

# Conduit Scotland: Tackling Poverty and Inequalities Forum CVS Falkirk

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# Who We Are



- **Contract Manager – Background- Community Development, Cross- Sector, Poverty, Mental Health, Homelessness, Participation and Empowerment**
- **Five Lamps and Five Lamps Trading Limited- Conduit Scotland**
- **Social enterprise established in 1985 and registered charity, track record in social and economic impact and community benefit**
- **A diverse portfolio including:- personal lending since 2007**
- **Conduit Scotland, Not for Profit Community Development Financial Institution established June 2017, lend to financially excluded households, with poor or no credit history, loans from £100- £1000**
- **Contracted to provide a service via a forward thinking consortium of 3 Local Authorities, Fife, West Lothian and Falkirk Council**
- **Recognising challenging landscape, stagnant wages, insecure work, in-work poverty, welfare reform/universal credit impact, rising costs of living, low wages**
- **Supported by consortium, Poverty Alliance, Carnegie UK Trust, Fairer Scotland**



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Lending Fairly: **Changing Lives**

**“Falkirk, Fife and West Lothian Councils are committed to ensuring that their citizens can access appropriate financial products as a key part of their approach to tackling financial inclusion. The 3 local authorities are working together with Conduit Scotland to deliver a CDFI as well as sharing wider experiences of addressing financial inclusion and welcome Conduit Scotland’s input into both the partnership approach and to local delivery arrangements”**

*Fife, Falkirk and  
West Lothian Councils*

# Key Features



Conduit Scotland delivers a service envisaged in the Carnegie Trust report 'Gateways to Affordable Credit', addressing these nine 'core principles' which are recognised as central to Conduit Scotland's approach and firmly embedded in our model

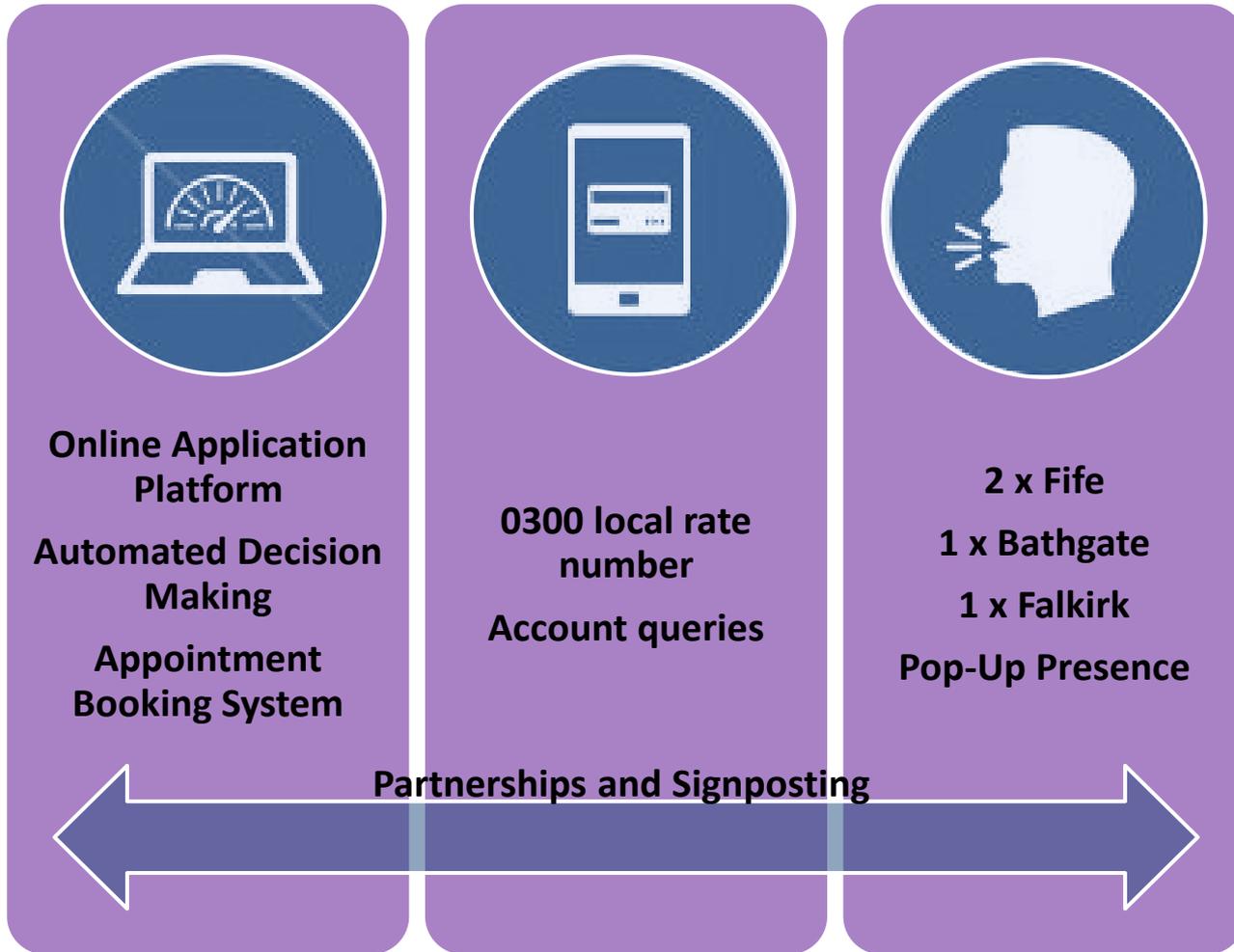
- **Affordability**
- **Efficiency**
- **Speed of Transaction & Fairness**
- **Flexibility**
- **A Gateway to Financial (and social) inclusion**
- **Sustainability**
- **Accessibility and Reliability**
- **Strength of Social Motivation**
- **Visibility**

