

Financial Inclusion TechSprint

07 March - 30 May 2024



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"I am excited to welcome you all to participate in our Financial Inclusion TechSprint. Access to financial services enables consumers to lead secure and prosperous lives. This TechSprint is an opportunity to bring the creativity and innovation of our largest financial services firms, our world-leading FinTech sector and the range of consumer groups and advocates to collaborate and develop innovative solutions to help make financial services work for all."

Sheldon Mills, Executive Director, Consumers and Competition, FCA

"Our Financial Lives Survey found that 23% of UK adults (12.1 million people) had issues accessing a financial product or service in the two years to May 2022. We want to see financial services markets where consumers can access the products and services that they need. Through this Tech Sprint we are encouraging firms to focus on innovation that will drive better consumer outcomes. With the benefit of an extended timeframe to use data in our digital sandbox and access to subject matter experts from the FCA and consumer organisations, we want to see participants make tangible progress in removing the barriers that some consumers face in accessing financial services."

Nisha Arora, Director, Cross-Cutting Policy and Strategy, FCA

Exclusion from financial services has a direct impact on people's lives. It can leave them unable to make and receive payments or deny them access to appropriate credit or insurance products which provide financial resilience. Exclusion not only hampers personal financial stability but also impedes overall growth, acting as a potential barrier to secure employment. Moreover, long-term trends in employment, wages and interest rates also contribute to varying levels of financial exclusion.

Even with the most common of financial products - a bank account - many individuals still face exclusion. Whilst the introduction of basic bank accounts has reduced the number of people without a day-to-day account, there are still 1.1 million adults in the UK who are "unbanked" and around half a million households where no member has a bank account. This lack of access disproportionately impacts certain groups. For instance, whilst the average unbanked rate across the UK population is 2.1%, the proportion is much higher for Muslims (10%), the unemployed (7%), those characterised as long-term sick, temporarily sick, looking after the home, or carers (7%), those with no educational qualifications (7%), and those with learning difficulties (6%). There are also differences across the nations, with consumers in England being more likely to have a bank account than the devolved nations. Living in one of the most deprived communities increases the likelihood of being unbanked sixfold compared to residing in one of the least deprived areas.

Reasons for exclusion

At the point of application

We know from our work on access to banking and payment accounts that approximately 25% of those accounts which are declined, suspended or terminated are done so because of issues arising during the due diligence process. This suggests that some consumers may still face constraints in accessing financial services. This may be based on their ability to secure the appropriate documentation, such as proof of address, or as a result of the processes adopted by firms in determining acceptable forms of identification.

Consumers are not always aware of alternative options. For example, the FCA's **Financial Lives Survey (FLS)** found that around half of those who do not have a bank account were unaware that the largest banks are obligated to offer basic bank accounts.

Further, the application process itself, coupled with the consumer's perception of their eligibility for a product, plays a significant part. For example, FLS found that some consumers seeking alternative forms of credit such as pawnbroking were doing so because of the ease and speed of the application process (28%) or because they were confident they would be eligible for the credit (23%).

After a declined application

Between 2020 and 2022, 3.8 million adults were refused a financial product or service. Among applicants, the highest refusal rates were among those applying for payday loans, short-term instalment loans, pawnbroking loans, logbook loans or home collected credit (58%), arranged overdrafts (42%) and store cards (35%). Our recent work shows that decline rates for applications for basic bank accounts vary hugely by provider.

Having an application for a financial product or service turned down can leave consumers unsure where to turn or what to do next, with many unaware of alternative providers or services. Of the 2.9 million adults who were refused a credit or loan product in the two years to May 2022, 10% were able to get credit from an alternative supplier, 10% were able to get a similar product but with different terms and conditions, and 7% had to pay extra. One in five (19%) resorted to borrowing from friends or family as a result, 16% cut back on spending, 14% raised money by selling something, 10% saved up until they had the money they needed, and 8% used savings. One in ten (9%) said being declined resulted in their defaulting on another loan, bill, or payment, and 2% said, as a result, they turned to informal/unlicensed (i.e., illegal) moneylenders.

