THE FINANCE FOUNDATION

"WHEN I'M 84"

LOCKING THE DOOR ON THE OLDER OLD: THE CHALLENGE FACING BRITAIN'S BANKS

Hilary Cooper

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ABOUT THE FINANCE FOUNDATION

The Finance Foundation is an independent think tank that aims to encourage informed debate about financial services, explain what the sector does, and suggest ways it could work more effectively.

Our goal is to educate the public, politicians, media and the industry about the role this sector plays in the economy and society – by conducting and publishing evidence-based research and hosting events and seminars to discuss and inform public policy.

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Above all, I would like to thank the participants in the focus groups and in the two surveys of older people and carers, respectively. Without their openness and willingness to share their experiences and perspectives this research would not have been possible.

Hilary Cooper
September 2016

FOREWORD

When I was a child I thought my grandparents were positively ancient. In fact they were in their sixties. None of them lived much beyond 70, which was regarded as a ripe old age back then. Last year my mum died aged 100; my dad died a few years earlier aged 92. Who knows what will happen to my generation?

These changes have happened in our lifetimes. It's not just that there are more older people: there are more very old people. In fact, the over 80 cohort is the fastest growing segment of the UK population. The Office for National Statistics predicts that by 2040 there will be 6.2 million people over 80 compared with 3 million today. In future we will have as many very old people as we have pre-school children.

What does this mean for public policy and providers of goods and services? On the one hand there is surely a sizeable addressable market here that, in principle, ought to be commercially viable to serve. On the other hand, studies like this fascinating and timely report by The Finance Foundation show that basic services such as banking lag well behind when it comes to providing what older consumers want and need. Where age is concerned it seems that we are stuck in the past rather than the reality of today, let alone what is coming down the track.

The report highlights the need for policy makers and those who deliver essential products and services to focus more clearly on the needs of the 'older old'. It seems odd that the authorities continue to develop general policy for the over 65s rather than differentiating between older and younger parts of this diverse and growing group. People over 80 are significantly more likely to face sensory, cognitive and mobility challenges than younger pensioners, often in combination.

This study of banking services and the older old makes salutary reading. How can older people be expected to remember endless passwords and security processes? How can arthritic fingers deal with buttons on ATM machines or key account numbers into phones? For those able to get to a bank branch, how easy is it to pay and receive cash or make payments when old legs have to stand in queues and people then have to transact business over high counters with no privacy? Access to your money, and the ability to make payments, is an essential part of being able to function in today's world. It may be as important to an older person's sense of independence and self worth as the ability to wash and feed themselves.

The design of current banking services is far from optimal and risks the establishment of a new group of financially excluded - the older old. Just as 20 years ago the banks worked hard to improve access to basic banking for disadvantaged people in society, so they should now come together to help today's generation of over 80s who are unlikely to become digital converts any time soon and who deserve better.

The report does offer some hope for the future however. Technology could become a real friend to older people if the design of new tech-based services makes them simple and intuitive to use and in tune with how people live their lives. With developments in big data, machine learning, artificial intelligence, and voice synthesis and recognition it is possible to envisage easy to use, intelligent, human friendly 'robo-services' in the home that help older people access and use their money, with careful inbuilt security safeguards. Such services could also help in other ways such as ordering and paying for shopping, booking appointments, reminding people to take medication, and managing household utilities.

This may sound like science fiction - but the capabilities are not far away. Well designed robo-services could help people live independently in their own homes for longer, which is not only what older people prefer but is also of economic benefit to society. Services like this could also be popular with consumers more widely: who wouldn't put a value on simpler, less hassle-ridden ways of running a household or managing their finances?

Perhaps we should encourage the geeks from silicon valley (and silicon fen) to spend more time having cups of tea with their grannies to inspire the development of useful services like these.

Christine Farnish CBE
Chair of the Peer-to-Peer Finance Association. Formerly CEO of the National Association of Pension Funds, Chair of Consumer Focus and Financial Services Authority Consumer Director.

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EXECUTIVE SUMMARY
AND POLICY RECOMMENDATIONS

The older old – those over 80 – are the fastest growing section of the population. Currently numbering just over 3 million, this will increase to 3.5 million by 2020 and a staggering 5 million by 2030, of whom 1 million will be over 90.

As more people live longer and, crucially, aspire to live independently for longer, often at some remove from family support, it is imperative that all sectors, not just health and social care, are equipped to respond. Recognition of this is at an early stage: as the House of Lords Select Committee on Public Service and Demographic Change concluded in 2013, we are 'woefully underprepared' for our ageing society, arguing that 'without urgent action this great boon could turn into a series of miserable crises'.[1] Improved healthcare and living standards are enabling many of us to live into our 80s and 90s but service provision, including by the financial sector, has not yet caught up.

This report presents the findings of research carried out by The Finance Foundation that looks in depth at the issues faced by those in their 80s, 90s and beyond in managing routine financial matters. It considers their preferences for different types of transaction – cash or card, face-to-face or machine – as well as their attitudes to credit and their views on new technology. It goes on to explore the physical, cognitive and social challenges that ageing presents as older people strive to continue to manage day-to-day tasks such as cash withdrawal, keeping track of their money and arranging bill payments, and the changes that they would like to see to support them going forward.

In framing this research we were struck by the fact that everyone we spoke to was immediately able to identify with the core issue we raised, namely the problems that older people encounter in their everyday interactions with the financial sector. Everyone had a story to tell us from their own experiences, ranging from mildly exasperated younger people who were needed to purchase online flights for their digitally challenged parents to more serious issues raised by those with much older or more dependent relatives. Many told graphic stories about financial scams or detailed the types of intensive support they were having to provide, sometimes extending to drawing out cash with a relative's debit card or even operating their account online to ensure crucial payments are made.

Despite the evident growing recognition of these issues and the burgeoning numbers of the older old, their needs are often missed by research which so often defines older people as a residual group – everyone over a certain age, typically retirement age – with findings analysed as if everyone from age 65 to 105 is broadly the same.

To address this research deficit we focused specifically on those aged 80 and over, doing this not through online or phone surveys which very few of this age group are equipped to take part in, but via face-to-face interviews. These were conducted in November 2015 by the market research organisation Opinium Research, who carried out initial qualitative group discussions which led into structured interviews with 175 people aged 80 and upwards from around the country.

Uniquely, we have also collected interview evidence and survey data from 250 informal carers – generally family members or friends – who give support to people aged 80 and over in managing their finances, enabling us to access a further perspective on the issues faced by this older age group. We collected views from both groups on what banks and other financial institutions could do to help the older old and their families to manage their affairs more effectively, and we further explored with carers any areas where they are aware that older people have suffered significant problems in managing financial matters as a result of declining faculties, poor treatment or ill-adapted services.

We found that older people often resist change in the way they have been accustomed to doing things, having a strong attachment to traditional ways of managing finances and a disinclination to switch to technology-enabled transactions, especially via the internet. Many are suspicious and fearful of using new technology to manage their money, and are worried about fraud and error even when using ATMs. They have an overriding preference for sympathetic face-to-face contact when carrying out transactions, as well as a strong attachment to cash as a secure and tangible way of making payments and keeping track of their spending. They are, therefore, particularly anxious about the closure of bank branches and the implications of this for how they manage financial transactions.

Some of this will no doubt change as younger generations, more familiar with new technology and online and remote banking, enter these age groups. Yet ageing brings its own problems, as our research confirmed: reduced dexterity, failing eyesight, declining cognitive function. Combine this with continued rapid changes in technology, overturning learned ways of doing things and undermining confidence, and it is questionable whether the challenges now emerging for older people in managing their money will change very much, certainly in the near future.

Indeed, our analysis challenges any tendency to assume that financial consumers can be treated as a homogenous group where the presumption is that there is a unidirectional pattern of progress towards the universal adoption of technology for day-to-day financial management. It therefore also calls into question the accepted wisdom that financial exclusion is primarily about the unbanked or those with very poor financial capabilities.

The unique physical and cognitive challenges faced by the older old and their clear requirement for a more traditional way of managing financial transactions now also puts this growing section of the population at risk of financial exclusion as more and more bank branches are being closed down in response to the increased automation of everyday banking tasks.

We contend, therefore, that banks and financial institutions need to consider how they might better cater for the needs of those who are already in their 80s and 90s, many of whom have several more years of life expectancy, as well as those entering these age groups over the next ten years or so, who are already retired in the main and likely to be facing many of the same challenges as they reach later life. There should also be better recognition of and response to the needs and concerns of those who, behind the scenes, provide informal care to the older old. This includes often extensive and, some might say, intrusive, support to them in managing their day-to-day finances, ranging from using their debit cards and PIN numbers to accessing their financial details remotely or writing out cheques for them to sign, not all of which will be strictly legal.

As the UN makes progress towards its aim of converting the November 2015 resolution on the human rights of older people into a full convention, it is indeed pertinent to reflect on how we understand the needs and rights of older people in our own society, including the right to continued access to transactional financial services. We are encouraging older people to live independently for as long as possible. Fundamental to this is the ability to manage daily purchases and payments, for which access to local services and age-appropriate design of equipment is critical. If we can resolve the challenges that older people are now facing, then they will benefit, and so will we. By the same token, not acting to support older people in staying financially independent will almost certainly be a far more costly option in the end for all of us than working together to find collective solutions.

Much progress has been made by the sector over the last few years in recognising the barriers encountered by those in later old age and in bringing forward practical solutions. As we enter a period of unprecedented growth in the numbers of people aged over 80, with their numbers reaching 5 million within the next 15 years, our report provides constructive recommendations, supported by our research, on how this might now be brought together into a more comprehensive and holistic response, as follows:

Governance and regulation

Recommendation 1

Champions tasked with embedding age proofing in financial services should be appointed at government, industry and institutional levels. Their role should be to ensure that sustained action to tailor policy development and service delivery to the needs of the older population becomes the norm. This should be supported by **repealing the sector's exemption from age discrimination legislation** (Equality Act 2010).

Recommendation 2

The FCA should be given a stronger role in promoting and supporting age-inclusive products and services, with the **potential for a new statutory duty to promote financial inclusion.**

Maintaining a viable physical infrastructure

Recommendation 3

The industry should **commit to long-term funding of a national physical banking infrastructure** that continues to include a face-to-face service for all customers who require it, in order to replace the continuing loss of bank branches. This should either be via the existing Post Office partner banking service or a similarly inclusive solution that means customers can easily access the services of their own bank in a convenient local outlet.

Recommendation 4

The industry should be supported to **develop innovative ways of providing services to older people in their homes**, including a service to deliver cash by post or as an add-on to other home delivery services and, where required, arranging home visits for specific purposes.

Recommendation 5

There should be a national initiative supported by government and the voluntary sector to provide **pop-up banking services within existing day facilities** for those who, due to mobility, frailty or other issues, cannot use mainstream outlets for everyday tasks and need to have a supported environment with specialist assistance.

Provision for delegation and support to families

Recommendation 6

More work is needed by the industry to devise **new and better ways for older people to give limited powers to trusted carers** to carry out tasks such as cash withdrawal, without them having to hand over wider control of their finances. This should include products that can be tailored to particular needs and reviewed as appropriate.

Recommendation 7

Where carers do need to take greater control through mechanisms such as a Lasting Power of Attorney the industry should ensure that there are **common processes and minimum standards in place** to deliver on this. This should include making sure that staff have the **training and expertise to support older people and their carers** in identifying options and implementing timely solutions.

Recommendation 8

The industry should continue to work with carers and, where appropriate, other authorities to **protect the interests of older consumers where abuse, fraud or declining capabilities are leading to significant risk** or detriment.

Age-appropriate design and practice

Recommendation 9

The government and regulator should **consider how further innovations in age-friendly design of products, services and technology might be encouraged**, and work with the industry and other organisations to develop new ideas, provide safe spaces to innovate and leverage intelligent technology to support older people in staying financially included.

Recommendation 10

As new physical banking services are developed, older people's need for adapted spaces should be considered and designed for from the start. **All staff involved in service delivery should be equipped to support older people** by communicating effectively, helping them adapt to changes and identifying areas where they may be at risk or need further advice.

Understanding and planning for future needs

Recommendation 11

All data collection and research on older people, including for official data, should in the future **include a separate category for those aged 80 and over**, ending the existing practice of lumping everyone over retirement age into a single category of “older people” despite the very different needs of the rapidly growing demographic of the older old.

Recommendation 12

Research on the next generation of the older old – which might usefully focus on the large numbers of post-Second World War baby boomers now entering their 70s – should look at how they manage technology as they enter their 80s and 90s, including how they cope with developing physical and cognitive challenges, in order **to identify what the main challenges of ageing are for those who experienced the internet revolution in their mature years**, and how this might impact on their ability to remain financially included in a digital and increasingly cashless world.

FOOTNOTES

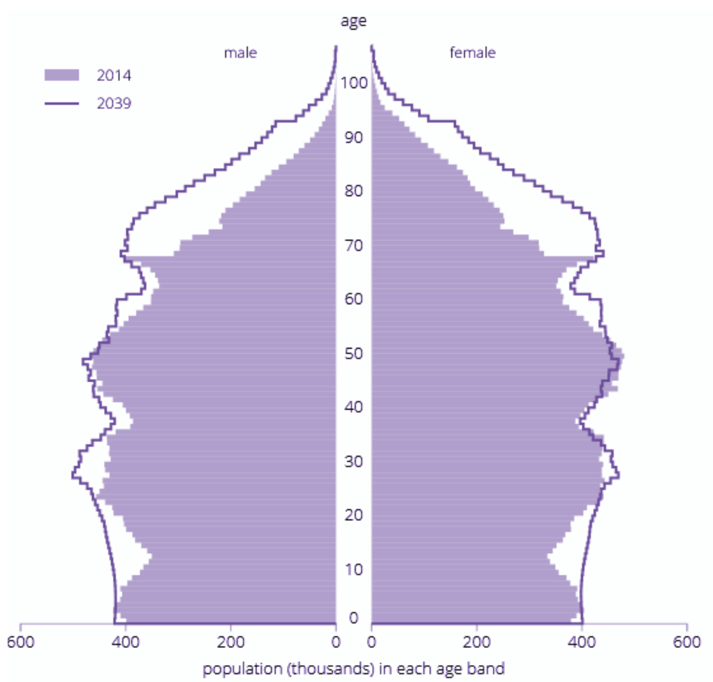
1 House of Lords Select Committee on Public Service and Demographic Change (2013). *Ready for Ageing?* Report of Session 2012–13, March 2013. http://www.publications.parliament.uk/pa/ld201213/ldselect/ldpublic/140/140.pdf [accessed 8th August 2016].

INTRODUCTION

More and more people are living into later old age. There are now just over 3 million people aged 80 and over, with this set to rise to 3.5 million by 2020 and 5 million by 2030.

The trend will continue so that by 2039 – in 23 years' time – we can expect to see the older population bulge as in Figure 1 below, reaching 6.2 million people aged 80 upwards, including well over 1.5 million who are 90 or older.

Figure 1: Age structure of UK population, mid-2014 and mid-2039



Source: ONS.[2] Note the current peak in people in their late 60s due to the post-Second World War baby boom. This cohort's impact is still evident in 2039: the otherwise gradual population decline is interrupted by a bulk of people in their early 90s.

To put it another way, these demographic changes mean that those aged 80 and over will increase from 1 in every 21 people in 2014 to 1 in 14 by 2030 and 1 in 12 by 2039.

As life expectancies rise, so the risk of financial exclusion – the inability, difficulty or reluctance to access mainstream financial services[3] – will increase. Physical issues, such as poorer hearing and eyesight, reduced mobility and affliction by long-term disability or illness, as well as cognitive issues which may affect memory, concentration or problem solving, all become increasingly prevalent as people age. Older people must work out ways of functioning through this – ensuring they can still use the payment methods available to them to get their groceries, buy a cup of tea or pay their gardener, as well as having access to appropriate means to pay bills, keep track of their spending and engage in all the other routine tasks of day-to-day financial management.

More significantly, perhaps, older people must now also cope with a world in which rapid technological advances are fundamentally changing the way in which we manage financial transactions. The growth in online and mobile banking is driving an accelerated programme of branch closures by major banks and building societies. At the same time, where only a few years ago alarm bells rang at the Payments Council's proposal (subsequently withdrawn) to phase out cheques, there are now mainstream voices anticipating, and in some cases calling for, an entirely *cashless* economy.[4] Although in practice this may still be a pipedream, the steady advance of electronic and virtual payments systems means that there are already services that are not available to those who operate in notes and coins: fares on London buses, some parking meters and motorway tolls to name but a few.

Two very different scenarios, both flowing directly from the growth in technology-enabled transactions, have found an airing in recent months. The economic journalist Paul Mason recently described his experience on holiday in Australia in 2014, waiting in a bar to buy a drink, as follows. A young man in front of him in swimming shorts, carrying only his smart phone and a plastic card, connects to his bank to download the funds he needs to buy a beer. No cash, no physical transfer, everyone behind him in the queue accepting that this is how transactions are done – for Mason a vision of a future, cashless world.[5] Indeed, if Mason were in this same bar today all of it might be done via a waterproof wearable bracelet with the beer money accessed in seconds.

By contrast, during the Greek banking crisis in mid 2015 we saw images flashing across our TV screens of banks which had closed their doors and restricted people to a €60 daily withdrawal from ATMs, which were shortly afterwards forced into an emergency re-opening, specifically and exclusively for the nation's pensioners. No one had allowed for the fact that they did not use ATMs, did not in many cases have debit cards. If they were to avoid destitution they needed access to cash via old-fashioned counter banking services.

As an illustration of the widening gap between the cutting edge of financial services delivery and the very different needs and capabilities of a key consumer constituency, this episode could hardly be more apt. Indeed, it perfectly encapsulates the gulf that has been created between different generations (and of course different global communities) by the revolution in information and communications technology.

The significance of this stems not just from the speed with which it has happened, but also from the reach of new technologies into all aspects of daily life, from the social to the economic. Moreover, responding to change that is happening on this sort of scale and at this kind of pace is particularly challenging in a society where life expectancy is that much longer.

Arguably only the young – those who hardly knew the world before this revolution – are completely at ease with and on top of the technology, often unaware that others find it challenging. Everyone else is learning, adapting, using it to the best of their ability in the spheres in which they feel comfortable doing so. But this also means that there is a downward gradient between generations in their capabilities, motivations and expectations of technologies. You do not have to be all that old to manage technology well enough in the workplace but at the same time to have rather patchy practical understanding and experience of the latest devices and apps for on-the-go banking that the young take for granted. Fast forward a little through the age range and there will be swathes of people now past retirement age, yet with many more years of life expectancy ahead of them, for whom new technologies came in the latter part of their working lives, if at all, and simply do not feature in how they now manage their everyday lives.[6]

This disjuncture between generations has profound implications for policy and service delivery, and nowhere more so than in financial services where technology has so much potential to deliver improvements, particularly for those in later old age, but equally risks, if not well-managed, creating a group of people who may become excluded by default.[7]

Why this research?

