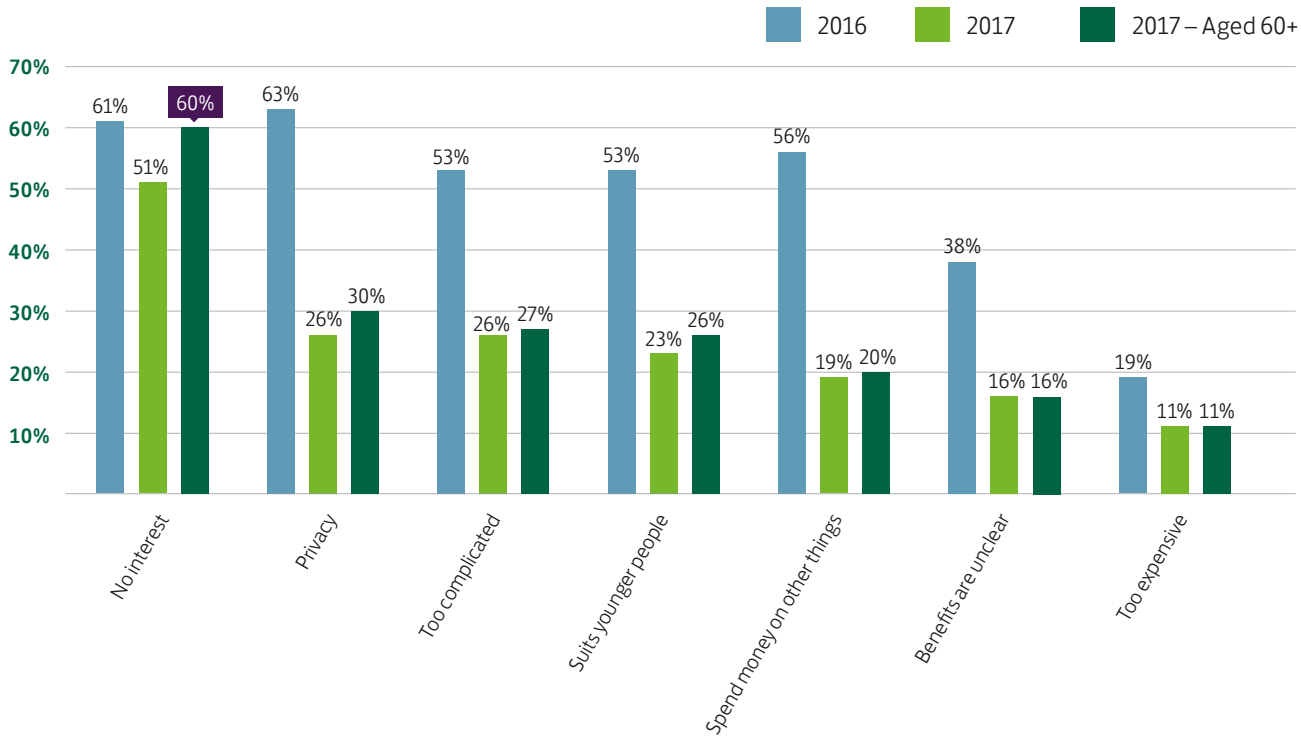
For those offline, their attitudes appear to be hardening. The 2016 Index showed there was a mixture of reasons for resisting the internet. This included concerns about privacy, complexity, having other priorities and a lack of interest (see figure 10).

This has changed in 2017, where it is clear that the responses have now converged into a single prominent reason – no interest. 51% of respondents claimed this was why they hadn't used the internet. It is even more polarised for the over 60s, 60% of whom stated they are not interested in getting online.



say that the #1 reason for not getting online is a lack of interest

Figure 10: Offline consumers' survey response to "Why have you not used the internet in the last 3 months?"



Source: No.2 - 303 respondents (2016) and 253 respondents (2017)
Source: No.2 - 125 respondents aged 60+

The hardest group to motivate

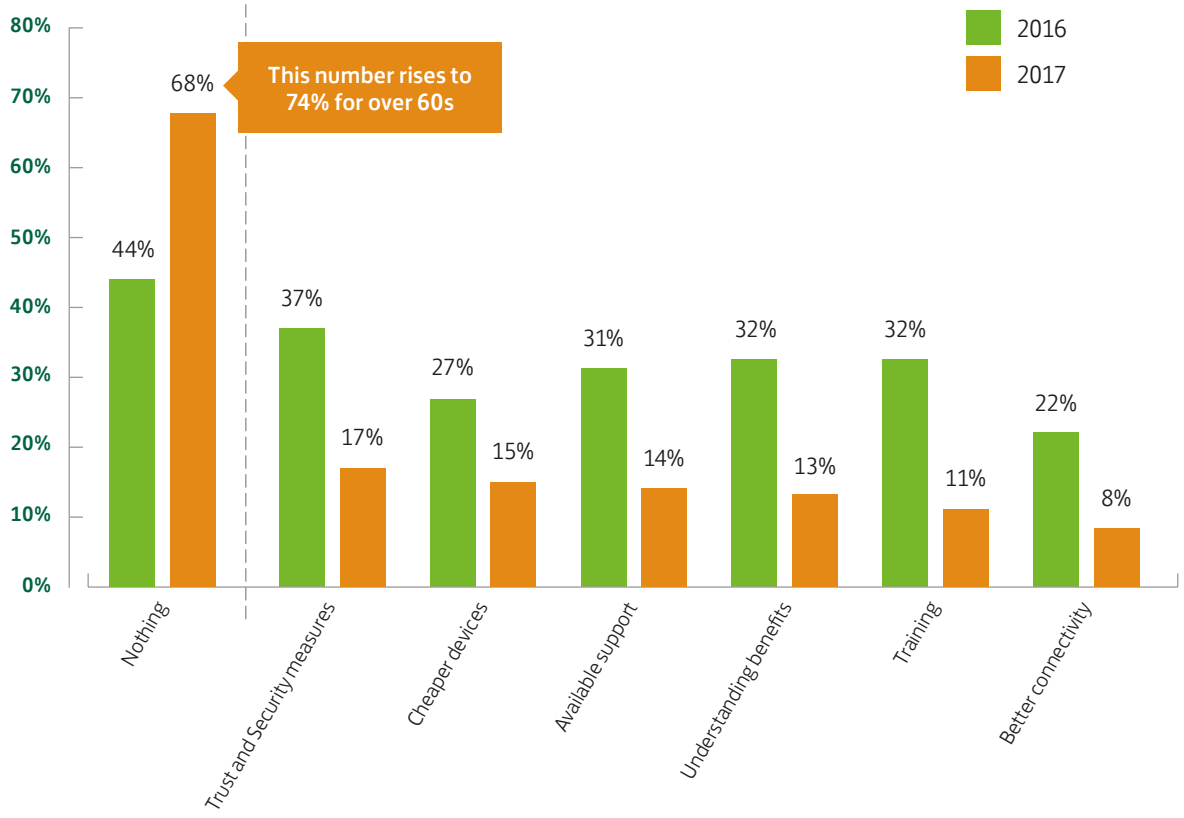
Nearly three-quarters (74%) of over 60s state that they could not be persuaded to go online.

For partners and practitioners, it is vital to understand what can motivate people who are offline to start using the internet. Previous studies, including Ofcom's Media Use & Attitudes reports, the Lloyds Bank Consumer & Business Digital Indexes and Age UK's 'Later life in a digital world' have shown that lack of interest and motivation are often primary barriers to getting older people online.

This was reflected in the 2016 Consumer Digital Index, which showed that 44% of people who weren't using the internet said nothing would motivate them to get online (see figure 11). However, it was clearly not the only reason, with many stating more practical ways to persuade them to go online, such as more support or training or improved security.

The 2017 Index shows a different picture, with convergence towards this single, far more prominent response.

Figure 11: Offline consumers' survey response to "Could any of the following motivate you to use the internet?"



Source: No.2 - 125 respondents aged 60+
Source: No.2 - 303 respondents (2016), 253 respondents (2017)

51%

of those offline aren't interested in getting online

68%

of those offline say nothing can motivate them to get online

73%

of those offline don't believe you can save money online

77%

of those offline aren't aware of available digital support

A perceived lack of value in being online

Lack of awareness of the benefits of being online is still a key barrier and remains an opportunity for partners and practitioners to address. There is the same convergence as seen with reasons for not being online. 73% now believe they cannot save money by being online (see figure 12). This rises to 76% for over 60s (see appendix 5).

This is a significant challenge, as one of the many benefits of being online is that people are able to save money. The 2016 Consumer Digital Index reported people could save an average of £744 per year by being online.

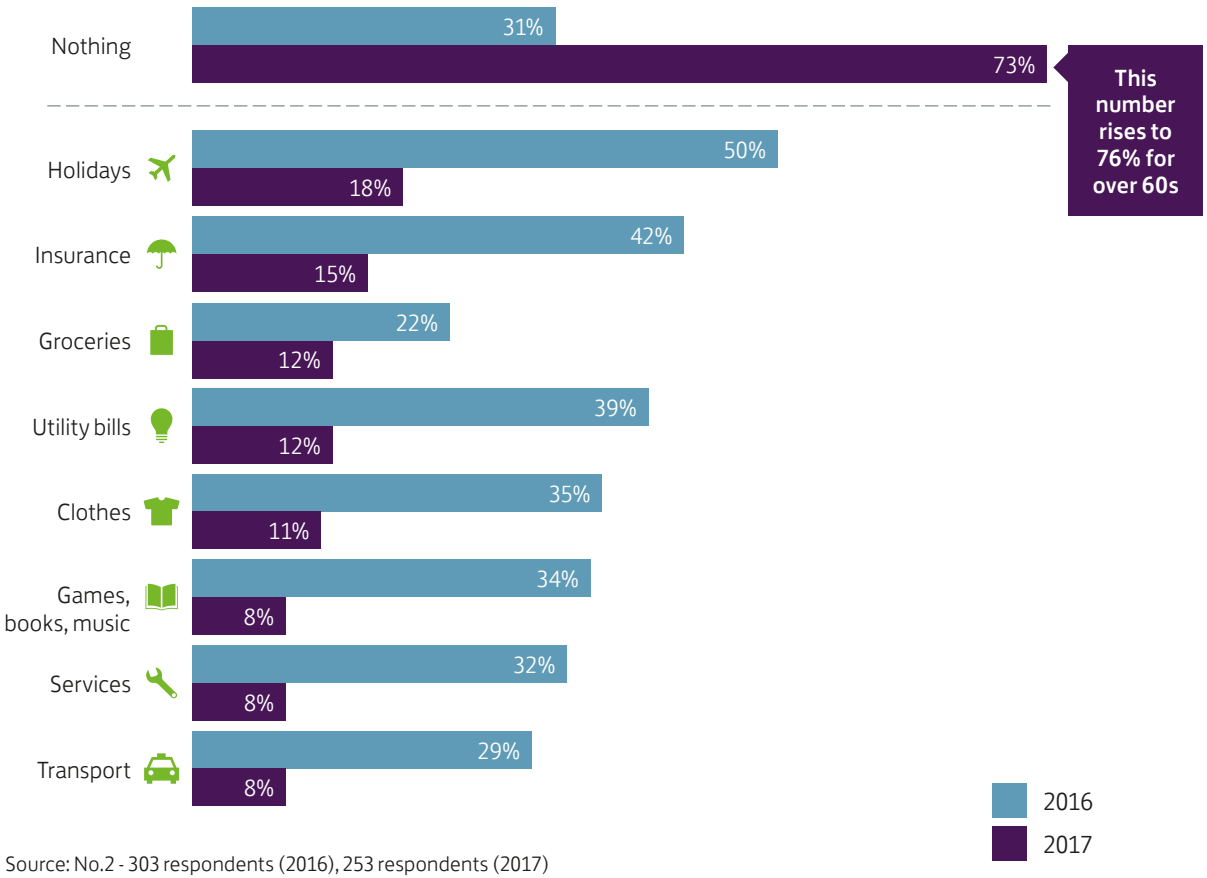
Potential online banking benefits not realised

There are also potential benefits being lost by not using online banking. Recent Lloyds Bank analysis identified the types of branch and call centre activity amongst the over 50s. In a three month period, over half (56%)* of this activity was simple transactions, such as checking statements, moving money between accounts or checking a payment.

All of these could easily be done online, saving people time and money.

*Source: Lloyds Banking Group Behavioural Analytics, February 2017

Figure 12: Offline consumers' survey response to "What do you think you could save money on by being online?"



