Beyond Crises: Building Financial Foundations

Cash First Communities 2026

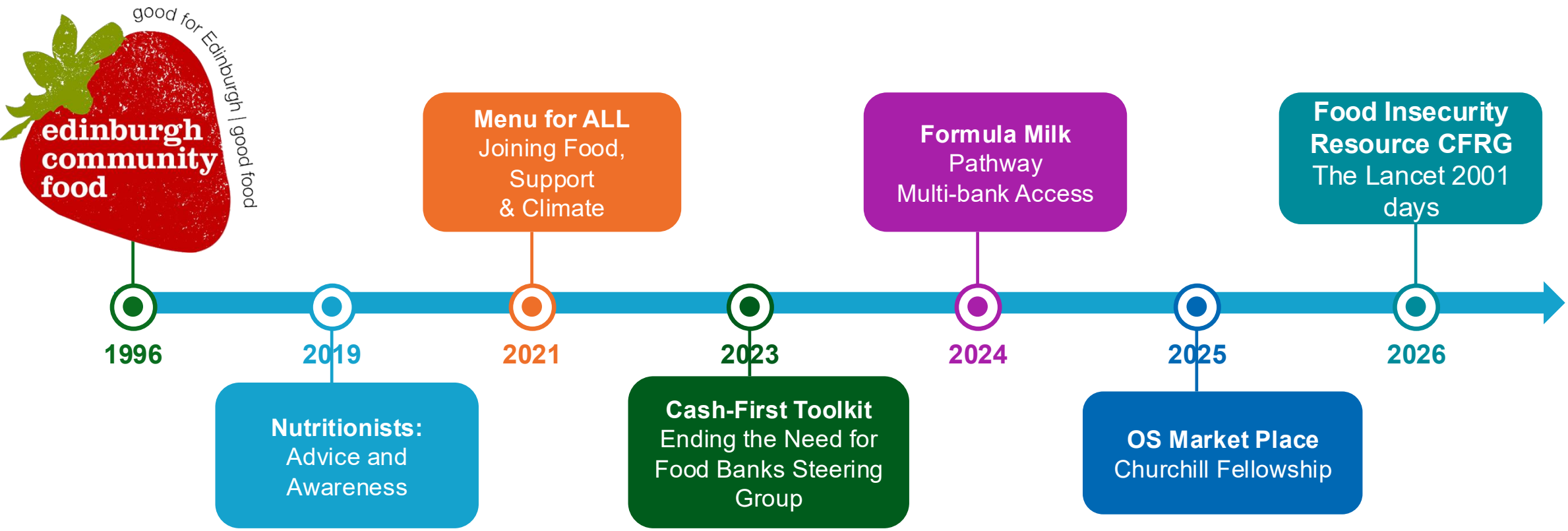


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Crisis Pathway to Financial Foundations



Crisis pathway: financial insecurity → food insecurity → stress and poor health outcomes → crisis.



Upstream shift: build financial foundations before families cycle back into emergency need.



Foundation pathway: financial foundations → stability and resilience → better health and reduced crisis demand.

The Problem We're Still Not Solving: Crisis as the Default

Scotland's cash-first progress is real, but people are still pushed into crisis because the *foundations* of financial security remain weak.

Food insecurity is still treated as an emergency outcome rather than a predictable result of low income, insecure work, and administrative barriers.

Fellowship: young mothers and families face structural drivers of hardship — rurality, childcare gaps, digital exclusion, and the cost of participation.

Crisis pathways (food banks, vouchers, emergency grants) remain easier to access than long-term stabilising support.

Cash-first must evolve from crisis response to financial infrastructure building.

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Improving Health Outcomes in Young Mothers and Children

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Early motherhood is where financial foundations matter most — and where the system is weakest.

- Food insecurity in pregnancy and early childhood is driven by *administrative churn* (benefit transitions, childcare payments, maternity discrimination).

- Rural and structural drivers (transport, housing, isolation) amplify financial fragility.

- Mothers rely on informal networks because formal systems are slow, complex, or punitive.

If we stabilise mothers, we stabilise whole communities.

What People Actually Need to Stay Out of Crisis



Takeaway: Income alone isn't enough — people need the *infrastructure* that lets income work.