Clearly if we are to understand and move forward in our desire to address the challenges that the older old – those aged 80 and over – face in continuing to navigate through all of this, then we need to have evidence-based research to inform future policy. Although there are two excellent previous studies of the older old and their use of financial services, both of which have been very helpful in framing some of the research questions for this current study, their findings are in urgent need of updating and extending.[8] More recent work – for instance, by the Financial Conduct Authority on Vulnerable Consumers[9] and by Age UK's Financial Services Commission[10] – has drawn mainly on qualitative focus group and case-study material to investigate challenges in accessing and using financial services, adding many helpful insights that move the debate forward.

Overall, though, we have found that, the above exceptions aside, much of the research on older people suffers from two key drawbacks:

1. Firstly, older people tend to be defined as a residual group: all people over a certain age, often retirement age, but sometimes younger, with findings analysed as if all older people are broadly

homogeneous. In practice this means that the particular needs and characteristics of the very oldest groups are liable to be swamped in a broad brush average account of people's experience over the many very different phases of later life. Unfortunately, it is also too often the case that the number of much older people in these studies – generally the hardest group to access – is too small for their results to be disaggregated with any confidence from the larger data set once the research has been done.

2. Secondly, data collected about the older old often emanate from projects covering a wider span of the population. They therefore use methodologies such as online or phone surveys which are simply not suited to accessing a broad and representative sample of the older old. The overwhelming majority of people in later old age do not take part in online surveys, not least because they do not use the internet, and they may also frequently find phone surveys too hard to manage due to hearing problems or questioning techniques and delivery speeds that are not appropriate for them.

The research that we commissioned for this report seeks to tackle these problems. In the first instance, we focused specifically on those aged 80 and over, recognising that those in later old age may face quite distinct issues from the "younger old" (the 65 to 80 year olds) who are more likely as a group to be active, reasonably able-bodied and not yet facing significant issues or challenges.

Secondly, we specified that the quantitative research that forms the core of the work should be done with older people face to face. Although more challenging and certainly more expensive than the now ubiquitous phone and electronic survey techniques, we felt this was the best way to guarantee an inclusive sample of people aged 80 and over.

As the population of the older old grows, so the population of those providing hands-on support to them will grow. Although some of this will be provided by the formal care sector, particularly where older people do not have any other support they can call on, the squeeze on social care budgets and the drive towards greater self-reliance means that much will in practice be informal care provided by family and friends. At the time of the 2011 Census 38% of 75–84 year olds were living alone, rising to 59% of those aged 85 or older.[11] This is consistent with estimates that just 16% of people aged 85 and over live in nursing homes or residential facilities.[12] Others in this age group may be living with their partner or with other family members, if they have reached a greater level of dependency. But with so few of those in later old age living in care homes, it is obvious that the need for both formal and informal care, including support with everyday financial transactions, can only be expected to increase over time.[13]

Our research has anticipated this by seeking the views of informal carers who give support to people aged 80 and above in managing their finances.[14] Our intention was to use the perspective of these carers – generally family members and friends – to garner further insights into how older people manage routine financial matters and what might cause them to need more support. At the same time it helped us to understand the concerns that carers have about their relatives and the sort of support that they feel they need for themselves in order to fulfil their caring and support role.

Moreover, this innovative dual approach of collecting survey evidence both from older people themselves (including those who through choice or necessity have no one helping them) and from a group of informal carers of older people has enabled us to explore a wide spectrum of experiences. This includes those who are still independently managing their day-to-day finances, those receiving some limited light-touch help and finally those who are increasingly challenged by illness or frailty such that they rely more and more on family or other support.

Our three core objectives in conducting this research were:

- To investigate how people aged 80 and over manage their routine financial tasks such as paying bills, taking out cash and keeping track of money and to include the perspective of those who provide informal care and support to them;
- To conduct original research – collecting both qualitative and

quantitative data from the older old and their carers – on the type of support older people need and the nature and extent of the problems and barriers they encounter, whether this be due to physical and sensory impairment, poor capability, exclusion from mobile and digital access or more general vulnerability to poor conduct or even fraud;

- To draw out key findings and make recommendations for the industry and policy makers on the changes that need to be made to support future cohorts of the very old, taking account of how these needs may change over time.

Fieldwork was carried out in October/November 2015 by Opinium Research and consisted of two phases, as follows:

Phase 1: Qualitative

- Focus group work with people aged 80 and over, plus a small number of one-to-one interviews with carers to explore issues in depth and help frame the questionnaires.

Phase 2: Quantitative

- 175 face-to-face structured interviews with people aged 80 and over, spread across the country and mostly conducted in their home. All those interviewed managed their own finances either on their own (58%) or jointly with someone else (42%). The gender split was 60:40 females to males (mirroring the age group as a whole) and the age split was roughly 50% in the 80–84 age group and 50% aged 85 or over (including 9% aged 90 or over).
- 255 online questionnaires: 76% from family members (other than spouses) and 24% from friends who provide informal care to someone aged 80 or over including help with their day-to-day finances. Respondents were recruited from Opinium's existing online panel. We excluded any cases where the older person had dementia, was living in residential accommodation or where a Lasting Power of Attorney was in active use, to keep the focus on informal support to those still managing their own affairs.

A more complete description of the methodology and the characteristics of the two samples is available on the Finance Foundation website www.thefinancefoundation.org.uk

Key insights

How older people manage routine financial tasks
People in their 80s and 90s use a range of payment methods, such as cards when shopping and direct debits for bills. Only a minority use credit cards, either not seeing the need for them or viewing borrowing as off limits. Indeed one of the most striking findings from our research is the importance that they continue to attach to cash. The majority draw out a supply of cash every week, with most of the rest taking out cash at least once a month. In the focus group work with older people we had found a strong preference for the immediacy and familiarity of cash, and in particular the discipline of having a tangible means of budgeting and keeping track of money as they spend it. This emerged again in our interviews: when asked, nearly half of our sample said they took out a regular amount of cash as this helped them to budget and avoid spending beyond their limit.[15]

Older people in our study also told us that they value human interaction and the social contact it provides. Many were clear that they want to have a physical, not a virtual, means of managing money. This needs to be in an environment in which they feel safe. Thus, although nearly two-thirds of those we interviewed use ATMs, only one-fifth said they would use one located outside in the street, where they feel exposed and vulnerable.

When we explored in detail the issues that concerned people aged 80 and over when using ATMs or that were factors affecting why they did not use them, worries about privacy, fraud and straightforward theft/mugging were most common, each mentioned by well over half the sample. Physical issues to do with capacity to use an ATM and concerns about doing something wrong or being expected to be too quick were also concerns for as many as 4 in 10.

Perhaps not unexpectedly, we found that 87% of people in our sample did not use the internet at all for either banking or shopping. Of the 13% who do use it, three-quarters were shopping online and around two-thirds use it for banking: in other words just 9% of people in our sample were active internet bankers. And in practice even this activity was fairly infrequent – only half of those who used the internet for banking or shopping did so at least once a month.

The most obvious reason why the older old do not use the internet to manage their finances is that they either do not have or do not use the internet; three-quarters of non-users gave this as the reason. But the same factors that came through in relation to ATM use were also mentioned with roughly equal frequency: their strong preference for dealing with people, not machines, and widespread concerns about either making mistakes or being caught out by fraud.

When we asked older people what banks could do to make things easier for them four key issues were raised: being able to do things face to face and not use machines (46%), concern about bank branch closures (38%), a strong requirement for greater privacy and less open-plan space in banks so that they can count out money or discuss matters without being seen or overheard (34%) and a desire for more age-appropriate ATMs with bigger buttons/bigger screens and greater privacy (29%), located inside banks or Post Offices.

The experience of those providing informal care to the older old
Family and friends who provide help to people aged 80 and over in managing their finances told us that the main reasons that they had to become more involved were: loss of physical capacity (53%), the impact of bereavement (31%) and increasing confusion or anxiety (24%).

Nearly one-fifth of carers said the person they helped had problems budgeting, 28% found it difficuly to understand changes to their income or bills, one-third had difficulty comparing products such as utility tariffs or ISAs, 17% had got into difficulty as a result of being caught out by small print, while 15% had been persuaded to buy things they did not want and 8% had been subject to actual fraud or scams.

Nearly all of those being helped had some kind of health challenge, but perhaps of most interest was the extent of overlap. Fully 21% experienced difficulties that ranged across sensory, cognitive and mobility functions at the same time – this rose to 31% of those aged 85 and over and 41% of those aged 90 and over. Far more (41%) were said by carers to have challenges in at least two out of the three areas of sensory impairment, cognitive function and mobility problems. This is despite the fact that 76% of those being supported by an informal carer still lived in their own house and 59% lived on their own. For those coping with disability while living independently the ability to make ad hoc payments to people for work or shopping is of course crucial, reinforcing the importance of cash as one of the key transaction methods in use by this age group.

Carers help with a range of both routine and essential tasks. Over one-third go with the older person they help when they need to draw out money at the bank or ATM. Alongside this sort of support, helping with buying things on the internet, searching for better deals with utilities or insurance or making the most of savings, is very common.

Much of this support is fairly routine and, while probably helpful in making life easier and reducing costs, might not be a great problem to manage without. But there were other tasks that suggest a very significant level of dependency between the carer and the older person, also indicated by the fact that in general they occur more often where the person cared for is aged 85 or over. This includes the substantial minority of carers who get cash using their card or access their account via the internet so that they can set up payments, or who help them write cheques which they then sign, or count out their money or put in their PIN for them when shopping to make sure there is no confusion.

Carers identified many areas, including more effective staff training, where they thought banks could make improvements in how older people were supported. They were also clear in their view that older people would benefit from better provision to hand over some limited financial tasks such as drawing out cash to trusted helpers without this entailing a wider loss of independence of control over their affairs.

In both the older people's interviews and the carers' survey around one-fifth of people thought that there needed to be better support for those who cannot easily get to a bank or ATM, such as home banking/cash delivery, a mobile service or help with convenient transport to an appropriate outlet.

When we explored carers' own needs from the sector, the issues most frequently mentioned were: being confident in safeguards to protect those in later old age from fraud and mis-selling (48%), being confident that staff in banks and other organisations fully understand and address the needs of the older person and make allowances for them as appropriate (37%), simpler processes for older people to nominate someone to act for them over the phone (33%), simpler processes (31%) and more dedicated expertise in banks (28%) at the point at which family members or carers need to start the process of taking greater control.

These responses clearly reveal the twin concerns that those providing informal care have around the potential vulnerability of the older old to mistakes and – at the extreme – to abusive manipulation while still managing their finances, as well as the barriers that carers perceive that they themselves face at the point at which they need to take greater control.

Looking forward

Our findings provide rich insights into the lives and experiences of the older old and those who help them, providing a backdrop for the discussion that is now urgently needed on how best to enhance financial service provision as we enter a period of unprecedented growth in their numbers.

The remainder of this report is structured as follows. Chapter 1 provides a fuller summary of the data we collected from both older people and from carers in order to set the context for the discussion that follows. Chapter 2 looks at what we know about the older population and the sorts of challenges they will face in the future, both as a result of the welcome extension of life expectancy and as a consequence of the changes in the way in which banking services are delivered following the revolution in communications technology over the course of a generation. This includes consideration of how future generations might manage this interface. Chapter 3 looks at a range of speculative future scenarios that might help support older people to remain financially included, and therefore able to live independently, and examines current progress across design, carer support and new models of service delivery. This is then followed in Chapter 4 by a discussion of why change is needed and what the drivers for action are, considering both the motivations within the sector and across society more widely. This leads in to the final chapter in which we present our recommendations for action.

FOOTNOTES

2 Office for National Statistics (2015) National Populations Projections, 2014-Based *Statistical Bulletin*. http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171778_420462.pdf [accessed 8th August 2016].

3 McKillop, D. and Wilson, J. (2007) Financial Exclusion. *Public Money and Management*, 27(1), p9.

4 Many of the arguments advanced in favour of abolishing cash are more sophisticated than the straightforward issue of whether we want the cost and inconvenience of continuing to produce physical money now that we live in a digital age. A big issue is crime, especially the drug trade and the black economy where cash transactions are used to avoid detection – hence the calls by many governments to take action against such crime by abolishing the large denomination notes that feature in many illicit activities. The Bank of England's Chief Economist, Andy Haldane, has also argued that a cashless economy would enable negative interest rates to be used as a way of stimulating economic activity were that considered necessary: if people can take out cash and hoard it then the policy is unlikely to be effective and risks a run on the banks, but if they cannot access cash, only digital money, then they have to start spending to avoid the penalty of negative rates. See Giles, C. 'Scrap cash altogether, says Bank of England's chief economist'. *Financial Times*, 19th September 2015.

5 Mason, P. 'Crime, terrorism and tax evasion: why banks are waging war on cash'. *Guardian*, 16th February 2016.

6 See Rosa, H. (2015) *Social Acceleration: A New Theory of Modernity*. New York: Columbia University Press, for a wide-ranging discussion of social and technological acceleration, intra-generational change and the 'shrinking of the present'.

7 For instance the Competition and Markets Authority report published in August 2016 puts new technology centre stage in the quest to make banks more competitive, promoting mobile phone apps and open banking as the best means of giving consumers greater transparency on the best banking deals for them and suggesting that consumers should avoid banks' punitive charges for accidentally going into an unauthorised overdraft by responding to automatic text alerts – advances that of course depend both on being comfortable with signing up to the required level of access to personal financial data and on ownership and ease of use of the relevant technology. Competition and Markets Authority (2016) *Making Banks Work Harder for You*.

8 See Age UK (2011) *The Way We Pay: Payment Systems and Financial Inclusion*, and Ellison, A., Whyley, C., and Williams, S. (2012) *Consumer Research with the 'Older Old' and People Living with Physical, Cognitive and Sensory Disabilities*, Payments Council, available via http://www.toynbeehall.org.uk/research-archive [accessed 8th August 2016].

9 Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) *Consumer Vulnerability*. Occasional Paper 8, Financial Conduct Authority.

10 Age UK (2014) *Financial Resilience in Later Life*.

11 Office for National Statistics (2014) *Living Alone in England and Wales*. http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/do-the-demographic-and-socio-economic-characteristics-of-those-living-alone-in-england-and-wales-differ-from-the-general-population-/sty-living-alone-in-the-uk.html [accessed 15th June 2016].

12 LaingBuisson (2014) *Care of Elderly People Market Survey* 2013/14.

13 Data from the 2011 Population Census show an 11% rise in the number of people providing unpaid care since the 2001 census. Of the 6.5 million such carers across the UK, 44% are looking after parents, parents-in-law or grandparents, and 26% a partner or spouse. Age UK has also recently highlighted a significant increase in the number of these carers who are aged 80 or over, citing estimates that 1 in 7 of the older old – 417,000 people in total – now provides some sort of unpaid care to family or friends, most commonly their partner, with over half doing so for more than 35 hours a week. Age UK (2016) *Invisible Army of Oldest Carers Saving States Billions*. http://www.ageuk.org.uk/latest-news/invisible-army-of-oldest-carers-saving-state-billions/ [accessed 8th August 2016].

14 Carers were recruited from an online panel that asked people if they 'sometimes help an elderly parent, other relative or friend aged 80 or over with managing some of their day to day tasks'. This group of self-defined informal carers was then further whittled down to those who said they often or sometimes give 'practical help or advice on managing day to day finances, e.g. paying bills, taking out cash, keeping track of money or savings etc.'

15 Age UK's 2011 report The Way We Pay: Payment Systems and Financial Inclusion also found that cash is critical for older people, with many of their workshop participants claiming to budget exclusively in cash on the grounds that there is no substitute for 'being able to see what you've got in your purse'.

CHAPTER 1
UNDERSTANDING THE PRESENT: OUR RESEARCH FINDINGS

What older people told us…
…about their use of different types of financial transaction:

We asked older people what transactions methods they used and with what frequency.

Figure 2: Transaction type and frequency

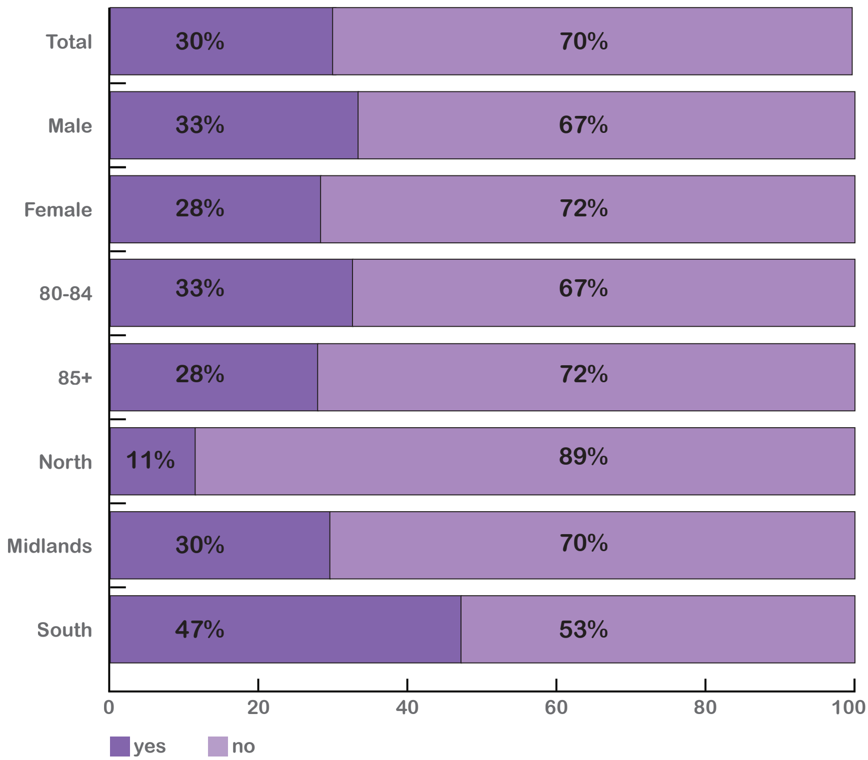
	Write cheques	Withdraw cash	Direct debit/ standing order	Card payments	Phone banking or shopping	Internet banking or shopping	Cashback when shopping
Regularly At least weekly	2%	51%	26%	36%	4%	3%	7%
Sometimes At least monthly	19%	29%	53%	25%	5%	3%	14%
Rarely Less than monthly	33%	13%	1%	11%	12%	6%	20%
Never/ not at all	46%	7%	21%	28%	79%	87%	59%

- Taking out cash was a weekly task for 51% of our sample and for another 29% was something they did at least monthly.
- A minority (21%) also said they used cashback when shopping either regularly or sometimes, although 59% said they never used this service.
- Use of debit or credit cards to pay for shopping was fairly high, with 61% doing this regularly or at least sometimes.
- When paying bills use of direct debits or standing orders was high, with only 21% saying they never used this payment method.
- Cheques were still fairly common for bills/gifts, not in regular use, but used with some degree of frequency by a little over half the sample. It is likely that the withdrawal of cheque guarantee cards in 2011 and the decision of many retailers to stop accepting cheques is now limiting their use to more informal/ad hoc payments.
- Using either the phone or the internet for transactions or tracking expenditure was not a medium of choice for most people – 79% said they never did things by phone and 87% never used the internet for payments, purchases or checking their money.

