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Time is Money:

The role of personal finance in reducing re-offending

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'Financial exclusion might play a role in, and be reinforced by, custodial sentences.'
(Legal Services Research Centre)

The Legal Services Research Centre (LSRC) has previously produced useful evidence which shows how a lack of access to financial products and services is linked to the risk of offending. However, it is perhaps less clear how a custodial sentence might reinforce financial exclusion. In this article, we consider the impact of imprisonment on the person's financial status and their capacity to manage their personal finances. The evidence comes from a recent report, *Time is Money*, jointly published by the Prison Reform Trust and UNLOCK, the National Association of Reformed Offenders[1].

The LSRC defined financial exclusion in terms of five factors : having no bank account, holding no savings, using high interest credit, owing priority debts, or having an annual income less than £14,500. Research conducted by the LSRC found that:

- 54 per cent of prisoners (58 people) had a total household income of less than £10,000 per year before going to prison.
- 40 per cent of prisoners (53 people) were unemployed before going to prison.
- Looking at the *number* of times interviewees had gone to prison, results showed that financially excluded prisoners had served significantly more prison sentences than financially included prisoners[2].

Time is Money produced new evidence about the financial exclusion of people in prison, considering; banking; insurance; credit, debt and saving; and money advice[3]. We discuss each of these, with particular attention to the ways that custodial sentences create barriers to accessing basic financial services.

Banking

Access to a basic transactional bank account is critical to successful resettlement and, in turn, reducing re-offending. In addition to being a prerequisite for employment, it can make it easier to secure stable accommodation, improve access to benefits, allowances, grants and other mainstream financial services and can encourage more responsible attitudes to spending.

A third of people surveyed in prison said they did not have a bank account. This compares to only 5 per cent of low income households in the UK[4]. Most of those had previously held one at some time, but about one in ten surveyed had never had one. Half of the women interviewed had a bank account, in contrast to almost three-quarters of men. Some people described the difficulties they had faced in opening accounts. The main obstacle appeared to be a lack of the required identification. For example, few former prisoners are likely to have a utilities bill.

> *I've never been abroad, so no passport. I've been disqualified since I was 14 years old, so no licence. They need a photo I.D. So I had my mother, who had been banking with them, to vouch for me. So we got it. We still had to argue the case.*

Since 2004, UNLOCK has been working with prisons and banks to facilitate the opening of new bank accounts. As far back as 2005, NOMS accepted the need to increase the number of prison/bank partnerships, while conceding that resources may not be available in all prisons. In December 2009, NOMS published a revised Prison Service Instruction (PSI 35/2009) which instructed governors to support access to banking by using the ID solution developed by a pilot run by UNLOCK. However, there remains no guarantee that banks will accept the form as identification and open accounts, causing frustration for people in prison and prison staff and often local bank staff. Work to secure partnerships between prisons and banks continues.

1. *Time is Money*, funded by the Friends Provident Foundation, can be downloaded from the websites of Prison Reform Trust (www.prisonreformtrust.org.uk) and UNLOCK (www.unlock.org.uk).
2. Legal Services Research Centre (2007) *Putting Money Advice Where the Need is: Evaluating the Potential for Advice Provision in Different Outreach Locations*, by A Buck, T Tan, and C Fisher, London: LSRC.
3. *Time is Money* surveyed 144 people in prison and interviewed 47 of them; it also surveyed 24 former prisoners and 29 families of people with convictions. Other topics include benefits, the discharge grant, and the reform of the Rehabilitation of Offenders Act 1974.
4. DWP (2010), *Family Resources Survey*, 2008-2009, London: DWP.

Of the 47 people interviewed in prison, 40 had a bank account, but only three said they could manage it directly during their sentence. Five others depended on their families to manage their bank account.

As a direct result of going to prison, I ended up bankrupt. I have now got a deposit only account.

I can't work or access my bank [in prison] which is the only reason I am in debt.