Fellowship insight: Financial security is shaped by **banking access, credit history, debt environment, and administrative literacy**, not just benefits levels.



Evidence from frontline partners: people cycle in and out of hardship because they lack safe, affordable credit; support to navigate deductions, sanctions and childcare costs; and predictable income flows.

Beyond Crises:
A Framework for Building Financial Foundations

Income Stability — automation of entitlements, childcare cost smoothing and inflation-linked benefits.

Financial Access — guaranteed bank account access, credit repair pathways and community banking partnerships.

Debt & Risk Reduction — early intervention on arrears, rent/debt triage and safe consolidation options.

Capability & Confidence — embedded financial coaching, peer support and trusted relationships.

IFAN's cash-first approach: *moving upstream from emergency to prevention.*

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The role of financial infrastructure and literacy in helping people step off the crisis treadmill

ADDRESSING ECONOMIC DISPARITIES AND ACCESS TO RESOURCES

Financial Inclusion & Income Challenges

Impact of Structural Financial Challenges:

- The cost of living
- The cost of debt
- Poor living environment
- Political instability
- Exclusion from financial systems
- Disproportionately impact those on the lowest income

Critical Financial Exclusion Factors:

- Unclaimed welfare benefits – Policy into practice identified £23b of unclaimed Welfare Entitlement across the UK. The Welfare System is complex, particularly for people in part time or low income employment.
- Despite legal requirements, there is still evidence of minimum wage non-compliance Research by the Low Pay Commission estimate there are 370,000 workers being underpaid.
- Not having access to a bank account and ability to set up Direct Debit, means those households are unable to access the lowest tariffs.
- No access to banking or a credit history excludes people from affordable credit options and forces them towards loan sharks and other high interest options.
- Highest levels of debt, for which clients seek help from our services are public debts, for Council Tax and Rent. People are caught in a cycle of debt repayment, where nobody is a winner.



Why Financial Inclusion Matters

Importance of Financial Inclusion:

- Financial inclusion supports economic stability and social wellbeing, especially during economic uncertainty.

Barriers to Access:

- Lack of community banking facilities
- Poor financial education, understanding and the associated stigma in asking for help
- Threats from illegal lenders being identified, keep this a hidden reality.
- Lack of knowledge and confidence amongst providers in having meaningful conversations that break down these barriers

Solutions and Impact:

- Income Maximisation
- Awareness of and access to the best tariffs
- Increasing knowledge and confidence of providers to have open conversations
- Access to truly affordable credit through partnerships with Financial Institutions



Access to Low-Cost Credit and Interest Rates

Role of Credit Unions

- Credit unions offer affordable loans with interest rates lower than payday lenders, reinvesting surplus to reduce costs. However, that model may not be scalable in every community, even in cities like Edinburgh where the very rich and the very poor live in close proximity.
- We need to work in partnership with the mainstream banks to create the economic circumstances that remove the stigma and barriers to “sub-prime” lending.

Interest Rates

- Interest rates need to be as low as possible.

Link to savings:

- Financial institutions do not make a lot of money from low interest lending. Instead, money is made from savings. Through Income Maximisation, reduced debt, reduced cost of living, better financial stability, access to and then increased understanding of the value of saving, even people on a low income, if supported on scale, could create the levels of savings to be of interest to mainstream banks.

Promoting Uptake

Improving awareness, simplifying applications, and fostering partnerships can increase low-cost credit use and piloting the test of change to see if savings and financial stability and independence can be achieved and replicated.





Key Insights and Strategic Actions

Income Gap and Entitlements

Many households face income gaps due to unclaimed benefits and wage underpayment, highlighting a key intervention opportunity.

Risks of Unsafe Borrowing

Financial pressures increase reliance on unsafe borrowing, underscoring the need for affordable credit access and early support.

Cost Management Strategies

Direct Debit and similar tools help manage household expenses but require wider adoption for maximum benefit.

Coordinated Strategic Approach

Combining advice, policy, and partnership working with mainstream financial institutions is essential to tackle financial exclusion.

Call upon all Financial Institutions who have a substantial footprint and benefit from operating in Scotland to proactively work with the 3rd sector to find solutions to these issues.