Even where applications are accepted, there can be issues further down the line when a product becomes either unsuitable or unaffordable. For example, the rising cost of living has exacerbated issues for some consumers. Of UK adults who were insurance or protection policyholders in May 2022, 8% cancelled one or more of their policies, and 7% reduced the level of cover on one or more their policies – in the 6 months to January 2023, specifically to save money due to the rising cost of living. As some policyholders did both (cancelled and reduced cover), this means that 13% of May 2022 policyholders (or 6.2m people) cancelled and/or reduced cover.

Some groups of consumers are disproportionately impacted

Financial exclusion has a real impact on people's day-to-day lives. This impact can be felt unevenly, disproportionately affecting groups of consumers based on personal characteristics (e.g., age, ethnicity, disabilities etc.), geographical location, existing deprivation levels within the community, income, or employment status. Discrimination on the basis of a protected characteristic, where this is not justified by additional risk, is illegal under equalities legislation. Our Consumer Duty rules emphasise that all groups of consumers should receive equitable and positive outcomes, and financial services firms need to be confident they are meeting these requirements.

Even where consumers can access products, the terms offered may not be the same for different groups. For example, the 33% of consumers (11.1 million) who pay for their motor insurance in instalments via a premium finance arrangement pay more than those who pay upfront. Across the general insurance sector, FLS found 20.6 million consumers with a premium finance arrangement on one or more products, particularly in contents and buildings insurance (8.9 million) and pet insurance (7 million).

And being excluded once, or believing in potential exclusion, can lead to self-exclusion. FLS found that in the two years leading up to 2022, one in eight adults (6.8 million) did not apply for a financial product or service because they thought they would not be eligible, would not be able to afford the product, or would have their application rejected. Adults more likely to feel this way, including adults in ethnic minorities (e.g., adults of mixed/multiple ethnicity (26%), renters (26%), and adults in households with an annual income of under £15,000 (20%).

Financial Lives Survey

The FCA's [Financial Lives Survey](#) identified the following financial inclusion issues:

Low income and low savings

- 30% of UK adults had no savings or investments or less than £1,000 - improved from 37% in 2020
- 17% had a household income of less than £15,000 - down from 18% in 2020
- 41% had a limited savings buffer, in that they could not cover their living expenses for three months or more if they lost their main source of household income - unchanged from 2020
- 60% said paying their domestic bills or meeting their credit commitments was a burden - worsened from 52% in 2020
- 10% had missed paying one or more of these bills in at least one month of the last six - unchanged from 2020

Credit and debt

- 10% used high-cost credit - down from 12% in 2020
- 8% were constantly or usually overdrawn - down from 10% in 2020
- 20% of mortgage holders had outstanding mortgage debt at least 4 times their annual household income - unchanged from 2020
- 4% had persistent credit card debt - down from 6% in 2020

Lacking financial confidence and skills

- 14% had a low financial capability - unchanged from 2020
- 16% were 'overwhelmed' when it comes to financial numeracy questions - not statistically different to the 15% who were 'overwhelmed' in 2020
- 19% had low confidence working with numbers when they need to in everyday life - unchanged from 2020
- 24% had low confidence in managing their money - not statistically different to the 23% with low confidence in 2020
- 38% assessed their knowledge of financial matters as low - unchanged from 2020