*'While the supply of credit is no substitute for fair wages or adequate social security, the fact is that people do borrow money, often in situations of great need'*

**Poverty Alliance Briefing May 2018**

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# Our model



# Gateway to Financial and Social Inclusion

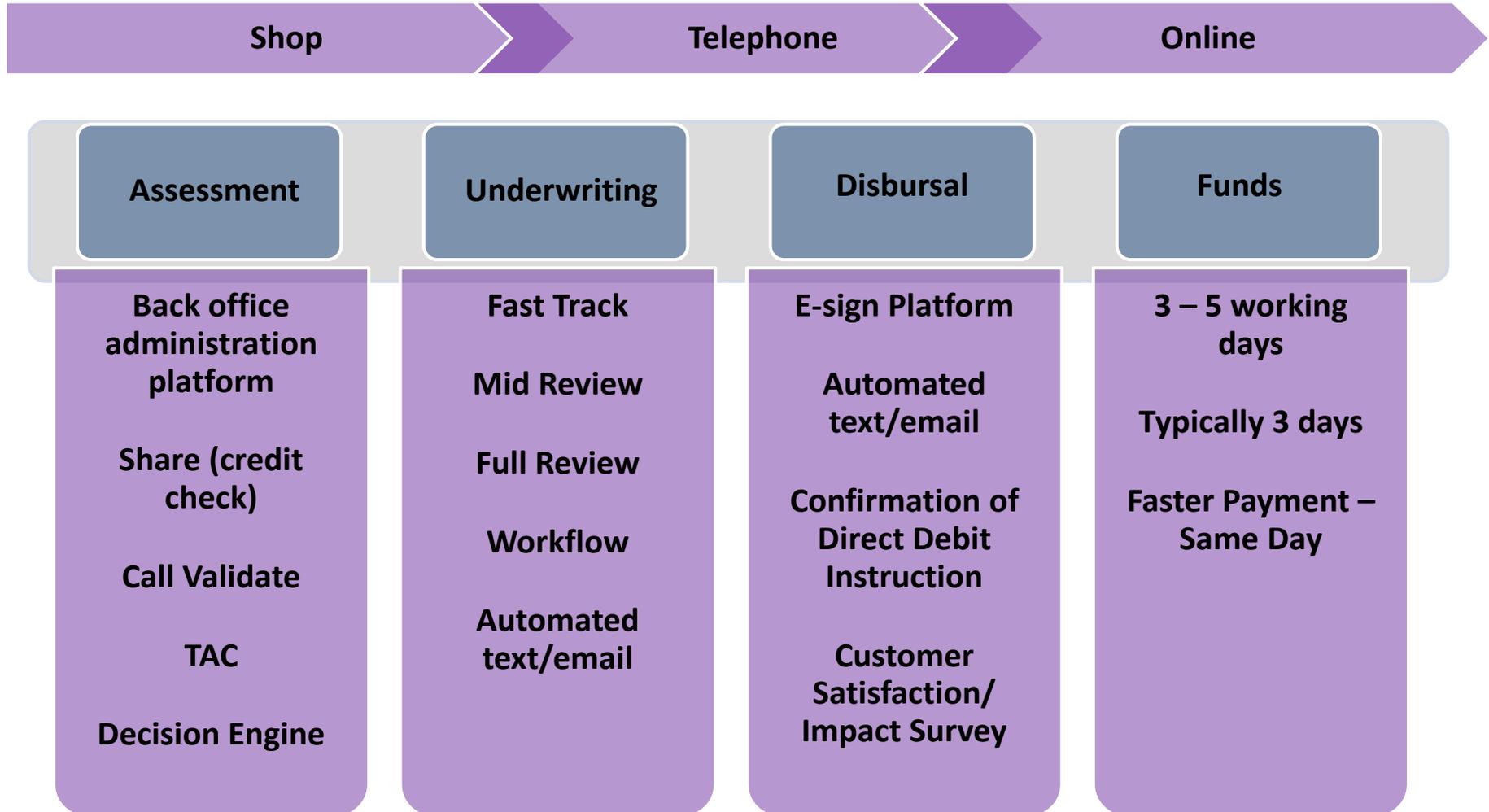
- High St Shop front offers a unique opportunity to work differently- easier to reach
- Often engaging with community members that won't engage elsewhere- no wrong door approach!
- We are building productive referral routes and signposting routes to both successful and unsuccessful applicants- well over a 1000 referrals in first year
- Recognition of importance of staff attitude and frontline knowledge, impact on customer journey- prevention of 'pillar to post'
- Dignified service provision, tackling stigma, customer focussed
- Strength based approach- working with the experts locally!
- We know our place, not advice providers- building our expertise on who is!
- We innovatively support our customers to build their financial resilience and social resilience by signposting and referring to a broad range of help including debt and money advice, support with benefits, heating, clothing, food, school uniforms, white goods, social activities
- We continue to establish a wide range of links cross-sector
- Establishing community presence across 3 Local Authorities

