

Evaluation of the CFLI and Saving Gateway Pilot Projects

Interim report on the Saving Gateway pilot project

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The four pilot Saving Gateway sites have administered questionnaires to those opening accounts, and have supplied further details to assist in improving the veracity of that data. Our thanks to them in ensuring the smooth running of the data collection.

Staff in all five pilot areas have been interviewed in depth about their experiences in administering the scheme. We are grateful for the detailed insights they have provided.

Finally, we would like to record our thanks to the Saving Gateway participants who have supplied questionnaire data about themselves, with particular thanks to those who also agreed to be interviewed in depth.

Summary

The Saving Gateway is being piloted in five areas of England. In four areas it is run alongside the Community Finance and Learning Initiative (CFLI), a DfES pilot aiming to bring together services relating to financial literacy, micro-enterprise and adult learning. These areas are:

- Bethnal Green, East London, operated by Toynbee Hall.
- Cambridge, through Cambridge Housing Society (part of People for Action, PfA).
- Cumbria, through Impact Housing Association (also PfA).
- Gorton, Manchester, implemented by Places for People.

In a fifth area, Hull, eligible people were notified about Saving Gateway by letter from central Government.

Eligibility for the pilot SG account is based on those in work on low earnings, or out of work and receiving particular benefits. People must also be of working age (between 16 and 65 for men, or 16 and 60 for women).

The evaluation of the Saving Gateway pilot is designed to gain practical understanding of the operation of a savings account for lower income groups. This interim report presents the findings from a number of data sources including:

- questionnaires completed by all participants at the time they opened their Saving Gateway accounts;
- monitoring information on the sums of money deposited in or withdrawn from accounts;
- depth interviews with 30 Saving Gateway participants;
- depth interviews with Halifax bank staff involved with the Saving Gateway at headquarters and local branches; and
- depth interviews with staff in the four local CFLI pilot organisations.

It analyses the numbers of people who have opened a Saving Gateway account and their circumstances; how and why people were attracted to the Saving Gateway and the practical experiences of opening accounts; patterns of saving among participants before they opened their Saving Gateway account, and patterns of saving into Saving Gateway accounts.

Saving Gateway participants

In total, 1,478 accounts were opened between August 2002 and the end of May 2003. If the scheme were rolled out nationally, we estimate that around 25 per cent of households could, potentially, qualify to open an account.

Saving Gateway participants were mostly drawn from young families with children and lone parents in particular. Half were tenants of local authorities and housing associations.

Levels of current account-holding were appreciably lower among Saving Gateway participants compared with the population as a whole, and around half of participants did not currently owe any money on credit commitments. Among credit users, the most common types of commitment were credit cards; mail order catalogues; and overdrafts. Most were reluctant users of credit.

The depth interviews showed that around half of participants were managing quite well financially; the rest were split evenly between people just getting by and those who were struggling.

Compared with those potentially eligible to open an account, Saving Gateway participants were drawn disproportionately from people aged in their thirties; lone parents; social tenants; part-time workers; people receiving Incapacity Benefit and people without a bank account. They also had lower household incomes. These differences tended to be greater in areas where the Saving Gateway was promoted by the CFLI pilots than they were in the branch-only pilot in Hull.

Opening a Saving Gateway report

In the CFLI pilot areas most people found out about the Saving Gateway either through word of mouth or by reading leaflets. Overwhelmingly, the main reason for opening an account was to take advantage of the pound-for-pound matching. This was considered far more effective than other incentives such as tax relief or interest rates. There was, however, a good deal of suspicion about the matched funding and a number of people had sought reassurance that this was genuine.

In the CFLI pilot areas a considerable number of people preferred to deal with a community-based organisation rather than directly with a bank. In some cases, this was part of a general disengagement from financial services. In others it was due to better physical access, as during the pilot the Halifax was operating the Saving Gateway from only one designated branch per area.

The Saving Gateway imposes no restrictions on the way that the matched savings can be spent (unlike similar schemes run in other countries). This has, undoubtedly widened its appeal. Even so, a sizeable minority would still be attracted to a scheme with restrictions, provided these included spending on education.

Although the pilot accounts will only run for 18 months, there was a general preference for a three-year account. Many people were in favour of having limited opportunity to withdraw

money; but others, with more stretched budgets, wanted to retain the possibility of withdrawing money in an emergency.

On the whole the account-opening process ran fairly smoothly for all those involved. There were, however, fairly limited opportunities for the Halifax to cross sell other financial products or for the CFLI pilots to sign people up to courses on money management.

Existing patterns of saving

One of the key aims of the Saving Gateway is to encourage more people on low incomes to save money. From the evidence to date it is certainly achieving this aim.

Just under half (46 per cent) of participants did not already have a savings account – about the same as in the potentially eligible population as a whole. Less than a quarter (23 per cent) already had £250 or more in savings.

Less than four in ten (36 per cent) said that they had added money to their savings account in the past 12 months and only 15 per cent were already regular savers. Unsurprisingly, the people who saved regularly were drawn from the better-off participants.

Around a third (33 per cent) saved money informally – mostly cash in containers or giving money to a relative or friend to look after. For one in five people (20 per cent) this was the only way they saved. But that still left more than four in ten who had not been saving at all prior to opening their Saving Gateway account.

The most common approach to saving was one of ‘save to spend’ (48 per cent of participants). Only one in five (19 per cent) were saving for a ‘rainy day’. The remaining people said that they would not describe themselves as savers at all.

Saving Gateway accounts

The total amount saved by account-holders had reached £150,000 by the end of August 2003. The average balance was £101. Between August 2002 and August 2003, there had been 8,165 payments into accounts totalling £161,453 and 305 withdrawals totalling £11,168 (around half of them to correct over-payments exceeding £25 made in previous months).

On average, people were making a deposit in 74 per cent of the months that their account had been open (this compares with 48 per cent in the US ADD programme, which of course has been running for much longer). Conversely, 46 per cent of account-holders had made a deposit in *every* month that their account had been open – which was for some only a few months.

The average net amount saved in each account, for each month opened, was £15.78 per month. In other words, people were saving around 63 per cent of the maximum each month (76 per cent if we allow for the fact that the maximum amount can be reached by saving £20.83 in each of the 18 months).

Generally speaking, the average amounts being saved were relatively similar across different groups. The main differences were that:

- €# younger people in their twenties and especially their teens were saving lower amounts than those aged thirty or older;
- €# couples saved more than single people;
- €# workers saved more than non-workers;
- €# owner-occupiers saved more than tenants;
- €# those on the lowest incomes saved least, but there was otherwise no link between a higher income and saving more.

Each month, the two most common amounts being saved were £25, and nothing. Over the early months, the amounts saved tended to concentrate around these two points, with intermediate amounts being less and less commonly saved.

There have been concerns that the matched funding might encourage people either to transfer money into the Saving Gateway from existing savings accounts or that they might borrow to save. There is little evidence to support either concern. When they opened their accounts the overwhelming majority of people said that they intended to find the money either by starting to put money aside (50 per cent) or by taking money out of their current account (46 per cent). The depth interviews have confirmed that this is, indeed, how they have found the money, with a minority of people cutting back expenditure in order to save. They economised by reducing their spending on smoking, the lottery, pub visits and meals in fast food restaurants. Overall, the Saving Gateway has mainly attracted genuinely new saving. It has encouraged some to start saving and others to increase the amounts saved and/or the regularity of saving. Moreover, it is clear that the £25 maximum has become a target for the majority of participants.

Most people were making deposits in cash/cheque, even so 40 per cent of participants paid by direct debit or standing order. The average amounts saved each month were higher among those using electronic means of payment, though the differences were not great. Electronic payments were used more commonly in the CFLI pilot areas than in Hull – largely because many people lived distant from the pilot branch.

Of those saving £25 in a given month, 85 per cent saved £25 the following month whilst 12 per cent saved nothing. Conversely, 28 per cent of those saving nothing in any given month were found to have saved £25 the following month, with most (66 per cent) also not saving the following month.

The depth interviews showed that, when their Saving Gateway account matured, many people intended to transfer all the money they had saved to another savings account. The second largest group intended spending all the money - on a holiday, a car or household items. The smallest group of people intended to save some money and spend the rest.

Two thirds of the people interviewed in depth said that they intended to continue saving regularly at the end of the Saving Gateway, now that they had got into the habit. Only a very small number had been saving regularly before they had opened their Saving Gateway account.

1. Introduction

The promotion of saving and asset-accumulation is an important part of Government policy, particularly for lower-income households. In its consultation paper *Helping People to Save* (November 2000), the Government highlighted the importance of savings in providing independence throughout people's lives; security when things go wrong; and comfort in old age. It also identified the need for incentives to encourage people to save, especially among those on lower incomes. Existing incentives, such as the tax-free interest of individual savings accounts (ISAs), have little effect on non-savers, while providing the greatest financial benefit to higher rate taxpayers.

Later consultation papers (*Saving and assets for all*, April 2001; *Delivering saving and assets*, November 2001) developed the concept of asset-accumulation as a means of extending opportunity to all young people, regardless of their families' circumstances. These papers discussed the introduction of the Child Trust Fund, a programme to provide 18 year-olds with a cash sum by saving money at various points in their childhood.

Attention has now turned to the concept of matched funding as a means of encouraging a 'strong saving habit' (HM Treasury, April 2001). The Saving Gateway is a savings scheme for people of working age who receive state benefits or in-work tax credits which offers pound-for-pound matched funding up to a limit. A pilot scheme was launched by HM Treasury at five sites in England during 2002, with the accounts being operated by the Halifax Bank. The first accounts were opened in August 2002; the last in July 2003, with the pilot continuing until the end of 2004. This report describes experiences up to the end of August 2003, including the number of accounts opened; the types of people the Saving Gateway has attracted; their previous patterns of saving, the account opening process and, finally details of the patterns of saving with the Saving Gateway.

1.1 Matched saving schemes in North America

Whilst somewhat novel in Britain, schemes to encourage low-income saving have been running for some years in the USA. In an influential analysis, Michael Sherraden (1991) proposed that Individual Development Accounts (IDAs) should be available to everyone, with greater incentives to save for the poor. Individual Development Accounts (IDAs) have now been developed in the United States as a means of encouraging lower income groups to acquire assets. Personal saving in IDAs is usually generously matched by local and national funds, including from charitable foundations. It is typical for savers to receive some \$2 or \$3 for each \$1 that they save, sometimes more. However, this matching money must be spent on one of a range of prescribed uses – such as education, going into business or home purchase.

The largest and most well-known IDA programme (and IDA evaluation) is run through the ‘American Dream Demonstration’ (ADD). This comprises 13 different IDAs (one split between two locations) begun in September 1997 by the Corporation for Enterprise Development (CFED). After a recruitment period of over two years, 2364 accounts were opened (Schreiner, Clancy and Sherraden 2002). These were locally-based programmes; the largest opened 470 accounts, the remainder averaged around 150 accounts.

On average ADD participants saved in around half the available months, making net monthly deposits averaging \$19.07 (median \$9.83). They saved at around half the rate that would have provided maximum matching funding. The various studies on ADD have suggested that low-income families are able to save, and that additional income does not always generate additional saving.

There are now a large number of different IDAs in existence, each with diverse rules and requirements – the ‘IDA network’ suggests there are over 250 IDAs covering 44 states. There are large differences between IDA schemes, so no complete description is possible. However there are a number of common or typical factors. The IDAs tend to be aimed at lower income groups in work. They tend to have matching rates, as already mentioned. The matching contributions must be spent on one of a limited number of asset acquisition purchases, including house purchase, setting up in business or obtaining education or training.

American IDA schemes tend to emphasise the acquisition of an asset. To date the UK emphasis has perhaps been more concerned with developing a habit of saving. In particular there is no restriction in Britain on how the additional or matching contributions may be spent, although moving funds into an ISA or stakeholder pension when accounts mature has been one area of policy discussion.

1.2 The UK Saving Gateway initiative

The implementation of the Saving Gateway has proceeded quite rapidly. The scheme outlined in *Delivering Saving and Assets* (2001) envisaged an account, when implemented nationally, that would be provided by a single financial group, with a savings limit of £25 per month, and providing matching funding of up to £1,000 over a five year period. However, it was decided to introduce a pilot scheme first, to consider practical details of what kind of structure and delivery mechanisms would work best.

1.2.1 Saving Gateway pilot arrangements

The Saving Gateway is being piloted in five areas of England. In four areas it is run alongside the Community Finance and Learning Initiative, a Department for Education and Skills pilot aiming to bring together services relating to financial literacy, micro-enterprise and adult learning. In these areas local organisations ‘recruit’ people and help them to open accounts, and may also provide further training or education on financial matters.

The Saving Gateway pilot locations are:

- €# Bethnal Green, East London, operated by Toynbee Hall.
- €# Cambridge, through Cambridge Housing Society (part of People for Action, PfA).
- €# Cumbria, through Impact Housing Association (also PfA).
- €# Gorton, Manchester, implemented by Places for People.
- €# Hull – the branch-only site.

In Hull, the fifth pilot area, the Department for Work and Pensions wrote to a sample of people, identified from benefit and tax credit records as being eligible to open a Saving Gateway account and offered further details, including how to apply for an account. These people went straight to a local branch to open a Saving Gateway account. The Halifax Bank is the provider of Saving Gateway accounts for all participants for the duration of the pilot.

People living in these pilot areas were eligible to open a Saving Gateway account if they were either in work and on low earnings that would entitle them to Working Tax Credit¹, or out of work and receiving Jobseeker's Allowance, Income Support, or Incapacity Benefit (or residual Severe Disablement Allowance). They had also to be of working age (between 16 and 65 years of age for men, or between 16 and 60 for women).