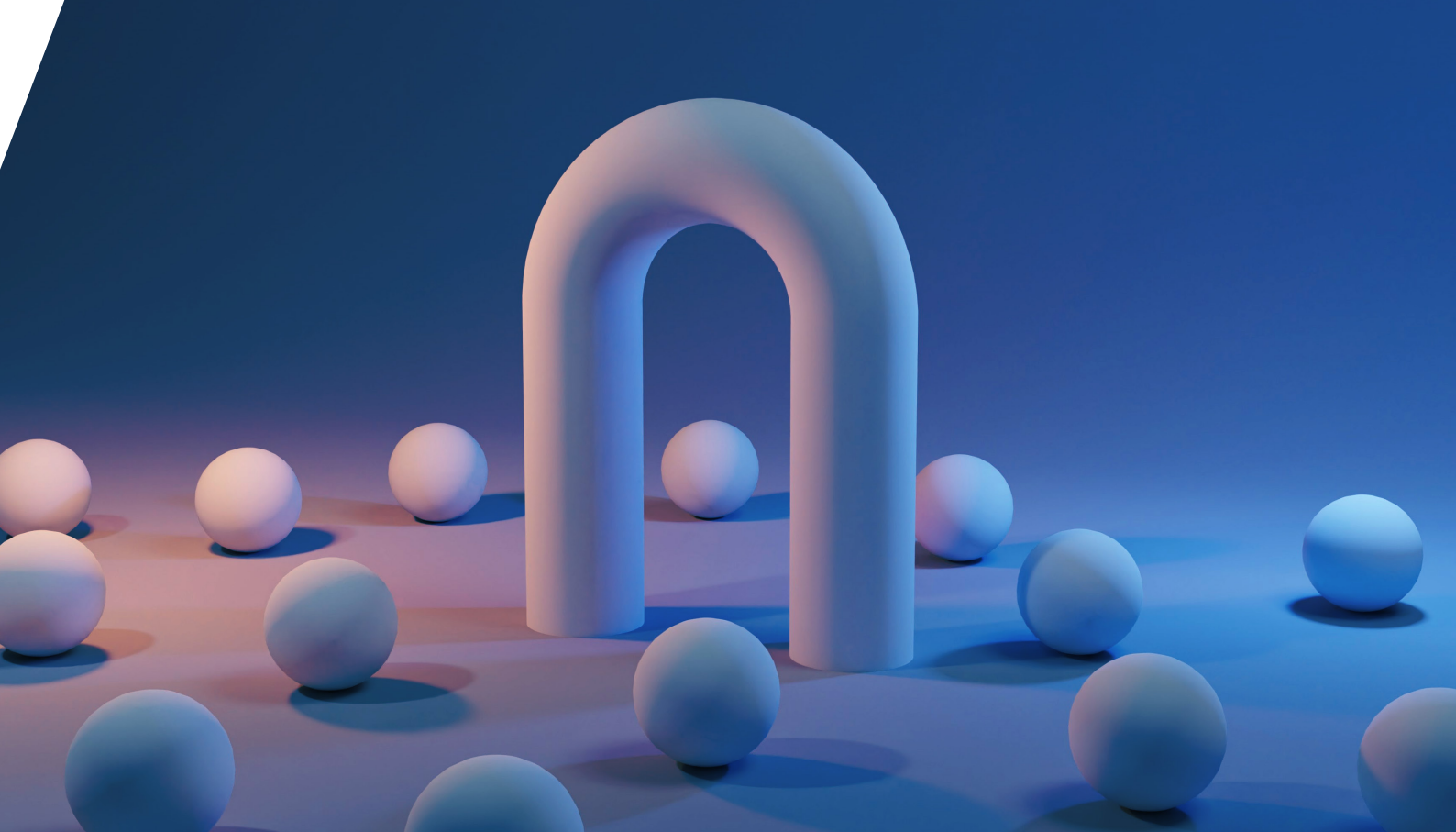
Lack financial products

- 2.1% had no current account - down from 2.5% in 2020
- 16% had no general insurance policies - up from 14% in 2020
- 53% had no life insurance or any other protection policy - down from 54% in 2020
- 58% of adults with £10,000 or more held all or most of their money in cash savings and not investments - up from 55% in 2020

Access to cash and banking services

- 6% used cash for all or most things in the previous 12 months - down from 11% in 2020
- 52% of these heavy cash users in May 2022 were finding it more difficult to withdraw or deposit cash because a local bank branch, Post Office or cashpoint had either permanently closed or reduced its opening hours
- 15% found it difficult using their normal forms of transport to get to a bank, building society or credit union, or to a Post Office or cashpoint, rising to 23% among heavy users of cash
- 7% were digitally excluded - down from 9% in 2020
- 88% banked online or using a mobile app, up from 85% in 2020. This means that, in 2022, 5.7 million day-to-day account holders did not bank online or use a mobile app

For all these indicators, there are variations between different groups of consumers: some of these variations are common across sectors.