# Credit Unions

**We want to work closely with local Credit Unions to build productive partnerships**

- **Some overlap between customer demographics but some significant differences:**
- **Credit Unions (across UK)- Customers- More home ownership, Less Benefit reliance, higher credit score, more ability to save, many with requirement to save and longer wait for lending**
- **Our customers- low pay, no pay with dependents, less home ownership, low credit scores, 68% % have use high cost credit provider in the last year, 60% live in the top 35% areas of deprivation, household income of less than £18k/yr.**
- **We raise awareness of credit unions, encourage and highlight the benefits of saving and budgeting and the advantages of joining credit unions to our customers**
- **We recognise that most credit unions work differently and offer different services and we welcome local credit unions to educate us on their service and work in partnership us for the benefit of our citizens and communities**

# Application and assessment process



# Lending and Delinquency

## Responsible Lending-Fair Treatment – Core Value

- We have a range of tools to support customers:
  - Repayment holidays
  - Reduced payment plan
  - Cancelling direct debit if a payment is going to bounce
  - No fees for missed payments
- Engagement rather than enforcement, with standard process of meetings, letters, telephone calls, text messages and emails
- We seek and respond to feedback from our customers

**“ 98% would recommend Conduit Scotland to other people”**

**Conduit Scotland is a not for profit, community lender dedicated to making loans more affordable.**

**Competitive Rates – Take this representative example: If you borrow £500 over 26 weeks**

**We're a much cheaper alternative to payday and doorstep lenders**



**Total charge of credit: £95.40. Representative APR 99.8%; Loan duration 26 weeks; Total repayable £595.40; 26 payments of £22.90. 99.8% APR Representative)**

**APR (annual percentage rate) is useful for comparing large multiyear loans like a mortgage. But it has limitations in differentiating the value of smaller sum loans. The distorting effects of short term and small amount, combined with the administrative costs of lending small sums of money, mean that while loans from community lenders are much cheaper than the commercial high cost lenders, they can still appear high, in APR terms, compared to mainstream loans. For clarity and understanding our focus should be on the cost of credit. We are NOT FOR PROFIT, our rates reflect only risk and cost of running our service!**

It's a pretty common scene, two friends in a bar on a Friday night, one tells the other he's a bit short of cash, could be lots of reasons, and his mate asks "how much?"; "about £75" says the one who's needing the money. So, the other guy says,

"I'll lend you £75 till next week, pay me back next Friday and, buy me a pint".

