Panel position on access to financial products[1]

Exclusion from financial products can result from a range of factors, and is a much broader and more complex concept than simply lack of supply or firms' refusal to offer products. Lack of access to financial products can stem from:

Market failure

- there are no products available in the market that meet consumers' needs.
- consumers cannot access financial products due to withdrawal from particular geographical areas/market segments/distribution channels.

Refusal

- firms refuse to offer products to consumers.

Price / payment exclusion

- firms are only willing to offer products to consumers at prices that are unaffordable and/or represent poor value for money.
- firms are only willing to offer products on payment terms e.g. direct debit, annual premium, which make them inaccessible or unaffordable.

Condition exclusion

- firms are only willing to offer products with terms and conditions that significantly reduce their utility and/or value for money.

Affordability exclusion

- consumers have insufficient disposable income to pay for financial products even when they are reasonably priced.

Self-exclusion

- consumers choose not to access financial products due to:
  - a lack of financial capability or confidence;

[1] This position paper refers to individual consumers of financial products and services and may not apply equally to small business and micro enterprises as consumers of financial products and services.

- the complexity of products;
- lack of trust in providers;
- an inability to access products via the preferred channel;
- lack of perceived need for/value in having financial products;
- psychological barriers.

1. Access to financial products is better viewed as a spectrum or continuum than a finite point or line. In this context:
    - consumers can be fully or only marginally included in financial services markets;
    - consumers may be at different points on the continuum in relation to different products;
    - a consumers' position along the continuum can be subject to frequent change.
2. Meaningful access is not indicated simply by a consumer having a financial product or being able to get one, but requires the product to deliver real benefits. These benefits can be objective, i.e. financial, or subjective, i.e. peace of mind, self-esteem, personal satisfaction. Meaningful access to financial products also requires access, and the benefit derived from the product, to be sustainable over time.
3. From a regulatory perspective, appropriate access to financial products does not require that *all* consumers have access to *all* products. Indeed, in some circumstances it will be more appropriate that consumers do *not* have access to a particular product. Appropriate access means that all consumers are able to make informed decisions about whether to use financial products and are able to access products that are necessary for everyday money management, medium-term saving, smoothing and protection and longer-term asset building.
4. It is always likely to be the case that securing appropriate access to financial products for all consumers will be beyond the remit of a financial services regulator, whose role will be determined, to an extent, by the social policy context in which it operates. It is critical that the FCA remains mindful of the social policy context, in order to nuance its activities appropriately, and that on-going debate between the FCA and HM Treasury provides clarity for the regulator regarding its role and responsibilities with regard to financial inclusion.

FSCP 18 December 2013