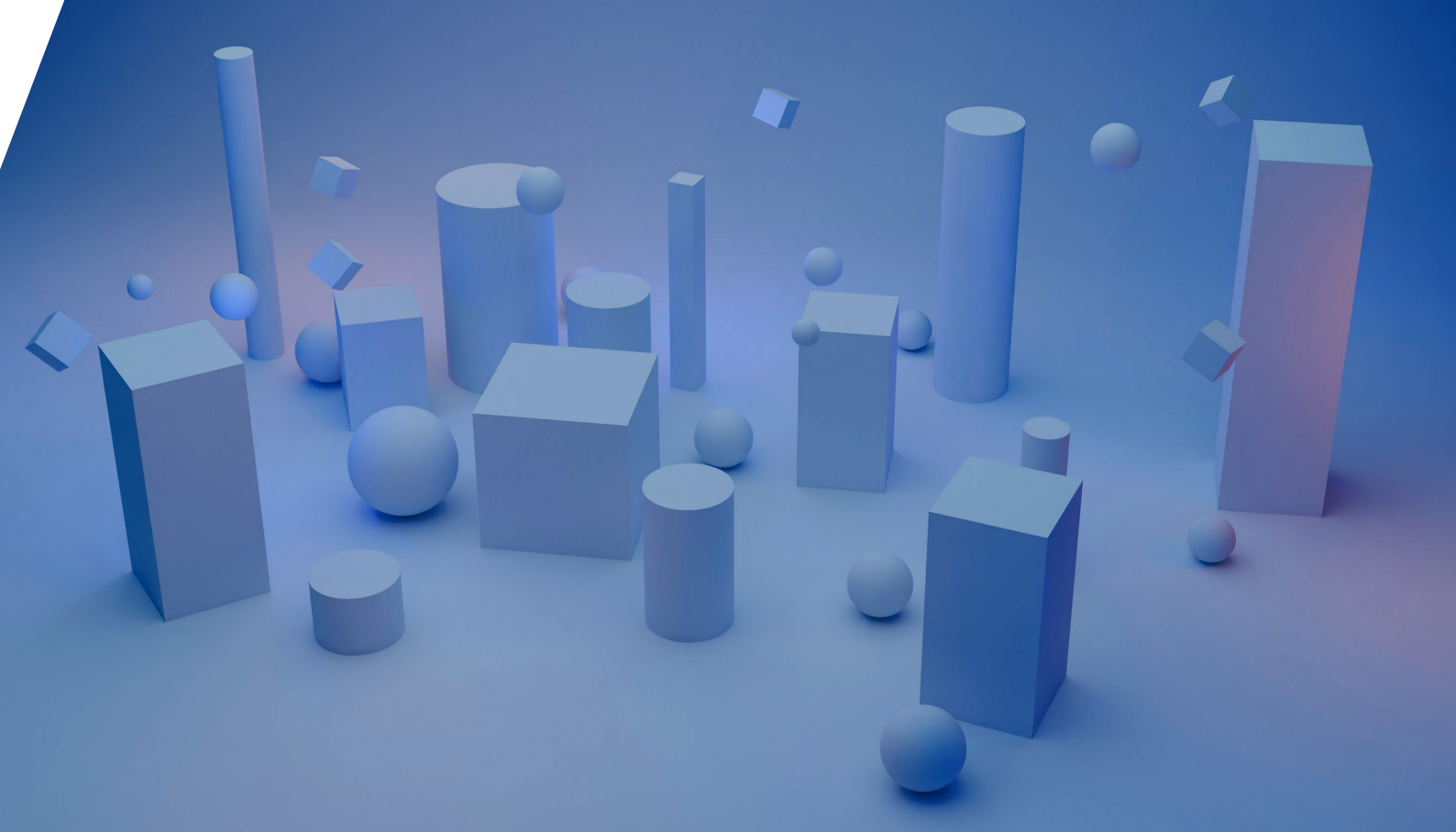


The FCA's role

The FCA is only one of a number of actors with levers which can help to address these issues. Our Consumer Duty and our Guidance for firms on the fair treatment of customers in vulnerable circumstances explicitly state that every consumer, both existing and potential, involved in retail financial services should receive positive outcomes, with particular emphasis on vulnerable customers receiving outcomes on par with those of other consumers. All of this depends on having appropriate access to those products in the first place, as there is no universal service obligation for any financial product or service.

Whilst we don't have the powers or remit to tackle alone drivers of exclusion such as insufficient income or lack of financial capability, we believe that by working in partnership with Government, financial services firms and their trade associations, fintech firms, consumers and their representatives, and academics, progress can be made.

There is a significant opportunity for technology to drive the solution to some of these issues. Developments in digital ID, mobile banking and payments, and the use of AI offer possibilities to make financial services available to more people. They can also help firms not only comply with their obligations under the Consumer Duty but to develop best practice for themselves. We should be imaginative in creating incentives to provide services to under-served groups. This TechSprint is part of that creative process.