"The guy who borrows the money returns to the pub the following week, pays back the £75 and buys his mate a pint, it costs £4.20.



£4.20 on £75 for seven days, total cost of credit is, effectively, £79.20, it's 5.6% of the amount borrowed, but the APR on that transaction is 1614% APR but its £4.20 on £75.

APRs are good when deciding between long term loan products like mortgages, on short term small sum credit they're much misunderstood.

To see actor Michael Sheen illustrate this scenario, watch the Carnegie UK Trust video on the real cost of a pint which you can find here:<https://vimeo.com/252850463>

# Community Benefit

- Supporting employment initiatives- hosting various in-house training courses
- 2 full time equivalent staff in each locality, 1 apprentice in each locality
- Senior Customer Service officer working across 3 LA's
- Local advertising
- Pop-up provision/community presence
- Create space in-house for colocation of advice and support services- in first year including:- collocated citizens advice, money advice, employability training, womens aid training



# Shops

## KIRKCALDY



34 High St  
Kirkcaldy  
KY1 1LU  
01592 808748

## DUNFERMLINE



31 Chapel St  
Dunfermline  
KY12 7AW  
01383 668478

## FALKIRK



13 Bank St  
Falkirk  
FK1 1NB  
01324 464946

## BATHGATE



79 Southbridge St  
Bathgate  
EH48 1TJ  
01506 353824

# Customer Feedback

**“It was easy and straight forward and I feel like the service was nice and positive and I didn’t feel belittled one bit”**

“Thank you for the chance to rebuild my credit rating and not be crippled by super high APR rates that keep punishing you for past history and present income. I think I can see the light at the end of the tunnel at last. I hope your company puts an end to 4 digit APR rate companies”

**“I would recommend to anyone that needs financial help, the service is second to none and the repayments are really affordable”**

**“I like how the payment is taken on an agreed date by direct debit out of my account and I don’t have people coming to my door”**

## Case Studies

Regardless of the loan decision, since opening the four shops last year, we have helped hundreds of customers access various agencies offering a wide range of financial and social support.

For example this has helped our customers: -

- reduce their energy costs; get free insulation and/or draughtproofing; apply for the Warm Homes Discount and/or apply for a free or subsidised replacement boiler.
- access benefit entitlement checks; free debt and budgeting advice; free help to improve their credit report and helped others to access Job clubs, not only improving their job prospects but also providing an opportunity to socialise.
- access **cost-free alternatives** to a loan, such as Foodbank vouchers; Scottish Welfare Fund (SWF); or **free items** such as a new mattress; bicycles for children; school uniform; clothing; and benefits entitlements, legal advice, advocacy services to mention just a few.

# Customer Feedback



**"I urge everyone to sidestep other lenders and use Conduit"**

"Although I did the loan online, I needed help with sending documents and the shop staff were really polite and helpful. I was amazed at how quick and easy the whole process was"

**"Customer service is really good, can't think of any improvements to be made"**

"If I had not been made aware of your service, I would have been left with no other option than to apply for a payday loan, which would only lead to a more stressful and damaging financial cycle". *Amy*

98% would recommend Conduit Scotland to other people

**"Thank you for the chance to rebuild my credit rating and not be crippled by super high APR rates that keep punishing you for past history and present income. I think I can see the light at the end of the tunnel at last, I hope your company puts an end to 4 digit APR rate companies"**

# Key Support Required

- No big marketing budget available, rely on word of mouth and our partners to share information
- Dissemination of Good News Stories- via newsletters, tenants news magazines, social media, bulletins
- Dissemination of partner leaflets/customer leaflets- via all sectors, general public
- Sharing of Carnegie video/Michael Sheen alliance cross sector
- Presentation/discussion opportunities
- Contacts cross-sector- for social and financial inclusion across the board
- Our customers are all of our customers!

## Thank You

The issue of lending and debt can be both complicated and controversial. Conduit Scotland play a part in the solution to anti-poverty work in Scotland, not part of the problem. We very much welcome further discussion.

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## Join the conversation on Twitter and Facebook