Source: No.2 - 303 respondents (2016), 253 respondents (2017)

Awareness of available support

According to the Ipsos MORI Tech Tracker, 43% of people were not aware of the free resources and support available to them, to help develop their digital skills and get them online (see figure 13).

It is encouraging to see local libraries featuring so highly and it demonstrates their importance in improving digital skills and literacy.

There is opportunity to create even more awareness of the free Learn My Way online content, which is specifically designed for low digitally skilled audiences, where there is 26.5 hours of training available.

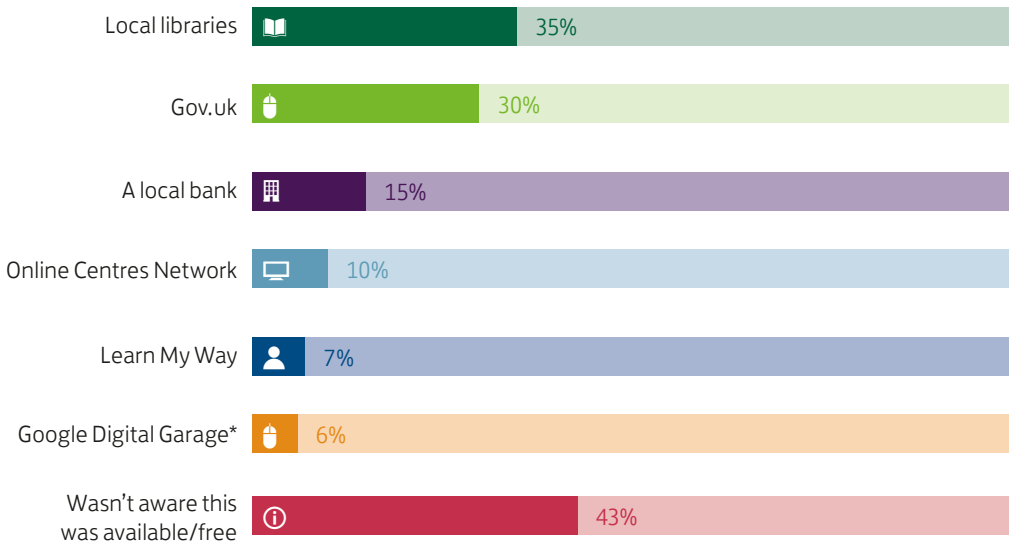
17% of people knew of Online Centres and Learn My Way, which is a very solid baseline of awareness, especially when a lot of this support is found within libraries.

Less awareness for those offline

77% of people who don't use the internet weren't aware of the free resources and support available.

Local libraries were the most well-known (17%) along with Learn My Way (5%) and local banks (6%). Overall, there is clearly only limited awareness of any resource at all (see appendix 6).

Figure 13: Responses to "Which, if any, of the following free support and guidance resources which help to enhance digital skills are you aware of?"



Source: No.5 - 984 respondents
*Free online marketing training to help small businesses and charities grow their organisations

How to address the lack of motivation

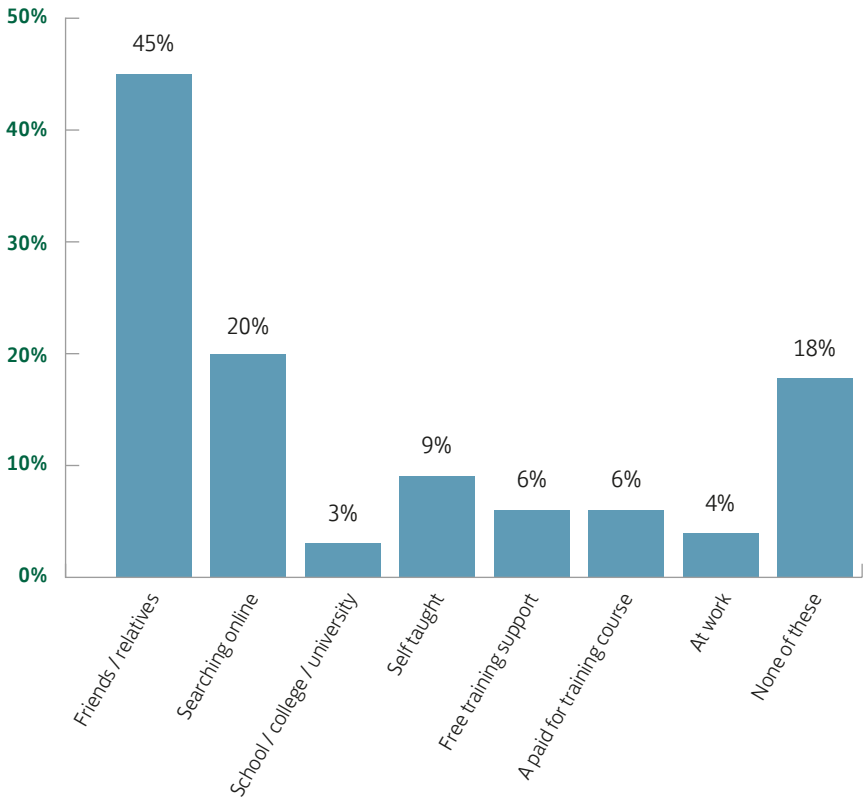
It is crucial for practitioners and partners to consider a face-to-face model of motivation, education, support and training for this group who are not yet online (such as face-to-face support provided by the Online Centres Network).

The Ipsos MORI Tech Tracker identified that the most common way for people to learn how to use the internet is through friends and family (see figure 14).

This supports the theme of "trusted faces in local places" and is also found within the Lloyds Bank Business Digital Index, where the more 'informal' routes to learn and gain support and advice are growing in popularity. This insight also supports a peer-to-peer approach, which harnesses the power of the 'trusted faces' who already understand the benefits of being online.

This is further highlighted with the 'Problem Solving' skill of solving queries using online channels (see p40). This suggests people still value direct interaction for important matters.

Figure 14: Which, if any, of the following sources of information did you use to learn how to use the Internet?



Source: No.5 - 984 respondents

> Users of Mumsnet and Gransnet already know how online communities and the internet can help people in so many ways. There's a real opportunity for our users, and anyone who's already benefiting from the internet, to encourage those who are yet to see what it can do for them. It is great to see this report addressing such challenges and I look forward to seeing what more can be done.
>
> **Justine Roberts, CEO and Founder, Mumsnet**

45% of people turn to friends and family to learn how to use the internet

Which makes peer-to-peer support crucial to improving digital skills

The new Consumer Digital Index scores

In 2017, the way the Index score is calculated changed so it now aligns to the Lloyds Bank Business Digital Index methodology. In 2016, there was an 'open Index', which meant the scores could go beyond 100. The change in 2017 means the Index score is now out of a maximum of 100 and no higher.

The average UK Index score for 2017 is 46.6. The new methodology was also applied to 2016's data and shows that the Index score would have been 46.1, demonstrating a small improvement year on year.

UK average Index Score

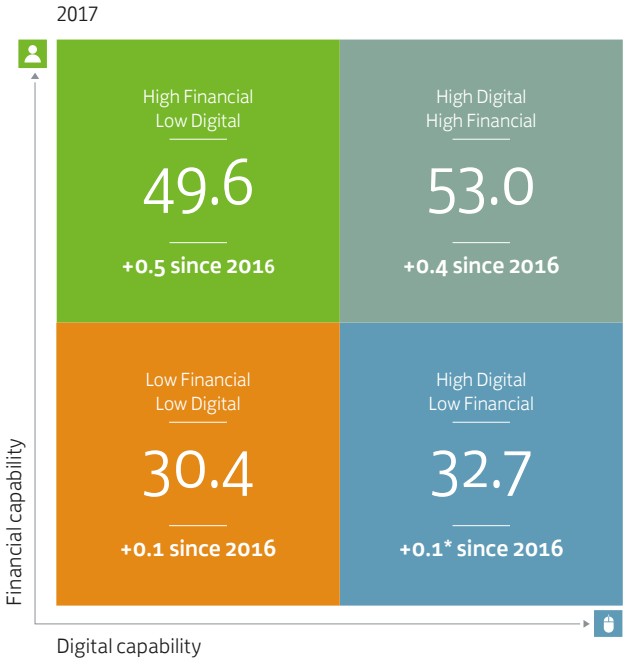
46.6

Source: No.1 - 1m Lloyds Banking Group customers

New Index scores

The new Index scores are shown here, along with what they would have been in 2016 had this methodology been applied. As figure 15 shows, there is a small increase since 2016 in all four quadrants.

Figure 15: Average Index score by financial and digital capability

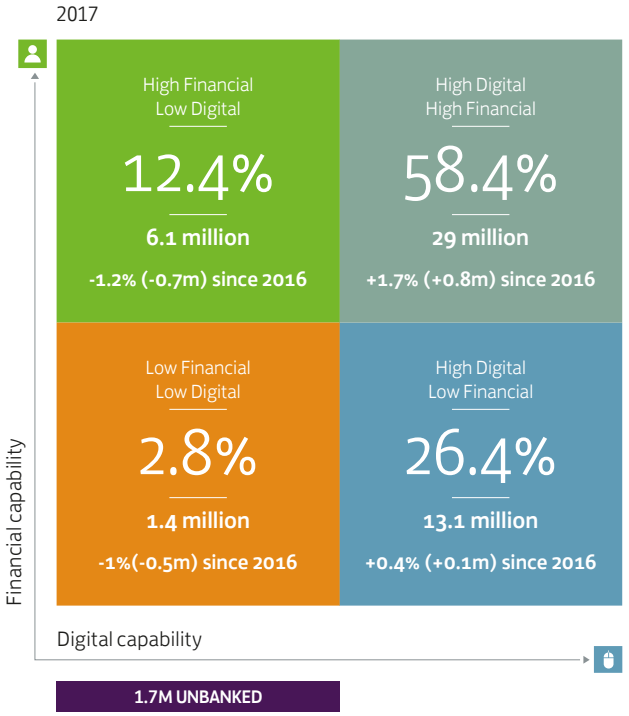


* Not a statistically significant change

Size of each population

Figure 16 shows the proportion and actual size of each quadrant's population. This shows a positive move towards greater digital capability, as well as 500,000 fewer people in the bottom left-hand quadrant of low financial and low digital capability.

Figure 16: 2017 UK population (% and absolute numbers) by financial and digital capability



Digital and financial capability

Since 2016, there has been an improvement in financial and digital capability. Whilst this is encouraging and moving in the right direction, there is still clearly a lot more to be done.

Longitudinal observations

Since 2016, there has been some movement of people between the four quadrants shown on p32. It is interesting to note that the digital quadrants are the most stable, and 'High Digital, High Financial' is the highest, with 86% of people staying within that group.