Partners

The FCA will be working in collaboration with FinTech Scotland and the wider FinTech Cluster on the design and delivery of the Financial Inclusion TechSprint. The collaboration will leverage the collective insights and networks across the financial inclusion ecosystem to support the participating teams in fostering innovation and best practice in their solution development, with opportunities for solutions to continue their exploration and development through programs such as the FinTech Scotland's cluster led **Financial Regulation Innovation Lab (FRIL)**.



The TechSprint

Using real and synthetic data to support participants in promoting financial inclusion through firm innovation, this TechSprint seeks three outcomes:

1. Helping those consumers who, for various reasons (lack of ID, inadequate or poor credit ratings) are unable to access essential financial services, using technology to increase their chances of having their applications accepted.
2. Helping firms to signpost those consumers whose applications for essential financial services are declined, or who are excluded at any stage of the consumer journey, to appropriate, affordable alternatives.
3. Using technology, including Artificial Intelligence (AI) to help firms deliver good outcomes across the board to consumers in different groups and avoid either inadvertent discrimination by characteristics such as age, gender, ethnicity (or proxies for those characteristics such as names or postcodes), or charging additional costs to poorer consumers.

This TechSprint will build on the work undertaken in the *Open Finance Policy Sprint* and the *Consumer Duty TechSprint*, as well as on the FCA's work in partnership with Fair4All Finance to increase the sustainable supply of affordable credit.

FCA Financial Inclusion TechSprint

When

07 March until 30 May 2024

What

A three-month cohort-based TechSprint to explore the role of technological solutions in enabling financial inclusion.

Throughout the course of the TechSprint, participating teams will have access to dedicated FCA coordinators who will help guide solution development and provide relevant steers where appropriate. Alongside their own datasets, teams will also have access to datasets on the FCA Digital Sandbox platform.

Where

07 March: Virtual kick off and Bootcamp

Virtual weekly or biweekly engagements with the FCA across March, April, and May.

30 May: In person Demo Day at the Technology and Innovation Centre (TIC) – University of Strathclyde in Glasgow, Scotland, G1 1RD

How

Collaboration

TechSprints, bring together a range of industry participants and stakeholders. We will expect participating teams to be open to engaging in collaborative discussions and sessions with other teams throughout the three month period.

Balanced participation

We aim to provide opportunities for a diverse group of entities to participate in this TechSprint and there will be opportunities to get involved on a full-time basis as a participant, a part-time basis as a mentor (bringing subject matter expertise) or on a one-off basis as an observer at the Demo Day.

If you are looking to develop solutions that help enable financial inclusion, whether you're an established industry player, an NGO, an academic, or a group of enthusiasts trying to build something, we want to hear from you.

Logistics

The TechSprint will mainly be virtual with in-person attendance required for the Demo Day in Glasgow on 30 May 2024.

Intellectual property (IP)

The Financial Inclusion TechSprint will be an ideation event, and we ask that you participate as collaborative inventors. Participation means engaging in the spirit of the TechSprint by sharing your knowledge and ideas. You will retain the IP rights for your solution and we will expect you to take it forward to implementation following the TechSprint. You may collaborate with other participants and choose to partner up on the implementation and delivery of your solutions. At the end of the TechSprint, there will be opportunities for successful solutions to continue their exploration and development through the FinTech Scotland **Financial Regulation Innovation Lab (FRIL)**.



Problem statements and guidance

This TechSprint will be centred around three main problem statements to explore.

When submitting your application, please make sure you are clear on the problem statement(s) that you have chosen to address, with an overview of your proposed solution. While we do not expect you to have a comprehensive solution at the start, you should be able to provide an example of how you plan to tackle your chosen problem statement(s) and the gap you are trying to address with your solution.

Problem statement one

What technological solutions can help to increase the probability of consumers being accepted when they apply for everyday financial services, such as basic bank accounts, credit or insurance products?