People interviewed in prison were asked whether they expected to need any banking services after release. Just under half (45 per cent) said that they would need new or further services from their banks when they were released, which included, for example, a credit card, an overdraft facility and new savings accounts.

Insurance

Access to insurance is fundamental to full financial participation in a modern society. It supports stable housing, employment and self-employment. For example, employer's liability insurance is a legal requirement for many small businesses. However, mainstream insurers often have a blanket exclusion policy against people with any unspent convictions or a policyholder living in the same home.

Interviewees highlighted how the inability to get insurance can prevent access to mortgages and many forms of employment or self-employment.

As there are around eight million people on the government's Offender Index, the ambiguities regarding insurance and convictions affect a significant proportion of society; and eight million under-estimates its impact, as many more are involved as family members or potential employers.

Under insurance law, unspent criminal convictions (as defined by the Rehabilitation of Offenders Act 1974) must be disclosed to insurance companies irrespective of whether the insurer asks about them. The onus is on the customer to disclose any material facts which a prudent insurer would consider relevant in setting premiums or deciding to cover. Non-disclosure can invalidate insurance and potentially lead to prosecution.

In 2004, UNLOCK found that when someone posed as a reformed offender with a conviction for assault, five out of the six leading insurance providers refused to provide cover because of the criminal conviction[5]. The charity has since established a list of specialist brokers who can provide cover to individuals and households with convictions.

Time is Money indicated that a minority of people in prison have insurance, at least while they are in prison. Comparing the people interviewed in prison to the general public gives an indication of their lack of access to insurance.

- 83 per cent (39) people interviewed in prison had relatively stable accommodation (council rent, private rent or mortgaged).
- Of these, 77 per cent (30) did not have home insurance. This compares to 22 per cent of UK households who have no contents insurance; and 35 per cent, who have no buildings insurance.

Many social landlords now offer simple, straightforward and inexpensive tenants contents insurance (TCI) policies, specially designed for their tenants. TCI policies have low premiums (often from £1 per week), no excess to pay on claims, no requirement for a bank account, options on frequency of payments, and often integration into rent payments. However, the issue of convictions as a material fact also hold true for TCI policies, often preventing former offenders from benefitting from them.

Over four in five former prisoners said it was harder to get insurance and four-fifths said that, when they did get insurance, they were charged more. Only two people said that their conviction made no difference to the price. Interviewees highlighted how the inability to get insurance can prevent access to mortgages and many forms of employment or self-employment.

The surveys also showed how the decisions that insurers make on the basis of a criminal conviction can often harm the person's family. Many respondents considered it particularly unfair that the family should suffer penalties in insurance due to their conviction:

My parents told their home insurers and motor insurers of my conviction and they were refused cover. This has stayed on record and now they cannot get cover at all even though I don't live with them any more. It makes me really furious that my family are being punished as well as me.

5. Allison, E. (2004) 'Insurance companies deny cover to ex-prisoners', *The Guardian*, 1 June, 2004.

Credit, Debt and Saving

The LSRC found that imprisonment exacerbates debts. 16 per cent of people in prison were already unable to repay their bills when they entered prison. 12 per cent had fallen into debt since being in prison. They also estimated that over three million people are unable to access mainstream credit. The main sources of credit for these households are the social fund, home credit companies, and hire purchase, some of which lead the customer into high interest debts.

Time is Money found that over half of people interviewed in prison said that, while in the community, they had been rejected for a bank loan and 8 per cent said they had tried to borrow from a loan shark (a rate over 10 times higher than the average UK household). One in four people surveyed in prison had been threatened for a debt while in the community. People who had borrowed from a loan shark were four times more likely to have been threatened over a debt.

Two thirds of people interviewed in prison who had debts said they owed over £1000 and one third said they owed money for housing.

