



July 2014 | Lone Parents and Financial Inclusion

Every month we invite a response to our short, 3 question survey. Our survey for July 2014 was in relation to financial inclusion of those parenting alone or sharing parenting. The aim of the survey was to identify the extent to which people have access to financial services and the impact of this for lone parents.

The Questions

1. Do you have a bank account with VisaDebit (Laser) Card?
2. Do you have a Credit Union, An Post or any other Savings Account?
3. Have you ever used a PayDay Loan Company such as Provident; or other loan services or credit cards to help you get by?

The Results

Figure 1

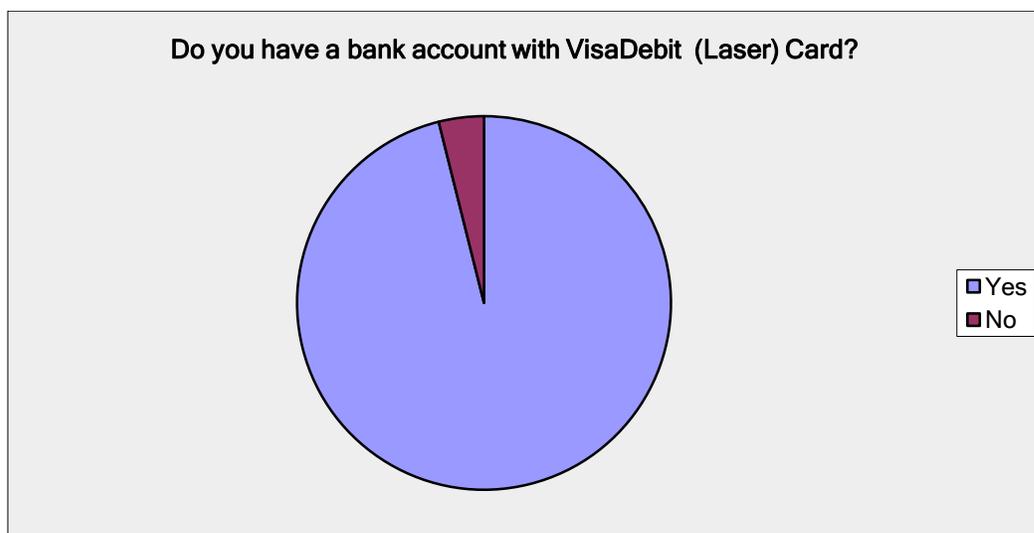


Figure one above shows that the majority (96%) of those surveyed have a bank account with a VisaDebit (Laser) card. Only 4% stated that they did not have a bank account. While those parenting alone clearly have access to a bank account, many of the respondents spoke of the fees associated with their account and debit card. One lone parent had her bank account closed down as a result of unpaid fees.

“They take lots of money for debit card and will not give you any explanation for that.”

“Didn't have money to meet bills and ended up with lots of unpaid fees so it got closed on me.”

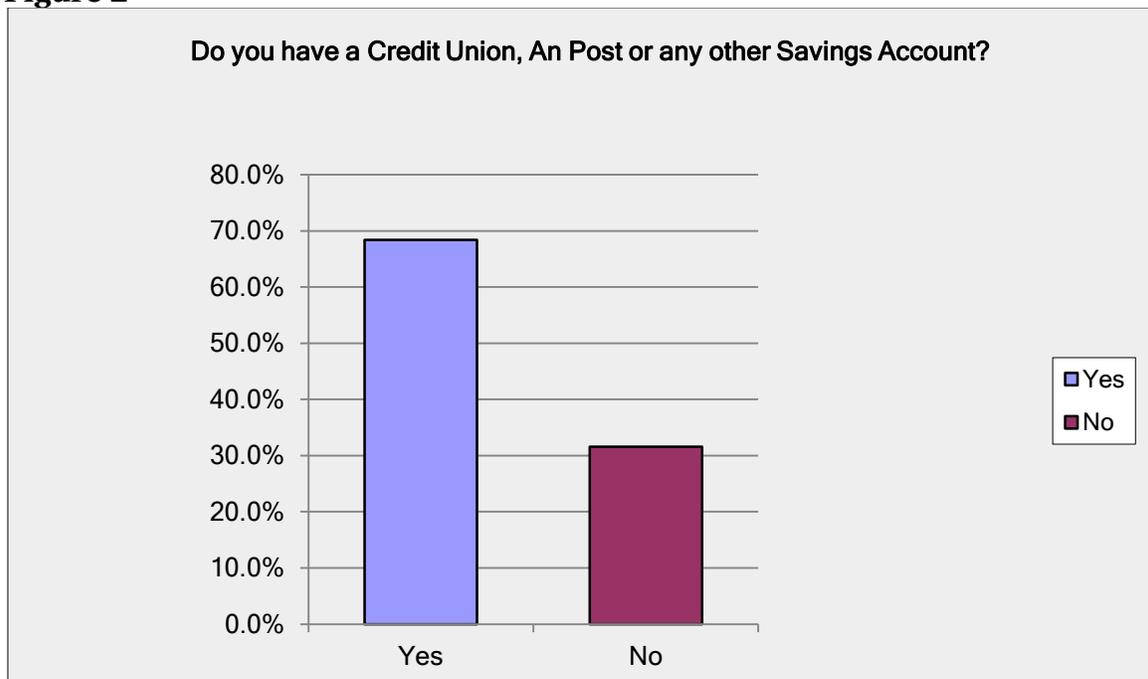
Another respondent said that while they had an account they did not use it regularly and did not see how it was useful to them, preferring to use cash.

“I don't use the account for anything.”

Others used their account to manage their finances in a more structured way.

“All social welfare gets paid in and I have a standing order to pay rent each week so I don't fall into arrears.”

