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FAIR BANKING FOR ALL

Expanding access to affordable credit is not just about fairness - it's a growth opportunity worth billions a year

Millions of people and thousands of small businesses are locked out of affordable credit. Forced into high-cost or illegal lending, money is being taken from the pockets of the poorest, and economic growth is being stifled. This is an entrenched, but fixable market failure.
A Fair Banking Act would unlock £3 billion of affordable credit a year, growing businesses, creating jobs and providing lifelines for families in the most marginalised communities.

Sian, a mum and carer from Llandeilo, had built a successful bath and bodycare business, trading at craft fairs across Wales. When Covid struck, her business collapsed overnight.

Because she had no premises or staff, Sian was ineligible for government support. Seeking to rebuild, she applied for a loan from a bank but was turned down: "The bank was really dismissive of my expected turnover, but the staff had not even really looked at the application and made assumptions about what I'd be selling and where."

Sian then contacted CDFI Purple Shoots, who sat down with her to discuss her business plan, and offered her a small start-up loan. With this support, Sian rebuilt her business, and expanded to other products including jewellery, furniture, and even ice cream.

"If it wasn't for organisations like Purple Shoots who invest and support not only the business but also the person, I don't know where I'd be. Whilst your request is assessed, it isn't in a judgemental, stigmatised or condescending way... instead they're able to give you the time and support to fit your needs... they realise that everyone has a past, but it's where you are now that matters."

Thanks to a small loan from a CDFI, Sian went from struggling to cover her essential bills to running a successful business employing seven people.

In 2024, 94% of businesses supported by CDFIs (Community Development Finance Institutions) had already been declined by another lender, yet collectively they went on to create and safeguard 12,672 jobs. CDFIs are much more likely than mainstream banks to lend to ethnic minority-led businesses, women-led businesses, and businesses in the UK's most deprived areas.

The opportunity to deliver real progress on financial inclusion and affordable credit

If the UK Government is serious about tackling financial exclusion and delivering growth across the whole country, there must be ambitious, measurable targets to increase the supply of affordable credit, & a ratings framework to provide transparency over banks' contributions. Tackling financial exclusion could deliver £6.4 billion in additional economic growth each year.

When Charlotte was in her mid-20s, her world turned upside down when her father passed away suddenly. A single mum on a low income, she was given just five days to find more than £1,000 to cover part of the costs.

Charlotte had already been through more than most. She had survived an abusive relationship in which her partner had taken out loans in her name, leaving her with debts she could never repay. She took out payday loans to keep up the repayments, and the weight of those debts eventually led to sequestration (bankruptcy). She knew that if she asked a mainstream bank for a loan she wouldn't have an opportunity to explain her past, and she'd be turned down.

"I know my father wouldn't have wanted me to put myself in debt just for him, but it was the last thing I could do for him."

Desperate and needing to find the money urgently, Charlotte took out a £1,000 payday loan. The terms were punishing, and over 12 months, she repaid £1,500. There was no way to clear it early, even when she had a little extra money.

Later, Charlotte discovered her local credit union. She became a member, and when she applied for a £500 loan, she was accepted.

She describes that moment as "the best thing in the world". She repaid the loan months ahead of schedule. For the first time, she felt she was treated with trust and compassion, changing the way she saw herself: "The credit union makes people realise it's not them that's bad at credit - it's the banks' rules, not the person."

Charlotte's hope is simple but urgent: that no one in crisis should be forced into punishing debt because the mainstream banking system has locked them out.

The Fair Banking Act would help to grow purpose-driven finance providers such as credit unions and Community Development Finance Institutions (CDFIs). This would ensure that people like Charlotte have access to affordable, fair credit when they need it most, and the chance to rebuild their lives with dignity.

- 16 - 17 million people are underserved by the credit market.
- The number of people holding any high-cost credit product rose from 5.3% (2.8 million) in 2022 to 6.4% (3.5 million) in 2024. With the burden of high-cost debt growing, the number of people turning to illegal money lending has risen consistently since 2017.
- 3.2 million people have been declined credit in the past two years. There are higher rates of declines for people from minority ethnic backgrounds.
- SMEs and social enterprises receive a tiny share of bank lending and face a multi-billion pound financing gap. This particularly affects under-served regions outside London and the South East, and marginalised communities.