16.2m

people in the UK have low financial capability

332,000 fewer than in 2016

9.2m

people in the UK have low digital capability

1m fewer than in 2016

3.1m

people in the UK have low digital and financial capability

320,000 fewer than in 2016

High Financial
Low Digital

75%

of people have remained within this quadrant

High Digital
High Financial

86%

of people have remained within this quadrant

Low Financial
Low Digital

67%

of people have remained within this quadrant

High Digital
Low Financial

78%

of people have remained within this quadrant

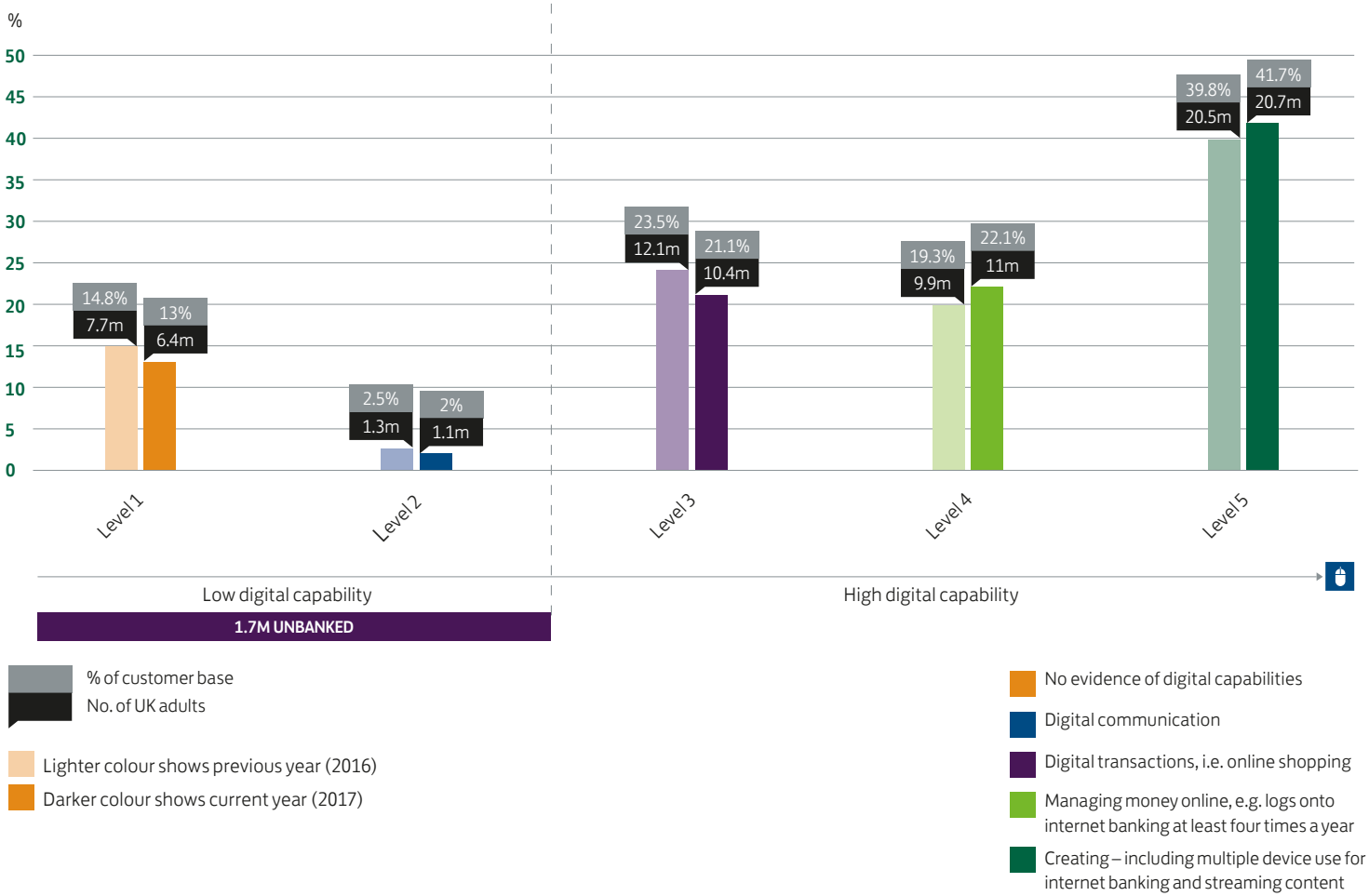
Digital capability

Shown opposite is how the UK population maps across the digital capability measures.

As mentioned in the 'Definitions' section on p10, digital capability is a distinct measure from Basic Digital Skills, providing a sliding scale of behavioural activity, based on 1m people's transactional data over the past 12 months, versus the survey responses used to gauge Digital Skills levels. However, they are very complementary measures, offering broad and detailed views of capability and skill.

The results show there are 1.3m fewer people with low digital capability. This is broadly in line with the 1.1m fewer people without Basic Digital Skills.

Figure 17: Behavioural data applied to the UK population, by digital capability segment



Source: No.1 - 1m Lloyds Banking Group customers

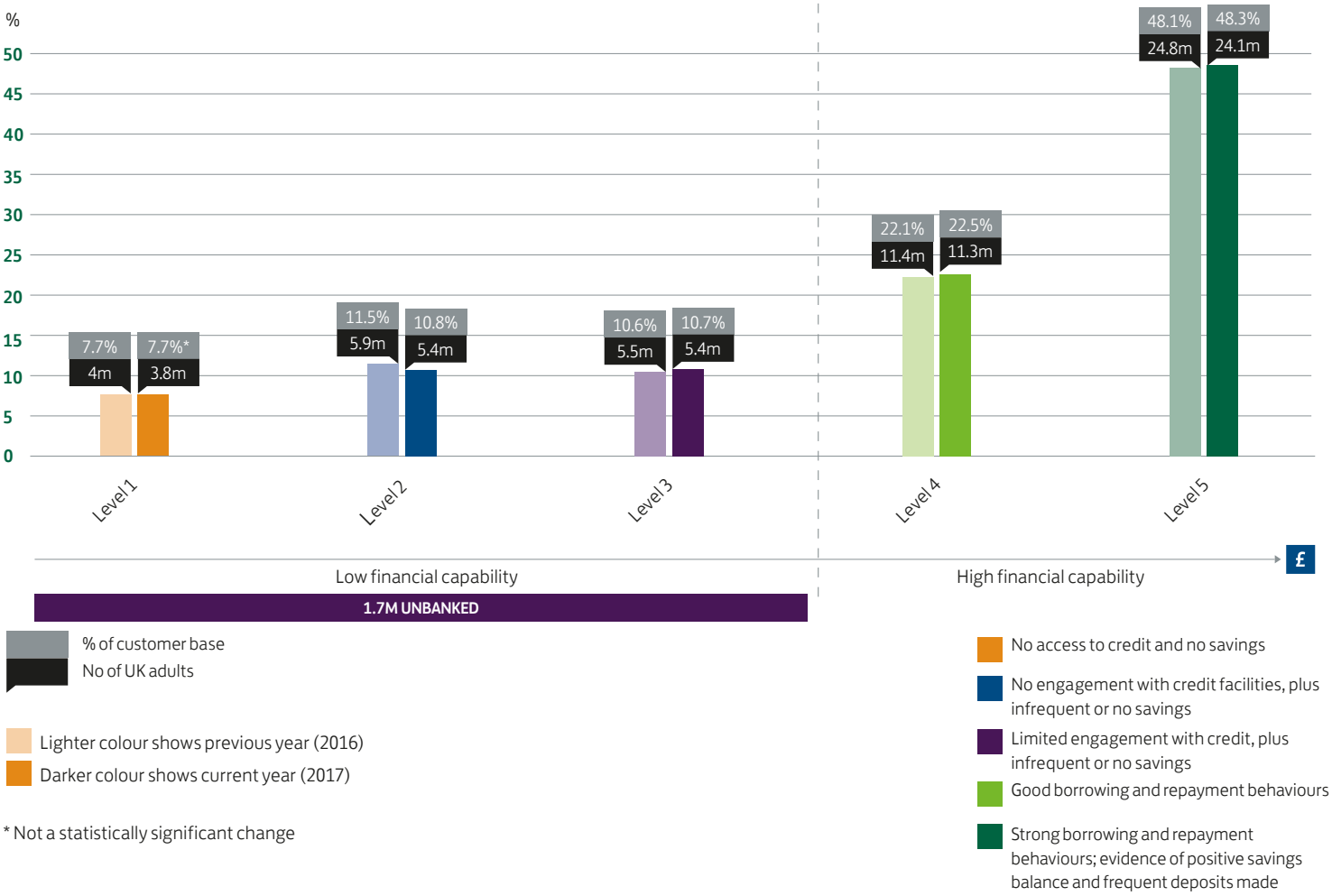
Financial capability

Shown here is how the UK population maps across the financial capability measures, which are consistent with the definitions used in the 2016 Index report.

The comparison shows a slight improvement in the number of people with high financial capability, which is encouraging.

What the results show is that there is still a large number (16.2m) who need more support with financial education.

Figure 18: Behavioural data applied to the UK population, by financial capability segment



Source: No.1 - 1m Lloyds Banking Group customers

* Not a statistically significant change

Basic Digital Skills

In association with

Doteveryone

TECH PARTNERSHIP

LLOYDS BANK

Methodology

Approach

The Basic Digital Skills measure was created by Doteveryone and partners to measure the level of digital skills of adults across the UK. The first Basic Digital Skills report was published in October 2015.

Doteveryone and Lloyds Bank commissioned Ipsos MORI to recalculate the national result, using a quarterly Tech Tracker to achieve a UK representative view of device ownership and usage amongst adults aged 15+ (including Northern Ireland).

The research uses 4,000 face-to-face interviews, conducted in November 2016. Respondents were given eleven digital tasks (Figure 21), and were asked:

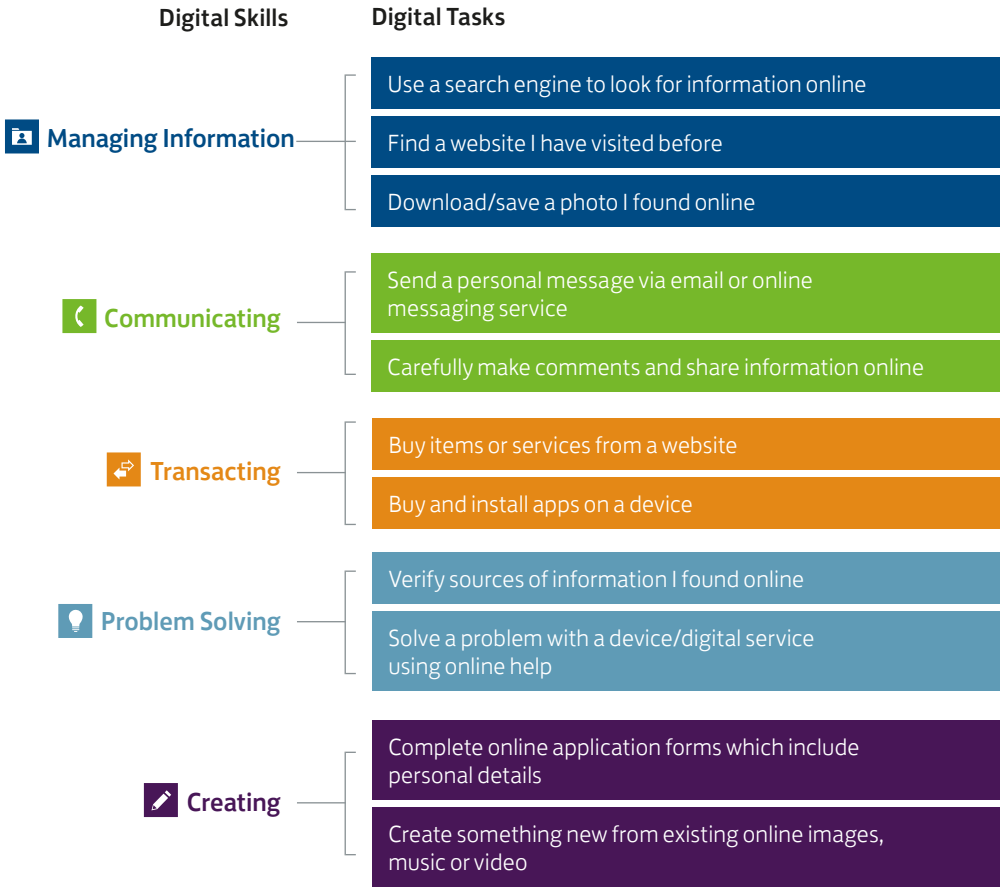
- Which tasks could you do if asked?
- Which tasks have you done in the last three months?

The answers to these questions were combined to identify a respondent's digital skills.

Underpinning all of these skills is online safety – knowing how to use secure tools and websites, knowing how to protect yourself and your data online and being aware of scams and malware.

Those who said they could do one task in all of the skills categories were classified as having Basic Digital Skills

Figure 21: Basic Digital Skills framework



Within a year

1.1million

more people have gained Basic Digital Skills

Basic Digital Skills

Overview

21% (11.5m) of the UK are classified as not having Basic Digital Skills, which represents a 9% improvement and a reduction of 1.1m people since 2015, when the last Skills report was published.

Furthermore, 6% report having four of the five skills, suggesting many are close to achieving all five.

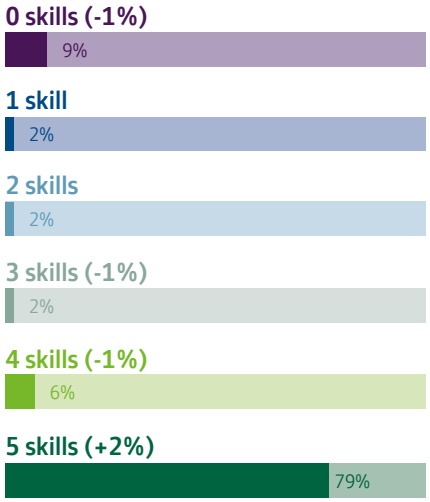
9% of people (1% decrease from 2015) have no Basic Digital Skills. This aligns with the results from the Lloyds Bank Consumer Digital Index, finding 9% are not using the internet (see p24).