… about their use of credit cards and attitudes to credit:

- Just 30% said they used a credit card, with men and those aged 80-84 being more likely (at 33%) to do so than women and those aged 85 and over (28%).
- There was a strong regional bias: 47% of those in the South use credit cards, compared with 30% in the Midlands and just 11% in the North (including Scotland). This was despite there being no significant regional pattern discernible in attitudes to cash or budgeting.

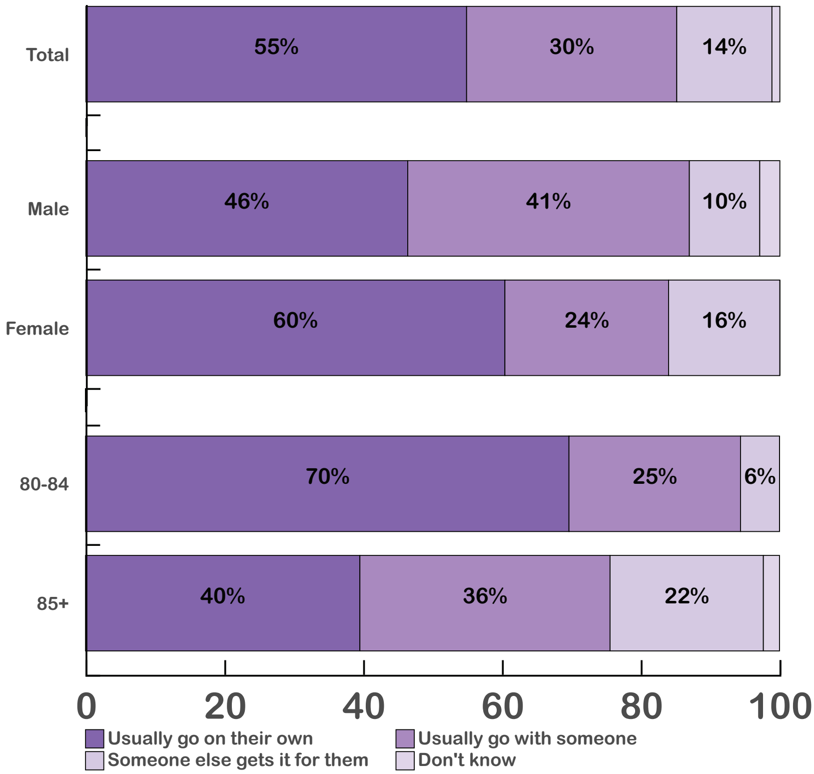
Figure 3: Whether credit card used



- When the 70% not using a credit card were asked why, most (61%) said it was because they did not want/need one. However 42% also cited not believing in credit/being brought up not to borrow, and 10% mentioned concerns about fraud. This reinforces the views expressed in the focus groups where a significant minority had strong moral beliefs about not using credit.

…about accessing cash and use of ATMs and counter services:

Figure 4: How older people access their cash



- 85% of older people go in person to get cash, either on their own or accompanied.
- This was similar for both genders, although men were more likely to go with someone else, perhaps because they are more likely to still have their wife/partner.
- Even among those aged 85 and over, three-quarters were still getting out cash themselves.
- 14% had someone else regularly getting cash out of their account for them. This might be via a shared joint account, or a third-party mandate.

- In some cases though it may be that someone else is using their card. When we probed further we found that around 6% said they regularly gave their debit card to a friend or family member helping them with money matters in order to withdraw money for them at an ATM or via cashback. As previous studies show, disclosure of PIN numbers is likely to be integral to this.

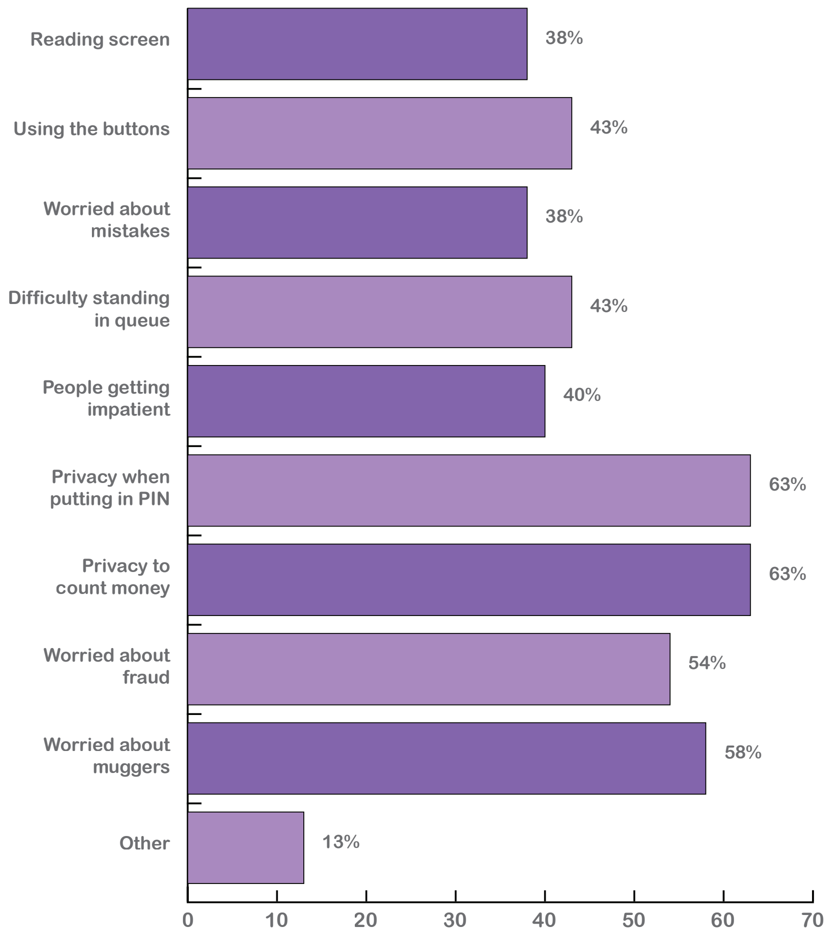
...ATMs:

Figure 5: Whether and where ATMs are used

	Total	Male	Female	80-84	85+
Anywhere, including in street	19%	26%	15%	25%	14%
Only inside a building	12%	14%	10%	15%	9%
Only inside bank/ Post Office	34%	39%	30%	37%	30%
Avoid if possible	14%	10%	17%	11%	17%
Have never used ATM	21%	10%	27%	12%	29%

- 35% said they either never used ATMs to take out cash or avoided them if they could, this response being much more common for women and those 85 and over.
- Around one-third were only comfortable using ATMs that were inside a bank or Post Office and another 12% would only use ATMs that were not in the street.
- Just 19% were prepared to use ATMs irrespective of location, including in the street. Men were more likely than women to be prepared to use ATMs in any location.

Figure 6: Concerns about ATMs



- The issues that people said they were concerned about when using ATMs (or that were reasons why they did not use them) included worries about privacy, fraud and theft, each mentioned by well over half the sample.
- Physical issues to do with capacity to use an ATM, perhaps due to sight problems or stiff fingers, and concerns about doing something wrong or being expected to be too quick were also cited by around 4 in 10 older people.

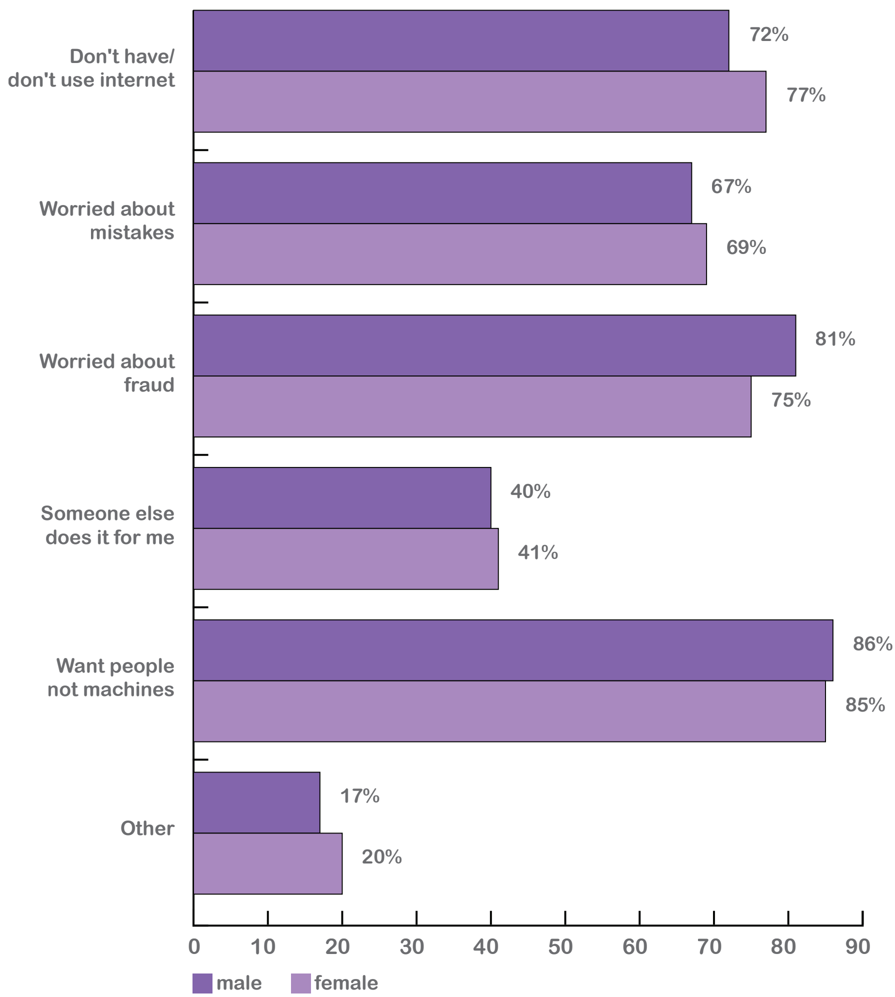
...Counter service:

- Rather higher numbers of older people said that they took money out over the counter at their bank or Post Office (74%) compared with the 65% using ATMs.
- Among those aged 85 and over, 79% used counter services to take out cash, mirroring the lower incidence of ATM use amongst this age group.
- The main concerns people had about taking out money over the counter were privacy when counting and putting away money and security when giving out their details in a public place – each mentioned by around one-half of respondents.
- Physical issues such as standing in a queue or being able to hear were also frequently raised, along with the same issue as for ATMs of feeling pressurised to be quick.
- Several issues relating to access and service were also mentioned by those using counter services – around one-third were finding it difficult to get to a bank/Post Office and over a quarter were concerned about the impact of branch closures on access.
- 15% thought staff were not trained well enough in relating to older people or did not have time to explain things properly. This was added to by 30% disliking being expected/encouraged to use machines when they wanted to use the counter service.

What we learned about how the older old…
…use the internet or phone for financial transactions:

- Perhaps not unexpectedly, we found that 87% of people in our interview sample do not use the internet at all for either banking or shopping.
- Of the 13% who do use the internet, three-quarters were shopping online and around two-thirds using it for banking: in other words just 9% are active internet bankers.
- Men were around twice as likely as women to be using the internet for banking or shopping – 17% of men and 9% of women were online for financial matters, although for both genders shopping rather than banking was the more common activity.

Figure 7: Reasons for not using the internet for financial matters



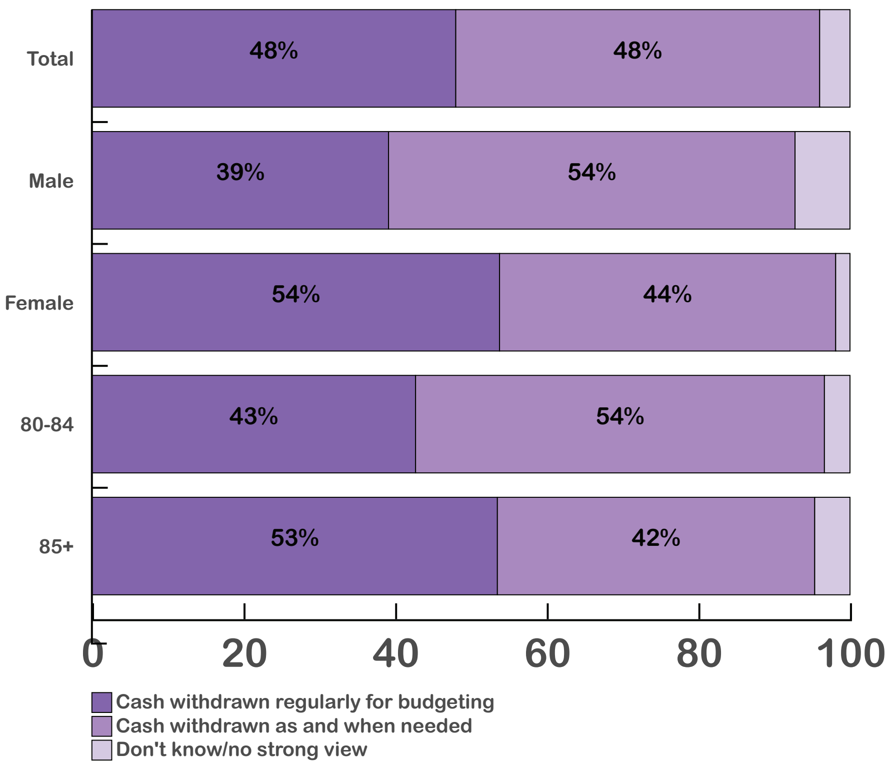
Base: 153 respondents who never use the internet for financial matters

- In practice, use of the internet for financial matters was fairly infrequent – fewer than half of those who go online for internet banking or online shopping do so at least once a month.

- The most obvious reason why the older old do not use the internet to manage their finances is that they either do not have an internet connection or, if they do, they are not using it: three-quarters of people who never use the internet for financial matters gave this as the reason, with women being somewhat more likely to say this.
- However, many other more hypothetical concerns were also mentioned, echoing the sorts of issues raised over use of ATMs: a strong preference for dealing with people, not machines, and worries about either making mistakes or being caught out by fraud.
- A significant proportion (41%) of non-users also said that they had someone else who was using the internet to deal with purchases or other money matters on their behalf so they did not need to use it themselves. This issue of proxy access to the internet to manage older people's finances or to do research or shopping for them also comes up in the carers' survey, as discussed later.
- Use of the phone for financial matters (paying for or checking things) was higher than use of the internet, with 21% of people in our older people's sample making use of this channel of access, although only 9% do so at least once a month.
- This was one area where the older age group kept up: 8% of those aged 85 and over said they used the phone for financial matters at least once a month, not far below the 10% of 80-84 year olds doing so, although clearly still a very minority practice.
- In the survey of people providing care to an older person we also asked about smart phones. 9% said the person they were caring for had a smart phone that they regularly use and around half of these (5% of the total) are or were independently using their smart phone for mobile banking, although men were much more likely both to have a smart phone and to be using it for banking.

…and about how they budget and use cash to keep track of their spending:

Figure 8: Approach to use of cash



- Older people in our focus groups said they kept track of their money in a variety of ways, from checking paper bank statements to getting balance updates at the bank or ATM and keeping records using receipts and cheque book stubs.
- The most striking finding was the unsolicited response stressing the importance of cash rationing as a way of both keeping track of and controlling spending. A typical reply was to tell us that they knew how much money they could spend after allowing for bills and they would draw that amount out, put it in their purse/

wallet and stick to it.

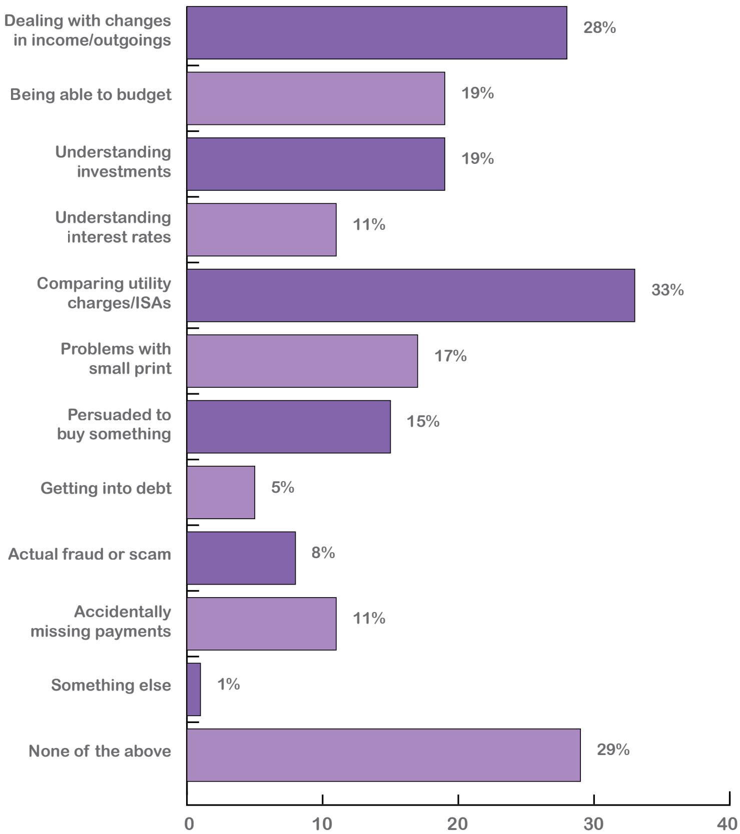
- We tested this in our survey of older people and confirmed the focus group insight, finding that cash is considered central to budgeting for nearly half those interviewed, with women and those aged 85 or older having the greater tendency to take this approach to managing their money.
- While not quite as marked, carers also thought that nearly one third of the older people they were supporting used cash as a way of budgeting or spending up to what they knew they had.
- The earlier finding on how regularly older people draw out cash – 80% taking out cash at least once a month and 51% at least once a week – and the consistency of the insights from both the surveys and the focus group work on the importance of cash not just for keeping track but specifically also for budgeting is highly significant for future policy on access to cash for the older old. Clearly older people are still using cash extensively for small-scale daily payments whether this is in shops or to give to those doing jobs/getting provisions for them, and rely on being able to have continued access to regular and predictable amounts.[16]

The perspective of family and friends

What carers told us…
…about why they needed to get more involved:

- Family members and friends who provide help to people aged 80 and over in managing their finances told us that the main reasons they had become more involved were: loss of physical capacity (53%), the impact of bereavement (31%) and increasing confusion or anxiety (24%), with many of these of course overlapping.
- Physical capacity, frailty and cognitive issues were more significant where the person being helped was female or aged 85 or over. However, loss of their partner/bereavement was given as a reason for closer involvement for men more often than women: 35% as against 27%, and for men aged 85 or older it was the joint highest reason alongside physical capability, mentioned by 39% of carers.

