

Plans announced for new UK wide No Interest Loan Scheme pilot

- Local and national partners sought to deliver No Interest Loan Scheme pilot with Fair4All Finance, Toynbee Hall and Fair by Design
- Pilot will test whether this scheme can be scaled to make resources go further to improve financial wellbeing for customers in vulnerable circumstances
- Millions more people have become financially vulnerable during Covid, requiring urgent support - the pilot will target such individuals

Fair4All Finance is teaming up with Toynbee Hall and Fair By Design to deliver a No Interest Loan Scheme (NILS) pilot, the first of its scale across the UK, with £3.8m in funding from HM Treasury and up to £1m of lending capital from each devolved administration, matched in England by Fair4All Finance.

The loans will provide a vital financial cushion for people unable to access or afford existing forms of credit, but who can afford to repay small sums, by offering a way to spread essential or emergency costs.

The scheme will kick off with proof of concept loans in Autumn 2021, followed by a wider two year pilot in up to six areas of higher deprivation starting in Autumn 2022.

Fair4All Finance, Toynbee Hall and Fair By Design will design and deliver the pilot in collaboration with HM Treasury and the governments in Northern Ireland, Scotland and Wales. They will work with credit unions, Community Development Finance Institutions (CDFIs) and other regulated lenders, who will be able to apply to administer the loans through a formal procurement process starting in November.

Local councils, housing associations and charities will be encouraged to form partnerships with lenders and provide co-funding to help increase the amount of people the pilot can reach. These partnerships are key to the success of the scheme.

The NILS pilot aims to test the benefits to customers, society and the economy and show whether a permanent nationwide NILS can be delivered in a sustainable way.

There will be a period of market engagement for the wider pilot over the next few months to gather further feedback on the scheme design and match local partners. Interested organisations are invited to attend two upcoming webinars to find out more:

- The first webinar on Tuesday 21 September will provide more detail on the pilot and strategy behind it, with a few words from John Glen, Economic Secretary to the Treasury. [Click here to register](#)
- The second webinar on Tuesday 28 September will focus on the wider pilot procurement, contracting, co-funding, pricing and delivery. This will also cover the opportunities to pilot other unrelated products with Fair4All Finance which makes for a much larger scale and duration of contract. [Click here to register](#)

John Glen, Economic Secretary to the Treasury said:

'Backed by a £3.8m boost at Budget 2021, our No-Interest Loans Scheme pilot is making good progress and it's excellent to have Fair4All Finance on board. I now want to see lenders and organisations committed to financial inclusion supporting this innovative new scheme, which could make a vital difference for people right across the UK who can't access or afford existing forms of credit.'

Sacha Romanovitch OBE, CEO of Fair4All Finance said:

'Following the Covid-19 crisis, over 14m people are in vulnerable financial circumstances. Many of these people struggle to access financial products and services to help them manage their essential needs through the crisis, including credit. New ideas and solutions are needed.'

'We're delighted to be working with Toynbee Hall, Fair By Design, HM Treasury and the Devolved Administrations on this innovative approach. Using community finance lenders to deliver these loans allows the scheme to benefit from their lending experience, local knowledge and existing infrastructure.'

'We encourage housing associations, charities and local authorities to team up with providers and help us prove that customers in vulnerable circumstances across the UK can be served in a fair and sustainable way.'

Sian Williams, Director of Policy and Innovation, Toynbee Hall said:

'Too many households still can't access any affordable credit, which leaves them trapped – unable to spread larger essential costs, and unable to take positive steps forward like putting down a deposit on a safe, secure home or pay for transport so they can apply for work. Australia's Good Shepherd scheme clearly demonstrates how giving a no-interest loan can unlock someone's potential and help them move forward economically and socially.'

'Toynbee Hall are therefore delighted to support this pilot to test whether a similar no-interest loan scheme can bring those transformational benefits to excluded consumers in the UK, and so increase financial inclusion and resilience at a time when so many families have experienced a financial shock from the pandemic.'

Carl Packman, Head of Corporate Engagement, Fair By Design said:

'A poverty premium exists for many low income individuals accessing credit today. This means we often see lending firms charging large sums for small loans and borrowers ending up paying several times the amount they've borrowed, just for the same sort of finance that many better off households take for granted.'

'That's why we're very excited to be working on the rollout of the No Interest Loan Scheme pilot. It's very important we test and learn what kind of products and services are needed to truly help low income citizens meet their financial commitments and ambitions.'

Shona Robison, Scottish Cabinet Secretary for Communities, Social Security and Equalities said:

'We look forward to collaborating on this pilot. We want to encourage community lenders and their local partners to get involved. Tackling poverty is not just a priority for this government, but a national mission. That is why we have invested £1 million in our Affordable Credit Fund.'

'This No Interest Loan Scheme will offer a helping hand to those who would otherwise be unable to borrow money at a reasonable rate. It will help them manage any emergency or essential spending by offering no interest repayments that are affordable.'

Jane Hutt, Welsh Minister for Social Justice said:

'The need for affordable credit is rising and as we recover from the pandemic, innovative solutions like the No Interest Loan Scheme are needed and I welcome any such intervention which helps financially vulnerable people to be able to borrow fairly, affordably and responsibly.