We would like to see solutions factoring in:

- Evidence of the reasons consumers are currently excluded from the particular market
- Identification of consumers with characteristics of vulnerability or who are from groups known to be at higher risk of application rejection in different markets
- Consideration of how technology can help firms and consumers with innovative ways of fulfilling due diligence requirements such as proof of identification or address, particularly in the context of applications for basic bank accounts and payment services, as these are the “entry level” inclusion products
- How to use a wider range of sources of data for decision-making by firms but not use irrelevant data within those sources, and broader considerations for misuse of data showing behavioural biases and vulnerabilities
- How firms can comply with relevant regulations such as the Know Your Customer rules, at the application stage in the most flexible ways which increase inclusion (e.g., the HSBC work on bank accounts for homeless people.)
- How technology can assist in making financial products accessible to people without exacerbating known issues and challenges such as those faced by consumers with disabilities, mental health issues who are neurodiverse
- How consumers can be empowered to understand and improve their chances of having their applications for financial products and services accepted

Problem statement two

What technological solutions can help to deliver positive outcomes for consumers when a firm declines their application for a product, or when at a subsequent point in the consumer journey they become excluded because the product is no longer suitable for their needs?

We would like to see solutions factoring in:

- Consideration of how solutions can be tailored and personalised to drive uptake
- Opportunities to use data to establish appropriate alternative products and services, or routes to them, where the consumer would have a good chance of having any application accepted, particularly for example, for a basic bank account
- Dynamic solutions which allow consumers to continue to be aware of their eligibility for product use (e.g., making a claim on a policy) in cases where this may change over time, due to changing consumer circumstances
- The need for clear, understandable communication of results and, where possible, the reasons for those results, to consumers
- How nudges and 'positive friction' can be built into the consumer journey to help prevent exclusion or poor decisions by consumers following an application decline.
- How technological solutions can enable enhanced peer or other industry support in helping consumers navigate financial challenges e.g. after an application deadline, wanting to change a product, missing a payment etc.
- How consumers can best be equipped with additional capabilities and financial education to make better decisions
- The potential for new products or services, where exclusion is being driven by the absence of suitable offerings in the market
- The need for firms to be able to monitor consistently their rates of decline, and their need to understand the reasons why

Problem statement three

How can technology, including AI, be deployed to ensure that firms deliver good outcomes across the board to groups of consumers who have been excluded or not well-served in the past, particularly in retail banking, payments, credit and insurance?

We would like to see solutions factoring in:

- How AI or other technology can be used to ensure firms can be confident that they are not discriminating on the basis of different characteristics such as age, ethnicity, gender or other characteristic, or on the basis of postcode or other proxies for different characteristics, where this is not justified by the level of risk
- How firms can better use existing technology that uses open finance or other data to prevent discrimination and deliver good outcomes across the board, in ways which use consumers' data ethically
- How solutions take into account whether those on lower incomes are paying a "poverty premium" based on how they choose to pay for the service or where they live, where such extra costs are not justified by the level of risk
- How solutions help to ensure that the criteria for rejecting, for example, an application for a basic bank account, are not being applied too broadly to groups of consumers who share particular characteristics, such as type of employment or refugee status

For all problem statements, solutions should take a consumer-centric approach, ensuring propositions or designs that are easy to use and understand for a diverse range of consumers. Similarly, the principles of *inclusivity*, *transparency*, and *ethical use of data* should be at the core of all the solutions.

We encourage participants to take a broad, flexible approach to the problem statements and to be as innovative as possible. It is also important that solutions factor in capability concerns and digital exclusion in their considerations.

The primary condition is that the consumer should be placed at the heart of the solutions.

The data

The FCA Digital Sandbox current hosts nearly 300 datasets and over 1000 APIs. These datasets will be used by participants as part of their problem solving, proof of concept work and will also play a key role as part of the test phase.

Participants will be able to access data through the Sandpit on the Digital Sandbox platform. We will provide detailed instructions to the successful applicants at the TechSprint kick off.

The current data in the Digital Sandbox which are of relevance include:

- **[Credit Card Transactions for Fraud Detection](#)**: The dataset contains transactions made by credit cards in September 2013 by European cardholders. The dataset presents transactions that occurred in two days, where there are 492 frauds out of 284,807 transactions. The dataset is highly unbalanced, the positive class (frauds) account for 0.172% of all transactions.
- **[Experian API](#)**: This API provides insights around the rationale of KYC decisions. The data schema can be found here: [KYC \(Consumer\) OpenApi 3.0 spec | Experian Global Developer](#).

In addition, the sandbox hosts foreign data on mortgages, consumer complaints/ outcomes and bank transactions to facilitate solution development. We are currently exploring further datasets that we can provide over the course of the TechSprint in addition to the list above.