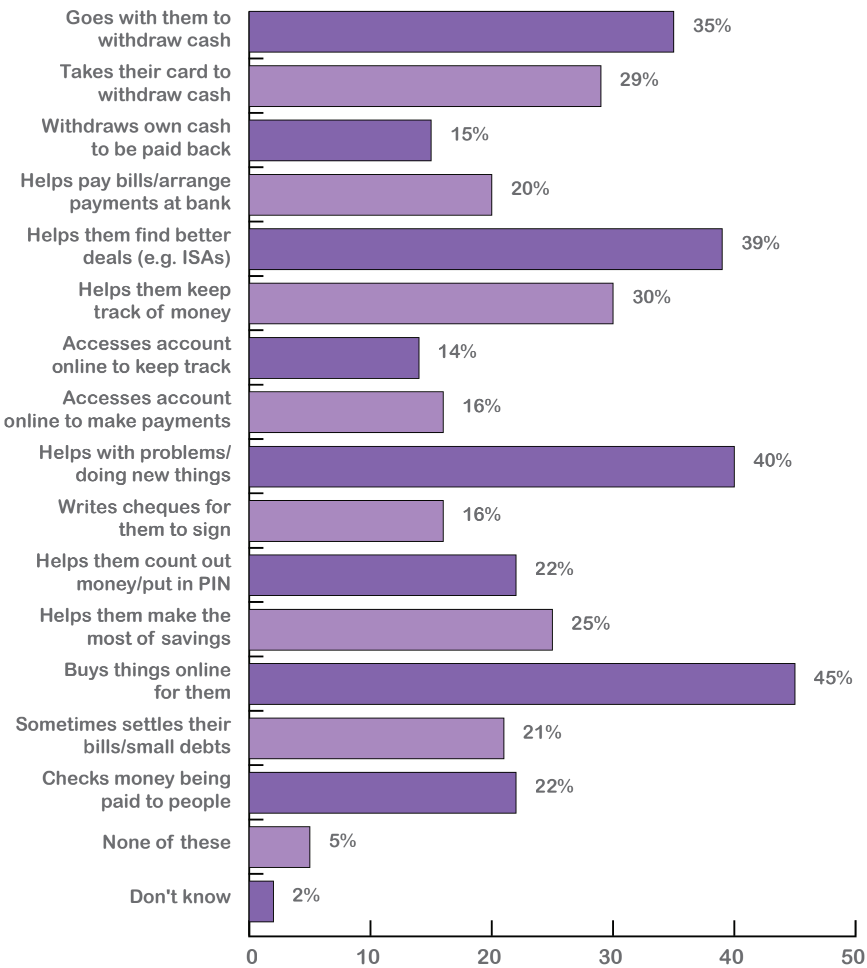
Figure 9: Problems reported by carers



- Nearly one-fifth of carers said the person they helped did not understand their income and outgoings well enough to budget properly, and even more (28%) said they had trouble understanding how a change in their income or their outgoings/bills would affect them. One-third had difficulties comparing products such as utility tariffs or ISAs, 17% had got into difficulty as a result of being caught out by small print while 15% had been persuaded to buy things they did not want and 8% had been subject to actual fraud or scams.
- Much of the support provided by carers is fairly routine: 35% go with them when they need to draw out money, and 40% help them at the bank/on the phone when doing something new or sorting out problems.

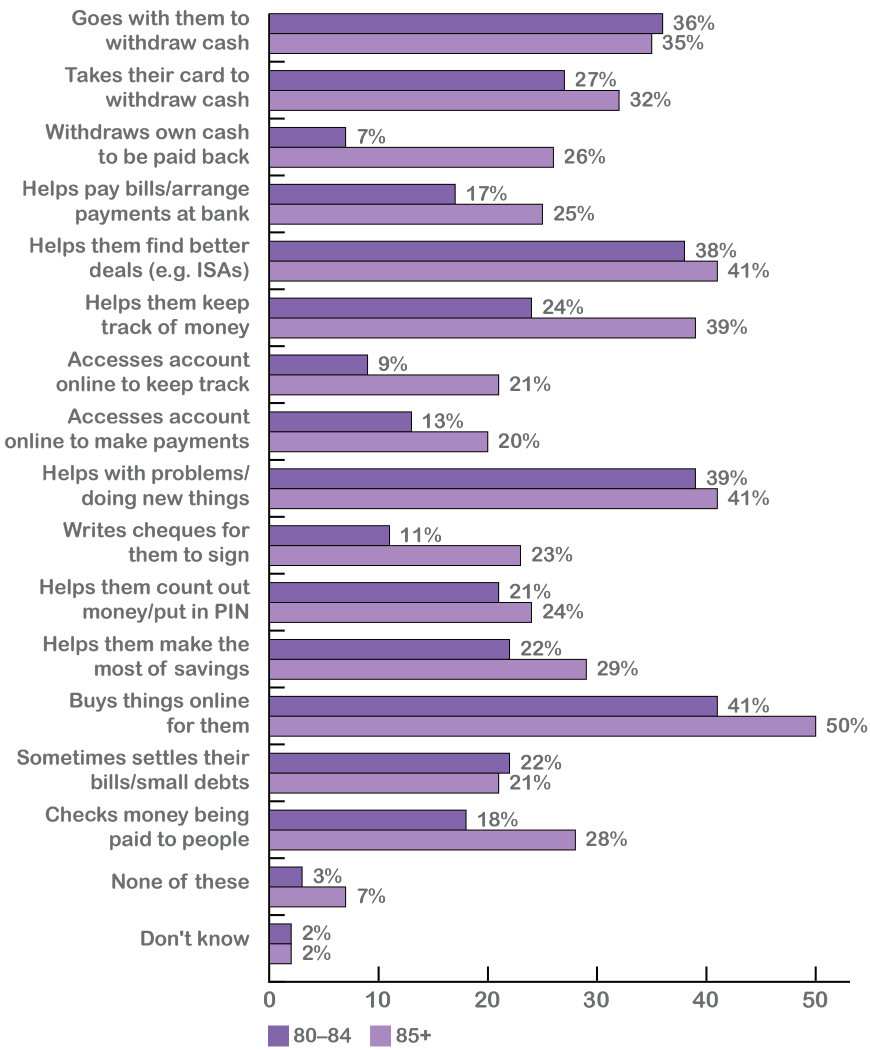
...about what they do to support older people:

Figure 10a: Support provided by carers



- Quite a lot of the tasks carried out are also probably helpful in making life easier and reducing costs, but might not be a great problem to manage without – such as buying things online (45%), managing or making the most of their savings (25%) or helping them find better deals for savings, utilities, insurance etc. (39%).

Figure 10b: Support provided by carers – by age of elderly person being supported



- Some tasks, however, suggest a very significant level of dependency between the carer and the older person, also indicated by the fact that in general they occur more often where the person cared for is aged 85 or over.[17] This includes the 29% of carers who go to get cash using the older person's card,[18] the 30% who help them keep track of their money using their statements and receipts, the 16% who access their account via the internet so that they can set up payments, the 16% who help them write cheques which they then sign, the 22% who help them count out their money or put in their PIN for them when shopping and the 22% who check what they are paying to make sure there is no confusion.

- The likelihood of a carer going to get money out on behalf of an older person was much higher for those who were ill or infirm, as would be expected. However, it was not affected by whether the older person lived in a rural or urban location, suggesting that health/mobility is a far stronger predictor of this sort of dependency than distance/accessibility.
- Carers were not as a group entirely comfortable with how they had to operate – in a later question, 29% rated better provision for family or informal carers to support older people in managing finances without taking full control as one of their top three priorities for banks to make improvements.

What we learned about…
…the importance of family and friends:

From carers:

- When asked how important the support they provided was, 47% of family and friend carers said they thought it was either essential or very important to the person they were helping (55% of those supporting people aged 85 and over). Most of the rest rated their help as fairly important – with only a small proportion (18%) thinking what they did, while helpful, would not be very problematic for the older person to manage without.
- This is consistent with carers' responses to the survey screening question about the intensity of support provided: 42% saying they often give practical help or advice on managing day-to-day finances, compared with 58% who said they sometimes did so.
- Some of those providing help with financial matters do so via a formal arrangement – 14% used a third-party mandate, 12% were

a co-signatory on a joint account and 5% a sole signatory, with this being rather more common for carers looking after men. These carers are likely to be carrying out more intensive support tasks.
- Most – 76% – of the older people being helped live in their own house, 59% living alone. One-third of their carers said that there was someone else who also gave help, and 83% said that they lived near enough to be able to easily drop in on the person they helped – both responses suggesting a well-developed support set-up.

From older people:
- We also asked our sample of older people whether their family or friends helped them with day-to-day financial tasks (this had not been a requirement for inclusion in the survey). 54% said they did, with support ranging from help getting cash and setting up payments, to finding better deals and keeping track of money.
- Interestingly, older people who had help from family or friends had a stronger perception of its value: 76% said it was either essential to them (45%) or very important (31%). This view did not vary much by gender, but unsurprisingly became stronger with age: 68% of those aged 80-84 considered the support from family or friends either very important or essential, rising to 83% of those aged 85 or over.
- Of those older people who were not receiving any help, three-fifths said they did not need help and another quarter said they wanted to remain independent. The other 15% said it was because they did not have anyone who could help them. Men were more likely to say they had no one to ask: 19% of those who were managing without help compared with 11% of women who had no help. Relating this back to the overall sample, this implies that nearly 7% of people in this age group are not getting help that they might need because they do not have anyone they can call on.

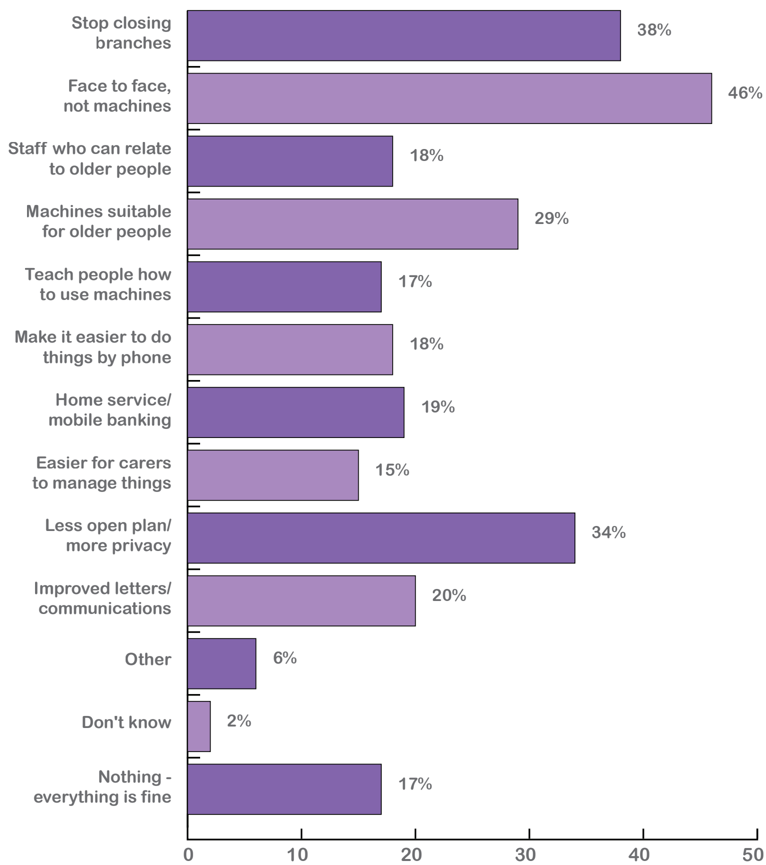
…and the improvements older people and their carers would like to see:

We asked older people what banks could do to make things easier.

- The four key issues raised (without prompts) were: being able to do things face-to-face and not use machines (46%), concern about bank branch closures (38%), a strong requirement for greater privacy and less open-plan space in banks so that they can count out money or discuss matters without being seen or overheard (34%) and a desire for more age-appropriate ATMs with bigger buttons/bigger screens.

- Other service-related improvements that older people highlighted included: communications from banks (20% thought these should be improved), addressing issues around how older people access telephone banking services (18%) and a home banking or mobile banking service for who those who cannot get out (19%).

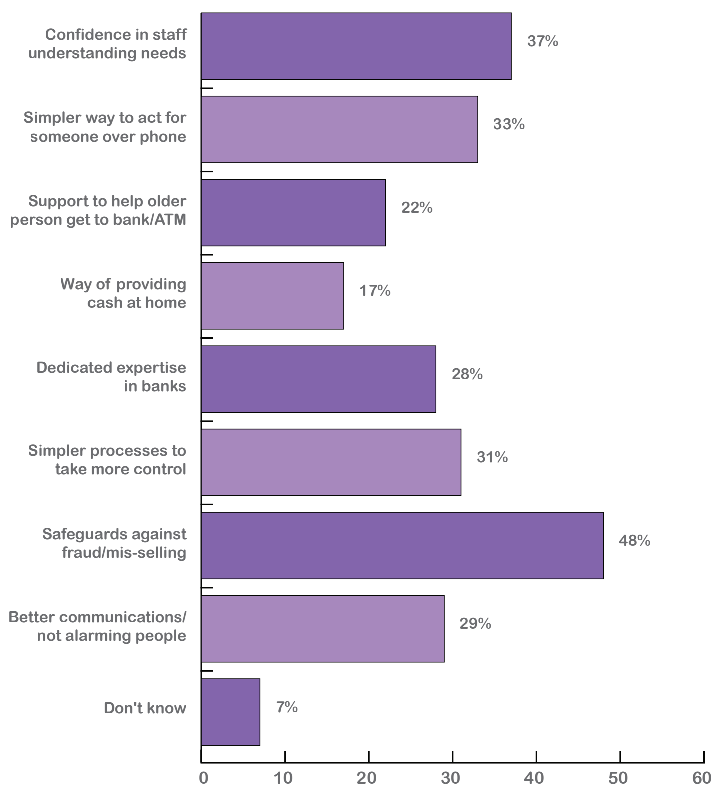
Figure 11: Changes that older people would like banks to make



We also asked carers to pick out their three highest priorities for improved support.

- Carers had a similarly strong focus on the need for older people to be able to speak face-to-face to people they trust: 36% cited this in their top three improvements. They placed rather more emphasis than the sample of older people on the need for effective staff training, for letters and communications that are easy to understand/do not cause alarm and better provision for family members or carers to access money or support in managing finances without taking full control (all of these being mentioned by around one-third of respondents).

Figure 12: Changes that would make most difference to carers



- When asked a further question about what would help them most as carers (as opposed to what would help the person they were supporting) they highlighted the following: safeguards to protect older people from fraud and mis-selling (48%), being confident that staff understand and address the needs of older people and make appropriate allowances (37%), simpler processes for older people to nominate someone to act for them over the phone (33%) and simpler processes (31%) and more dedicated expertise in banks (28%) when family or other carers need to start the process of taking greater control.
- The responses of carers graphically illustrate the problems that older people who are still living independently (outside a care setting) are dealing with, as well as the coping mechanisms that many carers resort to in supporting them. The insights from both the older people we interviewed and from the sample of carers on how they might be better supported by the industry are extremely revealing and will be picked up in the rest of this report.

FOOTNOTES

16 In this context it is extremely interesting that a recent piece of research looking at day-to-day financial management and budgeting skills using data from the third wave of the Office For National Statistic's Wealth and Assets Survey (relating to 2010-12), found that the very oldest group – those 85 and older – were least likely to be overdrawn, most able to keep up with bills and commitments and had very high levels of confidence in how well they organise their everyday money. Hence, although older people may not have the same numeracy skills or sophisticated understanding of complex products as younger cohorts, in the simpler realm of financial self-management, a significant proportion seem to have developed very effective methods of staying on top of things, perhaps enabled by their cash-focused, budget-limited, credit-averse approach. Lloyd J., and Lord C. (2015) Defined Capability: Pensions, financial capability and decision-making among retirees, Strategic Society Centre.

17 Note this is despite the fact that we excluded anyone looking after an elderly person with dementia, or who was in a residential home or for whom they were exercising an LPA. The vast majority were living independently, generally alone.

18 This figure of 29% contrasts with the 6% of older people who were prepared to admit in a face-to-face interview to handing over their debit card to someone else. Although some of the gap between the findings may reflect differences in how people respond to an online and an interview survey, most is probably due to the fact that the carers' sample appears to include a subset of much more heavily-dependent older people.

CHAPTER 2
WHAT WILL THE FUTURE HOLD?

Tomorrow's older people will face a world in which rapid technological change has transformed how financial transactions are conducted. Internet and smart phone banking, along with the explosion in online shopping favouring card transactions and intermediaries such as PayPal, will see the numbers of cash transactions fall drastically.
As Figure 13 shows, Payments UK forecast that debit card payments will increase by 64% in the 10 years from 2014 to 2024 to become the most common payment method. Automated credit payments (ad hoc and regular online payments) are set to rise by 85% while payments in cash will fall by 35%. Indeed, Payments UK expect the number of non-cash payments to exceed those made in cash for the first time during the course of 2016.[19]

Figure 13: Consumer payments: average per adult each year

	2014	2024	% change
Cash	345	225	-35%
Cheque	7	2	-71%
Debit card	172	282	+64%
Credit card	41	53	+29%
Automated credit (incl. standing orders)	20	37	+85%
Direct debit	63	67	+6%
Other (store cards, PayPal, prepayment cards)	9	12	+33%
TOTAL	657	678	+3%

Source: Payments UK

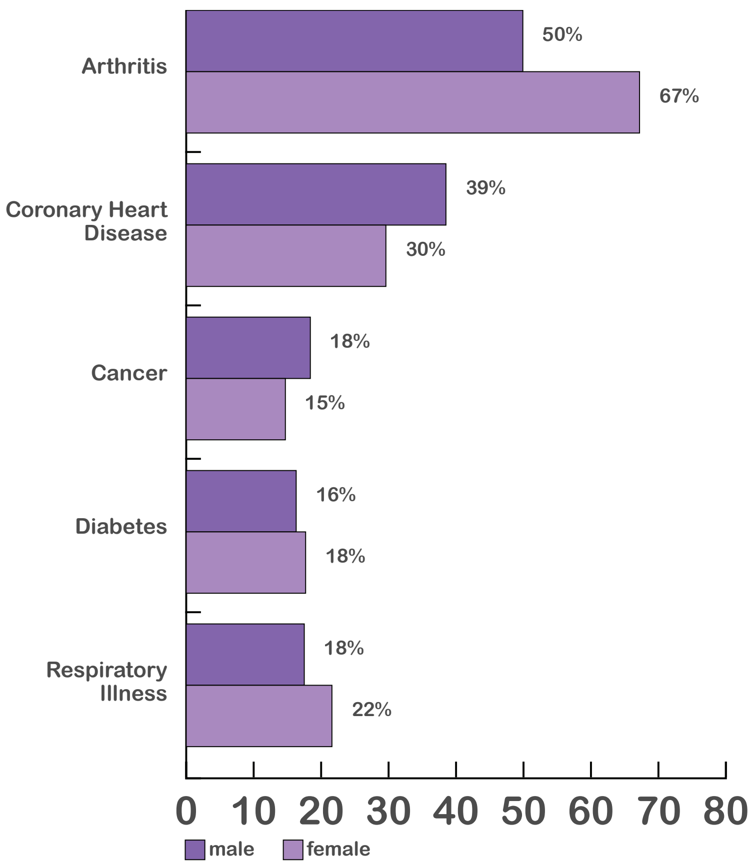
Inevitably change of this magnitude will be followed by further bank and building society branch closures as the need for expensive high street premises diminishes. Cash will be delivered via the now ubiquitous ATM, the drastic decline in cheque use, the advent of cheque imaging and the growth in internet and mobile payments means fewer bank deposits will be made, while most automated payments such as standing orders and direct debits will be set up online or over the phone rather than in branch. This is already being reflected in data published by the British Bankers' Association (BBA) on the footfall in branches: they estimate that in 2016 bank branches had an average of 71 customer visits per day, down by more than 30% since 2011. By 2021 this is expected to fall further to an average of 51 daily visits.[20]

With over half of all UK bank branches already lost in the last 25 years this trend is, therefore, only set to continue. Moreover, the effect of this seems to be particularly acute in the UK, with estimates that it already has a lower number of bank branches per capita than the USA and most other European countries.[21] All of this of course disproportionately affects those living in rural areas and older age groups who may find themselves not only digitally excluded, but also potentially unable to access the physical infrastructure that they have relied on for their routine financial transactions, as high street branches close down.[22]

Although retail banking will of course still continue to have a physical presence, it is expected that in future a significant number of the remaining branches may be relocated to less expensive out-of-town locations where they will be geared towards more complex interactive transactions such as investments or mortgages where customers seek a face-to-face service, or this is required by regulation. Not only will these be more difficult for older people to access, but there are also suggestions that in the future it could become more difficult for bank customers to talk to staff in person unless they are interested in high-value products. The implication is that even though they may be inside a branch, those considered low-value transactional customers may be steered to ATMs and other non-interactive channels, exactly what older people have told us they do not want.[23]

It is not just these external changes that matter for older people. Health challenges will also affect the ability of some of those in their 80s, 90s and older to manage routine financial matters. Physical issues, such as poor hearing and eyesight, reduced mobility and long term disability or illness, as well as cognitive changes which may affect memory, concentration or problem solving (including of course, dementia), all become increasingly prevalent as people age. It is worth pausing to explore of all of this in more detail.