> *I need to pay a lot of money before they'll re-house you. That's wrong because you'll be homeless. They should give you a flat and let you pay off so much a week.*

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Other likely reasons for debt included crisis loans (25 per cent), court fines and mobile phone bills (about one in five).

Imprisonment creates obstacles for people who try to correspond directly with creditors. There are currently no industry guidelines regarding the suspension of interest charges on loans when someone is in prison. Convicted people are not permitted to use credit cards or enter into any loan or credit agreement while in prison. However, people in prison are permitted to make payments to reduce an outstanding balance or any other debt re-payment, though this is not always facilitated:

> *My overdrawn current account is increasing whilst in prison and so is my credit card balance. I think this will affect my ability to rehabilitate successfully. I don't want to set up a home, get a job etc., and then have creditors banging on the door.*

People in prison also spoke about the impact of their debts and imprisonment on their families' finances:

> *My husband can't get any credit now because of me. My father gets letters from the council saying he'll lose his home — it's my debt at the end of the day, I can't understand why they threaten to kick him out of his home because of it.*

Over half of the families surveyed had had to borrow money since the conviction. Two thirds of the families who were already in debt said their debts had increased since the imprisonment of their relative. Ten per cent of families said they were 'in real financial trouble,' and one in three said dealing with bills was a constant struggle.

Former prisoners were asked to gauge what impact, if any, being in prison had had on their levels of debt; 20 responded.

- ❒ 30 per cent (6/20) said they had no debts
- ❒ 9/14 for whom it was relevant said that being in prison had made their debts worse

> *With me in prison not working, my partner run up some extra debts. Also, when I came out, I found it hard getting work, which made it worse.*

Under the National Minimum Wage Act 1988, while in prison a person 'does not qualify for the national minimum wage in respect of any work which he does in pursuance of prison rules', this does not include those who work for outside employers doing a normal job on a working out scheme. Prison pay is controlled by individual governors to reflect regime priorities. People are eligible for pay when employed in work, induction, education, training or offending behaviour programmes. Average wages are between £7 and £12 a week (around 30p per hour). Expenditure in prisons is paper-based and people do not handle cash or conduct electronic payment methods. Recent Ministry of Justice policy announcements have indicated a desire to move towards a full working week in prisons. If realised, this would increase the opportunity for people in prison to repay their debts in preparation for release and require a fundamental shift in the way the finances of people in prison are managed.

In addition to work with banks, local partnerships between prisons and credit unions have begun to emerge. Credit unions are financial co-operatives owned and controlled by their members, without external shareholders. Their central purpose is offering affordable financial services, including savings and affordable credit to their membership. An example is Leeds City Credit Union, which has been working with HMP Leeds and HMP Wealstun since 2007. This collaboration led to the opening of 600 savings accounts. Some larger credit unions, including Leeds, also offer full current accounts.

Money Advice

Almost two-thirds of people interviewed in prison said they struggled to pay bills, or were in real financial trouble, before coming to prison. On entry to prison, people are effectively severed from their financial life, losing access to products and communication with creditors. Yet three quarters of them (and the same proportion of *former* prisoners) said no one had ever asked them about their finances while in prison. Only 5 per cent of people in prison said they had been asked about how their families would cope financially while they were in custody.

Assessment of a person's financial situation, and the likely impact of prison on their finances, is best delivered early in a prison sentence. Effective assessment is essential if resources are to be efficiently and properly allocated. Early assessment can also alert the individual to problems that they can tackle during their sentence and help them make links to specialist services. Conversely, a lack of priority given to the person's finances in prison reception or induction processes can seriously exacerbate any existing financial problems.

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In making referrals to specialist services following an assessment, it is important to distinguish three different elements of money advice; the development of personal financial capability, general information and advice about financial matters, and formal debt advice are related but distinct concepts. For example, debt advice is typically a crisis intervention to solve a current problem, as opposed to focusing on developing the skills necessary to choose and use financial products such as bank accounts. Similarly, generic information and advice is unlikely to solve a significant debt crisis but will help individuals to become more self-sufficient in the future.