This TechSprint will follow a '*Bring Your Own Data*' format, where teams are encouraged to bring their own data into the TechSprint or consider other potential sources of data for their solution development to supplement existing datasets on the Digital Sandbox. Teams will mainly benefit from guidance and steers from various experts across the FCA and more widely across the three months.

Building the teams

Each TechSprint requires a diverse mix of participants to encourage breadth and depth in terms of the solutions. For the purposes of this TechSprint, where you are applying with a proposal, you will be applying as a fully formed team, with a minimum of 2 team members and a maximum of 6 members.

We would like to see teams with a range of strengths across domain expertise, user centred design, and data fluency. Most importantly, we want to bring in enthusiastic and curious minds who have a clear understanding of the problem they want to solve, and a vision for how they can begin to solve it. We are also keen to teams that display some of the following attributes of:

- **Visionaries** - thinking outside the box to design innovative solutions that challenge the status quo
- **Red teamers** - questioning and challenging ideas to make sure all aspects are being considered, in a constructive manner
- **Thinkers** - those who listen and come to the table with productive ideas and proposals

When applying, we ask that you:

- Complete the registration form by 13 February 2024, giving as much information as possible about relevant experience and initiatives in this space.
- Provide an overview of what problem statement you will address, and how your proposed solution will benefit consumers.
- Share any datasets that you will be using for the TechSprint and how you will be able to source them.
- Share any specific resources and expertise relating to your chosen problem statement, e.g. case studies or behavioural personas, that you may require across the three months so we can match your team with the relevant experts.

- Confirm you are able to commit to attending the TechSprint Demo Day in person on 30 May 2024 in Glasgow, Scotland.
- Let us know if you have any additional requirements or adjustments to help you take part. TechSprints are inclusive events, and we aim to accommodate requests wherever possible.

To give yourself the best chance of being selected, below are a few guidelines:

- Make sure your application is clear in how it addresses your chosen problem statement(s)
- Provide details around the exact consumer benefit, and what groups of consumers the solution would specifically cater to
- Provide a high-level overview of the potential risks of the solution and how those risks could be mitigated
- Any examples or case studies that you can share, either from personal experience or through your research, that emphasises the importance of your solution
- In no more than 5 points, summarise how your solution is unique in addressing the challenges set out in your chosen problem statement

Following the closure of the application period we will:

- Review the applications and inform you on whether your application has been successful by 23 February 2024.
- Provide full onboarding instructions for the TechSprint kick off and bootcamp event on 7 March 2024.

We are committed to ensuring diversity at our TechSprints, so we ask organisations who are nominating participants to please consider this when applying.

Communications approach and guidelines

We are supportive of participants discussing their involvement in our TechSprints.

Announcement of participants

We expect to be able to confirm and announce participants of the TechSprint by 23 February 2024.

Social media

Once participants are confirmed and announced by us, participants can share supporting communications via social media, as well as during and after the TechSprint using #fcasprint #FinancialInclusionTechSprint

Press

Any wider communications (including digital content or press releases) that refer to the TechSprint must be agreed with the FCA Press Office prior to release.

Nature of participation

Participants are asked not to use of the term “partnership” in any communications, including social media, but to use “collaboration”.

Privacy

No reference to other participants’ or firms’ data are to be made via participants’ communications

How to be involved

We will be focusing on the topics set out above and the FCA will play a central co-ordination role in supporting the teams. We are keen to discuss at an early stage the roles and capabilities teams can bring to the TechSprint.

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To apply to take part in this TechSprint as a participant, please visit the link below and complete registration no later than 13 February 2024 giving as much information as you can. We expect to be able to confirm and announce participants of the TechSprint by 23 February 2024.

There will also be opportunities for involvement through the roles of mentor or observer. Mentors will work across the participating teams throughout the TechSprint, sharing their subject matter expertise through 1-1's or through broader teach-ins to all TechSprint participants. Mentors will also be expected to attend the Demo Day on 30 May so if you are interested in both mentorship and observer routes, please select the mentor option on the registration page.

Alternatively, if you are interested in seeing how the efforts of the Financial Inclusion TechSprint culminate, you can register as an observer to attend the showcase day on 30 May in Glasgow, Scotland. Please note places are limited and we will confirm the status of your registration.

[Visit our event page and register your interest](#)

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