Figure 14: Health conditions in population aged 80 and over



Source: English Longitudinal Study of Ageing. Wave 6 (Age in 2012-13)

According to one recent study, the most frequently reported physical health conditions among the very old are arthritis (affecting well over half of those aged 80 and over) and coronary heart disease (affecting over one-third). Respiratory illness, cancer and diabetes are all also significant: each is reported by around one in 6 of those aged 80 and over. The likelihood of having coronary heart disease and arthritis increases very significantly with age, but most of the other conditions also exhibit steep increases in incidence among those in this study: diabetes is four times more common in men and nearly three times more common in women aged 80 and over than it is for 50–54 year olds, while the incidence of cancer increases six-fold for men and three-fold for women between these two age groups.[24]

Aside from these physical issues, cognitive challenges, including dementia, depression or anxiety and the more generalised changes in cognitive function that often come with age, can be hugely significant for how people manage their daily tasks. Age UK identifies dementia as one of the main causes of disability in later life – ahead of some cancers, cardiovascular disease and stroke in its impact on function – and cites estimates that it affects one person in 6 over 80, and 1 in 3 over 95.[25] More than a quarter (28%) of people with dementia report that they are not able to make choices about their day-to-day life, and almost 60% of people with the condition have stopped doing things that they used to as a result of mobility difficulties.[26] Although there is some suggestion that the incidence of dementia may decline in the future, and that more could be done to protect against it, its significance and impact particularly on the very oldest age groups and their functional abilities will still need to be reckoned with.

Overlaid on these conditions, sensory impairment is extremely common for the older old. Age UK report that 35% of those aged 75 and over have sight loss which is significant enough to affect their daily living (this will include cataracts and age-related macular degeneration), and that more than 70% of people over 70 have some form of hearing loss, with 25-30% suffering from tinnitus.[27]

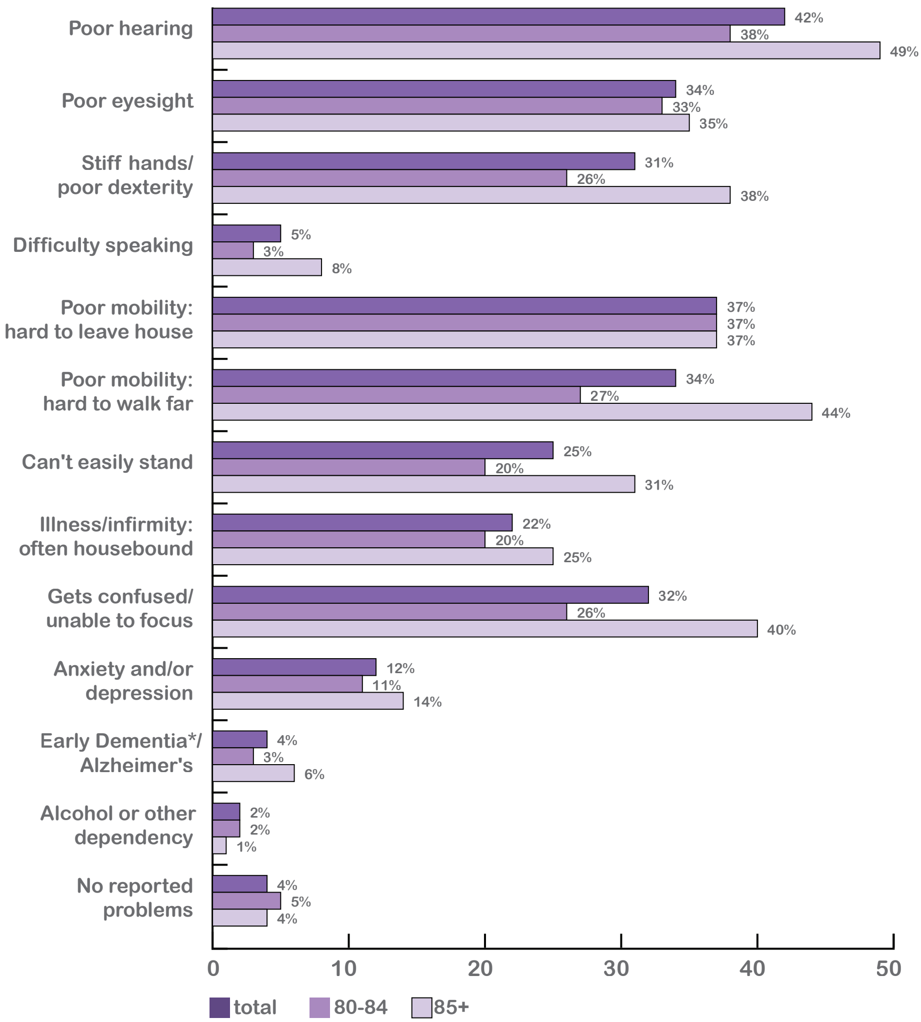
As life expectancy rises, the significance of these health challenges increases, because we will in effect have a group of older people who are not just living longer than previous generations, but who are also living for many more years with a limiting illness or disability – current estimates are that men will have around eight and women around ten years of disability at the end of their lives.[28] As a recent Government Office for Science report on ageing succinctly puts it, we can expect to see ‘a relative shift away from acute illness towards chronic conditions, multi-morbidities, cognitive impairments and long-term frailty’.[29] Moreover, the number of health conditions an older person is likely to have will increase as they get older: for those aged 80-84 it is most common to have two conditions, by the age of 90-94 – one of the key growth areas demographically – five is most common.[30]

Our research with those providing informal care to those in their 80s and 90s reveals just how significant this is. We asked carers which of a range of possible health challenges was affecting the person they helped, with the results summarised in Figure 15. Note that only 4% had no health issues to report (although this no doubt in part reflects the fact that they were included in the survey precisely because they were giving support to an older person, so there will be an element of self-selection).

Having looked at individual health challenges, we then clustered them into three broad categories of conditions: those affecting sensory function, cognitive function and mobility, respectively. Carers reported that 71% of older people were affected by one or more sensory impairment (hearing, sight, speech etc.), that cognitive challenges of some type were a factor for 40% and poor mobility/infirmity affected 68%.

The diverse range of conditions that older people are coping with is very striking, although, as we will see, it is the extent of overlap between all of these different challenges that is most remarkable.

Figure 15: Health issues affecting older people with carer support

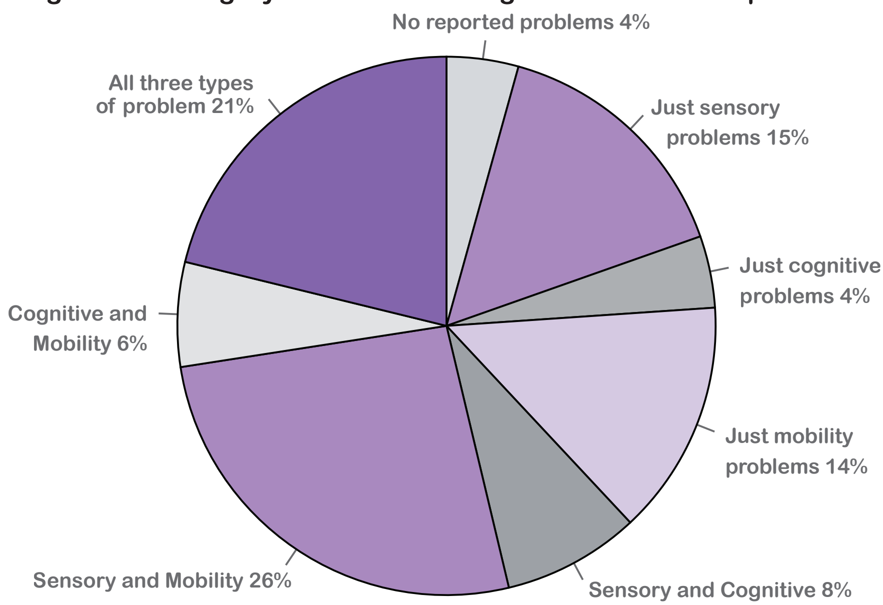


* Note that the carers' survey screened out people supporting anyone with dementia that had gone beyond diagnosis and minimal impairment levels – the 4% shown above will therefore be those at a very preliminary stage of the condition.

Figure 16 illustrates how far different types of health challenge overlapped among older people in the carers' sample. Relatively few (only one-third) were affected by just one type of condition. Most common (affecting 41%) is to have two different types of impediment, of which the combination of sensory with mobility issues is most prevalent, affecting 26%. Moreover, a significant minority had some type of problem in each of the three dimensions of sensory, cognitive and mobility: 21% overall and 31% of those aged 85 and over (41% of those 90 and over).

Some of those with multiple health problems will no doubt be included in the 22% of older people whose carers said they were so ill or infirm that they are often weak and housebound. Indeed, this level of infirmity tallies with other reported findings that around 10% of people aged 65 and over are frail, rising to 25% or more of those aged 85 or over; frailty being defined as a distinctive state relating to the ageing process in which multiple body systems gradually lose their inbuilt reserves.[31]

Figure 16: Category of health challenge: extent of overlap



For those older people who, as a result of such multiple challenges, are unable to get out easily to local shops, accessing money or making payments to those who do errands or household jobs for them will be a key challenge. Data from the English Longitudinal Study of Ageing suggest that getting on for one-fifth of men and nearly one-third of women aged 80 and over report finding it difficult to get to a bank, cash point, or Post Office. This is more than three times as many as those in their seventies who report such difficulties, suggesting, as we discussed earlier, that basic mobility is as important as whether older people live in an urban or a rural area in acting as a constraint on their ability to access services.[32] For some, of course, rural isolation will be a compounding factor, particularly if health problems stop them being able to drive and public transport is not a viable option. Faced with these challenges, some older people, will, as currently, manage by giving out their debit card and PIN to family members or carers or by giving some form of formal third-party access to their accounts. Others, who may not have such support, will face even greater barriers to staying in control.

> 'They always say that the old people are going to die and it won't be a problem, but there's always new ones coming up'[33]

A key unanswered question is how far future generations of the older old – the 'new ones coming up' – will be different from those of today. Will the skills they will have acquired earlier in life in internet and mobile banking and their lifelong familiarity with ATMs, contactless and cashback technology make their experience of old age different? Or are there issues that mean that their needs from the banking sector in carrying out day-to-day financial transactions will *always* differ from the needs of younger age groups due to the nature of the ageing process itself?

There are already encouraging signs of increasing take-up of technology by those approaching the very oldest age groups. For instance, even among our sample of older people we found that 77% of 80–84 year olds used ATMs, compared with the 53% of those aged 85 and older who were prepared to use them, a pretty steep increase.

Similarly, Ofcom data on internet use show a gradual rise in both use of the internet and in online banking among younger age groups. While only 38% of those currently aged 75 and over use the internet, with far fewer (approximately 11%) actually engaging in internet banking, these figures are higher in younger cohorts. Around one-third of 65–74 year olds use internet banking and approaching half of 55–64 year olds do so.[34]

Smart phones represent another area where there is very low use by older groups (only 8% of those aged 75 or older), but which is giving way to much greater use among upcoming generations: more than half of 55–64 year olds (56%) use a smart phone and 28% of 65–74 year olds do so. At present this seems to be mainly for social use: people in their 60s, 70s and over appear to make minimal use of their smart phones for banking, although no doubt this will change.[35]

Technology clearly carries enormous potential to transform later life for those who are comfortable and able to use it. However, it is clear from the figures above that the pace of change is slow among older age groups – an evolution not a revolution – suggesting that the industry cannot rely on increased uptake of digital banking by those in later old age to offer a sufficiently universal solution within the next 10–15 years.

Given both Ofcom's and our evidence on the low levels of internet use and especially online banking by older people, it is a little surprising that The British Bankers' Association has published data showing that 600,000 (approximately 20%) of people aged 80 and over are registered for internet banking although only 20,000 (about two-thirds of 1%) have downloaded a banking app.[36] It must be doubtful that all of these older people apparently registered for internet banking are actually doing so themselves.

We suspect the BBA's figures may be an over-estimate of older people's activity and might more realistically be seen to lend further support to other findings on the extent to which family members or friends intervene in this, as in other spheres, to help older people manage their finances.[37]

While attitudes are changing, Ofcom data show that only 3% of those aged 75 or over who do not already have access to the internet intend to change this situation, with the majority of non-users in this age-group saying they are not interested in getting online.[38] In thinking about the implications for the sector it is salutary to consider that the 1 million people who will be over the age of 90 in 2030 are *already* at least 75. Certainly in relation to how they manage their financial affairs, where people have reached their mid to late 70s with a lack of familiarity with the digital world as a tool for conducting financial transactions and with a mindset in which they view the technology as expensive, often unreliable and above all fundamentally insecure when it comes to money matters, it is unlikely that they will be persuaded to change in any great numbers. Age UK concur with this view: their forward projections of internet use lead them to conclude that 'achieving the goal of getting the vast majority of the population online is unlikely to happen in the first half of the 21st Century'.[39]

It is also worth bearing in mind that the decision not to migrate to technology-driven solutions may also represent a positive choice for many older people, rather than just a reluctance to adapt. As already discussed, people currently in their 80s and 90s have a very strong preference for personal contact and a disinclination to use machines for transactions. They value social contact for its own sake and their approach to banking and shopping reflects this. Indeed getting out of the house and interacting with people is something that is known to contribute to overall physical and mental well-being in later life.

This preference for social contact and shunning of machine-enabled interactions may well continue with future generations, particularly if people become less confident in technology as they grow older, less willing to change and more worried about security issues and the consequences of their own fallibility.

It is interesting in this context that research by the Social Market

Foundation found that people of all ages valued branch banking for precisely these reasons of security and reassurance. They report that more than one-quarter of people who use branches say that they do so because they believe things are less likely to go wrong (28%) and because they feel less vulnerable to fraud (26%). They go on to conclude:

> face to face dealings with another person… will always out-compare a device in terms of meeting our desire for security by providing simple visual confirmation that we're dealing with our financial services providers, not someone pretending to be them through a mirrored website.[40]

Moreover, the barriers to widespread use of technology in older age may turn out to be even more deep-rooted than issues of preference and inclination. The fact that people currently in their 50s and 60s might be adept at using technology for managing their finances, or with a little extra support could become adept, does not necessarily mean that this will continue into later life in all cases. Older people may at a certain point become less capable at these sorts of tasks and potentially more likely to make mistakes. Many of the carers in our study reported that the person they help was becoming confused or unable to focus (32%) and 12% identified anxiety or depression as being a problem,[41] with nearly one-quarter citing these issues as a reason why they got more involved with giving support.

Older people are also known to be more vulnerable to scams, fraud or error, particularly online or over the phone, partly because they are deliberately targeted,[42] but also because ageing brings subtle changes in the way information is processed and decisions made.[43] This may actually expose older people to greater risks of serious mistakes or sophisticated fraud when using technology than if they had stuck with conventional transactions methods, based on cash and other more tangible and familiar forms of transfer that they can be more confident and secure in using.

Aside from these very important issues around how changes in cognitive functions may affect the ability to use technology safely, many older people, as already discussed, may also have sensory and physical challenges, often combined with illness or frailty. If you are suffering from macular degeneration, are semi-paralysed by a stroke or suffering the side effects of chemotherapy, using self-operated technology – whether ATM, phone or computer – may prove too much of a challenge. And that is before considering whether continued rapid changes in technological interfaces will be something that the older old are able to deal with as cognitive faculties and confidence in doing new things decline.[44]

Of course it is important not to forget that many older people do not suffer from any such problems, or, where they do, are able to overcome them. As Age UK recently remarked, 'Older people are diverse – many remain fit, well and cognitively alert right to the end of their lives.'[45]

Undoubtedly many will begin to adapt to and use new technologies and be successful in doing so, particularly if technology becomes more focused on the needs of those in these older age groups. Yet at the same time it is clear that the confluence of radical change in the banking infrastructure with longer periods of multiple health-related disability at the end of people's lives, combined with older people's inclination to seek straightforward, safe and familiar ways of doing things and to maintain social, "non-machine" forms of contact, risks creating a significant tranche of people in the very oldest age groups who will, unless new solutions are found, become financially excluded as they age.

So what will older people need in order to stay financially independent?

If we reduce to their most basic the very routine, day-to-day financial tasks that just about anyone would need to be able to carry out in order to function effectively, this would include:

1. Being able to make one-off purchases in shops or similar.
2. Being able to make payments to other people for money that is owed or gifts, etc.
3. Being able to pay regular bills.

4. Having a means of budgeting and/or keeping track of money and spending, and being able to move money between accounts or access savings where necessary.
5. Being able to deal with new requirements/payments or discuss issues or problems that may arise from time to time.

Thus, to remain financially independent, older people will need either to be able to negotiate ways of continuing to do these things on their own, or be able to draw on the help of family and friends to support them in doing so.

As has been argued, a key requirement will be how older people are enabled to continue to access a regular supply of cash, which is so important in their lives for normal everyday payments, including to those who do work or shopping for them. As our research has shown, the simplicity and discipline of being able to see and physically count out how much money they have – increasingly important perhaps as memory and other faculties decline – means that for nearly half of the older people in our sample taking out a regular supply of cash was used as a primary tool for budgeting.