During the pilot, accounts had to be opened with at least £1, and people may save a maximum of £25 each calendar month. There is also a total account limit of £375 – which would be reached within 15 months for someone saving the maximum £25 each month, or by someone saving a monthly average of £20.83 for the 18 months of the account. Only one account is allowed per person (although couples may open one account each, if they both qualify). The Government will add a matching contribution, at the rate of £1 for £1, when the account matures. Effectively the Government match will equal the highest balance attained during the lifetime of the account. No interest is paid on the accounts.

It is worth noting that a matching rate of £1 for £1 for an 18 month account is rather more generous than over a three or five year duration, however similar they sound. Doubling £1 five years from now requires an annual interest rate (compounded) of 'only' 15%, whilst doubling £1 in 18 months time equates to an annual interest rate of closer to 60%. The rate of return on savings is higher, the closer the money is saved to the maturity date, and the return is lower the more distant the matching is going to be paid.

Saving Gateway account-holders have a passbook, which allows them to withdraw their savings with no notice (although they must leave £1 in the account to keep it open). However, matched funding from the government will only be paid when the account matures, which during the pilot is after 18 months. Statements are sent by HM Treasury to participants on a quarterly basis, recording the amount deposited and the level of matching contribution achieved to date.

¹ Working Tax Credit was introduced towards the end of the account-opening period of the pilot. So to be eligible to open an account people who were in work had to have earnings of £11,000 per year, or less or, if they had either children or a disability, household earnings of £15,000 per year, or less.

1.2.2 The pilot Saving Gateway evaluation

The evaluation of the Saving Gateway pilot is designed to gain practical understanding of the operation of a savings account for lower income groups. There are a number of key strands to the Saving Gateway evaluation. This report is based on four of these:

- €# A four-page self-completion questionnaire, which is requested of everyone who opens an account by the local pilot organisation (or is posted with the Saving Gateway literature in Hull).
- €# A database of transactions made on each account, to examine all flows into and out of the accounts.
- €# Depth interviews with account-holders (starting late summer 2003).
- €# Interviews with staff in the Halifax Bank and the four pilot organisations.

Later in the evaluation we will report on information collected through:

- €# Face-to-face interviews with account-holders, and a comparison or control group (taking place during Feb-September 2003). These respondents will be followed-up by telephone around a year after the first interview.
- €# Self-completion questions on account maturity (rolling on 18 months from account opening).
- €# Further depth interviews with account-holders, following account maturity (during 2004).
- €# Focus groups with those not opening accounts in the pilot areas (starting early 2004).

1.3 Structure of this report

There are four further Chapters in this report. In Chapter 2 we report on the number of people nationally who might potentially qualify to open a Saving Gateway account; the numbers of accounts opened during the pilot; and the people opening accounts, including their personal characteristics and their use of banking and credit. Chapter 3 covers how and why people were attracted to the Saving Gateway, their views of the Saving Gateway, and the practicalities of opening the accounts. Chapter 4 provides details of their patterns of saving before they opened their Saving Gateway account. A final chapter (5) explores how people have used their Saving Gateway accounts, including the amounts they have saved and how they found the money, their method of saving, account withdrawals and future plans for using the money saved.

2. Saving Gateway participants

In total, 1,478 Saving Gateway accounts were opened in the ten months between the end of August 2002 and the end of May 2003 - just short of the target number. Take-up has been greatest among women and people in their twenties and thirties, and about half of account-holders have dependent children. Participants are typically living on low incomes, and are more likely to be 'unbanked' than the population as whole. While many use credit, they generally do so reluctantly and from necessity rather than choice.

The main part of this chapter looks in detail at the characteristics of people who have opened a Saving Gateway account. It compares them with the national population of people likely to be eligible to open a Saving Gateway account and also draws out any differences between people recruited through the CFLI pilots and those in Hull who received a letter telling them about the Saving Gateway. It concludes with an overview of how well Saving Gateway participants were managing to make ends meet. We begin, however, with an overview of the numbers of people likely to be eligible for the Saving Gateway if it is rolled out nationally.

2.1 Qualifying for the Saving Gateway

We do not know the final criteria that would be used if the Saving Gateway programme is rolled out nationally. We have, however, estimated the proportions of the population that might be eligible, assuming that people would qualify if they were of working age (16 to 60/65), and either:

- €# Receiving a main out of work qualifying benefit – we have assumed Income Support (IS), Jobseeker's Allowance (JSA), Incapacity Benefit (IB), Severe Disablement Allowance (SDA) or Working Families Tax Credit (WFTC); or
- €# Working 16 or more hours and having family earnings of £11,000 or lower, or £15,000 or lower among families responsible for dependent children.

It is possible to vary these assumptions, but they are likely to form the core of any definition ultimately used (and they mimic the criteria used in the Saving Gateway pilot schemes). The Working Tax Credit (WTC), introduced April 2003, provides an alternative passport route to a Saving Gateway account. However it is very important to note that those without children must be aged at least 25 and working for 30 or more hours a week, to qualify for WTC. As we will see, younger people *could* be an important eligible group.

As many as one person in four, of working age, met this set of definitions in 2000 (Table 2.1), with a greater proportion of these being people receiving qualifying out-of-work benefits rather than those having incomes from work that would now qualify them for Working Tax Credit. The two surveys analysed² showed very similar proportions receiving

² The Family Resources Survey and the British Household Panel Survey

qualifying benefits (15 per cent, around one person in six), and in childless households earning less than £11,000 each year. The Family Resources Survey suggested a rather higher number of families with children with earnings of £15,000 or less. Estimates from the Institute of Fiscal Studies have tended to assume that the policy was directed at workers, rather than non-workers (Emmerson and Wakefield 2001). Eligible numbers in work are lower than the numbers out of work. Moreover, any route to eligibility based on a minimum age above 16 (as with Working Tax Credit) would reduce the numbers further.

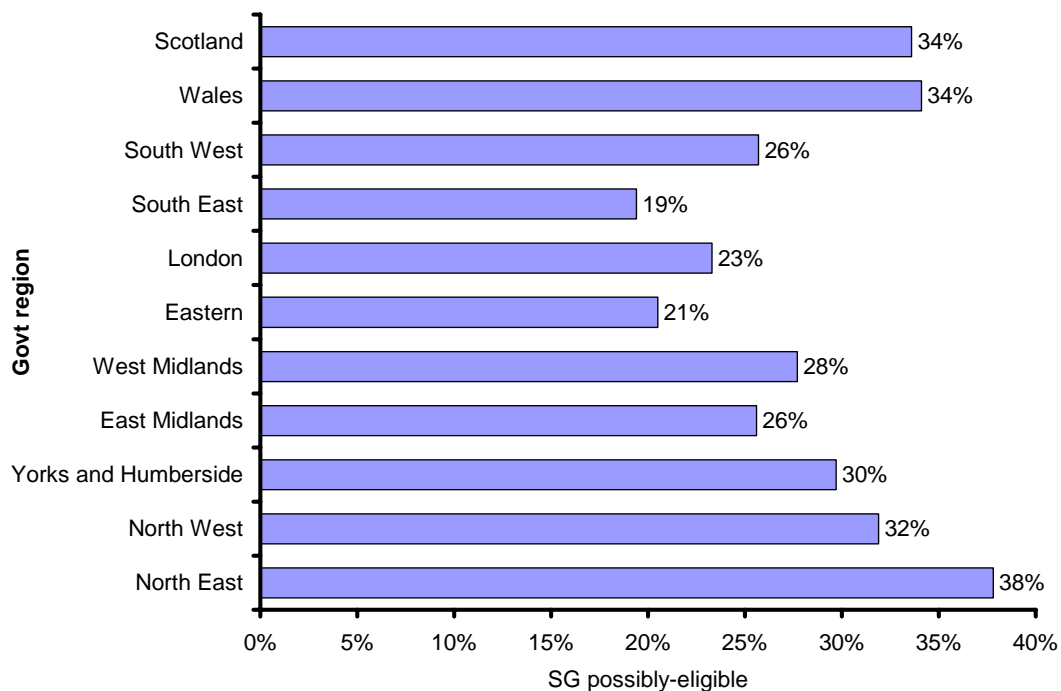
Table 2.1 Potential SG eligibility

	BHPS wave 10	Family Resources Survey 1999-2000
Receiving a qualifying benefit	15	15
Family earnings of £11,000 or lower	7	7
Family earnings of £15,000 for families with children	2	5
Sub-total: eligible	24	27
Not eligible	76	73
<i>Unweighted base (individuals of working age)</i>	<i>11,765</i>	<i>33,714</i>

Column percentages

The proportion of working-age adults possibly eligible for a national Saving Gateway varied considerably between areas (Figure 2.1).

Figure 2.1 Potential SG eligibility rates in each Government region (FRS)

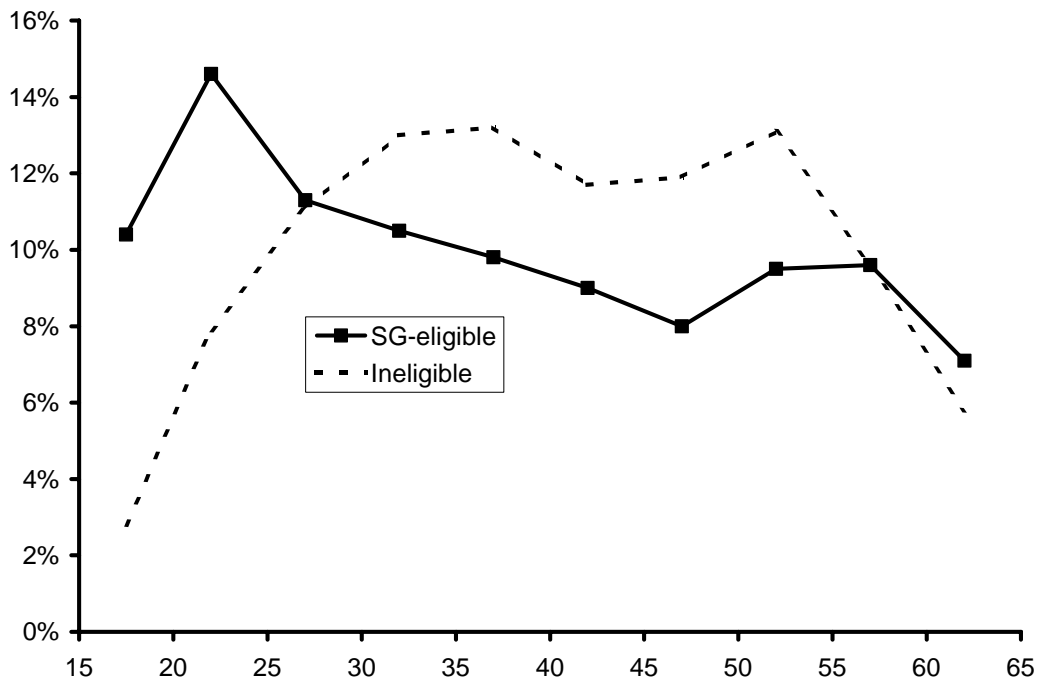


As many as 38 per cent of working age adults might be Saving Gateway-eligible in the North East, compared with half that rate in the South East (19 per cent). Two of the areas covered

by the pilot – both in the South East - had eligibility rates below the national average. Conversely the pilots in the North had relatively high target populations.

Around one-quarter of those potentially eligible for a SG accounts were aged 16-25. Those aged between 25 and 55 had lower than average rates of eligibility. This makes the application of a minimum age for Saving Gateway accounts rather important (especially given that the potential route using Working Tax Credit would have a minimum age at 25). Those potentially eligible for SG accounts were also slightly more likely than average to be (men) aged in their sixties (Figure 2.2).

Figure 2.2 Age distributions (5-year bands) of potentially eligible and ineligible adults (FRS)



2.2 Numbers of accounts opened

Saving Gateway accounts were available for a period of ten months from the end of August 2002 to the end of May 2003³. Individual accounts will ‘mature’ at different dates, 18 months from the date they were opened. A total of 1,478 accounts were opened – just a fraction short of the maximum 1,500 accounts that had been planned. Among the CFLI pilots, the greatest number of accounts were opened in May 2003, the last official month they were available (Table 2.2). No accounts were opened in Hull until December 2002 because of the time taken to obtain a suitable sample of benefit recipients.

³ As Table 2.2 indicates, some accounts were opened in June and July 2003. Throughout, these are treated as having been opened on 31 May 2003.

Table 2.2 Accounts opened by month and location*Numbers of accounts*

Month	CFLI pilots	Hull	Total	Cumulative total
2002				
Aug	7	-	7	7
Sept	85	-	85	92
Oct	88	-	88	180
Nov	86	-	86	266
Dec	62	10	72	338
2003				
Jan	76	14	90	428
Feb	51	50	101	529
Mar	90	119	209	738
Apr	103	54	157	895
May	317	75	392	1,287
June	133	44	177	1,464
July	7	7	14	1,478
Total	1,105	373	1,478	
First account	21.Aug.02	11.Dec.02	21.Aug.02	

Source: Account monitoring data

2.3 Characteristics of Saving Gateway participants

Unsurprisingly, Saving Gateway participants in the pilot areas were largely drawn from groups with low incomes: young families with children, particularly lone parents; recipients of state benefits and in-work tax credits; and tenants of local authorities and housing associations. In Hull, participants were somewhat better-off than their counterparts in the other pilot areas, in particular a much higher proportion were in paid work. They were more likely to be couples rather than single people or lone parents; owner occupiers; receiving Working Families' Tax Credit; and with household incomes of £200 or more a week.