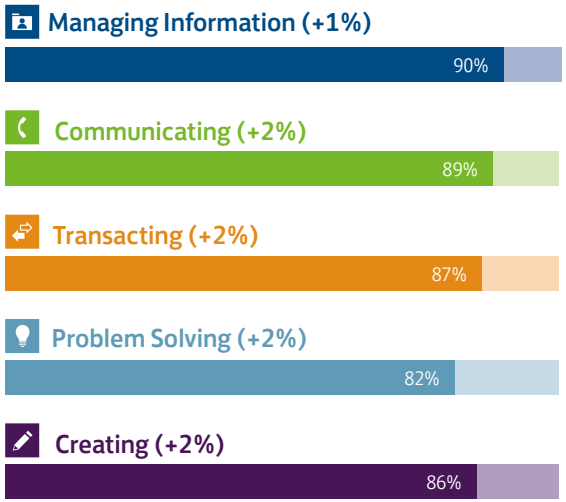
Nearly all adults have managing information, communication and transacting skills. The skills acquired by the fewest people are 'Creating' (86%) and 'Problem Solving' (82%).

> This year has seen an important increase in Basic Digital Skills for more than 1 million adults. But we must address why problem solving continues to be the least developed skill.
>
> **Rachel Coldicutt,**
> **CEO, Doteveryone**

Source: No.3 – All UK respondents (4,034)

Figure 22: Consumers reported number and type of **Basic Digital Skills, 2017 (compared to 2015)**





> I am excited that Tech Partnership will be continuing Doteveryone's inspiring work on Basic Digital Skills. Everyone needs digital skills for employability and, just as importantly, for full participation in our increasingly online world.
>
> We are delighted to see Lloyds Bank's commitment to Basic Digital Skills and also to the challenges and opportunities of helping people make the most of being online.
>
> **Karen Price,**
> **CEO, Tech Partnership**

Basic Digital Skills by task

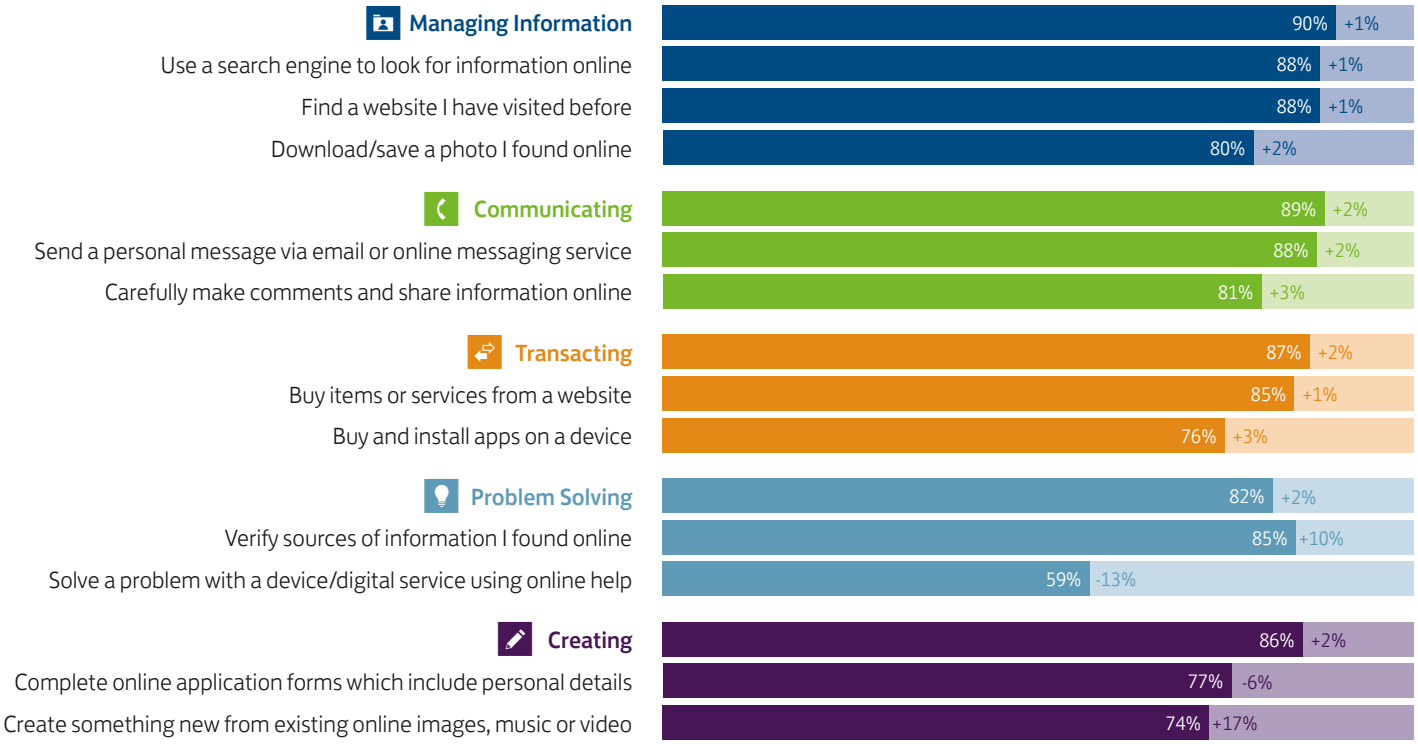
In comparison to 2015, there appears to be a broadening of the skillset with a number of individual skills seeing significant increases.

The two skills requiring the most improvement have seen the most fluctuation year on year.

The 'Creating' task, 'complete online application forms which include personal details', has decreased by 6% compared to a 17% increase for 'creating something new from existing online images, music or video'.

The most interesting result for 'Problem Solving' is using online help to solve a problem. This is the only skill to decrease significantly. Ipsos MORI's Tech Tracker found that face-to-face was the most preferred way to complain (see appendix 7).

Figure 23: Breakdown of each digital skill, 2017*



Source: No.3 – All UK respondents (4,034)

*Respondents were only required to say they could do one of the digital tasks if asked, in each skills category, to be deemed as having the skill

Demographics

The results show that amongst some vulnerable groups, such as older people or those on lower incomes, Basic Digital Skills levels are lower. This is both a risk and an opportunity for everyone to address.

Basic Digital Skills by age

Age continues to be a determining factor. This is especially true for those age 65+, with 29% having no Basic Digital Skills, although this has improved within the last year.

The 55-64 age bracket have also seen positive results this year.

The younger generation of 15-24 year olds have also seen significant improvements.

Nearly all 15-24 year olds (97%) have Basic Digital Skills (4% increase) and 0% have no skills at all (1% decrease).

Age as a correlating factor is echoed in the Consumer Digital Index, which found 18-24 year olds have the highest level of digital capability (98%) and the over 60s have the lowest digital capability at 65%, compared to the UK average of 85% (see appendix 8).

Figure 24: Basic digital skills by age group

Source: No.3 - UK respondents aged 15-24 (580) 25-34 (528), 35-44 (596), 45-54 (641), 55-64 (651), 65+ (1038)

Basic Digital Skills of the over 65s

Despite having the lowest level of Basic Digital Skills, the 65+ age group has seen improvements in nearly all areas.

Unlike the other age groups, 'Problem Solving' has seen the largest improvement with a 10% increase.

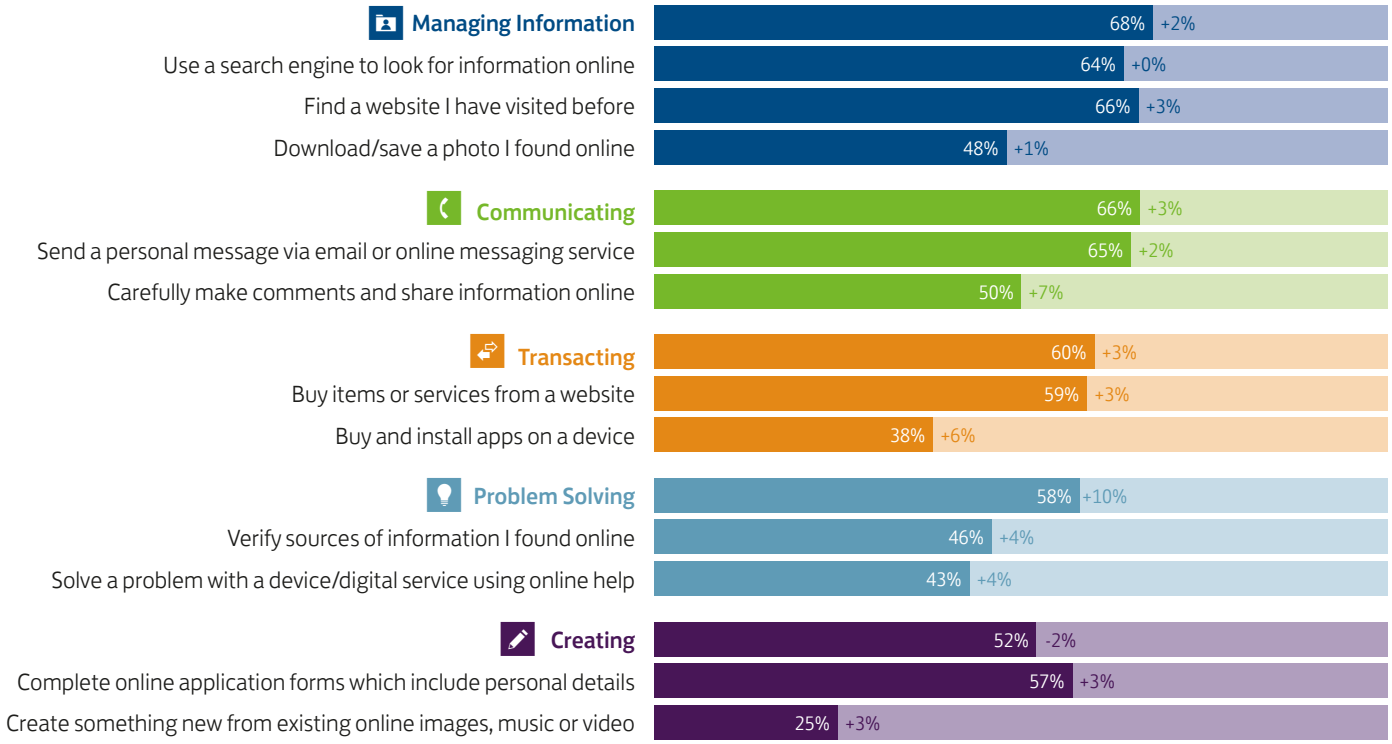
Within 'Communicating', half (50%) of those aged 65+ can 'carefully make comments and share information online', a 7% increase. This is further demonstrated in the Consumer Digital Index, as almost half (46%) of those aged 60+ keep in touch via social network sites (see appendix 9).

'Buy and install apps on a device' within 'Transacting' has seen a 6% increase, suggesting smartphones and tablets are becoming more widely used amongst the 65+ age group. The Consumer Digital Index echoes this, with 15% of those aged 60+ showing evidence of using multiple devices when banking online. This is a 12% increase year on year, an encouraging uplift (see appendix 8).

Whilst there are encouraging improvements, the overall lower penetration of digital skills reflects the Consumer Digital Index findings regarding older age groups.

Source: No.3 – UK respondents aged 65+ (1,038)

Figure 25: Basic Digital Skills amongst 65+, 2017



Basic Digital Skills by gender

Gender is another factor determining Basic Digital Skills. This year's report sees an increased gap appearing between men and women's skill levels.

Women have remained relatively similar; three-quarters (75%) now have all 5 skills (1% increase).

For men, Basic Digital Skills increased by 4%, overall and figure 26 shows higher skill levels in each category.

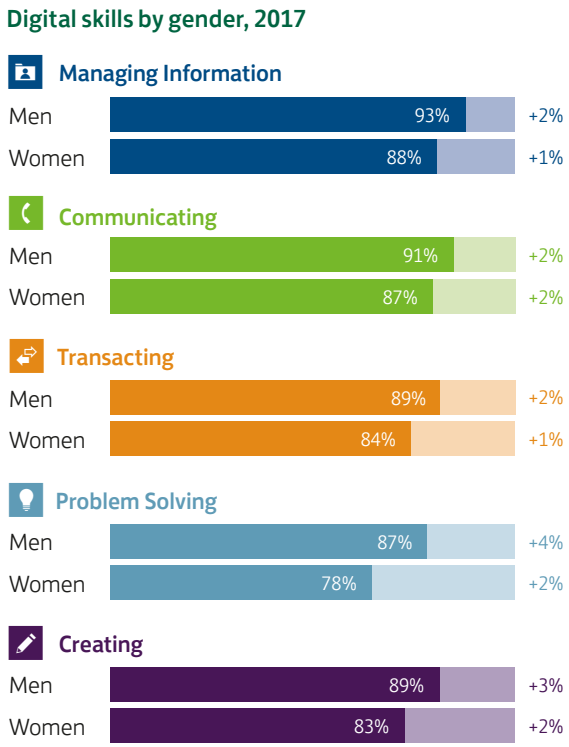
The greatest disparity in skills is within Problem Solving, where there is now a 9% difference, as well as a significant difference in improvement since 2015.