Given their worries about fraud and theft when using ATMs as well as some of the physical barriers that they encounter, older people are likely to continue to seek counter services, or at the least ATMs that are not out on the street. This of course also links to their expressed preference for face-to-face interaction with trusted staff who understand their needs – rather than being pushed, as they see it, to use machines; a result that was reinforced by the carers in our study who emphasised the importance of properly trained staff in banks to support older people.

This might apply to a range of situations in addition to cash withdrawal, such as paying bills, checking their account or querying something that has happened. For many, the continuation of branch banking is key to all of these needs: worries about branch closures were a major concern for the older old as physical and mobility challenges limited their ability to go longer distances for services.

For those who are reaching a rather greater stage of dependency, but are still in full possession of their faculties, there are other less easily defined, but nevertheless very important "softer" forms of support needed to ensure their continued financial independence and well-being. Our research with carers highlighted their concerns that older people need to be protected from fraud and mis-selling, and better supported by bank staff particularly where they may be experiencing difficulties.

To this might also be added the need for both older people and carers to have access to secure methods for handing over some limited control of their finances in certain circumstances, for instance where an older person is physically not able to go out of their house to withdraw cash, although in other respects they remain in control of day-to-day financial matters. Unless there is a third-party arrangement in place, giving out their card exposes both parties to risk, and, as a breach of terms and conditions, PIN disclosure leaves people unprotected if something goes wrong. Tackling this issue must be a priority in order to avoid older people and their carers continuing to use potentially unsafe coping techniques.

Obviously where an older person has dementia or is in residential care, their need for third-party support will be more extensive and will generally require a more formal legal instrument. What we are concerned with here, by contrast, is older people who are still capable of being financially independent, but require better tools to support them in managing this.

Drawing all of these strands together, we might suggest that a number of conditions need to be met if those in the oldest age groups are to remain financially included and able to continue to manage the simple everyday financial transactions that we set out above effectively, safely and in ways that they are comfortable with.

While we fully accept that these may change over the longer term, we believe, for the reasons set out earlier, that for at least the next 10 to 15 years the following minimum requirements for people in later old age will need to be met:

1. Being able to draw out cash from outlets situated in places where they feel safe and in surroundings where their needs for privacy are met.
2. Having regular access to some continuing physical banking facilities – including the potential for this to be provided in places that they typically visit and/or where it would be possible for them to have regular transport provided.
3. Having their needs taken into account in both technology and service design. This includes how ATMs, electronic devices and PINs, passwords and other security features are designed, as well as consideration being given in physical locations to challenges that elderly people may have in standing, seeing or hearing, pressing buttons or accessing machines from a wheelchair.
4. Being confident that family and friends will be given the tools to support them as their needs increase, including being able to safely delegate tasks such as cash withdrawal and payments without ceding full control of their finances.
5. Continuing to receive information in paper format (regular bank statements for instance) if required, as advocated by the Keep Me Posted campaign, and being sent appropriate communications that are easy to understand and do not cause unnecessary alarm or distress.
6. Having some guarantee that banks will do their utmost to protect them from abuse, fraud and scams and that financial institutions will not exploit their inertia or lack of expertise to leave them on unfavourable policies or legacy products.
7. Having access to sympathetic support from properly trained staff either face to face or by phone when a problem arises or they need to do something new, or simply need support with a more routine task. This should include staff using powers of discretion before applying sanctions when an isolated error or oversight occurs, and being trained to spot a situation that may be deteriorating and need further action.
8. Having as much support as is appropriate in adapting to and making use of new facilities and improved technologies, including potentially one-to-one training whenever a new facility such as contactless is introduced.

In the next section we will examine possible future scenarios for how older people might be supported to stay financially included in these ways, including consideration of how innovations in technology and service delivery could support in that.

FOOTNOTES

19 Payments UK (2015) *UK Set to Make 120 Million Payments a Day by 2024*. http://www.paymentsuk.org.uk/news-events/news/uk-set-make-120-million-payments-day-2024 [Accessed 10th April 2016].

20 British Bankers' Association (2016) The Way We Bank Now: Help at Hand, p.13.

21 French, S., Leyshon, A., and Meek, S. (2014) *Shutting Out the Poor: Bank Branch Closure and the Uneven Geographies of the Digital Banking Revolution*. Nottingham: University of Nottingham (cited in Collard, S., Coppack, M., Lowe, J., Sarkar, S. (2016) *Access to Financial Services in the UK*. FCA Occasional Paper 17, p.44).

22 In response to these concerns the British Bankers' Association published a protocol in March 2015 committing the industry to working with communities to assess and act to minimise the impact of branch closures, with the effectiveness of the measure currently subject to independent evaluation. https://www.bba.org.uk/policy/retail/financial-inclusion/access-to-banking/industry-protocol-on-branch-closures/ [Accessed 15th June 2016].

23 For more detail about sources for this see Collard, S., Coppack, M., Lowe, J., Sarkar, S. (2016) *Access to Financial Services in the UK*. FCA Occasional Paper 17, p.49.

24 Data published in Banks, J., Nazroo, J., Steptoe, A., eds. (2014) *The Dynamics of Ageing: Evidence from the English Longitudinal Study of Ageing 2002–2012 (Wave 6)*. Institute for Fiscal Studies, Table H3a, p. 259. It remains to be seen whether future generations of older people will exhibit similar health challenges or whether lifestyle choices in areas such as smoking (already thought to be positively impacting on male to female relative life expectancy), alcohol intake and diet and exercise will have an impact in one direction or another on who survives to late old age and what their state of health is when they get there. In some areas, including obesity and associated conditions such as diabetes, health professionals are pessimistic about future health outcomes as people age, with many also concerned about the linked impact of inequality, poverty and poor lifestyle choices on health and life expectancy. For some older people, though, behavioural changes such as reduced smoking and better understanding of the protective effects of diet and exercise in later life may have a more positive impact on survival and health in old age.

25 Age UK (2016) *Later Life in the UK*. http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later_Life_UK_factsheet.pdf?dtrk=true [accessed 10th August 2016].

26 The Alzheimer's Society (2013) Dementia UK: *The Hidden Voice of Loneliness*.

27 Ibid.

28 Mortimer, J., and Green, M. (2015) *The Health and Care of Older People in England* 2015. Age UK, pp.11–12.

29 Government Office for Science (2016) *Future of an Ageing Population*, p.10.

30 Ibid, p.16.

31 Clegg, A. et al. (2013) Frailty in elderly people. *Lancet*. Cited in Mortimer and Green (2015), p.14.

32 Ibid, Table S8a, p.225.

33 Age UK (2011) *The Way We Pay: Payment Systems and Financial Inclusion*.

34 Ofcom (2015) *Internet use and attitudes*. Metrics Bulletin, p.9 and p.11.

35 Ofcom (2016) Adults' media use and attitudes. Report, p.42 and p.117.

36 British Bankers' Association (2015) *Millions of "Silver Surfers" Harness Mobile and Internet Banking*. https://

www.bba.org.uk/news/press-releases/millions-of-silver-surfers-harness-mobile-and-internet-banking/#.V6s_jygrKM8 [accessed 10th August 2016].

37 In our survey of carers around 16% of older people had given a carer access to internet banking to set up one-off or regular payments for them, and recent qualitative work on access by the FCA cites several examples of 'proxy' online financial management – see Collard, S., Coppack, M., Lowe, J., Sarkar, S. (2016) *Access to Financial Services in the UK*. FCA Occasional Paper 17, p. 49.

38 Ofcom (2015) *Internet use and attitudes*. Metrics Bulletin, p.17.

39 Green, M., and Rossall, P. (2013) *Digital Inclusion Evidence Report*. Age UK.

40 Evans, K., (2016) *Balancing Bricks and Clicks, Understanding how Consumers Manage their Money*. Social Market Foundation, p.36 and p.49.

41 Recent work by Age UK concludes that '[d]epression and low level mental health conditions are frequently under-recognised and under-diagnosed amongst older people', citing evidence that these problems may increase with age. See Mortimer and Green (2015). This is consistent with the findings from our research, in which carers consider depression or anxiety to be a significant issue for around 11% of people aged 80–84, rising to 14% of those aged 85 and over.

42 See www.fca.org.uk/news/over-55s-at-heightened-risk-of-fraud-says-fca [accessed 10th August 2016].

43 Work on how cognitive function changes with age makes use of the distinction between 'fluid thinking' (reasoned and deliberative thinking/problem solving) and 'crystallised intelligence' (where knowledge and experience is relied on as the basis for making decisions) to begin to explain cognitive decline. The general tendency is for fluid intelligence to decrease with age and for crystallised intelligence to increase to compensate. However, as noted in a recent paper, 'eventually this [crystallised thinking] also starts to decline in our 70s, leading to an eventual downward trend in decision making ability in later years'. Barker, L. and Hollingworth, C. (2016) Behavioural Insights into the Ageing Mind. *Ageing Population and Financial Services*, FCA Discussion Paper 16/1, pp.39–43.

44 Ofcom identifies a category of internet users whom they term 'narrow' users, who are more likely not to trust websites, and have low awareness of online security measures and safety features. The incidence of narrow users is higher among older age groups and newer users – it is unclear whether this will dissipate with time or remain a feature of older users of the internet and related technologies. Ofcom (2016) *Adults' media use and attitudes*. Report.

45 Vass, J. (2016) What is the Impact of Health on Older People's Interactions with Financial Services and how can the Situation be Improved? *Ageing Population and Financial Services*. FCA Discussion Paper 16/1, pp.58–60.

CHAPTER 3
WHAT WOULD MAKE FOR A BETTER FUTURE FOR THE OLDER OLD?

Research conducted in 2012 for the Payments Council identified three factors that are key to determining how well older people are able to overcome the challenges they face in maintaining their access to financial services.

These are: having a good family support network (which our research has confirmed and exemplified in detail), having sufficient income to be able to overcome physical or other constraints (for instance taking taxis to places where they can use the services they are seeking) and, finally, the extent to which older people are able or willing to make use of technology, as just discussed.[46]

If these are the enablers for individuals, to what extent can we build on these insights to develop solutions that might work for all older people? At the broader societal level, we can suggest that future enablers of improved financial inclusion for older people might be:

1. Remodelling and redesign of technology and practice to be age-inclusive.
2. Building a stronger partnership between the industry, older people and their carers.
3. Securing a physical infrastructure designed to help older people access services.

Already many in the industry and across the policy world are developing innovative responses in each of these areas, as well as flagging up gaps where more work will be needed. The remainder of this section provides an overview of the issues, a flavour of the responses beginning to come through and some suggestions for how these could be built on to deliver more sustainable long-term solutions.

Age-friendly design and practice

Older people in principle have access to the same multi-channel methods of managing day-to-day finances as the population as a whole. These include: face-to-face services delivered in physical spaces such as banks, automated services from ATMs or chip and PIN/contactless devices, phone services and digital access via online banking services or mobile phone apps.

The ability of older people to make use of each of these channels depends on motivation, on physical capability – phone services clearly being inappropriate for those with hearing deficiencies for instance – and on how age-friendly their design is.

Technology

For the segment of the older population who would use technology if they could, be this automated card services, phone or digital access, the challenge must now be for those designing new tools for access to put themselves in the position of people with arthritic fingers, blurry eyesight, fading memory and an overriding need for simplicity and clarity. For others, where the issue is more one of unfamiliarity or reluctance to use something new than of particular physical barriers, the more age-friendly the design the greater the chance of take-up.[47]

Already, in the area of security, many of the things that older people may currently find particularly stressful when using online, phone or card-based technology such as remembering and entering passwords and PINs or responding to convoluted, memory-based security questions, are being ameliorated. Contactless technology has of course already delivered increased simplicity with minimal security for lower-value purchases, but it is developments in bio-security that, arguably, offer the greatest potential as fingerprint and face recognition or the use of pulse tracking devices are rolled out for use with ATM, chip and pin and online security screening. Phone banking is also about to become far easier as voice-recognition technology becomes embedded as the norm for initial identity verification – a number of the major banks expect to have this in place before the end of 2016, with the technology being designed to adapt to changes over time in customers' voices. If the barrier of memory-based security screening is genuinely removed as a result, this could lead an increase in phone banking in older age groups.

However, older people will still need support to adapt to these changes – many people in our focus groups found the speed with which contactless transactions operated alarming and no doubt biometric or voice activation technology may also be viewed with wariness by many users, suggesting that softer support will be needed to encourage adoption, as already recognised with digital technologies. Schemes such as Lloyds Digital Champions and Barclays Digital Eagles – employees who volunteer to explain digital technology to people through initiatives such as "tea and teach" drop-in sessions – might therefore be developed into a more generic service across the industry that could cover other innovations that older people may otherwise be slow to adapt to or have difficulty learning on their own.

Where the issue is of practicality of design, relatively small changes could have a big impact. Improved design of ATMs, a big gripe for older people and yet a key lifeline for accessing cash as branch closures continue, is already having an impact. The British Bankers' Association (BBA) reports that Barclays and Lloyds have introduced thousands of talking ATMs and estimate that 98% of their cash machines have ear jacks to help the blind and partially sighted.[48] While wheelchair-height machines are another service routinely provided for customers, our research suggests that there is also an unmet demand for other adaptations to ATMs, including bigger screens and more age-friendly buttons. 43% of the older people we interviewed reported that ATM buttons that were too fiddly or difficult to operate put them off using ATMs at all.

All these issues apply equally to other types of technology that older people might use for financial transactions. In other words, laptops, tablets and smart phones that were much more closely tailored to the physical needs of the oldest consumers might make all the difference in enabling them to continue to operate online as their faculties decline and conditions such as arthritis set in, just as adaptations to phones can help with specific disabilities – flashing dials, for instance, for those who cannot hear the ring tone. The more the banking industry and other organisations representing older people can liaise with companies designing and manufacturing these products to communicate the specific needs of older consumers, the better.

Service

Alongside age-friendly design of physical or remote tools for accessing banking services, older people also have specific needs for how space is designed within banking facilities, as well as for how staff interact with and support them once there. Our research found that significant numbers of older people find standing in queues either at a counter or an ATM very difficult. They were also forceful in their wish to have greater privacy and protection when carrying out transactions – for instance being able to go somewhere to count out and put money away in a space where they did not feel overlooked. This requirement lay behind their dislike of "open plan" branch design and their disinclination to use ATMs outside in the street. These are factors that could be reflected in future design of both physical banking spaces and ATM provision and location.

One innovation flagged up by the Building Societies' Association in their report for the FCA is the simple change brought in by a number of branches to install lower counters, often with stools or seats, so that customers who cannot walk or stand for long can sit down to conduct transactions. This is the sort of simple practical approach that demonstrates how remodelling of services can support continued financial inclusion.[49]

Likewise, a continued focus on training staff to interact more effectively with older age groups will remain an important component of age-friendly design and practice. One-third of carers in our study said that more effective staff training in dealing with older people was among their highest priorities. Older people themselves told us that they wanted staff to be better at explaining things in the right way and at the right pace, and were frustrated when staff demonstrated how to use machines by doing it themselves instead of taking older people through the steps they needed to learn new things.

As institutions consider how they might support older people in adopting digital technology, following the lead of Digital Eagles (now being extended into physical Eagle Labs), they may also need to address what appears to be a significant gender difference in use of technology in these age groups. Data on internet use from the English Longitudinal Study of Ageing (ELSA) indicate that amongst those aged over 80 men are more than twice as likely as women to be digitally connected,[50] a finding that our research also confirmed, with an even bigger gender gap apparent in smart phone use. The reasons for this are likely to be a complex mix of knowledge and inclination, as well as issues of affordability, given that women tend to have lower income than men in retirement. Although the gender gap is less pronounced for younger cohorts, it is still evident, indicating that this is an issue that may continue to warrant special attention, particularly as women's longer life expectancy and current poorer access to transport[51] mean digital solutions would be likely to have greater impact for them.

As far as their generic approach to training staff to support older people is concerned, banks and other institutions are now working hard to address these issues, focusing in particular on supporting staff to act with appropriate empathy and patience. Many call centres have also now discarded performance targets linked to length of call time in favour of measures of whether or not an issue was successfully resolved, leading to much improved customer support. This follows from their recognition that call centre use is now focused on a minority of people who are either seeking to resolve specific problems or who are not comfortable with online technology, with most other routine transactions now self-managed.

To the extent that there is still a gap between policy (what banks say they do) and practice (what customers experience), senior leadership, perhaps supported within institutions by an older persons' champion at senior level who can offer challenge across the organisation, would support in further embedding age-friendly practices.

Future solutions

Perhaps one of the biggest opportunities for the sector in leading age-friendly design and technology, though, lies in imagining far simpler solutions that more closely mimic how older people operate in other areas of their lives. For instance, for older people who have learned to use Skype or similar tools, perhaps to keep in touch with family and friends, video links into a banking facility might be something they could manage relatively easily, especially if banks made it possible and straightforward to do this from home, and even include a trusted relative or friend from a remote location in a conversation. Video banking services are already available to customers for specific types of service such as arranging a mortgage, so it would presumably be easy enough to set this up for older consumers wanting support with more routine things such as bill payment or similar.

But it is perhaps in the area of voice-activated technology – tapping in to the simplest functional skill of speech, where cognitive decline appears to have less impact – that the greatest potential for further innovation is presented.[52] Already voice-activated ATMs are being used outside the home, but what if this could be extended to tools to use in your own home? As "intelligent" technology develops to support older people to live independently in other aspects of their lives – for instance devices that could in the future scan people's fridges to identify what food needs replacing – what if it could also be used to support them in managing financial matters?

Could a TV-sized screen be set up with a broadband connection and a robo-servant such as Siri to help people with their finances? Imagine if their robo-servant could remind them that a bill is due and offer to arrange payment. Or if it could be instructed to pay a neighbour for the shopping they dropped off without having to do anything more than speak at the TV screen. Provided instructions were only activated by the recognised voice and safeguards were built in, for instance to block payments over a certain amount or to an unrecognised destination or that would make the account go overdrawn, could this be a safe and acceptable form of technology?

Obviously over the next few years the technological possibilities will change, but the principle of intelligent technology to help those in later old age will not. Ensuring it is adopted will require adequate systems to teach people how to use the technology effectively and safely. For some, this will be younger family members or friends, but for others, who may be more vulnerable for not having carer support, different solutions will be needed. A key component in all of this will be overcoming resistance to and fear of change, as well as addressing the genuine concerns about error, fraud and abuse that many older people already voice with respect to current technologies, as our research has illustrated.

Bringing carers on board

As the population ages and life expectancies extend further, both formal and informal carers will become ever more important in supporting older people's continued financial independence. The ability of carers to fulfil this role will depend on how effectively the financial services industry adapts to support them.[53] Our research looking at how family and friends support older people flags this up as a key area needing action from banks and other institutions.

A particularly pressing issue for both older customers and their carers is that of delegation of responsibility, and, as Age UK have recently argued, the need for 'a more sophisticated suite of solutions for carer banking, to fill the space between the debit card and a Lasting Power of Attorney'.[54] The former option of handing over debit cards exposes them to risk as well as contravening their terms and conditions, while the option of LPAs, apart from the complexity and expense, also potentially leads to loss of control and independence for the older person, as associated products such as debit cards and cheque books are often withdrawn by banks once an LPA is activated.