Questions

What Scotland Could Do Next — What We Can Build Together

Workshop: A call to action for the room — practical, collaborative, and system-shifting.

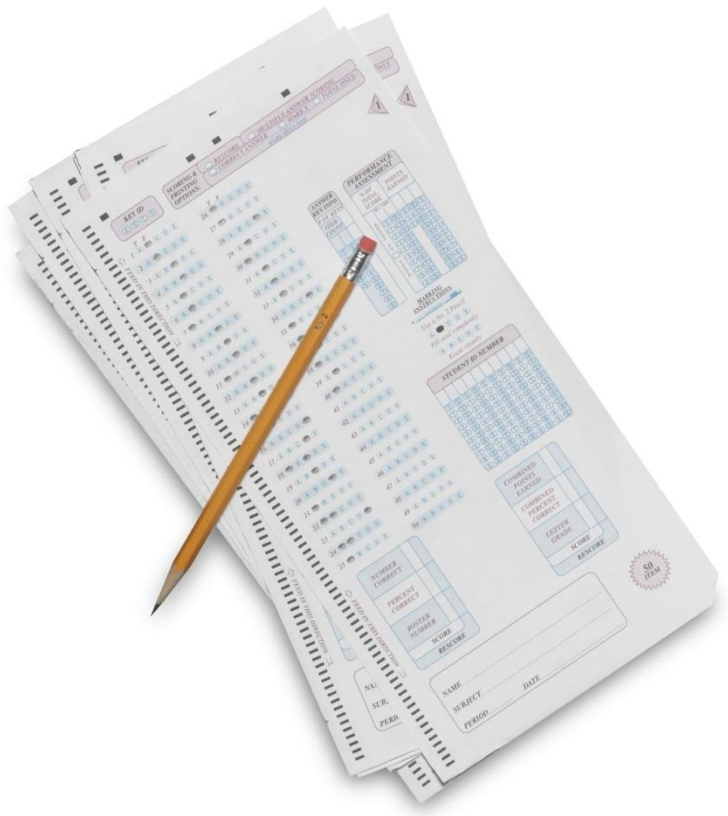
Community level: Co-design with mothers and people with lived experience; build trust-based delivery models.

Local level: Integrate financial foundations into Cash First referral pathways; embed income maximisation, credit repair and banking access as a single offer.

National level: Align with the 2023 plan to end the need for food banks; advocate for structural reforms (benefit automation, childcare affordability, debt regulation and bankers at the table).



"Cash-first stops the fall. Financial foundations prevent the fall in the first place."



Savings Through Direct Debit

Widespread Use and Benefits

Direct Debit is used for over 70% of UK household bills, providing convenience and financial advantages.

Cost Savings and Penalty Avoidance

Paying via Direct Debit often grants discounts and helps avoid late payment fees and penalties.

Budgeting and Financial Planning

Direct Debit allows spreading costs evenly, making budgeting easier and reducing financial strain.

Barriers and Education

Some households face barriers like mistrust or lack of bank access; education can improve adoption.

Minimum Wage Non-Compliance

Scope of Non-Compliance

Around 370,000 UK workers are underpaid, showing that minimum wage violations are widespread and affect many including those in Scotland.

Forms of Non-Compliance

Non-compliance includes incorrect hourly rates, wage deductions, unpaid time, and worker misclassification, impacting earnings significantly.

Consequences for Workers

Underpayment severely affects low-income individuals, causing difficulty in meeting living costs and increasing in-work poverty risks.

Need for Enforcement and Awareness

Effective solutions require stronger enforcement, better worker awareness of rights, and proactive employer education.



Loan Shark Debt in Scotland

Scope of Loan Shark Activity

Approximately 300,000 people in Scotland may rely on illegal lenders, highlighting widespread financial vulnerability.

Debt and Repayment Challenges

Loan shark borrowers face high interest rates and escalating debt cycles, making repayments unmanageable.

Causes of Loan Shark Borrowing

Financial exclusion, urgent cash needs, and low income drive individuals to seek illegal loans.

Addressing the Issue

Prevention, enforcement, and support services are vital to reduce illegal lending and assist victims.