The Ipsos MORI Tech Tracker also found a 9% difference between the number of men and women using online banking (see appendix 10).

It is interesting to note that the Index behavioural data suggests far less difference in digital capability scores between men and women, with 84.6% of women and 84.7% of men having high digital capability (see appendix 11).

Source: No.3 – All UK respondents (4,034)

Figure 26: Basic Digital Skills by gender



Basic Digital Skills by social grade

There continues to be a strong correlation between Basic Digital Skills levels and social grade (see appendix 12 for definition) – ABC1s remain significantly more likely to have all 5 skills, in comparison to C2DEs (88% vs. 69%).

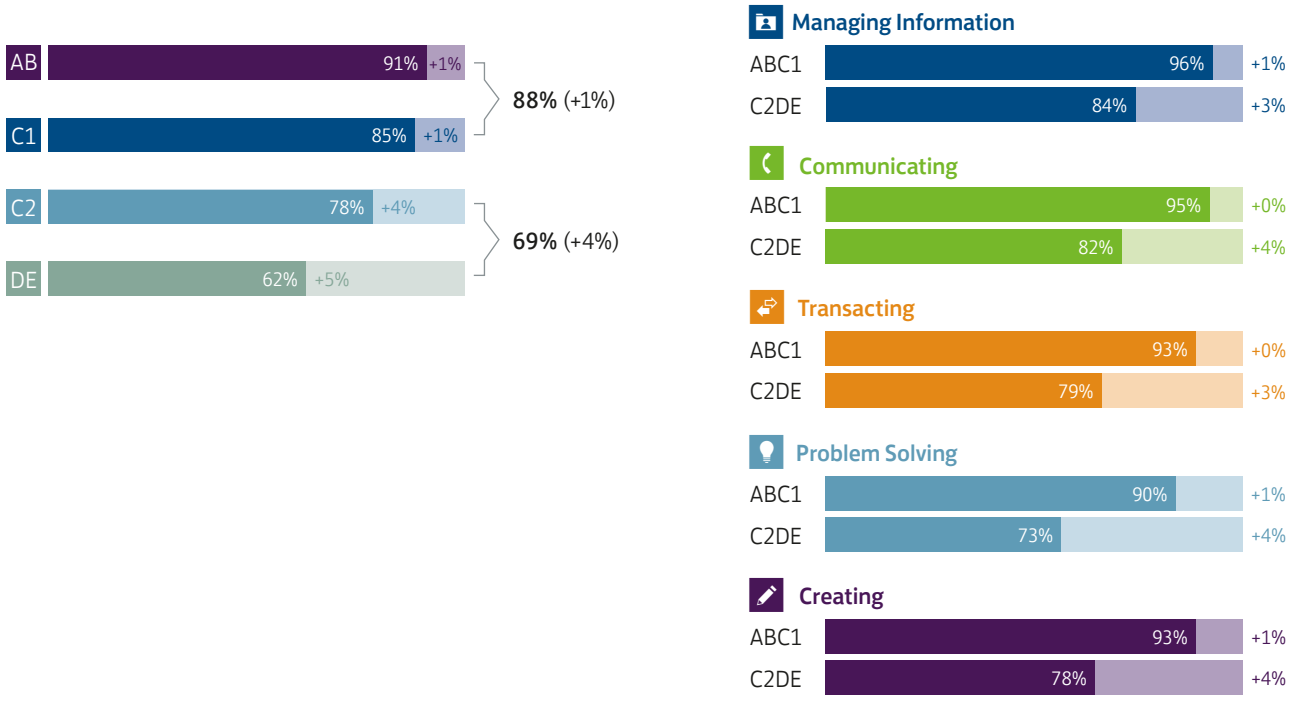
Although, C2DEs have shown a stronger improvement from 2015, as almost 70% of this population (69%) have Basic Digital Skills (4% increase vs. 1% increase for ABC1s) therefore reducing the gap between social grades.

C2DEs have seen the most improvement in 'Communicating' (82%), 'Problem Solving' (73%) and 'Creating' skills (78%), all increasing by 4%.

Of all the skills, 'Problem Solving' leaves the most room for improvement for both ABC1s (90%) and C2DEs (73%).

These differences are also reflected in Ipsos MORI's Tech Tracker, with ABC1s far more likely (77%) than C2DEs (57%) to use online banking (see appendix 10).

Figure 27: Basic Digital Skills by social grade, 2017



Source: No.3 – UK respondents – ABC1 (2,298), C2DE (1,736)

Basic Digital Skills by work status

Those who are at school, studying or in full-time employment are the most likely to have Basic Digital Skills.

Those in retirement are the least likely, despite a 5% increase from 2015.

The results also suggest there is an opportunity for homemakers to further develop their skills.

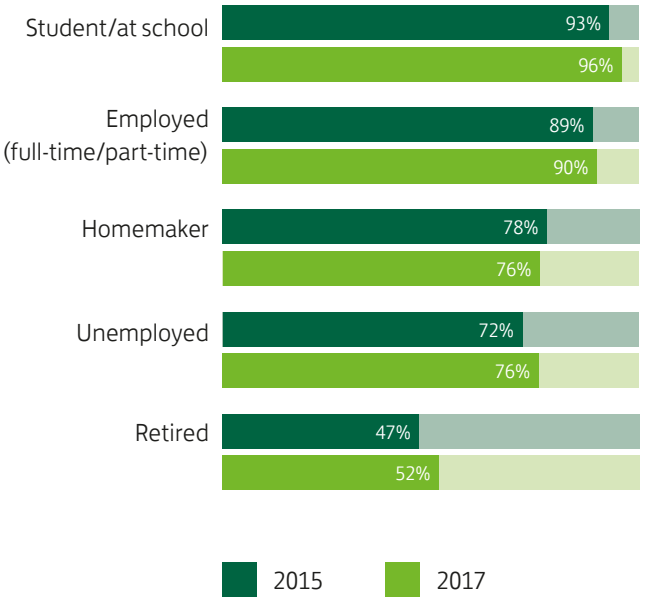
Basic Digital Skills by household tenure

Basic Digital Skills levels amongst mortgage owners (92%) and those renting from a private landlord (88%) continue to be the highest.

'Rented from local authority' remains to have the lowest level of Basic Digital Skills (63%) but has seen the greatest improvement (6% increase).

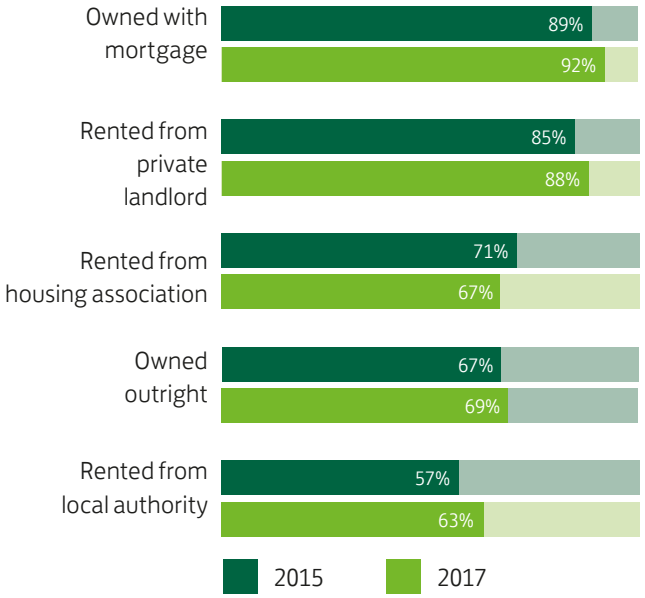
There is an opportunity to build on what social housing organisations are already doing to shape policy and plan for how to support people with their digital skills.

Figure 28: Basic digital skills by work status



Source: No.3 – Employed (1,751), Student/at school (266), Retired (1,141), Unemployed (282), Homemaker (189), Retired (614)

Figure 29: Basic Digital Skills by household tenure



Source: No.3 – Owned with mortgage (944), Owned outright (1,034), Rented from private landlord (649), Rented from housing association (165), Rented from local authority (267)

Basic Digital Skills by household income band

Income continues to correlate with Basic Digital Skills year on year, with the exception of the £13,500-£17,499 bracket, which has decreased by 2% since 2015.

The lowest income salary band of up to £9,499 has seen the largest improvement for Basic Digital Skills. 63% now have all 5 skills, a 9% increase year-on-year.

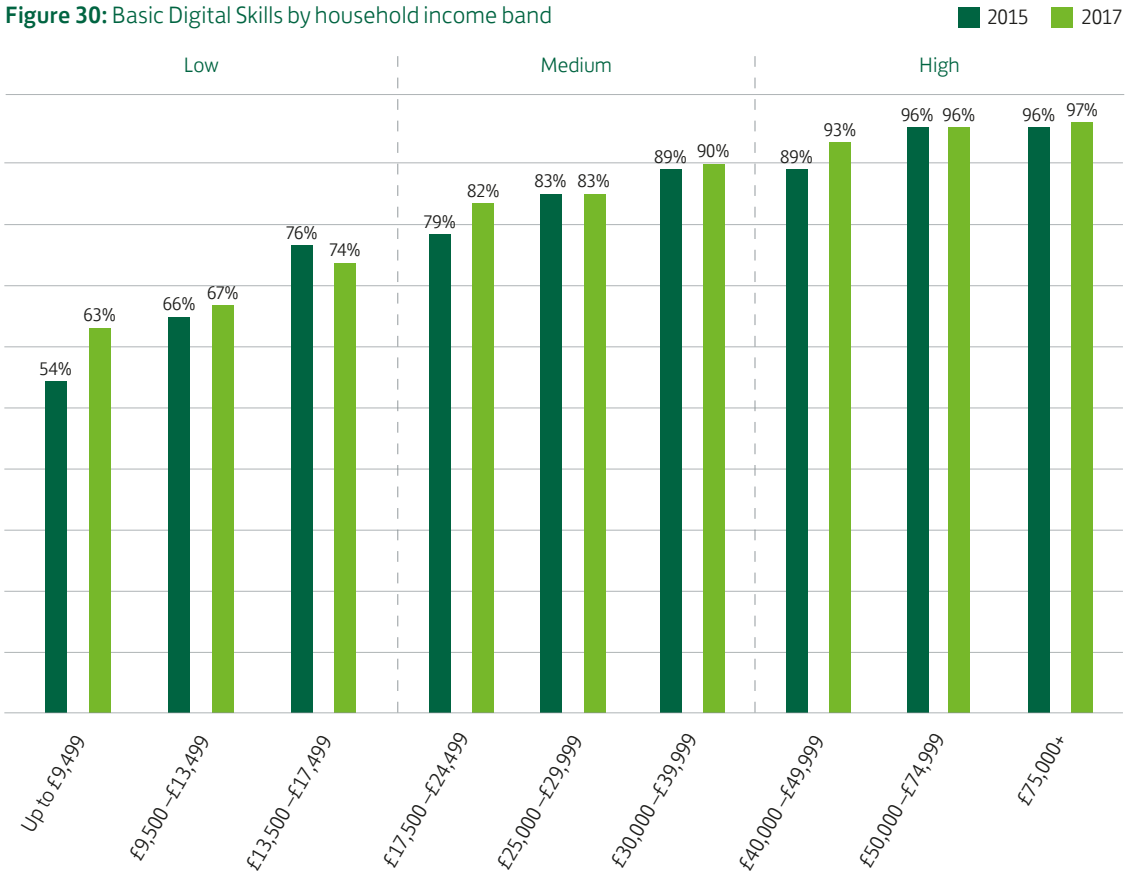
This year, further analysis has been done to understand the impact of retired people with income bands and digital skill levels.

When 'retired' data is removed, the skill level amongst those with a household income up to £17,499 rises to 77%. As seen on p42, this suggests that older people are less likely to have Basic Digital Skills.

If 'retired' data is removed, when compared to the numbers in figure 30, from the higher income bands, there is little change to the skill level (see appendix 13).

This finding also suggests that age is a more important factor than income when assessing Basic Digital Skills.