Figure 2



As shown in Figure two, almost 70% of those surveyed have a credit union, An Post or other savings account. The remaining 30% did not have any type of savings account. Despite a large number of respondents having a savings account many stated that their savings had reduced significantly due to increasing living costs.

“Have nothing left in credit Union, anything saved every month is used to subsidise my salary every few months.”

“I have taken nearly all my savings from my credit union for bills”

A number of people use their credit union account to borrow for out of pocket annual expenses such as Christmas, using their existing savings as security on these loans.

“I have a credit union to borrow from to help with big events such as Christmas, big bills, the car and college fees.”

“I have a loan that I get every Christmas because I could not afford to have Christmas if I did not borrow.”

Despite financial constraints and tight budgets some lone parents still manage to save a small amount on a regular basis.

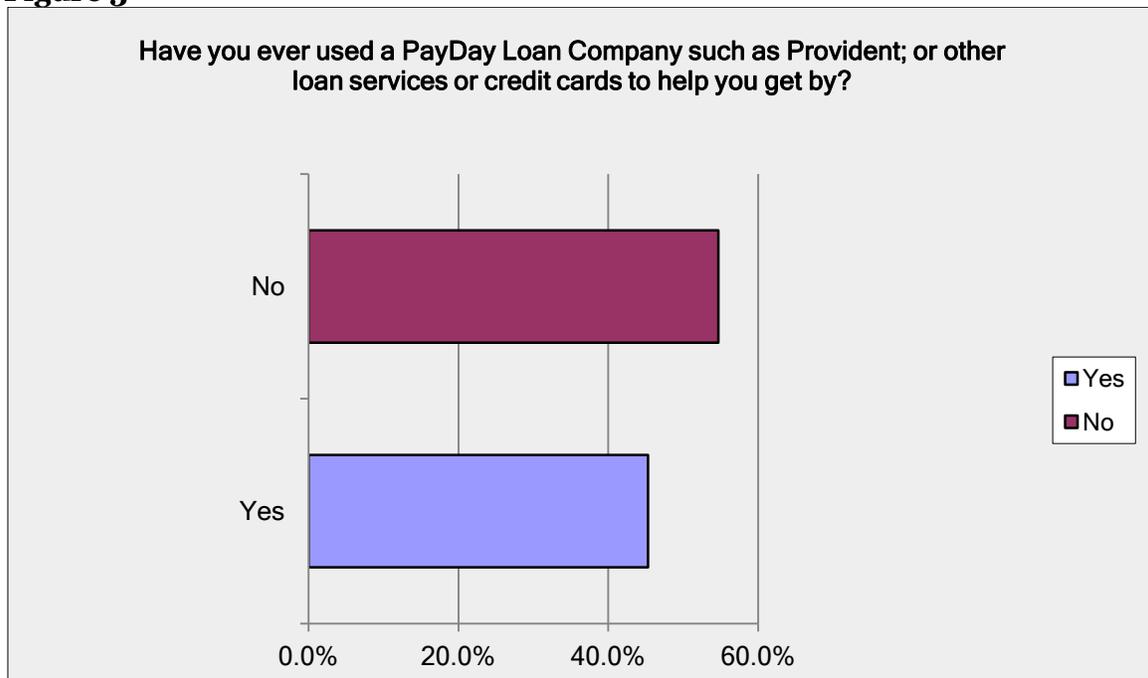
“I try to put a fiver in a week as I don’t work.”

“Still do save a small amount each month in a bank account and have about €1,000 in savings for major emergencies.”

Those that have no savings account stated that there was simply no money left over to save after paying all essential bills.

“I can't afford to live never mind save”

Figure 3



Just under half of those surveyed have used a service such as Provident, credit cards or other loan services to pay for basic living expenses (see Figure 3). This has resulted in people accruing increasing debt. Despite this many feel that it is the only option they have when extra income is needed.

“Credit card is permanently maxed out.”

“When my children were very young I depended on Provident for anything extra that I needed to buy especially back to school.”

“I started to rely on Provident for Christmas, birthdays or bills, only way I can get by.”

“There are occasions liked xmas, machines breaking down, back to school when I can’t stretch my money any further and need loan on the spot, have used Provident for a number of years. I don’t always pay exact money but somehow I manage to pay a bit every week where as if I was with the credit union I would have to pay a set sum each week or destroy my credit rating with them.”

Over half (55%) have not used pay day loan companies or credit cards to get by. Many felt strongly opposed to this type of credit.

“Wouldn't use Provident etc and the banks won't give me a credit card or loan because I'm "only a part-time" worker.”

“I would go without rather than touch these. Interest way too high I am bad enough as it is.”

“I watched a Primetime documentary on Provident a couple of years ago and since then I refuse to borrow from them no matter how broke I am.”

While some have managed to avoid using high interest loan options, increasing financial pressures have left people feeling that they may have little choice in the future.

“I have a credit card but no longer have access to the available credit on my account as have fallen behind on repayments on numerous occasions. This has a knock on affect that I can no longer get any credit from my bank etc. Have seriously considered using Provident, have so far avoided it but cannot say I will always be able to.”

In conclusion, while the majority of lone parents have a bank account, many only have access to credit from high interest loan companies or credit cards. Lack of access to affordable credit is an important and often forgotten aspect of poverty. Despite many respondents having a savings account, inability to save with a local credit union, which has lower interest rates, means that people are forced to borrow from higher interest options which lead to escalating debt.

Many people parenting alone are struggling to manage their finances and are falling into arrears. This can have a direct influence on parents’ ability to lift themselves out of the poverty trap and can also have a negative impact of mental health. There is clearly a need to expand financial services available to people parenting alone such as making low interest loans available with flexible repayment plans. Education is also needed around managing finances and making sound financial decisions on a limited budget.