Money Advice: financial capability

Most of the people surveyed in prison expressed confidence about their money management skills. Only 28 per cent (38/138) said that they were unsure or very unsure about handling finances. However, people interviewed in prison were less confident in dealing with banks. Just over half of those interviewed said that they were unsure or very unsure about dealing with banks (23/44). This suggests that, while people who are often on very low incomes may develop effective budgeting skills they may be less confident in dealing with new technologies (such as online banking) or communicating with staff who provide financial services.

The Vale of Glamorgan Citizens Advice Bureau ran a project to develop the financial skills of people in prison, based on UNLOCK's 'UNLOCKing Financial Capability' training resource. The project found that

❒ The greatest benefit came when the workshops were close to release.

❒ Many participants felt there should also be personal support upon induction.

❒ Over half left the workshops feeling confident about the financial capability issues covered.

❒ Confidence about dealing with debt rose from 17 per cent at the outset to 45 per cent at the end.

❒ The most marked improvement was in confidence getting insurance and mortgages when you have previous convictions: rising from 9 per cent to 58 per cent[6].

The Skills for Life curriculum (the national strategy in England for improving adult literacy, language and numeracy skills) can be delivered through contracted providers in prisons to learners who 'will require at least one year for progress to be achieved.' Therefore some education providers within prisons may deliver financial literacy courses as a way of embedding practical numeracy and literacy skills.

Evidence from the survey of families suggests that sending a relative to prison not only increases the families' debts, but also undermines their confidence about managing finances. The proportion of offenders'

6. Ipsos MORI (2010), *Improving Financial Capability among Offenders*, London: Ipsos Mori.

families who felt unsure in managing money more than doubled after their relative was imprisoned.

People in prison have little opportunity to practise financial skills in their every-day lives. They cannot visit branches and the modern tools of internet and telephone banking are forbidden. However, offenders are now a recognised financially excluded group within the national financial capability strategy, aligned with the finance, benefits and debt pathway. The prison environment could increase self-reliance by providing opportunities to practise normal financial operations and develop the increased awareness, confidence and skills required to use modern financial services.

Money Advice: information and advice

Information and advice is not routinely available to people arriving in prison regarding how best to organise their finances to avoid the worst consequences of imprisonment. For example, people are unsure whether to update their bank with their prison address or contact their loans company to advise that they are in prison. Even those confident enough to act without advice find it difficult to communicate with financial services providers.

> *I didn't know if I had to change my address or if I could keep it at my home address. It wasn't easy to find out what you could and couldn't do.*

The prison environment could increase self-reliance by providing opportunities to practise normal financial operations and develop the increased awareness, confidence and skills required to use modern financial services.

A survey by Citizens Advice, whose Bureaux currently provide advice in 43 prisons and 29 probation settings, found that only 6 per cent of people in prison had received advice on day-to-day money management[7]. The LSRC found that 90 per cent of people in prison who were in real financial trouble had not received any advice for their problems.

Once effective assessment is in place, advice services can make a constructive impact. Nearly all of those who were asked about their finances on arrival in prison subsequently received advice and eight out of ten said it had been useful. Providing basic information, and facilitating its use, would allow people the opportunity to take responsibility for tackling their financial issues.

Money Advice: debt and benefits

The LSRC research also explored the kinds of advice topics likely to interest people in prison. Almost half (45 per cent) wanted advice about how to get out of debt; over a third (35 per cent) would want advice about handling debts after release; and a third wanted practical advice about managing debts while in prison.

Time is Money also found that imprisonment is likely to increase levels of debt. Just over half of the people interviewed in prison had debts. Of those who had debts, 40 per cent of people in prison and 64 per cent of former prisoners felt that their debts had worsened during their sentence. Limited communication and access to creditors, combined with negligible prison wages can lead quickly to exponentially rising debts and even legal action.