Understandably, many older people who need help in carrying out certain transactions, including but not limited to withdrawing cash, do not want to go as far as giving third-party control over their accounts through LPAs, mandates or joint account holding. Although there are some solutions, such as pre-loaded cards for family or other carers to use without being given any other access,[55] awareness of the range of options by both banks and their customers is often low and expertise difficult to access at times of crisis when rapid and flexible solutions are needed.

Again, advances in technology may support more nuanced solutions in the future, with innovations such as "configurable" debit cards, where a carer might be able to use someone's card in a specific situation, for example for cash withdrawal or in a supermarket, up to a certain limit at any given time. As things stand, however, the fact that 29% of carers in our research highlighted the need for banks to offer better solutions short of older people giving away control, does suggest that more needs to be done in this area – at the very least to raise awareness of what is available, but also extending the range and flexibility of products brought forward to meet the expressed need.

Carers also told us how strongly they felt about safeguards to protect older people from fraud and mis-selling, citing this as their single highest priority issue. As evidence grows on older people's vulnerability to scams,[56] banks could work more closely with carers in this area, for instance setting up a named person to contact immediately they suspect a problem either in relation to fraud or when they have worries about capacity more generally. Another suggestion might be for nominated carers to be allowed to view an account online, without necessarily having the power to conduct transactions, where this might be important to reassure both parties that all is in order.[57]

Any solutions along these lines must of course recognise that there is plenty of evidence that older people are also vulnerable to exploitation by those they are trusting to help them, with those with dementia or reduced cognitive function being at greatest risk of carer abuse. Financial institutions need to continue to be alert to this issue too, weighing this risk against the benefits of properly managed carer engagement.

Inevitably there will be situations in which carers will need to take more formal control, including through legal instruments such as an LPA or Court of Protection deputyship. This will often be in situations where an elderly person has lost capacity, most often through some form of dementia. Our research with carers identified a clear need for support at times such as this, with 28% wanting banks to ensure there were dedicated advisers in banks with sufficient expertise to guide them through the options for carer support, and 31% saying there should be clearer and simpler processes at the point at which carers need to take greater control.

Policy in this area forms part of the sector's wider consideration of how it supports vulnerable consumers and their carers. The recent report by the Financial Services Vulnerability Task Force (a working group of representatives from the financial services industry, charities and consumer groups, chaired by the Money Advice Trust) contained a series of recommendations intended, as the British Bankers' Association's chief executive put it, to 'provide a gold standard for ensuring vulnerable consumers get a first class service'.[59] The work of the Task Force built on the FCA's report on vulnerable consumers, which had identified shortcomings at 'every stage' of the delivery chain 'from [banks'] high level policy, through system design, to the products that are available and ways that staff implement policies and sell products'.[60]

In particular, both reports identified alarming deficiencies by staff in banks in applying Power of Attorney, including 'a lack of awareness of the mechanics of how a Lasting Power of Attorney (LPA) works, an inability to recognise authentic forms and a lack of knowledge about the information and evidence required' in support.[61] This is substantiated by evidence on the high level of complaints, frequently in relation to staff awareness of how to register and manage a Power of Attorney, that are received by the Financial Ombudsman Service, the Office of the Public Guardian, Which? and others.[62]

Many of these issues are now gaining attention within the industry and measures are being put in place to try to improve the experience of older people and their carers. Age UK's age friendly banking report is particularly helpful in drawing together some leading examples of best practice in this area.[63] The case studies they have looked at include work by Lloyds Banking Group to overhaul their system for registering Power of Attorney by instituting real-time referrals by frontline staff to a specialist unit, leading to a huge reduction in complaints by customers over this issue. A case study of Barclays highlights their work to support carer banking, which includes support guides and regular carer forums for people to get further advice, while Coventry Building Society is tackling vulnerability to fraud through intensive staff training and the use of a specialist financial crime centre which proactively contacts customers where a live scam is suspected.[64]

More generally, the industry is beginning to think more flexibly about how it manages issues such as requirements for customers to present photo ID, given that many older people may not have current passports or driving licenses. It is also considering how it might put into effect the Task Force's plea for a "tell us once" approach for people at difficult moments when they require maximum support rather than maximum bureaucracy.

The British Bankers' Association is overseeing the implementation of the many recommendations made by the Vulnerability Task Force, and the FCA is focusing, as part of its work on the Ageing Population and Financial Services, on issues around older people's coping strategies and their use of third-party support when they are unable to carry out all of their financial tasks on their own.

It is to be hoped that the outcomes from these two initiatives will lead to improvements in how carers are supported in helping older people to manage in later life, with a wider range of options available, improved processes in place and better access for carers to the expertise they need to deal with new developments as they arise. It will of course be particularly important that this work recognises that a significant proportion of informal carers are themselves older people with distinct needs in their own right.

Infrastructure that supports access to banking services

With further significant reductions in bank branches expected, one of the more problematic issues for older people will be continued access to a physical infrastructure that enables them not just to access the cash that our research has shown that they rely on, but also to perform other tasks that they may not be equipped to do remotely.

The sector is now working to manage the effect of bank closures on those who depend on these services. In March 2015 the British Bankers' Association agreed a protocol with government that committed the industry to engaging with communities to establish the impact of individual announced closures, and to put in place suitable alternative ways to bank, where the bank agrees these are needed. This protocol is now subject to independent evaluation to establish how effectively it has operated, with a report due in October 2016.

Meanwhile, as the traditional single bank branch on the high street becomes an endangered species, so new models of delivery are springing up. The most comprehensive of these is the Post Office partner banking arrangement which enables it to use its 11,500 outlets to offer core banking services – cash withdrawal, checking balances and depositing cash and cheques – to customers of all the major banks, for which the banks pay an agreed fee. According to the Post Office, around 97% of the population lives within one mile of a Post Office facility, many of which are now being modernised and incorporated into retail outlets such as convenience stores or even pubs.

In other developments, some banks, notably NatWest and RBS, have expanded their use of mobile vans to take banking services out to communities, and Metro Bank has just opened its second drive-through branch, with the building society network also beginning to promote this as an innovation for customers who cannot walk far but can still drive.[65] Yet others are developing or considering "hybrid" models where they may offer a counter facility inside a larger hub, for instance a coffee shop or retail facility, or located inside a supermarket or hospital or, in another variant, a community facility such as a library.

With the exception of the Post Office, each of these delivery models only offers the services of the particular bank that sets them up. HSBC customers, for instance, cannot access banking services from a NatWest van, Lloyds customers would not be able to use a Barclays counter located in a library. For this reason Age UK has proposed shared branches for smaller communities or rural areas, arguing that this would 'have the potential to provide bank-style service where footfall is too low to support individually branded branches',[66] with, crucially, more than one bank's customers able to use the facility.

If some combination of these new banking models is to become the future solution as traditional facilities close, it will be important that their design is genuinely age-friendly. At present it is not clear, for instance, that Post Office banking works well for older people, with facilities sometimes squeezed into other retail outlets and no special provision to sit down or avoid long queues. Similarly, mobile vans are not always equipped to accommodate wheelchair users, while many banking counters in hybrid facilities may offer little privacy or be on too small a scale to provide sympathetic support to older customers. These are all matters that may be resolvable, but which at the moment may present high barriers to vulnerable older people. Above all, it will be crucial that physical banking outlets retain a strong focus on face-to-face service, so vital for older people, and do not simply provide machine-enabled facilities in a physical space.

The Post Office model, due to the sheer scale of the infrastructure and its ability to encompass the services of all the banks, potentially offers the best longer-term solution, provided the banks continue to support and fund it. However, it may need to be extended over time to include a wider range of banking services than currently offered. At present, for instance, a banking customer who wanted to move money between a savings account and their current account would not be able to do this at a Post Office and would instead need to go through their own bank. This is the sort of issue that will need collective action to find workable solutions in a future scenario in which some older people may become reliant on the Post Office as the only available banking outlet they can use.

Helping those with the most challenging needs

Even with all these design and service modifications it is likely that there will be a core of older people who due to frailty, mobility or transport issues can no longer use either bank or Post Office facilities, however conveniently these are set up. These are people who by definition are highly likely to find other channels of access such as phone, mobile or internet banking beyond their capabilities, and yet still require access to cash and on occasion helpful face-to-face support to manage routine financial transactions. Unless they decide to fully delegate their day-to-day finances to someone else – should they be lucky enough to have someone who can take on this role[67] – the options for people in this situation are straightforward: either a service comes to them or they must be taken to the service.

The scale of the challenge is clear from the numbers: by 2030 there will be 1 million nonagenarians living in the UK, rising to more than 1.5 million by 2039. Many in our interview and carers' surveys – around one-fifth of people in each sample – were already flagging up the need for better support for people who cannot easily get to a bank or ATM, including options such as a home delivery or mobile service, or a lift to an appropriate outlet.

Already some banks and building societies offer home visits to their oldest customers in specific circumstances.[68] For more routine needs, such as getting cash to housebound customers, it really should not be that difficult to design systems to deliver cash directly to them. This currently happens when people order foreign currency to be delivered by courier or often simply through the postal system – now may be the time to think about whether this could be extended in a safe and cost-effective manner to ordinary cash withdrawals. Other alternatives might also be explored. For instance home shopping services could perhaps offer secure cash delivery as well, so that when an older person receives their groceries or meal services on the doorstep (perhaps ordered online by someone else) they also get a sealed envelope with their cash. The possibilities for this sort of service are multiplying all the time as Amazon and others intensify their van delivery services and other technologies for home delivery begin to be tested.

At least one bank – Barclays – has trialled a secure vehicle collection service, "Barclays Collect", to visit business customers at their own premises and collect cash from them to deposit in the bank on their behalf instead of them visiting a branch to do it (offered for free for deposits of £5,000 or more). It should surely, therefore, be possible, if the incentives are right, to adapt this sort of service to include cash drop offs from secure vehicles to specified customers.

The other way in which those with the most challenging needs might be helped is by taking them to a dedicated service. One option, for instance, would be to establish one-stop "pop up" services in facilities already designed for older people. These might be offered perhaps once a week, enabling older people to come in for a short period of time on a designated day and withdraw cash and perhaps also get help from trained staff in managing other tasks such as setting up direct debits, paying bills, checking statements, making transfers or looking for better value savings or insurance.

Pop up services of this type could be provided wherever appropriate communal spaces for older people already exist: in retirement villages, sheltered housing units, private residential care homes or other community facilities which older people regularly attend for leisure or social purposes. Facilities could be opened up on a regular basis to a banking provider, just as they are currently for other services such as benefits advice or hairdressing. Crucially, given the mobility challenges of older people who can no longer use high street services, there would need to be an option for transport to be provided to older people who wanted to attend but could not organise this themselves, perhaps through co-ordination with community transport schemes such as Dial-a-Ride.

A service of this type might be just what is needed for older people most at risk of financial exclusion, enabling them to access the services they need in comfortable surroundings with no need to stand or queue, helped by staff who are equipped to respond to their particular needs.[69] Of course, many practical issues would still need to be ironed out. In particular, the issue of single bank provision would need to be overcome so that an older person attending a facility could access the services of their own bank, whichever one that was, rather than just the particular bank that might be operating a pop up service. Given that the Post Office already has a developed multi-bank delivery model, it might be that they could work with the sector to design an appropriate vehicle for doing this.

Obviously the costs of many of the sorts of innovations set out above would need to be met, with it being unlikely that the industry would do so purely on a commercial rationale. This funding issue is discussed further in the final two chapters, which take a broad overview of the case for action in mitigating the risk of future financial exclusion of the older old and the wider social issues this raises.

FOOTNOTES

46 Ellison, A., Whyley, C., and Williams, S., (2012) *Consumer Research with the 'Older Old' and People Living with Physical, Cognitive and Sensory Disabilities*. Payments Council, available via http://www.toynbeehall.org.uk/research-archive [accessed 8th August 2016].

47 Although not rocket science, work published by the International Longevity Centre includes plenty of examples of innovations that should have helped older people but ended up being just another barrier, such as the proliferation of TV remote controls with tiny buttons that cannot be read and a different pointer needed for each individual machine, so that the intended benefit of more convenient viewing is lost. Sinclair, D., and Creighton, L., (2015) *Opportunity Knocks: Designing solutions for an ageing society.* International Longevity Centre.

48 British Bankers' Association (2016) *The Way We Bank Now: Help at Hand*, p.19.

49 Broadhead., P., (2016) How can Firms Adapt to Meet the Needs of an Ageing Population? *Ageing Population and Financial Services.* FCA Discussion Paper 16/1, pp.32–34.

50 Ibid. Table S3a, p.221.

51 ELSA data show that three quarters of men but only a little over half of women aged 80 and over said that they had access to a car (either as a driver or a passenger) when they needed it. Ibid. Table S7b, p.224.

52 Longitudinal research on ageing suggests that some verbal skills, such as vocabulary and comprehension, are unusual in not being subject to long-term decline in function, unlike reasoning and information processing abilities. See Salthouse, T. A. (2004) Localizing age-related individual differences in a hierarchical structure. *Intelligence*. 32(6). Available at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3866028/ [accessed 12th August 2016] and Ray, S., and Davidson, S. (2014) Dementia and Cognitive Decline Evidence Review. Age UK. http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Research/Cognitive_decline_and_dementia_evidence_review_Age_UK.pdf?dtrk=true [accessed 22nd August 2016].

53 Evidence from both our survey and the FCA's study of vulnerable consumers shows low satisfaction with how banks support carers, particularly at crisis points. See Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) *Consumer Vulnerability*. Occasional Paper 8, Financial Conduct Authority, pp.40–41.

54 Vass, J. (2016) What is the Impact of Health on Older People's Interactions with Financial Services and how can this be Improved? *Ageing Population and Financial Services*, FCA Discussion Paper 16/1, pp.58–60.

55 See Payments UK's consumer guide for an overview of options: file:///C:/Users/user/Downloads/Difficulty%20making%20payments_consumer%20guide.pdf [accessed 11th August 2016].

56 Age UK (2015) *Only the Tip of the Iceberg: Fraud Against Older People*.

57 This has been trialled in America. See Case Study 7 in Age UK (2016) *Age-friendly Banking, What It Is and How You Do It*.

58 http://www.ageuk.org.uk/latest-news/financial-abuse-risks/ [accessed 24th August 2016].

59 British Bankers' Association (2016) *Financial Services Establishes New Gold Standard for Customers in Vulnerable Circumstances*. https://www.bba.org.uk/news/press-releases/financial-services-establishes-new-gold-standard-for-customers-in-vulnerable-circumstances/#.V6xgtygrKM8 [accessed 11th August 2016].

60 Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) *Consumer Vulnerability*. Occasional Paper 8, Financial Conduct Authority, p.11.

61 British Bankers' Association (2016) *Improving Outcomes for Customers in Vulnerable Circumstances*. p.26.

62 Ibid. p.41.

63 Age UK (2016) *Age-friendly Banking, What It Is and How You Do It*.

64 Ibid.

65 Broadhead, P. (2016) How can Firms Adapt to Meet the Needs of an Ageing Population? *Ageing Population and Financial Services*, FCA Discussion Paper 16/1, pp.32–34.

66 Age UK (2016) *Age-friendly Banking, What It Is and How You Do It*. p.41.

67 For all the previous discussion of carer support we should not lose sight of the fact that a significant minority of older people do not have access to such support: 7% of our sample of people aged 80 and over said that they did not have anyone they could call on for help. Linked to this, the issue of 'ageing without children' is gaining more attention: the Centre for Ageing Better estimates that by 2030 there will be 2 million people aged 65+ who do not have adult children.

68 Age UK's age-friendly banking report cites an example of a manager at RBS who sends his mobile van once a week to an old people's care home to support a disabled and blind customer, and no doubt other examples of developing home support services exist. See for instance evidence of building societies starting to provide home visits in Broadhead, P. (2016) How can Firms Adapt to Meet the Needs of an Ageing Population? ***Ageing Population and Financial Services***. FCA Discussion Paper 16/1, pp. 32-34.

69 This might even be extended into other areas, developing ideas on the generic benefits of a sure start type approach first aired in, Office of the Deputy Prime Minister (2006) ***A Sure Start to Later Life: Ending Inequalities for Older People***.

CHAPTER 4
A COMPELLING CASE FOR CHANGE

This section looks at the case for change in how policy addresses the needs of the older old. It considers issues of vulnerability in later life and examines the wider business and social policy imperatives for addressing this challenge, recognising that for those with the most challenging needs this may need to go beyond market-based solutions.

The challenges of later life

Older people face certain specific financial challenges stemming simply from the stage they have reached in their lifecycle. Starting at the point at which they leave work (or in some cases earlier), they must make difficult and complex decisions about how to use the assets they may have built up in pension pots, property or savings. As life expectancies extend, they need to consider how they will stretch their resources over a period that may be getting on for half as long as their working lives, and which may include the uncertain costs of meeting bills for long-term care, should that prove necessary.[70]

Some, too, are sufficiently concerned about the prospects facing their children and grandchildren, especially in relation to the cost of housing, that they are trying to find ways of using their income or assets to help them – introducing intergenerational issues into later life planning. Adding to these concerns is the fact that more people than in the past are now entering retirement with outstanding debts including mortgages – a trend that is likely to continue and potentially extend well into retirement. Furthermore, pensioner poverty, while much reduced in recent years, is still around 14%,[71] and for people aged over 75 poverty levels are higher still, even after allowing for their lower housing costs.[72]

As the pensions landscape evolves, with pension freedoms allowing less restricted access to pension lump sums to people in their 50s and an ending of compulsory annuitisation, many in the policy world are becoming increasingly concerned about the potential for people to misjudge their lifetime needs, spending too much early on, perhaps on the now proverbial impulse-buy Lamborghini,[73] or, alternatively, feeling pressurised to divert money to pay off debt or help other family members, in either case running the risk of exhausting their financial resources too soon.[74] This has not been helped by the sustained period of historically low interest rates following the financial crisis, disproportionately affecting older people, many of whom rely on income from savings.

As they make these complicated decisions about how to use their money and assets, older people are also potentially vulnerable to the problem that those selling financial products and services have far greater expertise and knowledge than they do. This is a type of market failure known as "asymmetric information", which works to the advantage of, and can be exploited by, less than scrupulous financial practitioners.

It is now well established that the impact of asymmetric information is at its most acute when people are making one-off decisions (so that they are unable to learn from past mistakes), especially where these are large, irreversible decisions with long-term consequences. Investment and pension accumulation and drawdown decisions are leading examples. Cases of older people being signed up to poor-value annuities or pension products are all too frequent, and recent freedoms in this area only serve to shift the risks further on to the individual.