'It is with much eagerness that Wales will be taking part in the Scheme's pilot, working with Fair4All Finance across the UK's four nations. I am grateful we will all work together to test this new approach, helping to improve access to affordable credit for low-income households.'

Theodora Hadjimichael, CEO of Responsible Finance said:

'CDFIs are a lifeline for thousands of households across the UK. Their heroic response in the pandemic saved people from falling into hardship or the hands of high-interest and illegal lenders. The launch of the No-Interest Loans pilot comes at a time when more and more people have limited options if they need credit. It's a great step to increasing financial inclusion across the whole of the UK to help more people build or restore their financial well-being. The CDFI sector is committed to harnessing our infrastructure to make it work.'

Robert Kelly, CEO of ABCUL said:

'ABCUL welcomes the opportunity to engage in this NILS pilot and to determine the role that credit unions may play in its successful implementation – the need to support those financially vulnerable with a broader range of products and services has never been more evident. Credit unions have a tremendous track record in building financial resilience across communities all over the country and we will approach the build and delivery of this scheme with collaboration and co-operation at the forefront of our minds.'

Phil Andrew, CEO of StepChange Debt Charity said:

"This is excellent news. StepChange has been calling for a No Interest Loan Scheme since 2018 for people who have essential borrowing needs and could afford to repay a capital loan over time, but not the high-cost interest that accompanies the current commercial offerings.

"High-cost credit can create a debt spiral of harm to households who are already in a financially precarious position. People facing financial difficulties need an alternative, and the launch of this NILS pilot is a fantastic first step towards giving people a more positive option."

Ends

Note to Editors

Background

Fair4All Finance, Fair By Design and Toynbee Hall have been working with HM Treasury over the last year to take forward key design questions for a No Interest Loans Scheme pilot. This work follows research by London Economics and has also been informed by The Good Shepherd scheme which exists in Australia.

HM Treasury announced £3.8m in funding for a pilot in the March 2021 budget. Fair4All Finance will provide seed funding to help administer the scheme in England and all of the devolved administrations have agreed to participate and fund the pilot.

Fair4All Finance is teaming up with Fair By Design and Toynbee Hall as the central delivery function. The first phase of the pilot is a proof of concept starting in Autumn 2021. This will test the hypotheses that there is demand for a NILS, benefit to customers and community finance providers and a way to build a sustainable, permanent solution.

Following the proof of concept phase, there will be a wider pilot rollout starting in Autumn 2022. The procurement process for that will start with a period of market engagement over the next few months.

The ultimate objectives of the pilot are to:

- 1 Evidence whether there are positive customer outcomes and wider fiscal and societal benefits because of the scheme
- 2 Prove whether there is a model for sustainably delivering a permanent NILS solution in the UK by determining the cost of the scheme and therefore the support required to make the scheme sustainable

The pilot is expected to run in two to three locations in England and one location across each of Northern Ireland, Scotland and Wales.

It will aim to test several variables, including loan amounts (average loan value is expected to be £500), repayment periods and terms, and determine repayment rates. Impact and process evaluation will be ongoing, feeding iterative improvements to the loan process, including eligibility.

The pilot contracts are being procured to be capable of extension for a further five years should further funding become available to continue NILS and to be used for piloting other products relevant to this customer group, so the contract values are significant.

About Fair4All Finance

Fair4All Finance is a not for profit organisation founded in early 2019 to increase the financial wellbeing of people in vulnerable circumstances by increasing access to fair, affordable, and appropriate financial products and services. We have three main priority areas:

- **Expanding provision of affordable credit** through a scaled community finance sector
- **Partnering with banks and financial services providers** to support the delivery of products and services for customers in vulnerable circumstances
- **New product and market development** – developing and scaling products and services to address market gaps

You can find our full strategy [here](#).

About Toynbee Hall

Based in the East End of London since 1884, Toynbee Hall works with the local community and a wide range of partners to shape a fairer and happier future. We identify systemic failures which create exclusion and hardship, whether from public policy, legislation, regulation, service or product design, or any form of cultural influence. We ensure that people affected by those failures are involved in designing solutions through connecting Experts by Experience and Peer Researchers to decision-makers and innovators, and supporting them to influence effectively for change. Since 1995 we have been working with people experiencing financial exclusion to identify the systemic causes, pilot effective solutions and connect those affected with change-makers to create better policies and practice. You can read more about our work [here](#).

About Fair By Design

Fair By Design is dedicated to reshaping essential services, like energy, credit and insurance, so they don't cost more if you're poor. People in poverty pay more for a range of products including energy, through standard variable tariffs; credit, through pay day loans; and insurance, through post codes considered higher risk. This is known as the poverty premium.

We collaborate with industry, government, and regulators to design out the poverty premium.

Our Venture Fund provides capital to help grow new and scalable ventures that are innovating to make markets fairer.

Fair By Design was conceived by the Joseph Rowntree Foundation and Big Society Capital. The Barrow Cadbury Trust manages the Campaign, and Ascension Ventures manage the Venture Fund.