2.3.1 Personal characteristics

As Table 2.3 shows, around two-thirds of all Saving Gateway participants were female; with no difference between participants in the CFLI pilots and those recruited in Hull. Women were, however, greatly over-represented compared with the population potentially eligible for the Saving Gateway.

Over half of participants (53 per cent) were in their twenties and thirties, a time when the financial pressure of setting up home and looking after a family may be at its greatest (Table 2). But the initiative seems to be attracting some older savers as well, with more than a third (37 per cent) of people opening accounts being in their forties or fifties. The Hull pilot attracted fewer people aged under 30 than the CFLI pilots, but correspondingly more aged over 50.

Table 2.3 Personal characteristics of SG account-holders

Column percentages

	CFLI pilots	Hull	All SG participants	Possibly eligible for SG	Ineligible for SG
Sex					
Male	36	36	36	50	54
Female	64	64	64	50	46
Age					
Under 20	8	-	6	10	3
20-29	25	17	23	26	19
30-39	28	37	30	20	26
40-49	20	23	20	17	24
50-59	17	17	17	19	23
60 and over	3	7	4	7	6
<i>Mean age</i>	<i>37</i>	<i>40</i>	<i>38</i>	<i>38</i>	<i>41</i>
Household composition					
Single, no children	44	26	40	47	22
Couple, no children	12	10	11	19	42
Couple, children	14	32	18	19	35
Lone parent	30	32	31	15	1
Housing tenure					
Own outright	6	9	7	18	16
Own with mortgage	11	46	19	32	62
Rent from private landlord	9	15	10	12	10
Rent from social landlord	57	22	49	38	10
Live with parents	12	6	10	-	-
Some other arrangement	5	3	4	-	-
<i>Base</i>	<i>1,176</i>	<i>373</i>	<i>1,549</i>	<i>9,021</i>	<i>24,693</i>

Sources: Saving Gateway participants account opening questionnaire; Family Resources Survey

Compared with people who might potentially be eligible for the Saving Gateway, participants were less likely to be aged either under 30 or over 50, while people in their thirties were considerably over-represented.

Although they may find it difficult to save, many parents living on low incomes aspire to do so, to provide financial security for their family (Kempson and Whyley, 1999). Around half the Saving Gateway participants were families with children, and this rose to two-thirds in Hull (Table 2.3). Among participants as a whole, lone parents outnumbered two parent families. This was especially marked in the CFLI pilot areas; in Hull there were roughly equal numbers of lone parent and two parent families. Indeed, the Saving Gateway seems to have disproportionately attracted lone parents – who accounted for 31 per cent of participants but only 15 per cent of the potentially eligible population.

The other notable point was the high proportion of single people – but again this was mainly in the CFLI pilot areas. Single people were, nevertheless, under-represented compared with the potentially eligible population (Table 2.3)

Around half of participants (49 per cent) were renting their home from a local authority or a housing association – rather more than the proportion (38 per cent) in the population that was

potentially eligible for the Saving Gateway. In the CFLI pilots, the proportion of social tenants was higher still (Table 2.3). This is not altogether unexpected given that several of the CFLI pilots were housing associations.

Conversely, the proportion of homeowners was much lower than that found in the population potentially eligible for the Saving Gateway (28 per cent compared with 50 per cent). In Hull, the picture was rather different. Here over half of participants were homeowners with nearly half buying their home with a mortgage. Indeed mortgagors were greatly over-represented in Hull compared with the potentially eligible population as a whole. In part, this will be a reflection of the below-average house prices in the north of England, putting them within the reach of people on lower incomes.

One of the CFLI pilots was in an ethnically very diverse area and as a consequence decided to monitor take-up by different ethnic groups⁴. This showed that only 30 per cent of Saving Gateway participants described themselves as 'white British'. The biggest group (40 per cent) comprised people from the Asian communities, most of whom (36 per cent) were Bangladeshi. And a further 16 per cent were drawn from African and Caribbean communities.

2.3.2 Income and employment

Just over four in ten of all Saving Gateway participants were working, with the rather more working part-time than full-time (Table 2.4). Although there was no difference between the proportions working in Hull and the CFLI pilot areas, without exception, the CFLI pilots found it a more difficult to recruit people in work than they did to attract people who were out of work and claiming benefits. All CFLI pilots were set a target of half the recruits being in work and most only achieved this by concentrating on this group in the later months of the recruitment period.

Turning now to those who were not working, one in five participants were looking after the home or a family and around one in four were unable to work because of ill-health or a disability (Table 2.4). Only a small number were unemployed and looking for work. The CFLI pilot areas recruited a higher proportion of unemployed people, while the pilot in Hull was slightly more successful at attracting people unable to work through ill-health or disability.

Somewhat surprisingly, Saving Gateway participants included many more part-time workers than the potentially eligible population but far fewer full-time workers. This does, however, reflect the gender differences noted above and the over-representation of lone parents among those who opened a Saving Gateway account.

⁴ The need to contain the length of the self-completion questionnaire to 4 pages meant that information on ethnicity was not collected in the other pilot areas. It is, however, included in the face-to-face interview survey with all participants and the findings will be reported later.

Table 2.4 Income and employment of SG account-holders

Column percentages

	CFLI pilots	Hull	All SG participants	Possibly eligible for SG	Ineligible for SG
Employment status					
Employed full-time	16	18	16	50	75
Employed part-time	29	26	28	2	5
Unemployed, looking for work	16	10	15	12	3
Looking after home/caring for family	16	16	16	13	11
Unable to work, ill-health or disability	21	27	23	23	2
Other	1	2	1	1	2
Benefits and tax credits					
Working Families Tax Credit	18	54	27	*12	..
Disabled Person's Tax Credit	1	1	1	*1	..
Incapacity Benefit/SDA	18	23	19	30	..
Jobseeker's Allowance	11	9	11	17	..
Income Support	36	23	33	38	..
No benefits or tax credits	28	9	23	-	..
Household income					
Less than £100 a week	34	15	30	24	22
£100-199 a week	48	39	46	51	12
£200-299 a week	14	32	18	**25	**66
£300-399 a week	2	11	4		
£400 or more a week	2	3	2		
<i>Base</i>	<i>1,176</i>	<i>373</i>	<i>1,549</i>	<i>9,021</i>	<i>24,693</i>

Sources: Saving Gateway participants account opening questionnaire; Family Resources Survey

* Family Credit and Disablement Working Allowance

** £200 or more

The benefit (or tax credit) most commonly received was Income Support, followed by Working Families' Tax Credit and Incapacity Benefit/Severe Disablement Allowance. Hardly anyone was claiming Disabled Person's Tax Credit (Table 2.4). Around a quarter of participants said that they were receiving no benefits or tax credits at all. There are several reasons for this. First, in the CFLI pilot areas, recruitment was based on an income test that was designed to mimic the levels that have since been introduced for Working Tax Credit. Secondly, people may have been in receipt of a qualifying benefit at the time they were recruited to the Saving Gateway but moved off it by the time they filled in the questionnaire. This is most likely to have occurred among unemployed people receiving Jobseeker's Allowance and more likely to have happened in Hull, where potential participants were identified some time before many of them opened an account.

The picture differed somewhat across the pilot areas (Table 2.4). Most notably, in Hull receipt of Working Families' Tax Credit was far more common than in the other pilot areas, even though the proportions in employment were similar. There are a number of possible explanations for this. As already noted, the CFLI pilots recruited a significant proportion of people in low-paid work who did not have children. This group was not included in the Hull pilot as Working Tax Credit had not been introduced at the time of the selection for potential recruitment. Secondly, twice as many of the Hull participants had a partner in employment

(25 per cent compared with 12 per cent in the CFLI areas). Thirdly, the CFLI pilot areas included more people who were working part-time while claiming Income Support, Jobseeker's Allowance or Incapacity Benefit (5 per cent compared with 2 per cent in Hull).

Other notable differences were that Hull attracted more people receiving Incapacity Benefit or Severe Disablement Allowance; the CFLI pilots more Income Support recipients.

Comparisons with the potentially eligible population are complicated by the fact that the most recently available data from the *Family Resources Survey* pre-dates the replacement of Family Credit with Working Families Tax Credit and of Disability Working Allowance with the Disabled Persons Tax Credit. Both new tax credits are payable to more people than the benefits they replaced. It would, however, seem that the Saving Gateway has disproportionately attracted people in receipt of Working Families Tax Credit (Table 2.4). Unemployed people receiving Jobseeker's Allowance were under-represented as were people living on Income Support (but only in Hull – the CFLI pilots seem to have been much more successful in attracting this group).

As we would expect, participants were typically living on low incomes, with three quarters of all participants having household incomes of less than £200 a week – the same proportion as in the potentially eligible population. Three in ten were living on less than £100 a week. Hull participants were better-off compared with participants in the other pilot areas, with half having incomes of £200 or more a week (Table 2.4).

2.3.3 Banking and credit use

Saving Gateway participants were less likely to have current accounts than the population potentially eligible to open a Saving Gateway account (Table 2.5). A quarter (25 per cent) of all participants did not have a current account, compared with around one in seven (14 per cent) of the potential eligible population. Only in Hull did the level of current account-holding resemble the national picture; while the CFLI pilots were more successful at recruiting people who were unbanked. As we note in the following chapter quite a number of Saving Gateway recruits opened a basic bank account at the same time as their Saving Gateway one.

Half (51 per cent) of all Saving Gateway participants did not currently owe any money on commercial credit commitments, and a similar number (47 per cent) owed no money at all – not even to their family or friends (Table 2.5). The most common forms of credit commitments were credit cards and mail order catalogues. Just over a quarter (27 per cent) of participants said that they owed money on one or more credit cards, and a fifth (20 per cent) owed money on mail order catalogues. In addition, around one in eight (13 per cent) were overdrawn on a bank or building society account.

The participants in Hull were more likely to owe money on credit commitments than those in the other pilot areas who, as we have seen, tended to be less well-off. In particular many more of them owed money on credit cards, mail order catalogues, store cards and commercial loans (Table 2.5).

Table 2.5 Banking and credit use of Saving Gateway account-holders

Column percentages

	CFLI pilots	Hull	All SG participants	Possibly eligible for SG	Ineligible for SG
Current account					
Yes	71	87	75	86	91
No	29	13	25	14	9
Credit use					
Credit card	24	34	27	14	23
Mail order	18	28	20	17	8
Overdraft	12	16	13	4	19
Commercial loan	7	13	9	14	12
Store card	7	12	8
Hire purchase	5	7	6	8	12
Loan from friend/ relative	6	8	6
No commercial credit	54	39	51	57	54
No borrowing at all	50	36	47
<i>Base</i>	<i>1,176</i>	<i>373</i>	<i>1,549</i>	<i>3,190</i>	<i>8,575</i>

Sources: Saving Gateway participants account opening questionnaire; Family Resources Survey (current account-holding); British Household Panel Survey (credit use)

Overall, participants' levels of credit use tended to be slightly higher than among the population who were potentially eligible to open a Saving Gateway account, although there were some important differences in the use of particular types of credit. In particular, more Saving Gateway participants owed money on credit cards or overdrafts, but fewer of them had commercial loans (Table 2.5).

The depth interviews, however, showed that most borrowers were reluctant users of credit, who did so through necessity rather than choice. The amounts they owed varied greatly.

At one extreme, an unemployed man living in local authority housing had an outstanding balance of £13 on a credit card. At the other, a home-owning couple with two children, who received Working Families Tax Credit, owed a total of £5,201. They had four credit cards in total, using whichever one offered the best interest rate. They currently owed £3,000 on one of these cards – run up on holidays overseas. In addition, they had a car loan with £1,551 left to pay; owed £500 to a mail order catalogue company and £150 on a store card. They were paying £271 a month in credit repayments out of a total net income of £1,345. In fact they were the only ones of the 30 people interviewed in depth who said that they saw credit as a convenient way of buying things they could not otherwise afford. Only two other households came anywhere near owing this amount of money (a lone parent on Income Support owed just over £4,000 on commercial credit; a young 18 year old woman in part-time job having been unemployed for a year owed £3,000 to her mother). Most of the people interviewed in depth who had credit commitments owed between £200 and £1,000.

2.3.4 Living standards of Saving Gateway participants

The depth interviews with Saving Gateway participants explored the extent to which they were able to make ends met. About half of them said that they were managing quite well financially; the remainder were split evenly between those who were just about getting by and those who were really struggling financially.

Not surprisingly, the people who were managing quite well almost all either had an income from work or, if they were in receipt of benefits, had some additional income. In most cases, this was Disability Living Allowance on top of Incapacity Benefit, but one couple had an occupational pension as well as receiving Incapacity Benefit and a lone mother on Income Support was receiving maintenance through the Child Support Agency. A number of them had had a recent increase in income which made it much easier for them to make ends meet.

Managing quite well

A couple with two children had an income of £320 a week from wages supplemented by Working Families Tax Credit. They had a small mortgage to pay. They were used to managing on much less money (the husband had been a mature student for 3 years) and managed their money very carefully indeed. They did not go out, spent no money on themselves and were totally opposed to borrowing.