A Fair Banking Act to unlock affordable credit

Exclusion from affordable credit is a crisis that demands a wide-reaching response. Based on the Community Reinvestment Act in the US, the Fair Banking Act would:

- **require banks to disclose data, and be rated by the FCA on the extent to which they provide equitable access to credit for individuals and small businesses**
- **give banks flexibility to improve their rating by expanding their own provision of affordable lending, or by creating partnerships with institutions such as credit unions and CDFIs, so helping these specialist providers to scale**
- **mandate the FCA to use its existing regulatory tools to drive change.**

A Fair Banking Act could:

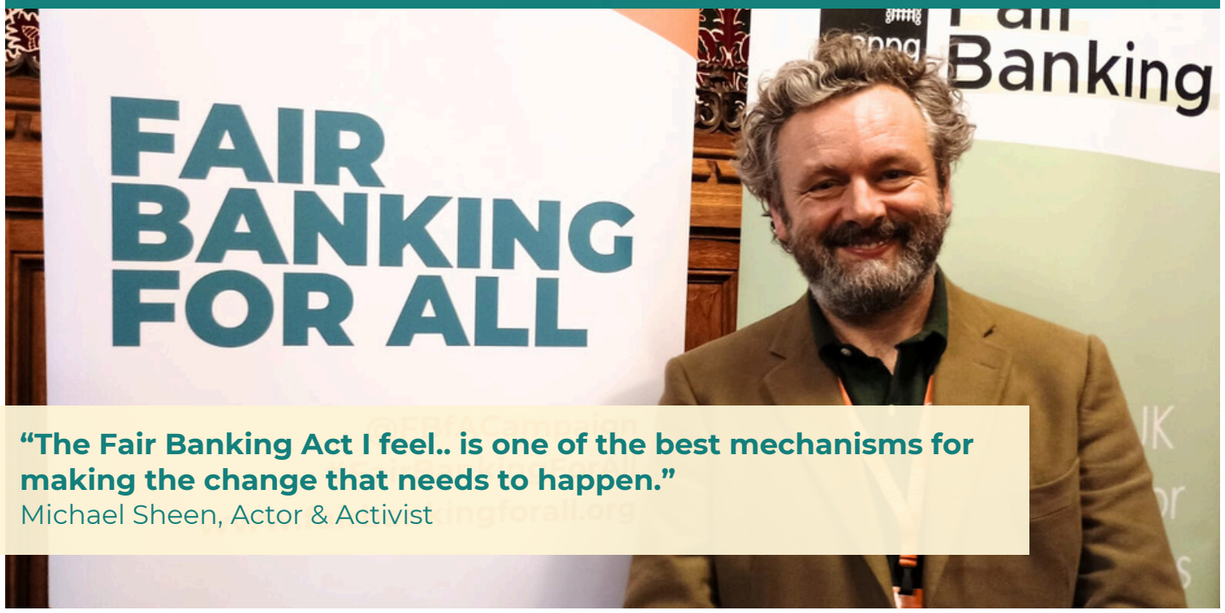
- **increase the capacity of purpose-driven finance institutions to lend to individuals by up to £2.16 billion - more than matching the amount owed to illegal money lenders across the UK**
- **increase turnover of SMEs by up to £3.9 billion, creating and maintaining 9,900 full-time jobs over five years.**

Some banks are leading the way with voluntary partnerships with credit unions and CDFIs, but these are ad hoc, insufficient, and at risk of changes in strategic direction or leadership. Millions still cannot access affordable credit.

As Charlotte says, "If this could get done without legislation, it would be done by now".

Over half of MPs have been contacted by their constituents, asking them to support the Fair Banking Act. We are grateful to those who have already given their backing to the principles of the act, including the Co-operative Party and Liberal Democrat Party.

Please contact your MP or the Economic Secretary to the Treasury and ask them to support a Fair Banking Act - so access to affordable credit is delivered at the scale the UK needs.



"The Fair Banking Act I feel.. is one of the best mechanisms for making the change that needs to happen."
Michael Sheen, Actor & Activist

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Thanks to

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