81 per cent of people discharged from prison claim benefits. People discharged from prison have the same rights to housing, healthcare, and community support as anyone else. However, the local authority must be informed of their situation and given an opportunity to assess their needs in good time prior to their release. An article by Paul Bowen *et al*. describes the duties mandated under the National Health Service and Community Care Act (1990):

> *The duty to assess the needs of a potentially vulnerable person is triggered when a local authority becomes aware of an individual who might need support. The duty may apply before the services are required (as, for example, a prisoner prior to his/her release) when it appears that the person may need services after discharge from prison. If the local authority thinks the person might need health care or housing, the local authority must notify the relevant PCT or housing authority and invite them to assist the assessment.*[8]

7. Citizens Advice (2007) *Locked out: CAB evidence on prisoners and ex-offenders*, London: Citizens Advice.
8 . Bowen, P. Markus, K. and Suterwalla, A. (2008) *Discharged prisoners' rights to health care, housing and community care — Part 1*,' Legal Action Group, January 2008.

Former prisoners generally supported the idea that better money advice in prison would have helped them to lead a law-abiding life after release. One-third said that advice, delivered while they were in prison, would have helped 'a lot', and half agreed that the advice 'might have helped a bit' in leading a law-abiding life.

Conclusions

A substantial proportion of people in prison were already experiencing extreme and persistent financial exclusion before being sentenced. Imprisonment tends to increase financial exclusion and reduce personal responsibility, creating problems with housing, insurance, employment, and family relations; all of which can increase the risk of reoffending. Changes within prisons to promote financial inclusion and responsibility would contribute directly to effective resettlement and a reduction in the rate of reoffending.

Restrictions on people's ability to manage their finances in prison must be questioned, and only continued where there are genuine security risks which could not be mitigated in other ways. Making it difficult for someone in prison to manage debts, access their bank accounts, or prepare for the financial responsibilities they will face on release is wasteful of public resources and damaging to the prospects of successful resettlement. In addition to necessary national policy changes, *Time is Money* proposes a number of practical steps that should be taken by prisons in order to reduce the impact of the prison on financial exclusion. These include the following: -

- ❒ Prison induction processes should include a section on practical financial matters, backed up by provision of relevant services within reasonable timescales .
- ❒ Prisons should promote money awareness through staff training, posters, money awareness days etc.
- ❒ At the start and throughout a sentence, prisons should facilitate bona fide financial communications and transactions in support of resettlement
- ❒ People in prison should be given all possible support to open a bank account before release. Where this is not possible, they should be given information on how to open one after release
- ❒ All people in prison should be made aware of the Rehabilitation of Offenders Act 1974 and offered information and guidance on the long-term impacts of having a conviction, including on employment and insurance
- ❒ People in prison should be supported in managing any ongoing commitments (e.g. direct debits) and dealing with existing debt from the start of a sentence or time on remand.
- ❒ Information on accessing affordable credit (e.g. credit unions) should be given to the families of people in prison
- ❒ Financial capability initiatives should be recognised as distinct from, but integrated with, basic skills, financial advice and debt advice provision. They should also go beyond budgeting to develop the awareness, understanding, skills and confidence to choose, access and use modern financial products and services
- ❒ Prisons should facilitate access to free, mainstream national advice services (such as The Money Advice Service and National Debtline) either by phone, web, or face-to-face, as appropriate
- ❒ Sources of independent advice should be actively sought and promoted
- ❒ The potential for prison peer supporters to be trained in generic money advice, linked to qualifications (such as NVQ Level 3 in Advice in Guidance) should be explored.
- ❒ Prisons must ensure that all people receive the money that is held in their private cash (prison) account on release.
- ❒ Resettlement units in prisons should alert local authorities to people in need of benefits, housing, and other support (e.g. with learning disabilities) well before the anticipated release date to ensure that the mandated duties to vulnerable people are met.