Just getting by

A lone parent with two children had a weekly income of £148 from Income Support and Child Benefit. Her rent and council tax was also met in full. She never went out or spent any money on herself and did not smoke. She was a regular car boot sale customer and bought clothes and all her sons toys there. She always made sure that her bills were paid and normally had about £10 left each month '*Whatever is left is left – it's tough really*'

In contrast, most of the people who were just managing to get by were on Income Support and had no other source of income. For the most part, they did not have any particular drains on their income, so by cutting back and managing their money very carefully, they succeeded in making ends meet most weeks. It was, however, a delicate balancing act with little leeway for either error or unexpected expenditure.

The group who were struggling financially included both people in work and people claiming out of work benefits (including Income Support, Jobseeker's Allowance and Incapacity Benefit). Three things marked them out from others. First, a number of them had experienced a recent drop in income. Secondly, many of them either had other drains on their income (such as high bills or expenses not incurred by others) or else they lived beyond their means. Thirdly, all but one of them was spending a substantial part of their income on repaying money they had borrowed.

Struggling financially

A separated man in his late forties had arthritis in his spine and had not worked for four years. His weekly income from Income Support was £76 from which £11 was deducted to repay a loan from the Social Fund. He spent £10 on cigarettes and 'subsidised' his son who was also out of work. He delayed paying bills when money was tight and at the end of each fortnight went short of food until his next Giro cheque arrived.

3. Opening a Saving Gateway account

Although Saving Gateway accounts were promoted in a variety of ways by the pilot organisations, the most common ways that people found out about the scheme were through word-of-mouth or leaflets. In Hull, potential applicants were sent a letter inviting them to request further details about the scheme. Overwhelmingly, the main reason for opening an account was to take advantage of the financial incentive it offered – a pound for every pound saved - which was considered to be far more effective than other incentives to save, such as tax relief and earned interest. And, on the whole, the account opening process ran fairly smoothly for all of those involved.

Views on opening a Saving Gateway account were sought from participants, staff in the CFLI pilots and staff in the Headquarters and local branches of the Halifax bank who were involved in the pilot. This chapter brings together their different perspectives to review how the scheme was promoted in different locations and which methods were most successful. It also looks at the reasons why people said they opened a Saving Gateway account and compares matched funding with other incentives to save.

The Saving Gateway differs from other matched savings schemes in the United States, Canada and Australia in that it is the only one that does not place limitations on the way that the matched savings can be spent. Saving Gateway participants were asked their opinions of such restrictions on use, along with time limits on the accounts and limitations on access to the money saved. The chapter concludes with an overview of the account-opening process from the perspectives of participants and CFLI and Halifax staff.

3.1 Promotion

The Saving Gateway was promoted in somewhat different ways in different locations. In Hull, the Department for Work and Pensions sent letters to people known to be eligible for an account, inviting them to request further details of the Saving Gateway if they were interested. In the remaining four locations, the pilot organisations tested a range of different methods of promoting and recruiting to the Saving Gateway. Most successful of these were articles in local newspapers and personal contact, especially where the pilot organisation had an existing relationship with potential recruits. Both methods tended also to stimulate promotion by word of mouth.

Although all four pilots placed articles in local newspapers to some extent, one of them had used this method of promotion from the outset and, in the early months, was recruiting twice as many people as the other three pilot organisations. They did, however, find that this method of promotion tended disproportionately to recruit people on out of work benefits. In their opinion, people in low-waged work might well have been deterred by a scheme that

could only be accessed if they underwent an income test. Newspaper articles were most successful when they promoted a location or event where accounts could be opened.

Other pilots relied mainly on personal contact, especially in the first few months. The two that used this method most were both housing associations and worked with their own tenants. One combined articles in their tenants' newsletter and leaflets in welcome packs for new tenants with home visits. The other worked intensively with people in supported housing and then targeted one of its poorer housing estates. These methods of working were successful, but labour intensive. They were, however, particularly successful at recruiting people who had social problems and were marginalised from financial services – such as people living long-term on out of work benefits, homeless people and people with alcohol and drug dependency problems. Future monitoring will show how successful these people were at maintaining a regular pattern of saving.

In later months, all four pilot organisations promoted the Saving Gateway through partnerships with other community organisations and local employers. While these were successful in reaching a wider group of people, they took some time to establish and needed a 'gate-opener' within the partner organisation to succeed. One of the pilots found that it took up to six months to obtain the co-operation of large national employers, as discussions were needed at both local and national level.

Direct mail shots and door-to-door leafleting by the pilot organisations were not really very successful. In contrast, the direct mailing to eligible people in Hull resulted in a 40 per cent response for more details (5,000 letters were mailed out and 2,000 people asked for more details. In the event 373 accounts were opened within the time allowed). There are a number of reasons for this difference in take-up. First, the Hull mailing was targeted on people who were eligible for an account, while the pilots had to use more of a 'scatter gun' approach. Linked to this, people in Hull knew that they were eligible to open an account; those in the other four pilot areas would have to go through an assessment process, which would almost certainly have deterred some people. Lastly, the official letter sent to people in Hull may well have been important as all the pilot organisations reported a high degree of suspicion among potential recruits, who often thought that the Saving Gateway sounded 'too good to be true'. Indeed, one of the pilot organisations found that increasing the size of the Treasury logo on their letters had the effect of increasing take-up.

Finally, it is worth noting that, initially, one of the pilot organisations (a housing association) promoted take-up of accounts by offering potential applicants one pound to open an account. This strategy was later abandoned as they felt that they might be recruiting people who had little commitment to saving themselves. As we shall see later this was, to some extent, the case.

3.1.1 How people found out about the Saving Gateway

People who opened a Saving Gateway account were asked how they had found out about it. Overall the most common source was through a friend or relative – such 'word-of-mouth' accounted for just over a quarter of those finding out about Saving Gateway, in those sites running alongside CFLI (Table 3.1). The next most common specific source was through leaflets relating to the Saving Gateway. Local projects and local newspapers also appeared to be important sources of information.

Quite a range of activities were recorded under the heading of ‘other’. This tended to be through activities organised by the CFLI site, or through outreach work in the local area.

Table 3.1 Most common ways of finding out about the Saving Gateway (CFLI sites)

<i>Column percentages</i>	
Per cent	
Friend or relative	27
Leaflet	22
Other source	21
Local newspaper	14
Local project	14
<i>Base</i>	<i>1,170</i>

Source: Account opening questionnaire (CFLI pilot areas only)

Those opening accounts in Hull were asked if it was easy or difficult to understand the letter from the Department for Work and Pensions and the literature from the Treasury that they had been sent. Naturally everyone opening accounts must have been able to digest the relevant information. However, for the initial Department for Work and Pensions mailing 77 per cent of those with accounts said it had been ‘very easy’ to understand, with almost all the remainder (21 per cent) saying it had been fairly easy. The information then provided by the Treasury was found ‘very easy’ to understand by 69 per cent, and ‘fairly easy’ by 30 per cent.

We do not, however, know how many people failed to open an account because they did not read or could not understand the information they were sent.

Nor do we know how many people were deterred by suspicions that the offer was too good to be true although, as noted above, the pilot organisations reported that it was fairly common and recent research also indicates that some people may well be put off applying for this reason (Collard et al, 2003). The depth interviews showed that a minority of people had initially been deterred.

I had to read, I read the stuff first and I was a bit, it seemed too good to be true at first. When they say the government will double your money, it just seems too good to be true. I was looking for the small print.

As soon as I read that you were going to get 100% profit on the money paid in, I mean everybody I have spoken to about it says ‘Where is the catch?’ I said ‘I don’t know, I’m frightened to death what the catch might be’.

Some people recruited through a pilot organisation had consulted friends or family who advised them to find out more from organisation who, in turn, reassured them that it was above board. A minority of the people in Hull said that they scrutinised the letter and publicity material sent to them by the Treasury before deciding to book an appointment at the Halifax branch to open an account.

The majority of people interviewed in depth, however, opened a Saving Gateway account as soon as they found out about it, thinking that it was *'an opportunity not to be missed'*.

As soon as I saw that you get 100% money on it I thought, Wow! Go for this. It's been a good thing to get into.

Q: How long did it take you to decide to open one?

Minutes I think it was. We were saving anyway and we thought 'well, if we're going to save and make'- think in our bank account we were making nothing, it was a matter of a couple of pounds, and we thought 'well, if we're going to all this aggro to save anyway we might as well put it into something that's going to have a better reward at the end of the day', and the Saving Gateway was that opportunity.

3.2 Reasons for opening a Saving Gateway account

In the self-completion questionnaire participants were asked to rank the following reasons for opening a Saving Gateway account⁵, from *very important* to *not at all important*:

- ## I could open the account through a local organisation
- ## I didn't have to deal directly with a bank or building society
- ## For each pound I save I will receive a pound from Government
- ## I didn't know about any other type of savings account.

The financial incentive provided by the Saving Gateway – a pound for every pound saved – was undoubtedly the main reason why participants decided to open an account, and nearly all participants (89 per cent) ranked it as a *very important* consideration.

This was echoed in the depth interviews, with many people saying that they opened an account straight away because the matched funding was so generous.

I thought the idea of getting that sort of return on that sort of money was a fair deal... You're not going to get that on the stock exchange are you?

This one pays more than God sends, because they match it pound for pound and nobody can do that over an 18 month period, no bank.

Earlier research (for example, Kempson and Whyley, 1999; Collard et al, 2001) has identified the need for financial services to be delivered locally, through trusted organisations, in order to promote greater financial inclusion. Over three-quarters (78 per cent) of all participants said that it was important to be able to open a Saving Gateway account through a local organisation. All the pilot organisations offered a high degree of help and encouragement to the people that contacted them about the Saving Gateway. In fact it is doubtful whether some people would have opened an account without this help.

⁵ Participants in Carlisle, Cambridge, Gorton and London were presented with all these statements. In Hull, participants were asked to rank the importance of the financial incentive, not knowing about other types of saving account, and a revised question relating to having a local branch at which to save.

There were two main reasons for this. Some people were quite disengaged from financial services and needed reassurance to open an account with a bank. For example, one woman recounted a bad experience trying to open a bank account,

You feel like an idiot, you really do feel like you're totally dumb, you know, they belittle you because you haven't got a passport. You feel quite intimidated when you go in. And they ask you questions and you're not sure of the answers, so you're sort of like sitting there, dumbfounded. And they start - that's it, they start chiselling away at you then, and you just think - you get frustrated and you just think oh forget it and you go, just leave.

She later contrasted this with her experience at the CFLI pilot when she went in to enquire about opening a Saving Gateway account.

Oh once I got in there, they were really friendly, it was really easy. But I mean they was asking me some questions and I didn't know the answers. Then they explained the same question to me a different way. You know, some questions took a couple of explanations, but then once I understood what they meant, then I could answer the question. But they don't do that in the banks or the building societies, they're not prepared to explain things to you. Whereas at Toynbee Hall, they did. They said to me 'you don't really know what we're talking about do you?' I said 'no'. So they explained it another way. They kept explaining it to me, and explaining to me, until I knew.

Indeed, earlier research has found that many people who have little engagement with mainstream financial services mistrust financial services providers, and feel that they are 'not for people like them' (Collard et al 2001). Among Saving Gateway participants, around four in ten (42 per cent) liked the fact that they did not have to deal directly with a bank or building society.

Others faced difficulties getting to the bank branch, either because they lived in a rural area and the pilot branch was some way away or because they were disabled.

The importance of physical access was underlined in Hull, where over 85 per cent of people who opened a Saving Gateway account said that the ability to use a local bank branch was very or fairly important in their decision to do so.

It is often argued that lack of information about financial products and services can be a significant barrier to take-up, especially among those on the margins of financial services. For most Saving Gateway participants this was not an important issue; however nearly one in four (24 per cent) said that not knowing about other types of saving account was an important motivating factor in opening a Saving Gateway account. The depth interviews bore this out. As we discuss below, the main factor that led people to save informally rather than in a savings account was not lack of information but a belief that it is not worth opening one unless you have a significant amount to put in it.

3.3 Incentives to save

In the depth interviews people were asked whether a range of saving incentives influenced their own decisions about saving, with a view to assessing them against the matched funding offered by the Saving Gateway. These included tax relief, interest rates, a lump sum bonus, access to loans as offered by credit unions and other savings and loans schemes.

3.3.1 Tax relief

Only a handful of people said that tax relief might influence their decision regarding saving. All of these were ‘rainy day savers’ who liked to have money put by for emergencies, and all of them had savings accounts. They felt that they would need to have a sizeable amount to put into an account, though, to make it worthwhile. Only one of them had actually opened an ISA and she had deposited £2,000 from the sale of her home following her divorce. She had been recommended to do so by the accountant at her previous workplace. Another thought she might have an ISA, but as she knew so little about them she was not sure. Others had considered an ISA but not opened one. One felt that she would need to save at least £1,000 first; another said that she would only open one if she came into a lump sum.

The overwhelming majority of people, however, said that tax relief would play no part at all in their decisions about whether to save or what type of account to open. There were three main reasons for this – mentioned by roughly equal numbers of people.

Some said that as they paid little or no tax they would not benefit in any way.

Others said that they had so little to save that they would not gain much from tax relief.

It's pathetically small... it's such a small amount to the small saver it's negligible, it's like it's not there really.

A third group said that it had no influence on their decisions, as they did not understand how tax relief worked. It is highly likely, though, that many of the others had little or no understanding either. A typical comment when people were asked about tax relief was ‘What does that mean – tax relief?’

One man, with only a modest amount in savings for his funeral, had only just realised that tax had to be paid on savings, but clearly thought that it was payable on the capital sum not on the interest.

I've only just realised that it's like the more money you save, the more money they're going to tax you. [But] if it's money you've earned, you've paid tax on it already.