Later on in retirement, older people may also, of course, find that certain products are harder or more expensive to obtain as a result of their age, income or perceived life expectancy, adding to the other problems they may face in navigating financial services.[75] This is not helped by the current exemption of financial services provision from age-discrimination legislation, which arguably now needs to be revisited and challenged. Many also fall prey to industry practices that rely on consumer inertia or an assumption that loyalty will be rewarded. Older people and their carers frequently complain of firms raising insurance premia or reducing interest rates on savings accounts, as they see it, by stealth, hitting hardest those who are not accustomed, or in many cases not equipped, to keep reviewing the deal they are getting.[76]

Much attention is currently being focused on these issues and the associated role of guidance and later-life financial health checks in addressing some of the risks. Age UK's Financial Services Commission focused on the changes needed to support improved financial resilience among older people[77] and the FCA and others are now considering what more needs to be done by the financial services sector and associated agencies to tackle the particular financial challenges faced by older consumers in order to ensure they have the products, services and protection that they need, particularly at a time when their capacity to make complex decisions may be declining.[78]

As people enter the very oldest age groups, of course, the challenges they face may in a sense become more straightforward. Just as people in their 80s and 90s must manage daily tasks such as dressing, washing, shopping and meal preparation, so they need be able to manage their basic financial transactions, overcoming the many issues, large and small, that our research has begun to shed light on.

Taking account of current trends, consistent also with our survey findings, we can expect that the majority of the older old will continue to live independently, with an increasing likelihood of living on their own as they age further.[79] Social care provision by local authorities is now only triggered by very high levels of need, a situation that is likely to continue under current foreseeable policy scenarios. Hence for large numbers of the older old, who continue to manage their lives below these thresholds of need, the support of family, friends and neighbours along with, in some instances, privately paid-for care, will, as our work suggests, be of increasing importance, particularly as life expectancies extend.

All of these developments mean that many of the older old will become increasingly likely to need the ability to carry out transactions in their own homes. These will often be simple transactions such as paying someone for shopping. For those who can afford it (or whose relatives make provision for it) there will also be regular tasks such as cleaning, gardening or window cleaning to be paid for as levels of infirmity increase. Finding a way of being able to manage these home-based and typically person-to-person transactions will therefore be fundamental to continued independence in older age.

The path to vulnerability

Many older people in this situation would come within the scope of the FCA's definition of a vulnerable consumer as 'someone who, due to their personal circumstances is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care'.[80]

The FCA characterises vulnerability not just as something that may apply to some – although of course by no means all – people with specific characteristics such as being disabled or in late old age, but also as a fluid state that potentially affects most people at some point in their lives, whether this be due to circumstances such as a sudden illness or loss of income or an event such as divorce or bereavement that may also mean managing money for the first time.

The FCA is quite explicit about its intention to ensure that 'All financial services firms create and put into practice appropriate strategies to address the needs of consumers in vulnerable circumstances'.[81] More interesting still is their observation that vulnerability may actually be generated by firms' behaviours, if individual circumstances interact with market practices such that these practices become responsible for 'crystallising risk into real detriment'.[82] Indeed, as an earlier paper on consumer vulnerability by the Financial Services Consumer Panel noted in this context, consumers can be 'put at a disadvantage by the actions of firms without their behaviour having changed at all'.[83]

This is of course highly pertinent to the now-burgeoning older population which, as our research has shown, is at risk of increasing financial exclusion not necessarily because older people themselves have changed – indeed their reluctance to change is precisely the point – but because external market developments in technology and payments systems and the impact that this is having on face-to-face services, disproportionately affects them. The unintended consequence of progress in one area is increased vulnerability and detriment for groups who do not conform to the 'notion of the average or typical consumer… and how they might behave',[84] the "typical consumer" being of course a fictional character who the FCA argues should no longer drive policy and legislation on consumer protection.

This matters because of its wider implication for those consumers who have become vulnerable as a result of these changes. As the FCA notes in a recent paper on access:

> Without access to financial services consumers can find themselves shut out of modern life.[85]

This raises the issue of whether access to payments systems and other essential financial services would meet the criteria of an "essential service" that should therefore be provided under a Universal Service Obligation – in effect *requiring* businesses to ensure that they were providing services to all consumers, including those in need of special help.[86] The USO already applies in many utilities, and the Queen's Speech in May 2016 trailed the possibility of it being extended to cover broadband provision. It might be argued that the time has come to push for similar treatment for citizens' access to payments systems.

Whether by means of a USO or in other ways, the case remains that we must act to protect that segment of the older population for whom these issues of access now present a key challenge, ensuring that they continue to be able to manage routine financial transactions effectively so that they do not become socially marginalised or forced into institutional dependency with all the attendant costs, both private and social, that this would entail.

Where do the drivers for action lie?

Business drivers

For businesses in the financial services sector there are many potential motivations for taking action to support financial inclusion among the older old, ranging from self-interest, legal and regulatory requirements, to wider considerations of social responsibility.

It may seem that on a narrow profit-focused assessment, the very oldest consumers are the group with the most expensive needs but the least profitable return. Yet with those in their 80s and 90s now the fastest growing consumer group with significant resources of property and wealth, it will be increasingly difficult to treat them as a marginal or niche market. Indeed, on further analysis, businesses might find that being proactive in trying to meet their needs may well have direct business pay-offs and will almost certainly confer indirect benefits.

Treating older consumers well is good for banks' overall reputation, not least because family members and other informal carers will also be bank customers who will increasingly be highly sensitised to this issue. Age UK goes as far as to argue that adapting to the needs of the older population is a bellwether for the quality of service overall, stating that 'one of the insights of age-friendly banking is that if a bank can provide a good service for its oldest consumers it can provide excellent service for all'.[87] Competition to provide innovative products and services for older consumers and their carers may, therefore, stimulate progress within the sector as firms compete for this large market segment.

Banks may also find that they can operate more efficiently and increase staff satisfaction and morale (with knock-on effects on productivity) by training and equipping staff to meet the needs of older people so they feel that they helped overcome their problems. And where banks seek to take preventative action on behalf of older consumers, for instance to identify emerging difficulties or one-off events such as unusual payments that might indicate fraud, they can also save themselves significant cost and time later on.

There are also legal and regulatory drivers for firms to act. Many older people will come within the scope of the Equality Act (2010) as a result of disability, requiring service providers to make reasonable service adjustments to policies and practices. This would, for instance, cover the appropriateness of the communications options available to consumers when they need to contact their financial provider – an area often fraught with difficulty for older people. The industry will also be aware that the FCA has made it clear that when taking enforcement action in relation to the requirement to treat customers fairly it will have regard to the impact of an institution's practices on vulnerable people.

Finally, there is the broader issue of social responsibility which many in the sector will want to have regard to, particularly if this can be addressed collectively so that costs are shared across the industry, avoiding the "free rider" problems that might otherwise arise. Indeed, the partner banking agreement which is in place between all of the main banks and the Post Office and which supports the operation of the Banking Protocol is in effect just such a mechanism. In return for providing a basket of services on behalf of banks the Post Office receives a transfer payment to cover the costs incurred. This enables the banks to continue to deliver a range of basic level transactional services through a comprehensive national network operated by a third party, with the costs shouldered collectively, while allowing individual banks to close down their less profitable high street branches.

The British Bankers' Association's work to implement the recommendations of the Vulnerability Task Force is another example of how collective action can work to draw in the whole industry to make vital improvements in areas such as third-party and carer support that have a society-wide benefit, and almost certainly also deliver business benefits in the process.

Social drivers

Aside from considering the judgements and motivations of businesses within the sector, the case for action on behalf of older consumers also extends to the wider social arguments for supporting this group in continuing to manage their day-to-day finances. These are worth rehearsing, as they are as relevant to this aspect of older peoples' lives as they are to other basic daily tasks.

If as a society we take the view that investing in services and support that enable older people to remain independent for longer is a valid preventative policy stance, then we need to apply that logic to this most crucial of activities. The ability to access money and have an effective means of paying for life's necessities must be understood as being as fundamental as being able to continue with basic functions such as washing, dressing and eating. If we do not find a way of ensuring that older people can carry out routine financial transactions, even if it is as simple as paying a neighbour for shopping, then all the other support we provide to them with other daily tasks may not in the end be sufficient to enable them to continue to live independently.

As argued in our final section, we must therefore be prepared to provide the resources to enable this to happen, avoiding the more costly alternative of pushing people into institutional or other dependency earlier than is necessary.

FOOTNOTES

70 There is of course a generic problem that we do not usually know how many years of life we have left. Some people are therefore likely to live for much longer than they expected, increasing the likelihood that they may not have made sufficient provision for these extra, potentially expensive years – a situation described by advisers in the industry as 'longevity risk'.

71 DWP (2016) *Households Below Average Income: 1995/5 to 2014/15*. The measure of poverty used is an income of less than 60% of the median income after housing costs.

72 Independent Age (2016) *The overlooked Over-75s: Poverty Among the 'Silent Generation' who Lived Through the Second World War*.

73 Webb, S. 'Pension Pots 'Can Be Used to Buy Lamborghinis', says Minister'. *Guardian*, 20th March 2014. https://www.theguardian.com/money/2014/mar/20/pension-pots-used-lamborghinis-minister [accessed 11th August 2016].

74 Keohane, N., Evans, K., and Richards, B., (2015) *Golden Years? What Freedom and Choice will Mean for UK Pensioners*. Social Market Foundation.

75 One case we were told of included a pensioner who had been a model customer at the same bank for 53 years as well as being a former employee, but was turned down for a cheque book account she had applied for purely on the basis of her annual stated income.

76 In the case of insurance premia, the FCA is now taking action to require firms to put the previous year's price in a prominent position in renewal quotes in order to help end the situation in which 'longstanding customers [are] paying more than new customers for the same product', with those most affected often being older consumers. The measure is due to take effect from April 2017. FCA (2016) PS16/21: *Increasing Transparency and Engagement at Renewal in General Insurance Markets*. http://www.fca.org.uk/your-fca/documents/policy-statements/ps16-21-Increasing-transparency-and-engagement-at-renewal-in-general-insurance-markets [accessed August 12th 2016].

77 Age UK (2014) *Financial Resilience in Later Life*.

78 Research by the Money Advice Service has found some evidence of reduced financial capability in older people, reporting that 'functional numeracy and awareness of key financial terms and concepts declines steeply after age 70'. This may partly be a cohort effect, but will also have it roots in long-term decline in cognitive skills such as numeracy. Money Advice Service (2015) *Financial Capability Survey*.

79 A recent report by the Centre for Ageing Better confirms the high value placed by older people on being independent at home – it was ranked third (after health and financial security) as an important key dimension of a good later life. Centre for Ageing Better (2015) *Later Life in 2015: An Analysis of the Views and Experiences of People Aged 50 and Over.*

80 Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) *Consumer Vulnerability*. Occasional Paper 8, Financial Conduct Authority.

81 Rowe, B., Holland, J., Hann, A., Brown, T. (2014) *Vulnerability Exposed: The Consumer Experience of Vulnerability in Financial Services*. Financial Conduct Authority.

82 Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) *Consumer Vulnerability*. Occasional Paper 8, Financial Conduct Authority.

83 Financial Services Consumer Panel (2012) *Defining Consumer Vulnerability and Disadvantage*. https://www.fs-cp.org.uk/sites/default/files/defining_disadvantage_vulnerability._20_december_2012.pdf [accessed 12th August 2016].

84 Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) *Consumer Vulnerability*. Occasional Paper 8, Financial Conduct Authority.

85 Collard, S., Coppack, M., Lowe, J., Sarkar, S. (2016) *Access to Financial Services in the UK*. Occasional Paper 17 Financial Conduct Authority.

86 This is in fact an argument that was put forward by Age UK five years ago in their 2011 report *The Way We Pay: Payment Systems and Financial Inclusion*.

87 Age UK (2016) *Age-friendly Banking, What It Is and How You Do It*.

CHAPTER 5
WHAT IS NEEDED NEXT: RECOMMENDATIONS FOR ACTION

Building on the preceding discussion, it would seem that the changes required to support older people in remaining financially independent will depend on a mixed economy of responses.

Leadership within government (both national and local) and by regulators and the industry will need to be backed up by collective action from within the sector. In some areas, market or other pressures will bring about change, but where this is insufficient, government or voluntary sector funding may be needed to fill gaps for those with higher levels of need.

At government level, age proofing of financial services should be embedded at ministerial level, with clear responsibility allocated for ensuring that the needs of older people, especially those in their 80s, 90s and above, are considered across all areas of policy. An early priority would be to consider what further action is required to maintain financial inclusion for the older old, and to end the sector's exemption from the age discrimination provision in the 2010 Equality Act.[88]

While the FCA clearly has some leverage to steer industry towards meeting the needs of older consumers and to advocate on their behalf, it does not have any specific objective or duty around consumers' access to financial services or financial inclusion more generally. There may be a case for this to be reviewed so that they are given a more robust role that potentially includes a statutory duty to promote financial inclusion, as has previously been proposed by the Financial Inclusion Commission.[89]

Within the financial sector, the business, legal and regulatory imperatives already outlined will continue to drive innovation and improvements in areas such as design of hardware and front-end facilities, as well as the crucial area of carer banking and third-party access. There may be a case for government to encourage further progress in this area, for instance through tax incentives to stimulate further advances in age-friendly design or by supporting safe spaces to develop innovative products, taking the lead from initiatives such as the FCA's Project Innovate. Government support in mediating collective agreements or initiatives along the model of the Access to Banking Protocol could also help bring forward innovations in service delivery or other areas.

At a certain point, though, it has to be recognised that the market is unlikely to provide a full solution. As the FCA notes, 'how firms deliver products and services to consumers is largely considered a business matter, which means there is, for example, no current legislation or regulation governing access to branch networks'.[90] Even the Access to Banking Protocol recognises banks' absolute right to close branches, with its provisions relating only to community engagement about impact and post-closure provision.

In view of this, we must recognise that protecting access to a viable and safe physical banking infrastructure for all older people, whatever their challenges, including potentially within day facilities that they are helped to access, might need to be viewed as a public good: something that the market does not have sufficient incentive to deliver in the form in which it is needed, but that society overall values and supports. It would therefore need some sort of collective funding to overcome the cost barriers and free-rider problems that would mitigate against the industry providing it voluntarily.[91]

Potential sources of funding for this might include a dedicated industry levy (no doubt meaning that costs are passed on to consumers generally, hence becoming a form of cross subsidy to fund the older population's needs). Alternatively, funding might be secured directly from the charitable or public sector, with the money passed on to an agency tasked with delivering the service.

Whatever the mechanism, provision of funding to support financial inclusion for the older old would need to be identified and justified on a preventative rationale by considering the greater costs of *not* providing an effective banking and payments service to this age group. Where people's capabilities and circumstances in very old age risk excluding them from continuing to carry out daily financial transactions in the future, then just as with other daily functions, they will become fully dependent if they are not enabled to overcome the barriers. From society's point of view that is by far the more costly option.[92]

Pulling these strands together with the detailed scenarios and proposals set out in Chapter 3 we put forward the following **policy recommendations**:

Governance and regulation

Recommendation 1

Champions tasked with embedding age proofing in financial services should be appointed at government, industry and institutional levels. Their role should be to ensure that sustained action to tailor policy development and service delivery to the needs of the older population becomes the norm. This should be supported by **repealing the sector's exemption from age discrimination legislation** (Equality Act 2010).

Recommendation 2

The FCA should be given a stronger role in promoting and supporting age-inclusive products and services, with the **potential for a new statutory duty to promote financial inclusion.**

Maintaining a viable physical infrastructure

Recommendation 3

The industry should **commit to long-term funding of a national physical banking infrastructure** that continues to include a face-to-face service for all customers who require it, in order to replace the continuing loss of bank branches. This should either be via the existing Post Office partner banking service or a similarly inclusive solution that means customers can easily access the services of their own bank in a convenient local outlet.

Recommendation 4

The industry should be supported to **develop innovative ways of providing services to older people in their homes**, including a service to deliver cash by post or as an add-on to other home delivery services and, where required, arranging home visits for specific purposes.

Recommendation 5

There should be a national initiative supported by government and the voluntary sector to provide **pop-up banking services within existing day facilities** for those who, due to mobility, frailty or other issues, cannot use mainstream outlets for everyday tasks and need to have a supported environment with specialist assistance.

Provision for delegation and support to families

Recommendation 6

More work is needed by the industry to devise **new and better ways for older people to give limited powers to trusted carers** to carry out tasks such as cash withdrawal, without them having to hand over wider control of their finances. This should include products that can be tailored to particular needs and reviewed as appropriate.

Recommendation 7

Where carers do need to take greater control through mechanisms such as a Lasting Power of Attorney the industry should ensure that there are **common processes and minimum standards in place** to deliver on this. This should include making sure that staff have the **training and expertise to support older people and their carers** in identifying options and implementing timely solutions.

Recommendation 8

The industry should continue to work with carers and, where appropriate, other authorities to **protect the interests of older consumers where abuse, fraud or declining capabilities are leading to significant risk** or detriment.

Age-appropriate design and practice

Recommendation 9

The government and regulator should **consider how further innovations in age-friendly design of products, services and technology might be encouraged**, and work with the industry and other organisations to develop new ideas, provide safe spaces to innovate and leverage intelligent technology to support older people in staying financially included.

Recommendation 10

As new physical banking services are developed, older people's need for adapted spaces should be considered and designed for from the start. **All staff involved in service delivery should be equipped to support older people** by communicating effectively, helping them adapt to changes and identifying areas where they may be at risk or need further advice.

Understanding and planning for future needs

Recommendation 11

All data collection and research on older people, including for official data, should in the future **include a separate category for those aged 80 and over**, ending the existing practice of lumping everyone over retirement age into a single category of "older people" despite the very different needs of the rapidly growing demographic of the older old.

Recommendation 12

Research on the next generation of the older old – which might usefully focus on the large numbers of post-Second World War baby boomers now entering their 70s – should look at how they manage technology as they enter their 80s and 90s, including how they cope with developing physical and cognitive challenges, in order **to identify what the main challenges of ageing are for those who experienced the internet revolution in their mature years**, and how this might impact on their ability to remain financially included in a digital and increasingly cashless world.

FOOTNOTES

88 The current All Party Parliamentary Group (APPG) on Ageing and Older People would obviously be a potential leading player in this.

89 Financial Inclusion Commission (2015) *Improving the Financial Health of the Nation*. http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf [Accessed 19th August 2016].

90 Collard, S., Coppack, M., Lowe, J., Sarkar, S. (2016) *Access to Financial Services in the UK*. Occasional Paper 17 Financial Conduct Authority.

91 The case for collective action to protect a national banking infrastructure as a public good can also be made on wider economic grounds – for instance if the loss of high street banking facilities affects the viability of some businesses in small towns or rural areas, then this will accentuate existing economic polarisation and, again, affect the most vulnerable who depend on local shops and outlets for their day-to-day needs.

92 Research by Age UK confirms the cost effectiveness of this sort of upstream investment as a means of reducing downstream costs. Their analysis of the effectiveness of general day services for older people (that is, services and activities delivered outside people's homes) concludes that 'the extension of independence… can delay or prevent a move to expensive care homes, thereby achieving long term savings elsewhere'. Age UK (2011) *Effectiveness of Day Services*.

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Will the ever-growing population of people in their 80s and 90s become financially excluded as everyday banking tasks are automated and high street branches close their doors?

What can we do to help the older old overcome the barriers they face?