

The Ageing Population and Financial Services

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Abstract

As the population switches to online and mobile banking and high street bank branches continue to close at an ever-increasing rate, the needs of older people are in danger of being forgotten. This paper summarises work by the Finance Foundation, who used interview evidence from 175 older people to give an insight into how the over 80s manage their day to day financial transactions. It reveals their worries about privacy, security and fraud when using new technologies, as well as the many physical and cognitive challenges they face when managing their finances on a daily basis, including at ATMs. Unless action is taken to provide a more supportive infrastructure and better-adapted tools for the over 80s, it is argued that even the more technologically savvy generations of the future will be at risk of permanent financial exclusion as their faculties and confidence decline.

Introduction

1. The older old – those aged 80 and over – are the fastest growing section of the population: currently numbering 3 million, this will grow to 5 million by 2030, including 1 million people who will be aged 90 or over. As more people live longer and, crucially, aspire to live independently for longer, policy needs urgently to consider and plan for the consequences.¹ In setting out scenarios for the future this paper focuses specifically on this demographic – 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 often active, reasonably able-bodied and not yet facing significant issues or challenges.

¹ Recognition of this is at an early stage: as the House of Lords Select Committee on Public Service and Demographic Change concluded in 2014, ‘we are woefully underprepared for our ageing society’ so that while medical advances may have helped many of us live into our 80s and 90s, service provision, including by the financial sector, has yet to catch up.

2. Despite their growing numbers, the needs of the older old 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 100 is broadly the same. To address this gap, The Finance Foundation commissioned research that 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 Opinium Research who carried out structured interviews with 175 older people from around the country.²
3. The aim of the research was to look in depth at the issues faced by those in their 80s, 90s and beyond in managing routine financial matters. It considered 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 also explored the physical, cognitive and social challenges that ageing presents as older people strive to stay in control of day-to-day financial tasks, and the changes that they want banks to make.
4. The report identifies those in later old age as a group that is now at high risk of financial exclusion – ‘the inability, difficulty or reluctance....to access mainstream financial services’.³ It argues that we should ‘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 as more and more bank branches are being closed down in response to the increased automation of everyday banking tasks’.⁴

Current Reality

5. People in their 80s and 90s use a range of payment methods such as cards when shopping and direct debits for bills, and even in some cases allow family members to access their accounts to make online payments for them. But one of the most striking findings from the 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 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. This emerged again

² Cooper, H. (2016) *“When I’m 84”. Locking the Door on the Older Old: the Challenge Facing Britain’s Banks*. The Finance Foundation.

³ McKillop, D. and Wilson, J. (2007) ‘Financial exclusion’, *Public Money and Management*, Vol. 27, No. 1, p. 9

⁴ Ibid p.11

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.⁵

Figure 1: Transaction type and frequency

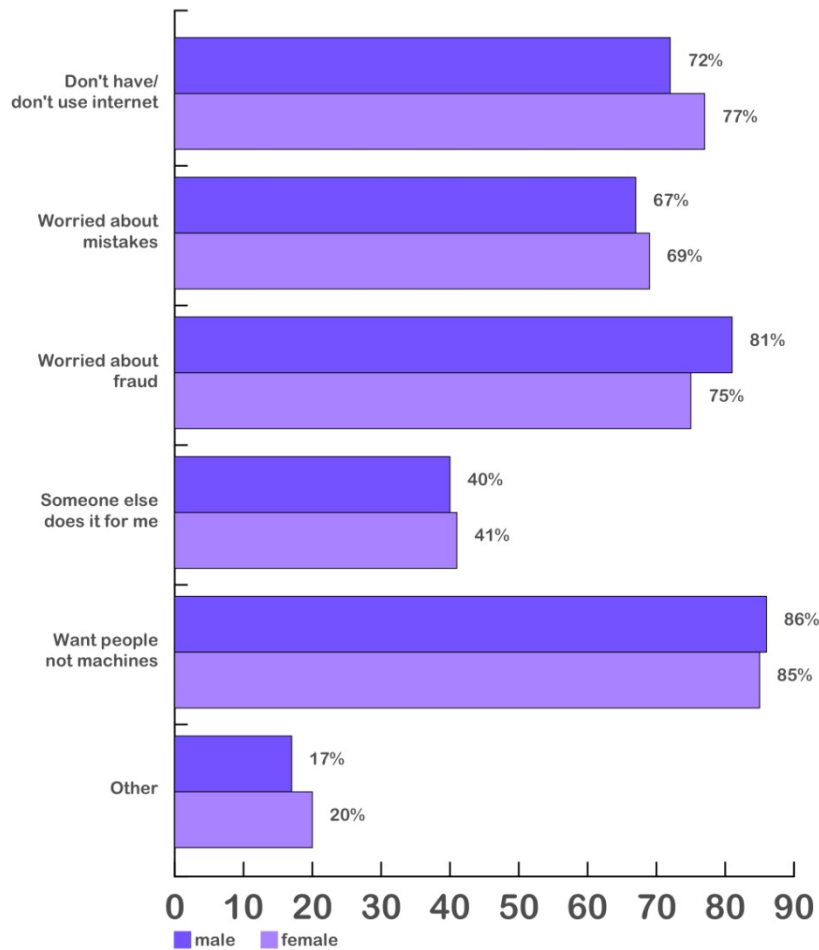
	Write cheques	Withdraw cash	Direct debit/ standing order	Card payments	Phone banking or shopping	Internet banking or shopping	Cashback when shopping
Regularly – at least weekly	2%	51%	26%	36%	4%	3%	7%
Sometimes – at least monthly	19%	29%	53%	25%	5%	3%	14%
Rarely – less than monthly	33%	13%	1%	11%	12%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