Not only did they not understand tax relief but several people found the whole issue of taxation ‘boring’.

3.3.2 Interest rates

Again two of the 30 people interviewed in depth said that interest rates would influence their decisions about saving and these were both rainy day savers. Both of them had actually moved money from one account to another in order to get a higher interest rate.

Others said that interest rates could influence them but only if they were a good deal higher than now. For some, interest rates would need to be at least double the 3 per cent paid on most accounts at the time. Others, however, would only be influenced if rates were at an implausibly high level of 25 per cent or more.

Again a number of people admitted to not knowing how to calculate the interest payable on an account as they did not understand how percentages work. They preferred the interest to be quoted as a specific sum of money.

When you're sort of thinking 1% over the year gross annum, you can't work it out. People like to see that it's five pound on three hundred... it needs to be clear like that.

Finally, one of the Muslim Bangladeshi women interviewed pointed out that her religion does not allow her either to pay or to receive interest.

3.3.3 Lump sum bonuses

Lump sum bonuses were a good deal more attractive as an incentive to save – indeed for many people they were second only to matched savings. The people who gave an unqualified view were just about all rainy day savers, one of whom already had such an account into which she saved regularly.

They were also attractive to the Bangladeshi woman discussed above. A similar number of people qualified their view that a bonus would be an incentive for them to save. Most commonly this related to the level of the bonus payable and here people's expectations ranged from 10 to 50 percent of the balance in the account. Some, however, would only open a bonus account if they did not have to commit to saving regularly. Only a minority rejected the idea of bonuses and several of these said that they were put off by poor payouts on life insurance policies in the past.

3.3.4 Access to loans

As we saw in Chapter 2, many Saving Gateway participants were either reluctant users of credit or chose not to borrow at all. It is hardly surprising then that most of the people interviewed in depth said that being able to gain access to cheaper loans was not likely either to encourage them to save or to influence where they saved.

Despite the fact that one of the pilot organisations operated a savings and loans scheme for its tenants, none of the people interviewed in depth had opened an account with the scheme. And although credit unions operated in several of the pilot areas, the account opening questionnaires showed that only 3 per cent of Saving Gateway participants had joined one.

However, in one pilot area some 9 per cent of those opening a Saving Gateway account had an account with a credit union already.

A few people thought that they might be interested in saving with a credit union or local savings and loans scheme when they had been told about it by their local pilot organisation. Only two of the 30 people interviewed in depth, however, expressed a real interest and both of these were Muslims who said that they occasionally found it necessary to borrow.

3.3.5 Matched savings

As might be expected, all the Saving Gateway participants said that matched savings would be an incentive for them to save and all rated it the main incentive, compared with the others already discussed. Most described it as a ‘huge incentive’ ‘that would encourage anybody to save’ – including those who had no other savings accounts. Very similar views were expressed in recent research among people who were potentially eligible for the Saving Gateway account (Collard et al, 2003).

Echoing the fact that many people did not understand percentages, a number said that they found the matched funding much easier to understand and, as a consequence, it encouraged them to save regularly.

It's absolutely brilliant. You know, I've often thought trekking over there [to the branch] I've often thought, 'Oh it's pouring with rain, it's freezing cold, I've got to get there and get back and get dinner ready'. But then I think 'Well I'm taking £25 but that actually means I'm saving £50.'

A considerable number of people volunteered that they would still have been attracted to the Saving Gateway even if the level of matching were lower than the current pound-for-pound. Almost all of these said that it would still be a very attractive proposition, even if the matching were only 50p pence for every pound saved. Just about all of them were rainy day savers.

3.4 Possible restrictions on accounts

As we have discussed in the introduction, savings schemes similar to the Saving Gateway exist in a number of other countries, but most have restrictions of one kind or another. These include a time limit before matched funds are made available – a restriction that also applies to the Saving Gateway; limited access to the funds saved as well as the limitations on access to matched funding that apply to the Saving Gateway; and, finally, restrictions on the ways that the money saved and its matching can be spent.

3.4.1 Time limits

During the pilot, matched funding is made available at the end of 18 months, although the intention is that accounts should run for longer if the Saving Gateway is rolled out nationally.

The majority of people interviewed in depth were in favour of extending the period from 18 months, with three years being the most widely accepted time limit. A minority, almost all of whom were rainy day savers, said they would still be attracted even if the period were five years. A similar number would not, however, be interested if the limit were longer than 18 months and these people were disproportionately non-savers currently. Most commonly they said that it was a strain to save while living on Income Support or Jobseeker's Allowance and they would find it difficult to sustain for more than 18 months (although an equal number of people in receipt of these two benefits were in favour of a longer period of saving). In addition, two men had limited life expectancies and said that they were not sure that they would still be alive in three years time.

3.4.2 Limited access

The majority of people were also in favour of not being able to access the money they had saved themselves until the end of the matching period. This is, perhaps, rather less expected, especially as it comprised a wide cross section of people including those who had not, previously, been savers. Most said that they would actually prefer limited access to stop them being tempted to draw the money out before the matching was paid.

The minority who were not in favour of limited access had no other money in a savings account and said that they would need immediate access to their money in an emergency. Almost all of them were living on Income Support or Jobseeker's Allowance. Interestingly, though, most of them were in favour of time limits of more than 18 months.

3.4.3 Restrictions on use of money

A sizeable minority of the people interviewed in depth would still be attracted to save even if the matched savings scheme had restrictions on the use of the money. Some, however, said that they would want a higher level of matching as a trade-off. All mentioned education and training as the only restriction they would find acceptable. In some cases they would want the money for their own training; more commonly it was for their children's education. Indeed, half of the parents interviewed in depth said that they would be prepared to save in a matched saving scheme with this restriction.

The majority, however, would be deterred by such restrictions. There were three main reasons for this. Some people objected as a matter of principle.

To me if you're struggling with saving money and it's your own money I wouldn't like the thought of anyone telling me how to spend it, because again what is important to one person isn't important to another.

Some people specifically said that the likely list (housing, education, business start-up) was inappropriate for people on a low income or who were older. Others said that they might change their mind and want the money from some other purpose.

3.5 Opening the account

The account-opening process varied between the pilot sites. In Hull all accounts were opened at the designated Halifax branch. Once they had decided they wanted to open an account most people telephoned the contact number to book an interview. These interviews were conducted face-to-face and lasted about half an hour. At busy periods, just after a batch of letters had been sent out to eligible people, applicants had to wait for an interview as they were all being carried out by one member of staff who worked full-time on the Saving Gateway. Several of the people interviewed in depth said that they had to wait about two weeks.

A minority of people in Hull applied by post. These people were not interviewed in person. Despite occasional bottle-necks, the account-opening process in Hull was smooth and few problems were encountered. This is to the credit of the member of staff who kept calm and organised throughout.

At the other four locations, the pilot organisation played an important part in the application process. In all four, staff helped people with form-filling, with staff at two of the pilots visiting people at home to complete the forms with them. Indeed, around one applicant in every ten (9 per cent) received considerable help in completing the research questionnaire, whilst a further quarter (27 per cent) received a degree of assistance. Pilot staff also ensured that applicants had acceptable forms of identification to support their application⁶. At three sites, pilot staff were trained by the Halifax to make identity checks under the money laundering regulations, although only two of these (both operating in rural areas) actually undertook the checks on behalf of the bank. In these two localities, account-opening interviews were carried out by pilot staff and not by Halifax branch staff. The pilot organisation passed the completed applications, accompanying identity documents and money laundering declaration to their local Halifax branch. The impact on the staff in the Halifax branch was not great in either locality.

In the other two areas, staff in the pilot organisation advised applicants on what forms of identity would be suitable and then referred them to the Halifax branch for a short, ten to fifteen minute, interview during which branch staff undertook the identity check. This had a greater impact on the work of the Halifax branch staff in one area than in the other. This branch was small, with limited interviewing facilities. It was also extremely busy. Added to which, this was the area where recruitment to the Saving Gateway got off to a rapid start and the branch staff struggled at first to meet the demand for interviews. Things then settled down when it was agreed that staff in the pilot organisation would telephone to book interviews in pre-arranged slots. Some of the people interviewed in depth reported having to wait a week or more for an interview. Things were easier in the other branch. Account-opening here got off to a slower start and although there was a big surge in applications towards the end of the recruitment period, by then the system for booking interviews was running smoothly.

On the whole, applicants interviewed in depth reported no major problems opening the account. On the contrary, many commented on how straightforward the process had been and how helpful both Halifax branch and pilot organisation staff had been.

⁶ To comply with money laundering regulations, two forms of identification are required to open an account: one identifying the person and the other verifying where they live.

Apart from having to wait, a few people took inadequate identity documents to the branch interview and needed to return on another day. Branch staff, however, reported that such cases were very much the minority and easy to resolve (even in Hull where there was no pilot project to assist). Some people reported difficulty getting to the branch to open the account, and this was the reason why pilot staff in the two rural areas were trained in dealing with identity checks so that they could see the whole application process through from beginning to end. This access problem was, however, magnified in the pilot as accounts could only be opened at one designated branch of the Halifax in each area.

3.5.1 Opportunities for cross selling

As anticipated by them at the outset, the opportunities for Halifax branch staff to sell other products to Saving Gateway applicants were limited even in the three localities where they interviewed applicants in person. The main reason for this in all three cases was that applicants had fairly limited needs by way of financial services. In fact, basic bank accounts (entry level accounts with no cheque book or credit facilities) were the most common additional product sold to applicants. These were mainly opened by people who were without a current account but who wanted to be able to make payments into their Saving Gateway account by standing order. One pilot organisation, however, was generally promoting basic bank accounts to people who were unbanked.

Beyond this, other opportunities for cross-selling were few and far between and mainly involved either conventional current accounts or mortgages. Indeed Halifax branch staff were able to remember each occasion. The largest number was in Hull where a number of the people interviewed in depth reported having their need for other products discussed at the interview. Even so, the member of staff who conducted all the interviews in Hull reported that only 12 people were sold other products and most of these people were account-switchers.

In addition to the Saving Gateway, the pilot organisations also offered participants the opportunity to participate in training or education, or receive information on financial matters. Four in ten (44 per cent) participants said that this was an important aspect of opening a Saving Gateway account, although for most it was *fairly* rather than *very important*. Notably, participants in one pilot area were around twice as likely as other participants to rank this as *very important* (32 per cent compared with 17 per cent overall), and indeed the 'shop front' for this pilot does make clear that a range of services are on offer. However, in general take-up was low across the four pilots, with staff commenting that the people attracted to the Saving Gateway seeming to be drawn from those who were fairly well-organised financially.

4. Existing patterns of saving

The Saving Gateway aims to encourage more people on low incomes to save and to promote higher levels of savings among those that already save. In this chapter we assess how far the Saving Gateway has achieved the first of these two aims by looking at the extent to which participants already had a savings account and whether or not they were saving money in it. In fact the Saving Gateway has not drawn its customers disproportionately from existing savers and only a small proportion of them were already in the habit of saving regularly.

4.1 Levels of other savings and investment account-holding

Just over half (54 per cent) of Saving Gateway participants had a savings account of some kind, and most of these had only a deposit account with a bank or building society. National Savings accounts (often known as ‘post office accounts’) were quite uncommon (Table 4.1), whilst a sizeable minority had an ISA (or, more rarely, another form of account such as a TESSA). Overall, the level of savings account-holding was very similar to that identified for potential recruits to the Saving Gateway using data from the British Household Panel Survey.

Table 4.1 Other savings and investment accounts

	<i>Column percentages</i>		
	SG participants	Possibly eligible for SG	Ineligible for SG
<i>Any savings account, comprising:</i>	54	53	73
Deposit account	40	48	67
National Savings Bank	5	5	6
TESSA or ISA	15	13	28
<i>Any investments, including:</i>	21	20	43
Life insurance	11
Premium bonds	6	10	19
Shares	5	9	25
PEPs	2	5	13
<i>Base: All adults of working age</i>	1,549	3,190	8,575

Sources: Saving Gateway account-opening questionnaires; British Household Panel Survey wave 10 data.

As might be expected, Saving Gateway participants were less likely to have investments of various kinds than they were to have a savings account. Around one in five (21 per cent) had some form of investment, the three most common being life insurance (held by 11 per cent) Premium Bonds (6 per cent) and shares (5 per cent). PEPs/equity ISAs were very uncommon. The level of investment account-holding was lower than among the population that would be potentially eligible for the Saving Gateway.

The Saving Gateway has, therefore, succeeded in attracting people who were previously without a savings account. But it has also recruited people who already had one. Moreover, most Saving Gateway participants had very little in their existing savings accounts. Only a little over one in ten had more than £1,000 put by and just 4 per cent had over £3,000 (Table 4.2). In comparison, data from the Family Resources Survey show that 19 per cent of those potentially eligible for the Saving Gateway had more than £3,000 saved.

Table 4.2 Amounts in other savings accounts

Column percentages

SG participants	
Nothing	45
Less than £10	9
£10-£100	8
£100-£250	11
£250-£1,000	10
£1,000-£3,000	9
£3,000-£8,000	2
More than £8,000	2
Cannot say	4
<hr/>	
<i>Base:</i>	<i>1,549</i>

Source: Saving Gateway account-opening questionnaires

4.2 Regularity of saving in other savings accounts

Over one third (36 per cent) of Saving Gateway participants said that they saved money into an existing account, which was slightly higher than the level among potential participants (32 per cent). In both cases, though, this was rather lower than the rate of saving among other adults under state pension age (50 per cent) (Table 4.3).