Figure 30: Basic Digital Skills by household income band



Source: No.3 – Up to £9,499 (205), £9,500-£13,499 (211), £13,500-£17,499 (172), £17,500-£24,999 (232), £25,000-£29,999 (225), £30,000-£39,999 (282), £40,000-£49,999 (221), £50,000-£74,999 (250), £75,000+ (262)

My wife and I have gradually developed our digital skills over time; we're not experts, but we get by. We have a laptop that I'm quite comfortable with using now, and we have smartphones, but we probably don't make the most of the things they can do. The things I do use the phone for are just based on what friends and family have shown me. I've been a bit quicker than my wife in picking this stuff up (she wouldn't mind me saying) so I now sit with her to show her how to do a few things. It's becoming more of a way of life now. We do lots of shopping online and lots of research for things we want to buy. When we need to do our big food shop, we sometimes do it online so we don't need to worry about carrying all the heavy bags back from the shops. We order medical prescriptions on the doctor's website so no more queuing on the phone to speak to someone. More recently, the family have shown us what Facebook can do and I have signed up, but we don't really put anything on there ourselves. It is handy for seeing what the grandkids are up to though! Our children and grandchildren are very helpful for showing us the range of things we can do online, and then I help Jean when she gets a bit stuck. We do know that the local council provide help sessions for online skills, so I am tempted to go along to one of those in future too.

Richard & Jean, 79 & 74, East England

Basic Digital Skills by region

Figure 31 shows the percentage of people who have Basic Digital Skills in each region. This year, Yorkshire & Humberside and the South East both report that 86% have the required skills – the highest amongst all regions. This is really encouraging and is also reflected in Ipsos MORI's Tech Tracker for the use of online banking (see appendix 14).

There has been a significant improvement in the West Midlands and Northern Ireland (both reporting a 13% increase), and Wales and Yorkshire & Humberside have also shown a 9% improvement.

Despite a significant improvement since 2015, Wales remains the region with the lowest skills level overall at 71%.

The North West and North East have seen little or no change since 2015. This could suggest there is a need for continued commitment at a local level to drive digital skills training, following on from initiatives such as Go ON North East.

Figure 31: Consumers with Basic Digital Skills by region, compared to the UK average of 79%

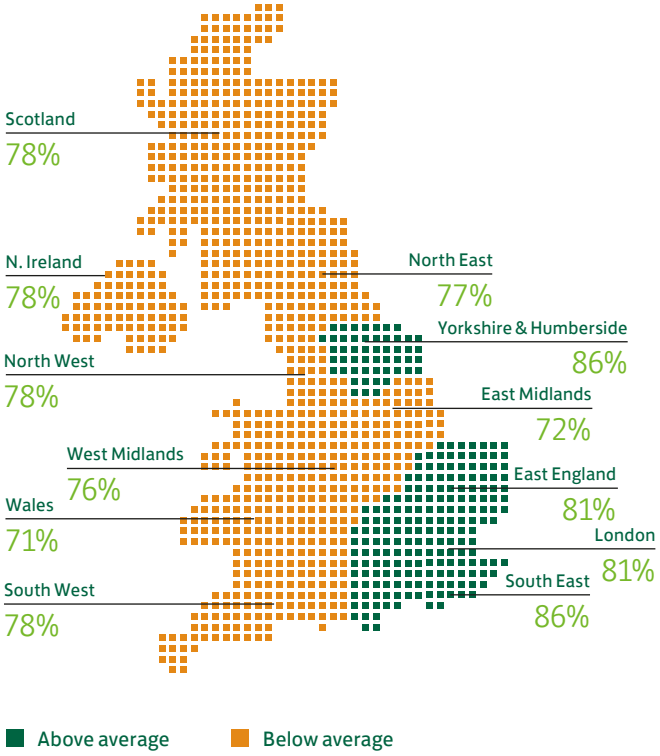
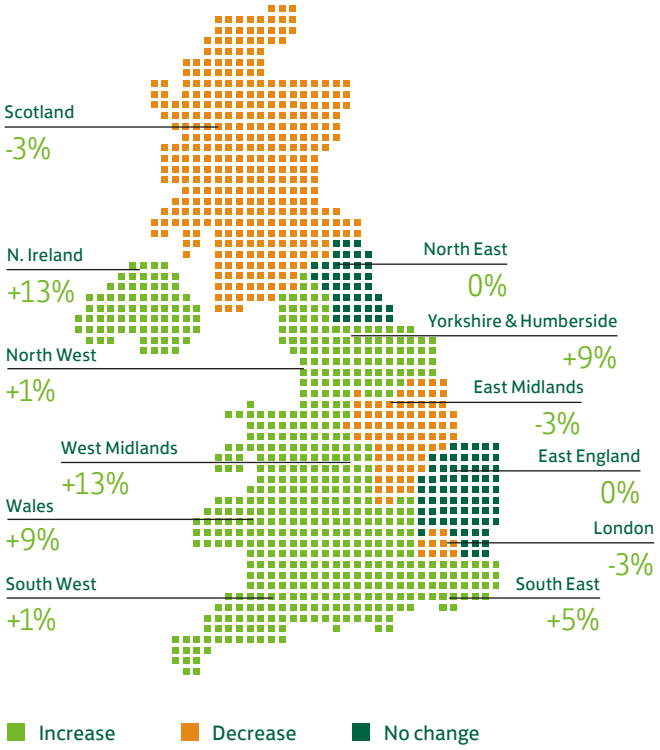


Figure 32: Change in consumers with Basic Digital Skills by region, 2015 vs. 2017



Source: No.3 (2017) – Scotland (427), Wales (227), Northern Ireland (121), North (185), NW (496), Yorks & Humber (439), West Midlands (346), East Midlands (338), East Anglia (48), SW (316), SE (647), Greater London (577). 2016: Source (2016): No.3 – Scotland (313), Wales (210), Northern Ireland (121), North (176), NW (396), Yorks & Humber (335), West Midlands (335), East Midlands (298), Eastern (356), SW (363), SE (583), Greater London (548)

Device ownership

UK device ownership amongst those with the lowest Basic Digital Skills

In comparison to all UK adults, C2DE and 65+ social grades have the lowest level of Basic Digital Skills (69% and 49% respectively).

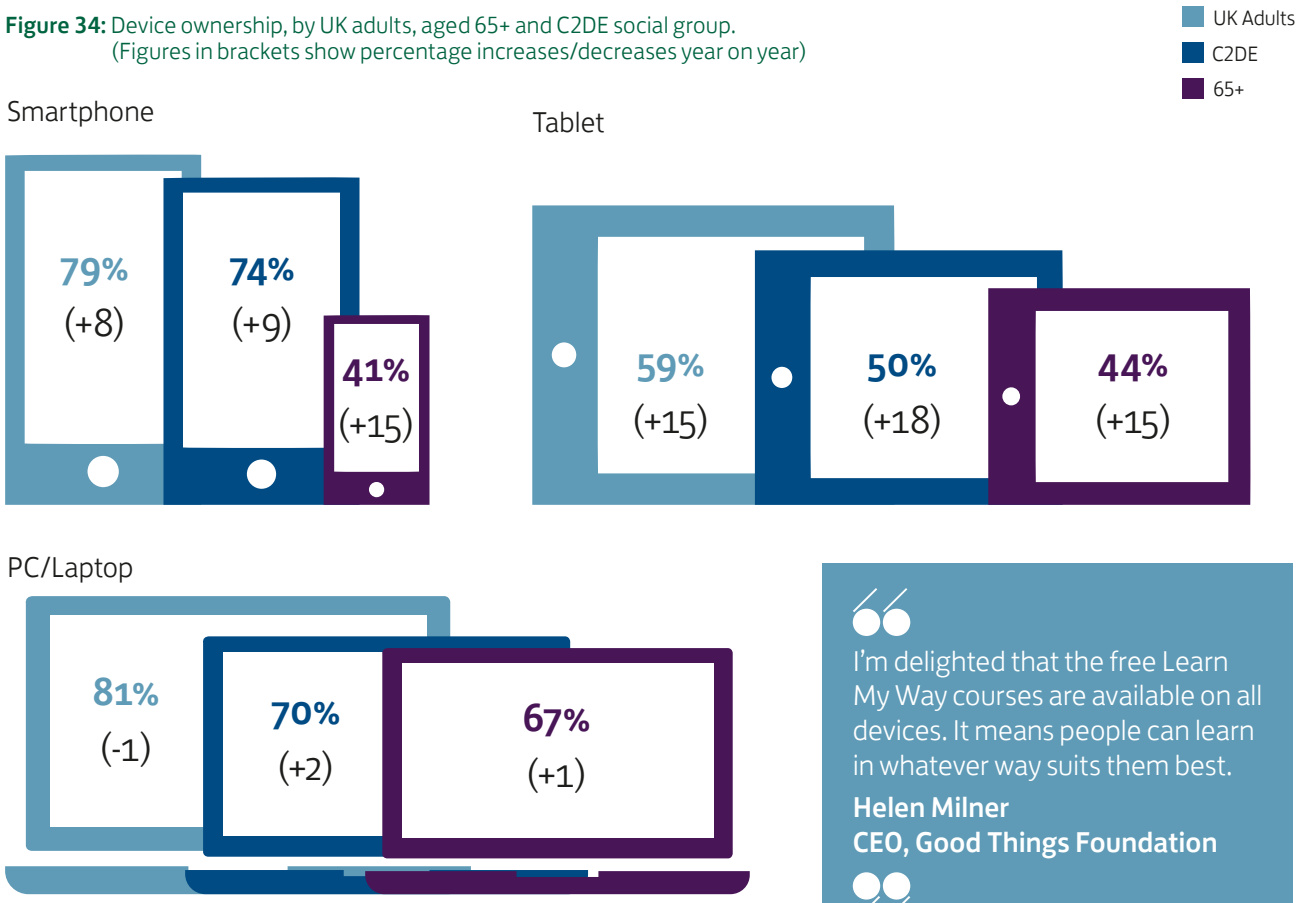
Device ownership follows a similar pattern, although smartphones are more popular amongst C2DEs than other devices.

Those aged 65+ have embraced smartphones and tablets, even though they remain behind other groups in overall usage levels.

The results suggest that there is an equality of opportunity to learn skills via any or multiple devices. Smartphones and tablets are increasing in popularity and this should be capitalised on.

These findings are echoed in Ipsos MORI's Tech Tracker results on how people access online banking. Smartphones are the most popular device amongst C2DEs, with the majority of those aged 65+ using a laptop or PC (see appendix 15).

Figure 34: Device ownership, by UK adults, aged 65+ and C2DE social group.
(Figures in brackets show percentage increases/decreases year on year)



> I'm delighted that the free Learn My Way courses are available on all devices. It means people can learn in whatever way suits them best.
>
> **Helen Milner**
> **CEO, Good Things Foundation**

Source: No.3 – UK Respondents (4,034)

People without a bank account

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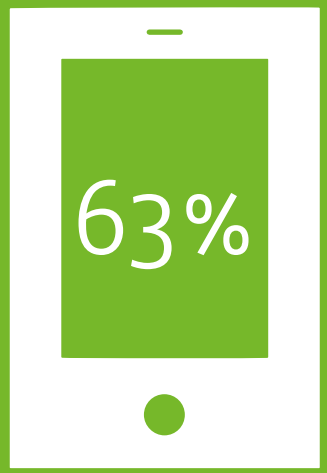


of people without a bank account but who have a smartphone cope ‘fairly or sometimes’ well with money.
This is compared to only **28%** of those who don’t have a smartphone

Unique research

Toynbee Hall has found that the relatively limited understanding of the lived experience of people without a bank account is primarily down to two reasons. Firstly, this is a relatively small group of people (2016: 1.71m)[3], and secondly, it's often very difficult to reach them and understand their lives.

Toynbee Hall is in a unique position where not only do they provide services for people with particular specialist needs, as well as having non-traditional forms of financial management, but they also carry out national research and evaluation programmes with a view to understanding the experiences of those whose consumer lives are unconventional.

The following research is important as it provides a voice for those people whose financial story typically goes untold. By understanding this segment of people better, there are greater opportunities to help bring them into the financial mainstream, and look at areas of improvement for the future.

This study is now the largest research study in the UK looking at people without a bank account. This research fills a gap in understanding how those people without a bank account currently manage their finances and navigate the digital world. It achieves an understanding of the attitudes and experiences of those without a bank account, their financial and digital wants and needs, and a greater understanding of financial management outside the financial mainstream.

More specifically, the use of qualitative research provides an enhanced view of how financial and digital commitments present themselves in people's daily lives. The research shows that the reason people don't have a bank account is not because of inertia, but for a range of reasons, some of which can be immediately rectified, some of which cannot. Also, digital exclusion and digital scepticism is not necessarily a corollary of not having a bank account.