Table 4.3 Regularity of saving in other savings accounts

Column percentages

	SG participants	Possibly eligible for SG	Ineligible for SG
Saves from current income	36	32	50
Saving on a regular basis	15	21	37
Saving from time to time	21	11	13
<hr/>			
<i>Base: all adults of working age</i>	<i>1,549</i>	<i>3,190</i>	<i>8,575</i>

Sources: Saving Gateway account-opening questionnaires; British Household Panel Survey wave 10 data.

Among the Saving Gateway participants who were already saving in another account, rather more said that they only paid money in occasionally as said that they did so regularly. The reverse was true among those potentially eligible for the Saving Gateway among whom regular savers predominated. As a consequence regular savers were generally under-represented among people who had opened a Saving Gateway account.

4.2.1 Regular savers

As we might expect, the people already saving regularly in another account were drawn disproportionately from the better-off (Table 4.4). So, compared with other groups they included a higher proportion of couples without children, more of them were home owners and they were more likely to be in work, particularly full-time work. As a consequence they included the highest proportion of households receiving Working Families Tax Credit and a disproportionate number of people with weekly incomes of £200 or more. They were also more likely to be living in the Hull pilot area.

Regular saver

A couple with three children were managing quite well financially. The husband worked and their total income, with Child Benefit and Working Tax Credit was a little over £330 a week. Although they were buying their home on a mortgage, they regularly had money left over each month to pay into a savings account. They had just drawn most of their savings out to install new central heating and had started to re-build the balance.

4.2.2 Occasional savers

In many respects, people who had previously saved from time-to-time in another savings account were rather like those who had saved regularly in that they tended to be drawn from groups that were better-off and owned (or were buying) their home.

The most notable differences were that they were more likely than average to be women, lone parents and to be working part-time (Table 4.4).

Occasional saver

A lone parent in part-time work had opened a building society account in her son's name when he was two years old. This was following a pattern set by her parents, who had opened a Post Office account when she was a child to encourage her to save. She paid money into her son's account but, before opening the Saving Gateway account, had been unable to save any money for herself.

4.3 Informal savers

Previous research has shown that informal saving is fairly common among people on low-incomes (see, for example, Whyley and Kempson, 2000). In fact, around a third (33 per cent) of Saving Gateway participants said that they put money aside in jars or envelopes, or gave money to a friend or relative to look after and 20 per cent said it was the only way that they were saving currently. Indeed for around one in seven (14 per cent) participants it was the only form of savings they had. Many, however, did not count this money as 'savings'.

Table 4.4 Regularity of saving by personal and economic circumstances

Column percentages

	Regular	Occasional	Informal	Not saving	All SG participants
Sex					
Male	37	30	34	40	36
Female	63	70	66	50	64
Age					
Under 20	7	4	7	6	6
20-29	21	22	27	23	23
30-39	26	29	33	30	30
40-49	23	22	15	21	20
50-59	18	20	16	15	17
60 and over	6	3	2	4	4
Household composition					
Single, no children	35	39	36	43	40
Couple, no children	19	12	10	9	11
Couple, children	20	18	19	18	18
Lone parent	26	32	36	30	31
Housing tenure					
Own outright	9	9	4	5	7
Own with mortgage	26	25	16	15	19
Rent from private landlord	7	10	9	11	10
Rent from social landlord	38	42	60	53	49
Live with parents	14	11	7	10	10
Some other arrangement	6	2	4	5	4
Pilot area					
Hull	30	29	24	20	24
CFLI	70	71	76	80	76
Employment status					
Employed full-time	23	16	14	16	39
Employed part-time	32	36	25	25	20
Unemployed work	8	11	17	18	6
Looking after home/ family	10	14	23	16	19
Sick/disabled	24	22	20	24	13
Other	3	*	1	1	4
Benefits and tax credits					
WFTC	33	29	24	25	27
Disabled Person's Tax Credit	1	2	1	1	1
Incapacity Benefit/SDA	24	23	17	16	19
Jobseeker's Allowance	4	9	12	13	11
Income Support	25	27	39	37	33
No benefits or tax credits	29	25	20	21	23
Household income					
Less than £100 a week	19	27	31	34	30
£100-199 a week	48	44	47	46	46
£200-299 a week	21	20	18	17	18
£300-399 a week	7	6	3	2	4
£400 or more a week	5	3	1	1	2
<i>Base</i>	<i>237</i>	<i>326</i>	<i>311</i>	<i>625</i>	<i>1,549</i>

Source: Account-opening questionnaires

Compared with other groups, informal savers were more likely to be aged under 30 (Table 4.4). They were also the most likely to be lone parents. Like the occasional savers, they also included an above average number of lone parents, but in this case they tended to be on lower incomes as many more of them were looking after the home or a family and far fewer were in work. They included the highest proportion of social tenants in all the groups.

The depth interviews showed that the most common form of informal saving was loose change in jars, tins or other containers. Most people who saved in this way routinely saved coins of a particular denomination; some, however, saved the loose change in their pocket or purse at the end of each day.

Two people even tried to save any £5 notes they still had at the end of the week. The amounts saved this way were often not large but, even so, several people reported having more than £100 put by. Some people saved up for particular purposes, the most common ones being holidays, children's school trips or to buy things they could not otherwise afford. But quite a number of the people interviewed in depth saved this way with no particular purpose in mind. When the jar was full they and their children 'bagged the money up' – in some cases so that they could pay it into a savings account.

Informal saving

A young woman, aged 18, had had a fairly colourful but troubled past. She was currently living in temporary accommodation and had just taken a part-time job having been out of work for more than a year. She had no savings account but saved loose change in jars and the occasional £5 or £10 note, which she hid in her mother's house without telling her. She was currently trying to save for a cooker and fridge.

We just put all the coppers in a pot. Sometimes there will be 10ps and 20ps in there so we'll spend that, but the coppers get bagged up and taken to the Building Society for my son to put into his account... Every few months we put in about £8.

Another fairly common means of saving was to give money to someone else to save. Most commonly younger women gave money to their mothers, but two men gave money to friends. The sums saved in this way tended to be rather larger but often less regular than the saving of loose change.

Other methods of informal saving included the purchase of savings stamps at supermarkets, or to put towards telephone bills or television licence renewal, and letting Child Benefit payments build up before collecting the money from the Post Office.

4.4 Not saving at all

But that still left more than four in 10 (42 per cent) of Saving Gateway participants who had not been saving at all prior to opening an account. They included a disproportionate number of men and single people (Table 4.4).

Not saving at all

A 36 year old single man had not worked for two and a half years since becoming disabled. He currently had an income of £85 a week from Incapacity Benefit - which was a considerable drop from the wages he had earned when he last worked. Making ends meet was a constant struggle and he never managed to save anything – not even informally. In any case, given his state of health and possible short life expectancy he could see little point in saving.

Unsurprisingly they included a

higher proportion of people who were unemployed and looking for work than was the case among those who saved. This was reflected in their lower incomes and the number that either received Income Support or Jobseeker’s Allowance (Table 4.4).

The depth interviews indicated that lack of income was not, however, a sufficient explanation for people not having saved at all. Most did not see the value of saving – or at least not until they became aware of the Saving Gateway. People differed quite markedly in their motivations with regard to saving.

4.5 Saving motivations

In the account opening questionnaires, recruits to the Saving Gateway were asked to select from four options the one that best described their own approach to saving. Interesting, only a third (33 per cent) said that they never saved at all – even though many more than that lacked a savings account. The biggest group, comprising half (48 per cent) of all those opening an account, said that they saved up to spend on things they wanted or needed. The remaining participants were ‘rainy day savers’ who either said they put money away for no particular reason (7 per cent) or that they saved for the long term (12 per cent).

Table 4.5 Approach to saving by patterns of saving

	<i>Column percentages</i>		
	Saves to spend	Rainy day	Non-saver
Whether has savings			
Has savings account	58	75	35
Informal savings only	18	12	17
No savings at all	24	13	48
Regularity of saving			
Saves regularly into account	21	28	-
Saves occasionally into account	30	39	-
Only saves informally	20	14	26
Does not save	29	19	74
Amount in savings account			
Nothing	41	26	64
Less than £100	17	10	21
£100-£250	14	11	5
£250-£1,000	12	16	3
£1000 or more	12	30	4
Cannot say	4	8	3
<i>Base</i>	728	298	493

Sources: Saving Gateway account-opening questionnaires

On the whole, there were few differences in either the personal or economic circumstances between people in these three categories. The main one of note is that lone parents were under-represented among the rainy day savers (23 per cent, compared with 31 per cent of all Saving Gateway participants).

4.5.1 *Save to spend*

As noted above, by far the most common pattern of saving was cycles of saving up and spending, with 48 per cent of Saving Gateway participants describing this as their overall approach to saving.

The depth interviews showed that most were people for whom this was their normal method of saving. It did, however, include some who were, by instinct, rainy day savers but whose circumstances meant that they were unable to do more than save up for short-term needs.

More than half the people who saved to spend had a savings account of some kind, although less than a quarter (23 per cent) had £250 or more in savings (Table 4.5). The depth interviews showed that those with larger amounts tended to be rainy day savers, like the lone parent described above, who

Save to spend

A young man, aged 19 was still living at home with his parents and had two part-time jobs. He saved up money from his wages for a few weeks at a time and then spent it all on things such as videos or CDs. He had a savings account, with about £100 in it but did not use it for current saving. He regularly put loose change into a vodka bottle, bagging it up occasionally to pay into his bank account. When he had accumulated enough in his current account he would go out and spend it. This pattern of saving to spend had started in childhood, encouraged by his mother.

could only afford to save for short-term needs. They also included people who had had a windfall but had not actively saved it, such as a single man receiving Incapacity Benefit who was keeping money in a couple of savings accounts to buy a car and clothes when he was able to return to work. This was money that he had won at gambling.

The two most common patterns of saving among those who saved to spend were putting money into an account occasionally (30 per cent) or not saving in an account at all (49 per cent) – as might be expected among people saving for specific needs.

About four in ten (37 per cent) were, however, saving money informally and about half of these (18 per cent) this was the only savings they had. Moreover, the depth interviews showed that many of those who were currently saving up to buy things were not doing so in a savings account. They were either letting money accumulate in a current account or they were saving informally. Christmas, holidays and the purchase of consumer goods were the most common reasons for saving up.

The pattern of saving to spend seems to be set in early childhood. The save to spend people interviewed in depth had all saved as children, but even then they had only ever saved up for very short-term needs.

4.5.2 *Rainy day savers*

Although only 19 per cent of Saving Gateway participants said that they saved money with no particular purpose in mind, the depth interviews indicated that rather more people were, by inclination, ‘rainy day’ savers. Although some people would have liked to save for a rainy day, their financial circumstances meant that they were only able to save up informally for short-term needs (which most of them did not consider ‘proper saving’) or they were unable to afford to save at all.

As might be expected, three quarters (75 per cent) of rainy day savers had a savings account and the great majority of those that had one were putting money into it (Table 4.5). Three in ten of them (28 per cent) made regular deposits.

Consequently they tended to have rather larger sums of money than the people who saved to spend or described themselves as non-savers – three in ten of them (30 per cent) had £1,000 or more in their accounts (Table 4.5).

Nearly four in ten of them (37 per cent) saved informally and for a minority (14 per cent) this was the only way that they saved. The depth interviews showed that rainy day savers who only saved informally were often putting quite large amounts by and doing so with no particular purpose in mind.

Often they did not consider this to be saving at all. For example, a woman in her late thirties lived alone and was unable to work through disability. She had no savings account of any kind, but for a number of years she had routinely saved loose change in a jar, ‘bagging it up’ when the jar was full. She currently had about £80 put by and did not intend to touch this unless she was ‘desperate’. Yet in the depth interview she said that she had never managed to save in her life although it transpired that she meant that she had never saved in a bank or building society account.

This was not the only form of saving that people who aspired to rainy day saving discounted. Others described themselves as non-savers when, in fact, they saved in their current account or paid money into their child’s account rather than one in their own name. Generally speaking these, like the people who only saved informally, were on low incomes, with little left over after meeting their regular commitments

In all cases, the pattern of rainy day saving was established in childhood. Parents, and sometimes grandparents, had opened a savings account for them and encouraged them to save some of their pocket money or money given to them as Christmas or birthday presents.

4.5.3 Non-savers

A third of people described themselves as non-savers, although a substantial minority of them (35 per cent) did have a savings account. Indeed the depth interviews showed that few people had never saved at all during their lifetime – confirming the findings of previous research (Whyley and Kempson, 2000).

Most, however, had only

Rainy day saver

A lone parent with one child had been in part-time work for about six months. Her wages were paid directly into a bank account and she tried to leave some money untouched to pay for a holiday. She had £2,000 in a cash ISA which was her share of the proceeds from the house sale following her divorce and earmarked ‘for a rainy day’. She had a further £500 from the house sale, which she had recently transferred from an instant access account to an internet account with more limited access. On the recommendation of her father she had recently opened a ‘bonus savings account’, where if she saved £20 for 11 months a year she received a bonus. She had also started to save in an informal ‘thrift club’ run through a local pub. This money was being saved for Christmas.

Her father had opened a Post Office account for her when she was a child and encouraged her to save the money she was given as Christmas and birthday presents.

Non-saver

An unemployed and divorced man, aged 48, had never really saved either formally or informally at any time in his life. Indeed he described himself as ‘more of a spender’ until he opened his Saving Gateway account. At times in his life when he had more money he tended to spend more on consumer goods and described this as his way of saving.

modest amounts in a savings account, if they had any at all. Only 12 per cent had more than £100. None of them had put any money into a savings account in the past 12 months (Table 4.5).

The depth interviews showed, as we note above, that some instinctive rainy day savers – and a few people who saved to spend – described themselves as non-savers because they could not afford to put money into a savings account. These people tended to be the non-savers who had accounts with some money in them.

Among the true non-savers interviewed in depth, any money they had in an account had come as a windfall, such as a man who had been left £1,000 by his father and had paid it into an ISA. Others had a dormant account with just a few pounds in it. What marked these people out from the rainy day and save to spend savers was that, if they had saved at all, they had only ever done so for short periods as an adult, when their finances were not too tight. Some said they had saved when they were in work and had reasonable earnings; others when their children had left home. In all cases, though this saving was only for short periods of time and for short-term needs.

One in five of non-savers said that they saved money informally, but the depth interviews indicate that these, too, were predominantly people who were by inclination rainy day savers.

5. Saving in a Saving Gateway account

Details of account transfers have been a particular feature of the IDA evaluations in the United States (Schreiner et al 2002) and have generated some of the most influential results. It is highly unusual to have account data at this level of detail concerning low-income families. In this chapter we summarise some key data emerging from comparable information collected for Saving Gateway accounts, along with information gathered during the depth interviews with participants.

A distinctive feature of participants' saving patterns is that, while the average monthly amount saved is around £16, participants seem to be mostly divided into those who save the maximum monthly amount of £25 and those who save nothing. It is also clear that, as well as converting informal into formal saving, the Saving Gateway has encouraged genuinely new saving among participants.

Although electronic transfers into Saving Gateway accounts were surprisingly high, the most common method of making deposits was by cash or cheque in person at the branch. As well as payment methods, the chapter examines patterns of saving at an individual level, across different months. For example, do the same people save the same amounts from month to month or do patterns of saving change regularly? In fact there appears to be considerable diversity, coupled with strong continuities. The chapter concludes by looking at account withdrawals, how participants plan to use the money they save and their future intentions with regard to saving.

5.1 Amounts saved

The total amounts saved by account-holders had reached £150,000 by the end of August 2003 – one year after the first account was opened. Across the scheme as a whole, the average balance was £101, and was higher in the CFLI pilot areas (£103) than it was in Hull (£96), where the first account was not opened until mid December 2002 (Table 5.1).

Table 5.1 Total amounts saved (account balances at August 2003)

	<i>Numbers</i>		
	CFLI pilots	Hull	All SG participants
Mean	£103	£96	£101
Median	£90	£100	£98
Total saved	£114,163	£35,741	£149,904

Source: Account monitoring data, uncorrected.

Across the pilot Saving Gateway, to the end of August 2003, there had been 8,165 payments into accounts totalling £161,453 and 305 withdrawals totalling £11,168. Around half the

'withdrawals' (and rather more than half the money amount involved) were to correct accounts where more than £25 had been deposited in a previous month, contravening one of the rules of the accounts.

On average, people were making a deposit in 74 per cent of the months that their account had been open (this compares with 48 per cent in the US ADD programme, which of course has been running for much longer). Conversely, 46 per cent of account-holders had made a deposit in every month that their account had been open, although for some this would only have been for a few months. When we look at participants who had opened accounts in September-October 2002, at the outset of the pilot, the figure was in fact only slightly lower (42 per cent).

It should, however, be noted that 16 per cent of the people opening an account had not made any deposits beyond the one made to open the account. As mentioned in Chapter 3, in one CFLI pilot area, participants in the early months were given £1 to enable them to open an account. This was later discontinued as the pilot organisation felt that some people were not really interested in saving. The account monitoring data confirms that many of the people who had left their accounts dormant after the initial deposit lived in that area.

The depth interviews offer some other possible explanations for these dormant accounts. They included one person who had opened an account with an initial deposit of £1 and intended making regular deposits if his application for Disability Living Allowance was successful. The other two were both people who had misunderstood the rules on deposits. One woman had opened her account with £1 with the intention of asking relatives to give her money for her birthday, which she would pay in as a lump sum. The other was a man who regularly paid £25 into his Saving Gateway account, left it for a few days and then withdrew it. When he was told that he would only get matched funding for the maximum amount in his account at any one time, he had stopped saving altogether.

5.1.1 Amounts being saved each month

The average net amount saved in each account, for each month opened, was £15.78. The amounts being saved were higher in Hull, at £17.10, than they were elsewhere (Table 5.2). Taking £25 as the monthly maximum, account-holders were saving at around 63 per cent of the maximum. However, it is also possible to obtain the maximum matching funds by saving £20.83 for the 18 months ($£25 \times 15 \text{ months} = £375 = £20.83 \times 18 \text{ months}$). Saving Gateway account-holders were saving at closer to three-quarters (76 per cent) of this rate. This may be compared with a saving rate of 51 per cent of the maximum in the ADD scheme in the USA.

Table 5.2 Average net monthly savings by area*£ per month, percentages*

	CFLI pilots	Hull	All SG participants
Mean	£15.33	£17.10	£15.78
Per cent of monthly max.	61%	68%	63%
Per cent of final max.	74%	82%	76%
N accounts	1,105	373	1,478

Source: Account monitoring data, corrected for transactions above £25 per month.

The average amounts saved per month in accounts that had been opened for 12 months was not very different from those opened only recently (Table 5.3), suggesting that people do not either increase or decrease the amounts they save over time. The small increase since the beginning of 2003 almost certainly reflects the higher than average saving in the Hull pilot area. There is an apparent fall in May 2003 but this has arisen because some accounts were not officially opened until June or July.

Table 5.3 Average (mean) net monthly deposit, by date the account was opened*£ per month*

Month	Average deposit
2002	
Aug	£7
Sept	£16
Oct	£16
Nov	£15
Dec	£15
2003	
Jan	£17
Feb	£18
Mar	£16
April	£17
May	£15

Source: Account monitoring data, corrected for transactions above £25 per month.

The association between average amounts saved each month, and a range of individual characteristics, is shown in Table 5.4. Generally speaking, the average amounts being saved were relatively similar, perhaps surprisingly so, among different demographic groups. The main differences were that:

- ## younger people in their twenties and especially their teens were saving lower amounts than those aged thirty or older;
- ## couples were saving more than single people; the presence of children in a household had little effect;
- ## workers saved more than non-workers;
- ## owner-occupiers saved more than tenants;
- ## those on the lowest incomes saved least, but there was otherwise no link between a higher income and saving more (a finding that is similar to results from American studies of IDAs);
- ## those needing most assistance to complete the questionnaire were tending to save least. This may be indicative of the highest risks of social and/or financial exclusion among this group.

Table 5.4 Average net monthly savings by individual characteristics*£ per month*

Characteristics	Mean	Median	N accounts
Age group (years)			
16-19	£12	£13	69
20-29	£14	£17	287
30-39	£16	£19	399
40-49	£16	£19	279
50+	£18	£21	279
Sex of account-holder			
Men	£16	£20	480
Women	£16	£19	838
Family type			
Single person	£15	£18	560
Lone parent	£15	£17	357
Couple without children	£19	£21	159
Couple with children	£18	£11	242
Economic activity			
Working full-time (30+ hours)	£17	£19	207
Working part-time	£18	£20	376
Unemployed	£13	£13	185
Looking after home/family	£14	£16	204
Unable to work (disability)	£16	£19	310
Housing tenure			
Own outright	£21	£25	89
Own with mortgage	£19	£21	268
Private tenant	£16	£17	136
LA/HA tenant	£15	£18	639
Living with parents	£16	£19	126
Other arrangement	£12	£12	56
Income			
Less than £100 pw	£13	£15	156
£100-£199 pw	£17	£20	230
£200-£299 pw	£17	£20	247
£300 or more pw	£20	£22	83
Questionnaire completion			
Applicant alone	£16	£19	555
Applicant with some assistance	£15	£19	216
Applicant with lots of help	£12	£13	78

Source: Account monitoring data linked to self-completion questionnaires

Those who already had an account for managing their money saved slightly more (£17) than those who did not have such an account (£13) (Table 5.5). There was also a link with people's own assessment of their pattern of saving. Those who said that generally they "didn't save at all" were saving lower than average amounts (£14 each month), whilst those who generally put money away "for the long term" were saving the most (£18 each month).

Table 5.5 Average net monthly savings by previous saving characteristics*£ per month*

Characteristics	Mean	Median	N accounts
Whether already had an account for managing money			
Yes	£17	£20	992
No	£13	£15	315
Own approach to saving			
Don't really save at all	£14	£16	412
Put money away for no particular reason	£17	£20	100
Save up to buy things	£16	£19	623
Put money away for the long term	£18	£21	168

Source: Account monitoring data linked to self-completion questionnaires

5.1.2 Distribution of amounts saved

The average amount saved each month is a poor guide to the distribution of actual amounts being saved – very few people saved around £15 per month, which was the average. Each month, the two most common amounts being saved were £25, and nothing. Over time, the amounts saved tended to concentrate around these two points, with intermediate amounts being less commonly saved (Figure 5.1).

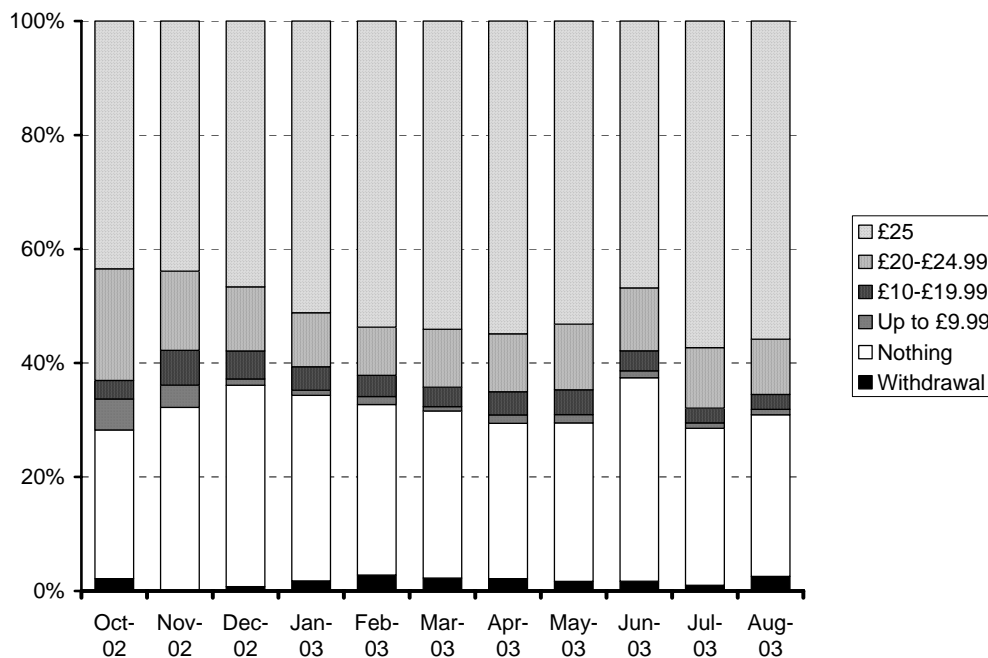
So, in August 2003, 56 per cent of people saved the maximum £25, whilst 28 per cent saved nothing. Among the remaining fifth, 10 per cent saved at least £20, but less than the maximum. This is confirmed by the qualitative research, which showed that most people aspired to save £25 when they could, but occasionally missed payments or paid in just short of £25. Few people routinely paid in amounts that were less than this.

This same pattern, with maximum and zero deposits dominating, was found in each Saving Gateway location. The higher average amounts saved in Hull, shown above, reflect higher than average proportions saving the maximum £25 (60 per cent compared with 55 per cent in the CFLI pilot areas), and lower proportions saving nothing (23 per cent compared with 30 per cent).

5.2 How do participants find the money to save in their accounts?

Using financial incentives to encourage people on low incomes to save carries with it the possible risk that they may either borrow money commercially or transfer money from existing saving accounts in order to access the matched funding. Overall, participants did not seem to follow either course of action.

Figure 5.1 Amounts saved each month, by those with open accounts⁷



When they opened their Saving Gateway account all participants were asked in the self-completion questionnaire how they intended to find the money they planned to deposit in it. Over half of all participants said they planned to start putting money aside, and almost as many said they were going to take money out of their current account (Table 5.6).

Those who said they would find the money ‘in some other way’ generally planned to put money aside from their wages or benefits; one or two of them said they would use money given to them as gifts or by a family member. Only one person said they were going to take out a commercial loan and very few (five per cent) intended to transfer money from an existing savings account.

There was some subtle variation between the pilot areas in ways people said they would find the money to save in their Saving Gateway account. A higher than average proportion of participants in Hull intended to start putting money aside, while participants in the CFLI pilot areas were more likely to say that they planned to take money out of their current account (Table 5.6).

In the subsequent depth interviews, participants were asked how they were actually finding the money they were depositing in their Saving Gateway account. Their replies give a detailed insight into the ways in which they raised the money.

⁷ That is, excluding the amounts saved by those opening their accounts in each month. By definition, those opening their accounts deposit a positive amount of money in that month.