> I'm delighted we have been able to work with Toynbee Hall again this year on the Consumer Digital Index and their insights into people without a bank account have been invaluable.
>
> **Robin Bulloch, Managing Director, Lloyds Bank and Bank of Scotland, Retail**

This research also builds on existing UK financial exclusion studies, the first major one of which was carried out by Elaine Kempson and Claire Whyley (1999) which estimated that 7% of households lacked any mainstream financial products. Subsequent studies have shown that the number of working age adults without access to a transactional (current or basic) bank account fell from 3.57 million in 2002/03 to 1.54 million in 2010[4].

The most recent study, from the University of Birmingham's Financial Inclusion Annual Monitoring Report 2016, uses the government's Family Resources Survey to find that 1.71m UK adults are without a current or basic bank account.

1.71m

UK adults do not have a bank account

[3] University of Birmingham's Financial Inclusion Annual Monitoring Report, 2016
[4] Social Finance (2011), supported by the Financial Inclusion Taskforce, HM Treasury, and The Fairbanking Foundation

Characteristics of people without a bank account

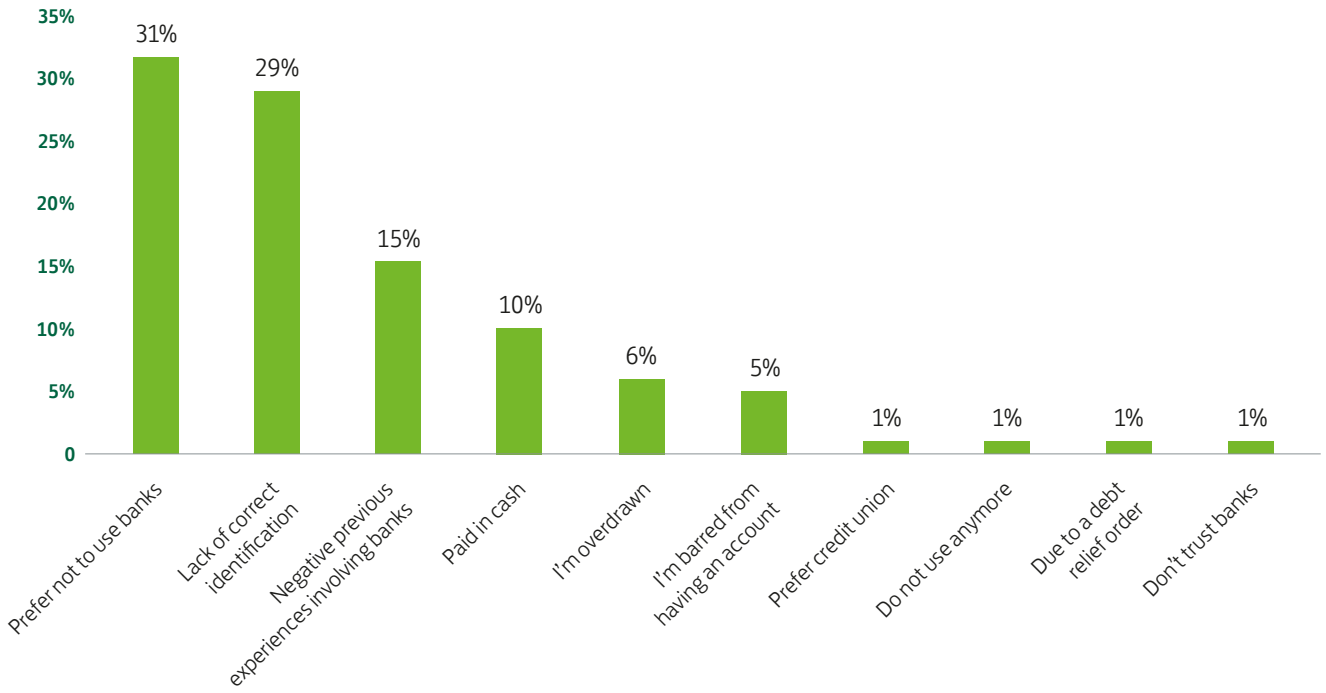
Quantitative and qualitative research by the Financial Health Exchange at Toynbee Hall has contributed to the existing evidence base of the lived experience of people without a bank account.

In previous research, the Financial Inclusion Commission (2015) found that only about half of those without a bank account (52%) would actually like one. This figure is also cited in a 2016 Financial Conduct Authority Occasional Paper (Collard et al, 2016).

Toynbee Hall's research can now provide updated findings for the Commission. When people were asked why they didn't have a bank account, the three main reasons were a preference not to use banks (32%), they don't have (or don't believe they have) the correct identification for an account (29%) or they had a previous negative experience (15%).

The Financial Inclusion Taskforce (2010) previously found that between 60-67% of people without a bank account had previously had an account. Again, the research found in this report can provide new figures to update the Taskforce's findings and shows that 75% of people without a bank account had previously held one.

Figure 35: Reasons for not having a bank account



Source: No.4 - 104 respondents

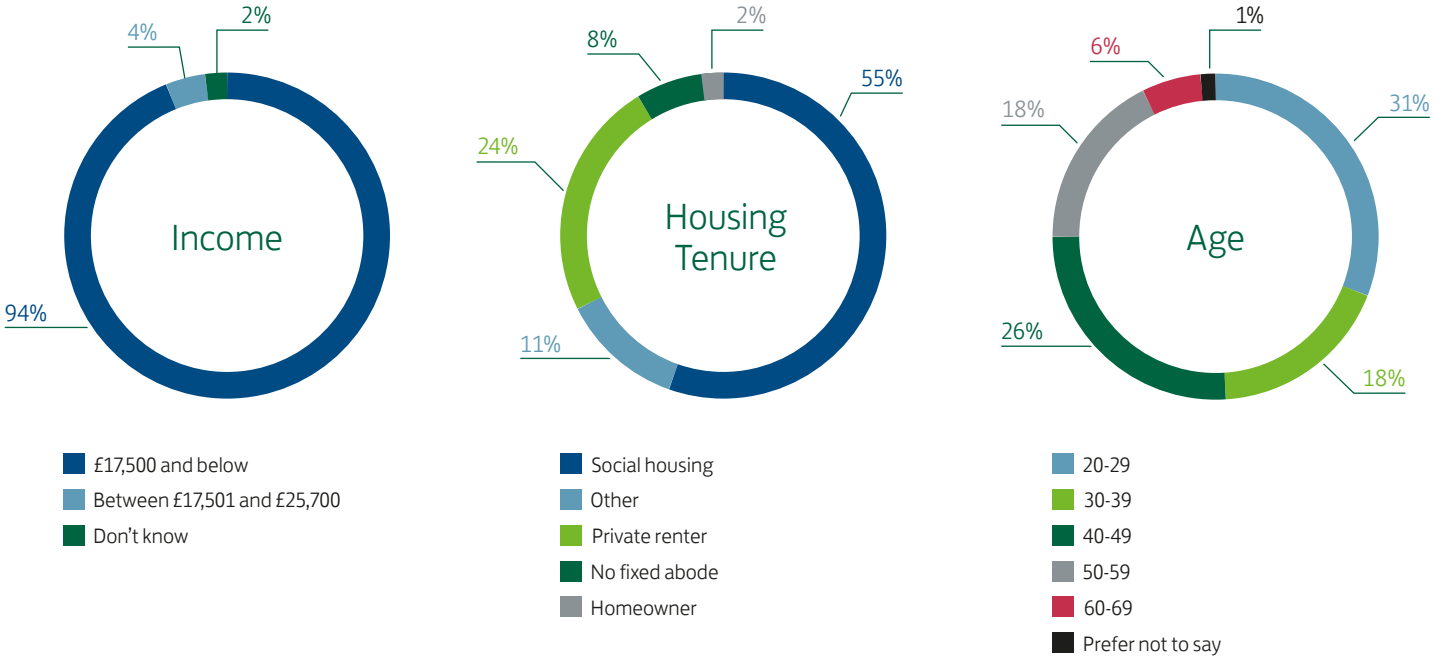
Demographics

Nearly all (95%) people without a bank account have a household income below £17,500 per year (the equivalent of £1,458 per month in 2016). Also, over half (51%) are in work but on low incomes, so would fall into the Money Advice Service's 'struggling' segment.

The majority (55%) live in social housing. Respondents stating 'Other' ranged from homeless to living in a hostel. As found within the Basic Digital Skills measures, this indicates the vital role social housing organisations are already playing in determining how their clients are best supported.

Finney and Kempson (2009), using data from the Family Resources Survey, found that the "likelihood of being unbanked decreases steadily with increasing age after a peak in the 25-34 age group". That is reflected in this survey which found that the largest proportion of people were aged 20-29 (31%).

Figure 36: Demographic profile of people without a bank account



Source: No.4 - 104 respondents

Financial capability

Money management

New for this report, the research finds a number of characteristics that have not previously been looked at in the UK.

The figures showing the savings held by the respondents reveal that nearly 70% have nothing in savings while 88% have nothing saved for retirement.

Nearly three-quarters (73%) indicate they use an alternative financial product (such as a Post Office Card Account, Credit Union, prepaid card or payday loan).

However, only a minority used a payday lender. This is to be expected given that since the introduction of the continuous payment authority, a consumer will need to have a bank account in order to obtain such a loan.

When combined, 78% of those people without a bank account either reach the end of the month with no money "every month" or "fairly regularly".

Over 40% of those without an account have received face-to-face debt advice.

Source: No.4 - 104 respondents

Figure 37: Savings held by people without a bank account

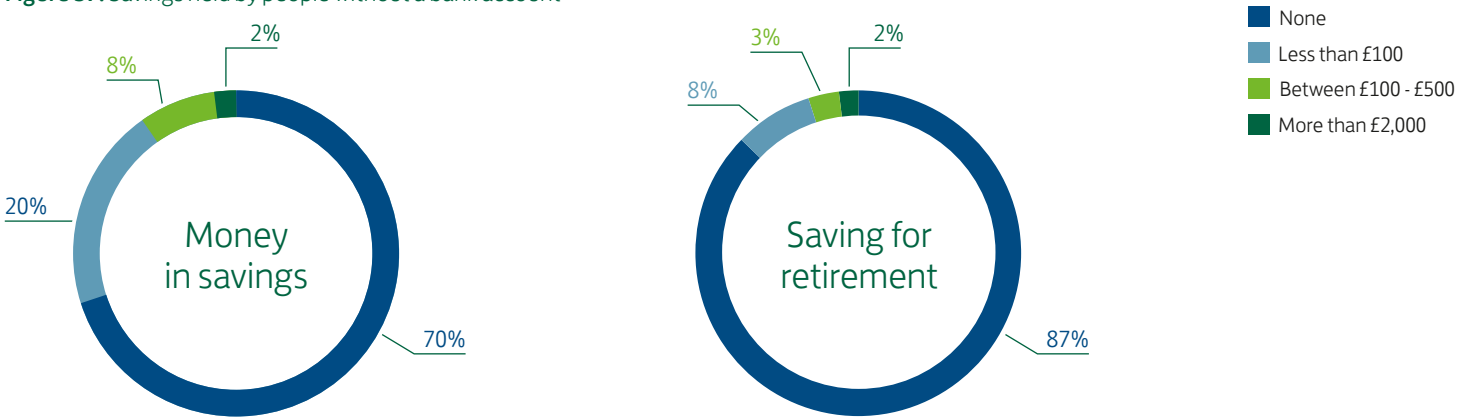


Figure 38: Do you use an alternative financial product?

(e.g. payday loan, Post Office Card Account, prepaid card or Credit Union)

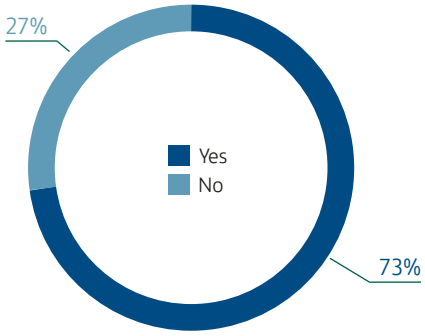


Figure 39: Do you ever get to the end of the month with no money?