Table 5.6 How did participants plan to find the money to save in their accounts?*Column percentages**

	CFLI pilots	Hull	All SG participants
Start putting money aside	50	57	51
Take money out of current a/c	46	42	45
Transfer money from savings a/c	6	7	6
Already have money set aside	3	6	4
Borrow from friend/family	2	3	2
Take out a loan	-	*	*
Cash in premium bonds, shares	*	-	*
In some other way	5	3	4
<i>Base</i>	<i>1,155</i>	<i>370</i>	<i>1,525</i>

Note Participants could give more than one answer

* less than 1 per cent

- no respondents

Just under a third of them said that at least some of the money they had deposited in their Saving Gateway account they would have saved any way. Only two of the thirty people, however, said that they might have put the money into another savings account – ISAs in both cases – and both of these said that the Saving Gateway had encouraged them to save larger amounts and more regularly. One of them had given up smoking to achieve this. Two more people did not have a savings account but had previously saved in their current accounts. But the majority of people who would have saved anyway were previously saving money informally – usually in the form of cash kept at home. In almost all these cases, the Saving Gateway had encouraged them to increase the amount they saved. It was notable that all these people were managing quite well on their income and that most of them had an earned income. They almost all tried to save £25 a month in their Saving Gateway account although they did not always manage to do so.

A slightly smaller group of people had not really saved previously but had been able to find money for their saving Gateway account without too much difficulty. Again these people were all managing quite well financially and most of them had an earned income. They all tried to save regularly – putting between £10 and £25 a month into their Saving Gateway account.

A third group, accounting for a third of the people interviewed in depth, had had to cut back on expenditure in order to save. Most of these were people living on Income Support and they were either just getting by financially or they were struggling. Most commonly they had cut back spending on ‘treats’ such as going out for a drink, visits to fast food restaurants, and playing the lottery. As one person put it: *‘just generally pulling in the reins’*.

Although some had committed themselves to saving £25 a month, others had a more chequered payment history, either missing months altogether or paying in varying amounts depending on how much money they could get together.

In line with the quantitative data discussed above, only two of the 30 people were routinely borrowing to enable them to save in their Saving Gateway account. One young woman had had an unsettled life with a history of financial difficulty. She had set up a standing order to pay £10 a month into her Saving Gateway account – out of a weekly income of £36.28 a week after repayments on a Social Fund loan. As a consequence she was almost permanently

overdrawn and her mother repaid her overdraft periodically. The other was a single man in his thirties who had been the victim of a gang attack which had left him with serious health problems. His friend 'lent' him £25 a month to save with the Saving Gateway and they had agreed to divide the matched funding when the account matured. Two others had borrowed the money for the initial deposit but, thereafter, had found the money themselves –one had had an increase in income and the other had cut back non-essential spending.

From this analysis it is clear that the Saving Gateway has certainly succeeded in encouraging new saving. Some people had been encouraged to start to saving and even those who had previously put money by had been encouraged to save more money more regularly. At the same time, the Saving Gateway has encouraged people to put money into a savings account rather than retain it in cash at home or hold it as balances in their current account. Moreover, it is clear that the maximum deposit of £25 a month has become, for the majority of people, the amount they aspire to save.

5.3 Method of paying money in

The account monitoring data enables us to check whether deposits have been made by a standing order or direct debit (and, if so, whether from Halifax or another institution) or instead made in person by cash or cheque. Most people tended to use just one of these methods, with cash/cheque deposits tending to be the most common – especially in Hull (Table 5.7).

It is interesting to note that 40 per cent of people in total had made payments by electronic transfer – nearly two thirds of those with a bank account. This is considerably higher than might have been expected among a group of people at this income level, where cash payments tend to be far more common. Indeed the high level of payment by direct debit or standing order was commented upon by the Halifax staff interviewed.

People on low incomes tend to avoid direct debits because of the fear of inadvertently overdrawing the account without an authorised overdraft. One woman (mentioned above) had faced this problem on two occasions and both times her bank had levied charges of £30, which meant that for two months she had been unable to deposit any money in her Saving Gateway account.

The proportion of people paying electronically was appreciably higher in the CFLI pilot areas (51 per cent) than it was in Hull (32 per cent). Yet current account-holding was more common in Hull. The depth interviews showed that in three of the CFLI areas, many people had substantial distances to travel to the Halifax branch where they could pay money in. As a consequence, many had opted for electronic payments; in some cases opening a basic bank with the Halifax to enable them to do so. It is likely, therefore, that if the Saving Gateway were rolled out nationally the level of electronic payment might be lower than in the pilot.

Table 5.7 Method of paying money into Saving Gateway account, by area*Cell percentages*

Method of paying in money*	CFLI pilots	Hull	All SG participants
In person (cash/cheque)	57	73	61
By account transfer (not Halifax account)	43	22	31
By account transfer (existing Halifax account)	8	10	9

Source: Account monitoring data

* some account-holders had used more than one payment method, so percentages do not total 100%.

Underlying the preference for paying in cash was a feeling that they were actively involved in saving if they physically took the money to the bank branch.

We like the idea... of seeing the money go in... I think it seemed like you were properly saving. It's a bit like years ago people used to put money in a tin and they could always look in that tin and see the money there. Here your taking the money from one bank and putting it in another one and you can see the book... You know you're saving then.

In contrast, those who preferred direct debits liked the security of knowing that the payment was made automatically and they could not be tempted to spend the money.

The average amounts saved each month were higher among those using electronic means of payment, though the differences were not great. Those paying in cash were saving around £17 each month, compared with £20 for those using electronic means. (see Table 5.8). This seems to suggest that the people who paid money in personally *were* able to exercise self-control.

Table 5.8 Average net monthly savings by method of paying*£ per month*

Method of paying in money*	Mean	Median	N accounts
In person (cash/cheque)	£17	£20	763
By account transfer (not Halifax account)	£20	£21	461
By account transfer (existing Halifax account)	£20	£21	107

Source: Account monitoring data

* some account-holders had used more than one payment method.

5.4 Tracking individual accounts over time

We have noted above that deposits of either £25, or nothing at all, are very common each month. But is it always the same people making these maximum and minimum amounts of saving? It is still fairly early days for the pilot, and there are various ways of analysing this question. One simple approach is to look at the pattern of payments into accounts during the 2nd, 3rd and 4th months they were opened. This excludes the first month which may be untypical (and zero deposits are by definition not possible in the first month). Over these three months, the behaviour of saving or not saving gives rise to eight possible combinations. An additional month would double the number of combinations, so this seems a reasonable

basis for analysis. Moreover, all Saving Gateway accounts had been open for four or more months by August 2003.

These eight different ‘routes’, and their importance among savers are shown in Table 5.9. Just over half (51 per cent) had saved in their Saving Gateway account during all three months (in fact overall 33 per cent of account-holders saved the maximum £25 in each of these three months). This means that 49 per cent had at least one month when they did not make any savings. However, only 20 per cent overall had not saved in all of these three months. That leaves 29 per cent with a mix of saving, and not-saving, across months 2, 3 and 4 of their Saving Gateway accounts.

All of the possible combinations were represented, showing a picture of some diversity. Other work by the authors has shown similar patterns of change among the general population, in terms of their saving behaviour year-to-year (McKay and Kempson, 2003).

Table 5.9 Patterns of saving and not saving over months 2-4 of account lifetime

Column percentages

Month 2	Month 3	Month 4	Per cent
Save	Save	Save	51
Save	Save	0	4
Save	0	Save	4
Save	0	0	2
0	Save	Save	12
0	Save	0	4
0	0	Save	5
0	0	0	18

0 means no saving made. N=1,478 Saving Gateway accounts.

The pattern of change over time may also be analysed by looking at each set of consecutive months (e.g. August-September, September-October, and so on). How is saving in one month associated with saving in the next? An analysis of this kind is shown in Table 5.10. This shows the amounts saved in each month, tabulated against the size of deposit made in the previous month. So, of those saving £25 in a given month, 85 per cent saved £25 the following month whilst 11 per cent saved nothing and 4 per cent saved an amount of less than £25. Conversely, 23 per cent of those saving nothing in any given month were found to have saved £25 the following month, with most (70 per cent) also not saving the following month.

It can also be seen from this table that, confirming the depth interviews, the maximum deposit of £25 seems to be a target amount for a substantial proportion of Saving Gateway participants. Even where people had withdrawn money or paid nothing in one month, about a quarter had deposited £25 the following month.

Table 5.10 Amounts saved in pairs of consecutive months*Column percentages*

	Amount saved last month						
	Withdrawal	Nothing	£1 to £9.99	£10-£19.99	£20-£24.99	£25	All
Amount saved this month							
Withdrawal	18	2	1	3	2	1	2
Nothing	48	70	54	25	13	11	30
£1 to £9.99	3	1	8	4	1	3	1
£10 to £19.99	2	2	6	36	2	1	4
£20-£24.99	2	3	10	13	65	3	11
£25	28	23	21	18	18	85	53
Number of 'paired months'	105	1,962	550	434	846	4,009	7,906

Source: account monitoring data

5.5 Withdrawals

The account monitoring data and the depth interviews show that very few people have withdrawn money from their Saving Gateway accounts and most have no intention of doing so.

As we have noted above there were 305 withdrawals in the year to August 2003 and about half of these were people correcting over-payments in the previous month. Making allowance for these payment corrections, on average one per cent of Saving Gateway participants make a withdrawal each month.

Of the 30 people interviewed in depth, four had withdrawn money from their accounts⁸. One of these was the man mentioned earlier, who had misunderstood the rules and each month had drawn out the money a few days after he had deposited it. The other three had all needed to draw out money to meet an expense they could not have covered in any other way. For example, one woman had withdrawn £60 to pay off a credit card bill; another £50 to buy food when she had relatives visiting her from Bangladesh; a third needed £103 to help her daughter buy some clothes for job interviews. All of them intended to make up the money they had withdrawn and still aspired to reach the maximum balance of £375 by the time their account matured. They had, however, failed to understand that they could not pay in more than £25 a month even if they were re-investing money they had withdrawn.

The remaining people all said that they would avoid withdrawing money at all costs, although some recognised that an emergency might come along that would thwart their intentions. A number said explicitly that the prospect of the pound for pound matching gave them the willpower not to withdraw any money. In other cases this was implicit in what they said.

⁸ In selecting the people for interview, we deliberately included people who had withdrawn money as well as those who had accounts had been dormant since they were opened.

This is the one saving that we've got and we want to make sure we see it through right to the end...It's a good start, a really good start.

If it's in there I will keep it in, because I know that it's doubling.

Reflecting this, the majority of people hoped to succeed in saving the maximum of £375.

5.6 How people intend using the money they save

The people interviewed in depth were also asked how they intend to spend the money they hope to save in their Saving Gateway account. The largest group said that they intended to transfer the money to another savings account – seeing it as a welcome financial ‘cushion’.

We don't have any plan of what to do with the money. It's a fair amount of money but it's not an amazingly massive amount of money so it's not going to be life changing, £700 is a nice lump sum to have. It's a cushion, but it's not life changing.

Even when I get the money back I will still leave it there and try and carry it on and ... forget about it just for a rainy day.

While many of these were, by inclination, rainy day savers, that was by no means always the case. They included several people who had previously only ever saved up to buy things and one person who had never saved before.

The second largest group was people who intended spending both their own savings and the matched money paid into their account. The most common thing people were saving for was a holiday; others wanted things for their home that they could not otherwise afford; one person was saving up to replace her car. These were mostly either people who, by inclination, saved up to spend or people who had never previously saved at all. The two rainy day savers among them were both lone parents on a low income. They were predominantly people who only managed to save in their Saving Gateway account by cutting back on their spending.

The third and smallest group comprised people who intended to spend part of the money and save the rest. They were, however, determined not to ‘fritter the money away’. Most, however, had no specific spending plans. All but one of these people was, by inclination, a rainy day saver whose circumstances meant that they had found it difficult to save previously.

5.7 Future saving intentions

Two thirds of the people interviewed in depth said that they intended to continue saving regularly now that they had got into the habit of doing so.

When I first started it I thought about it in the short term but I think I'm thinking of it more as long term savings now. Because I've just got into the habit. It goes out now and I don't necessarily think about it. I see it on my statement, whereas if someone was to ask me for £25 per month, I'd probably say I couldn't do that... So I kind of see it as a starting point for savings

Yet prior to opening a Saving Gateway account just four out of 30 people had been saving regularly and one of these only saved money in her son's account.

People who were rainy day savers by inclination were particularly disposed to saying that they would continue saving. The Saving Gateway had acted as an incentive for them to start trying to save regularly and they had realised that having some money put by gave them peace of mind.

It's shocking, because I can't believe that I'm saving that. I don't believe that I'm actually - I mean I keep looking at my books, I keep thinking are they right? Of course they are. And I'm adding it up, you know, I'm seeing where it's all going in and adding it up. And it really adds up to that and you think wow! I mean I've got £250 in that, easy. You know, you think wow, that - and you've only just - it only seems like I've only just opened the account, you know. It is building up.

Once you get to a few hundred pounds and you realise that it's a really nice feeling to have something behind you like that, so if something goes wrong you can sort it out and you are able to face, you know, all problems really. And that gives you a greater piece of mind. If you're living from literally day to day with no spare money at all that is...that's quite sort of fearful living like that really and also very difficult. So I think I would be probably more inclined to carry on saving until it gets even to a larger amount.

But it was by no means just rainy day savers who intended to continue saving. Some people who had previously only saved up when they wanted to buy something could now see the point of regular saving in advance so that they already had money put by. Indeed, a minority of them were now confirmed rainy day savers. Moreover, two non-savers had been converted to the idea of saving and a third thought that they might continue to save up for things they needed

That said, most of those who had never previously saved thought it unlikely that they would continue to save beyond the Saving Gateway. There were two main reasons for this. Some were really struggling to save, especially if they were also repaying considerable sums of money they had borrowed. And two disabled people could see little point in saving for a future that their poor health made very uncertain.

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