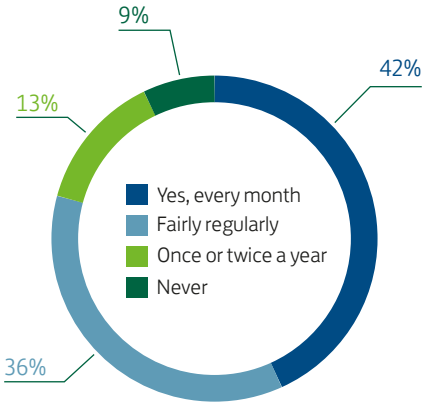
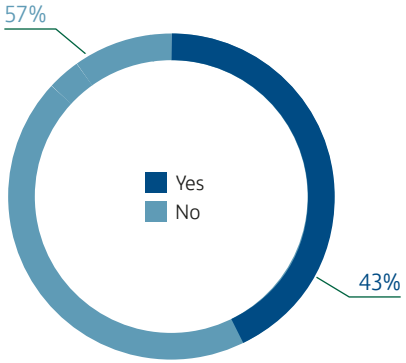


Figure 40: Those without a bank account who say they have received debt advice



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The qualitative research uncovered some key themes around saving:

None of those interviewed were

explicitly saving for retirement

The majority would

like to save

The most common

saving objectives

are holidays, Christmas, emergencies, "a rainy day", just in case something comes up, or to tide them over if their income fluctuates

Some have saved in a Credit Union's

compulsory saving scheme,

often as part of a Credit Union loan, and are very thankful for it

Some put money aside for slow/lower earning weeks

Helps people

stay in control

Attempts to access a formal savings product through a bank are typically unsuccessful, leaving the applicant feeling

"looked down on"

Many find they

can't save, even if they try

For example, some leave money in their account for as long as they can but end up using it when they run out, before their next benefit payment

Want to get online to

find money saving tips

Digital capability

The 9.2m people in the UK with low digital capabilities are far less likely to access online information and services, leaving them less able to benefit from comparison tools and online discounts.

Among people without a bank account there is evidence of digital confidence.

When using an online search engine for deals on comparison websites, email and social media websites, and leaving feedback on shopping websites, many state they are very or fairly confident.

28% (the highest score) of those surveyed said they use the internet to "look for deals".

This is also found in the qualitative research, with some respondents keen to save money online, for example on travel costs.

These skills form part of the 'Managing Information' and 'Communicating' Basic Digital Skills and given they are almost universal amongst the overall UK population, it is encouraging to also see them evidenced here.

These particular skills can definitely help to support money management and enable people to save online.

Source: No.4 - 104 respondents

Figure 41: How confident are you using an online search engine for good deals on comparison websites?

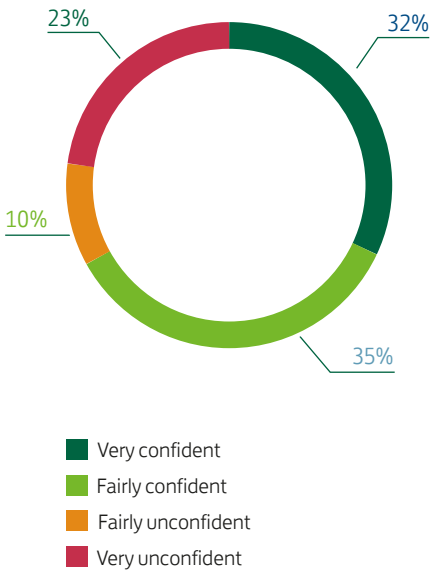
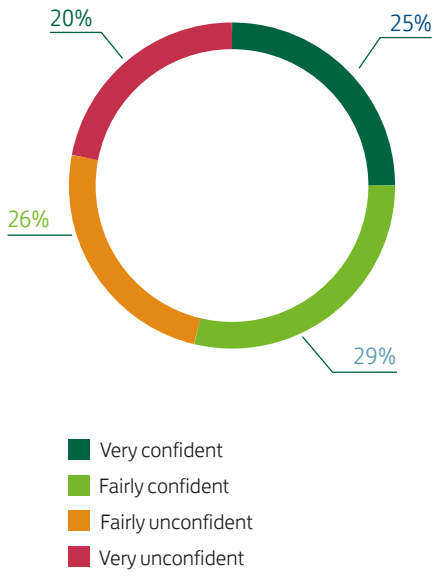


Figure 42: How confident are you using email and social media websites, and leaving feedback on shopping websites?



Digital confidence

Even where people are struggling with money, there is still evidence of digital confidence.

79% who state they "sometimes struggle to cope with money" also say they are "fairly or very confident" using an online search engine to search for good deals.

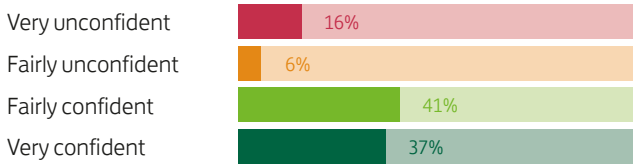
Similarly, 63% of those sometimes struggling to cope with money are also "very or fairly confident" using email, social media and leaving feedback on shopping websites.

A similar pattern emerges with smartphone usage. People are more likely to say they cope well with money or well during "some months" if they own a smartphone (63%). In contrast, for those who don't own a smartphone, only 28% coped in the same way.

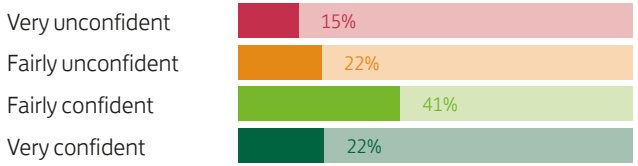
This suggests that having some form of digital capability or confidence may have a positive impact on financial capability. There may be an opportunity to harness this confidence further to help improve financial capability.

Figure 43: For those who "sometimes struggle to cope with money"*, how confident are they to:

Use online search engines



Use social media websites, and leave feedback on shopping websites



63% of those who have a smartphone "cope fairly or sometimes well with money".

In comparison, **28%** of people who don't own a smartphone said they could "cope fairly or sometimes well".

Source: No.4 - 50 responses
*Low sample size

I recently got access to the internet on my phone. I pay my daughter £12 a month for it (it's in her name). My friend also gave me a laptop and pays for me to use the internet at home. I've managed to use some of these apps like Facebook and the Daily Mail, but I don't really know what a financial app is. I don't mind using the internet, and I used to buy things when I had my bank account. But I'm not sure how it's meant to help me with my money, or even where to get started.

Clive, 61
London

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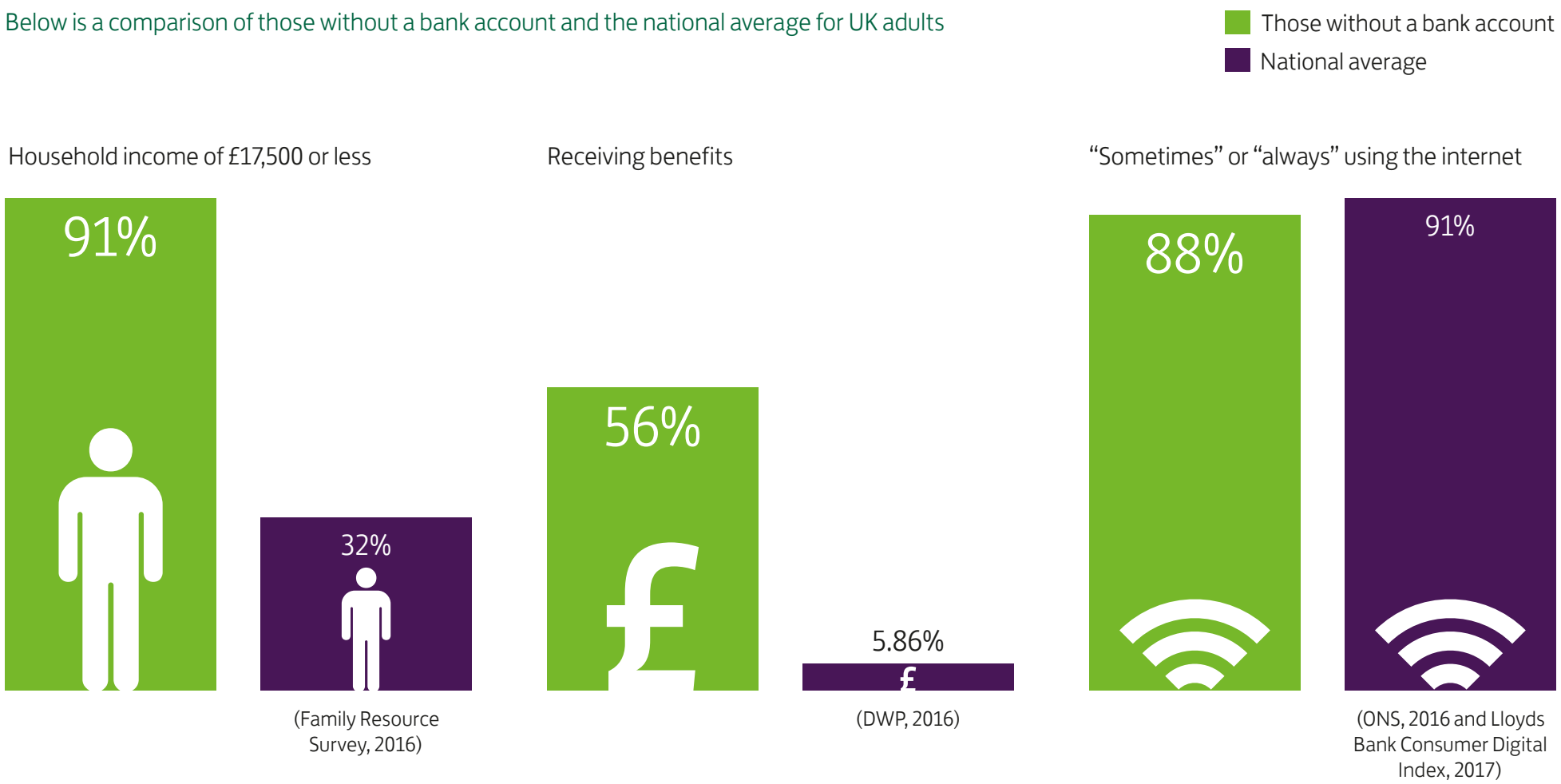
Comparisons of those with and without a bank account

Below is a comparison of those without a bank account and the national average for UK adults



Motivations and barriers to becoming 'banked'

Common drivers for financial inclusion

The qualitative interviews highlighted that among those who want a bank account, the main driver is simply that they "want" one because they see a potential benefit. This is especially true of the younger and more aspirational participants. The common reasons for those who want a bank account are:

- Life is easier / more convenient
- Monitor finances more easily
- Easier access to money ATMs ("everywhere" and 24/7)
  - For some it would help them budget better as they could withdraw smaller amounts (less tempted to spend a "big wad of cash")
  - Can save bus fares and time travelling to distant Credit Union offices
- Can buy online
- Can use direct debits, especially those who've never had them – to ensure bills are paid, or paid on time (the nuisance of having to go and pay bills can be a key barrier to paying them)
- Buy things on a plan, for example, a contract phone.

These points also suggest a positive impact on wellbeing, if people could open an account. More convenience, easier access, time saved and regular payments all indicate greater wellbeing.

Other drivers include:

- The feeling that they ought to have one
- Part of being adult or grown up
- Part of being independent or standing on own two feet.

> Having a bank account will help me to work my way back into society, to getting an income and a council flat.
>
> **Patrick, 54**

> I want a bank account so I can be independent and fully accountable for myself, not dependent on others
>
> **Sulaiman, 26**

> You can draw out little amounts when you need them at ATMs
>
> **Sam, 26**

Common barriers to becoming 'banked'

The qualitative research found there were two main reasons for not having a bank account: first, a preference not to and second, not having (or believing not to have) the correct identification.

For those not wanting an account, some stated previous negative experiences or a desire to manage on a cash basis.

For others, the interviews showed that many felt 'held back' because their perception was they would fail to meet identification requirements. Some felt they couldn't buy the photo ID which they believed was necessary.

Amongst people who had never had an account, 42% said this was because they didn't have the correct identification (see appendix 16). So, whether a real or perceived barrier, this remains a prominent reason for not becoming 'banked'.

Experiences of the 'cash-only'

Nearly 27 % said they did not use any other alternative financial product (a Post Office Card Account, Credit Union, prepaid card or payday loan). In other words, people who use cash only.

The qualitative interviewees were most likely to say that cash made them feel more in control. Some felt that being cash-only is a self-control mechanism and that there is no risk of overspending or spending what you haven't got, and it's easier to monitor.

Some would prefer cash-only but with a debit card, so they could use ATMs, budget more and shop with it.

Many would prefer to have a banking facility that allowed them to manage their money like someone just using cash, but use the account as a safety store for their money, using digital tools to check their balance and pay online.

(Qualitative findings, Toynbee Hall, 2017)

With thanks to

Ipsos MORI

Find out more

Go to **lloydsbank.com/consumerdigitalindex**

#digitalindex17

Great care has been taken to ensure that the information used here cannot be in any way traced to a specific individual. This report has used aggregated data across social and demographic groups to highlight the trends and insights that will help consumers, charities and UK Government to understand more about our nation's digital and financial inclusion landscape.

Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

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