6. Older people also told us that they value human interaction and the social contact it provides and said 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. For instance although nearly two-thirds of those we interviewed use ATMs, only a fifth said they would use one located outside in the street, where they feel exposed and vulnerable.
7. When we explored in detail the issues that concerned older people when using ATMs or that were factors affecting why they didn't use them, worries about privacy, fraud and straightforward theft/mugging were most common, each mentioned by well over half the sample. Physical issues (including problems reading the screen, standing in a queue or using the buttons) and concerns about doing something wrong or being expected to be too quick were also concerns for as many as 4 in 10 older people.
8. Perhaps not unexpectedly, we found that 87% of people in our sample do not use the internet at all for either banking or shopping. Of the 13% who do use it, three-quarters are shopping online and around two-thirds use it for banking: in other words just 9% are active internet bankers. In practice this is fairly infrequent – only half of those who use the internet for banking or shopping do so more often than once a month.
9. 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 reason. But the same factors that came through in relation to ATM

⁵ 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'.

use were also mentioned: their strong preference for dealing with people, not machines and widespread concerns about either making mistakes or being caught out by fraud.

Figure 2: Reasons for not using the internet for financial matters



10. 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 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.

Future Stresses and Strains

11. The growth in the population of people aged 80 and over in the next 5-15 years in the UK will be unprecedented, rising from 3 million currently to 5 million by 2030, including 1 million people who will be aged 90 or over. While one in every 21 people was aged 80 or over in 2014, this will increase to 1 in 14 by 2030 and 1 in 12 by 2039.

12. Current trends (confirmed by our research) suggest that the majority of this age group will be living independently with an increasing likelihood of living on their own as they

age further. 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.⁶ This is consistent with estimates that just 16% of people aged 85 and over live in nursing homes or residential facilities.⁷

13. Health challenges will impact on the ability of some of those in their 80s, 90s and older to manage day-to-day financial matters. Physical issues, such as poor 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 (including of course, dementia) all become increasingly prevalent as people age.
14. As people live longer they will also have more years living with a limiting illness or disability – current estimates are that men will have around eight and women around ten years.⁸ Moreover, the number of health conditions they will need to manage increases with age: for those aged 80-84 it is most common to have two conditions, by the age of 90-94 – the key growth area demographically - five is most common.⁹
15. The older old will therefore depend increasingly on support from family, friends and neighbours. For those who are housebound or 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. Some will, as currently, give out their debit card and PIN to family members or carers as their only means of accessing cash.
16. Older people will also face a world in which rapid technological change has transformed how financial transactions are conducted. Internet and smartphone banking along with the explosion in online shopping favouring payment by card will see cash transactions fall drastically.¹⁰ Inevitably this 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 online 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.
17. With over half of all UK bank branches lost in the last 25 years this trend is, therefore, only set to continue. This will of course disproportionately affect those such as the older

⁶ <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]

⁷ LaingBuisson (2014) *Care of Elderly People Market Survey 2013/14*,

⁸ Mortimer, J., and Green, M. (2015) *The Health and Care of Older People in England 2015*, Age UK, pp 11-12

⁹ Ibid, p.16

¹⁰ Payments UK forecast that the number of payments per adult that will be cash-based will fall by 35% between 2014 and 2024, with non-cash payments already exceeding those made in cash. <http://www.paymentsuk.org.uk/news-events/news/uk-set-make-120-million-payments-day-2024> [accessed 15th June 2016]

old who will find themselves not only digitally excluded, but also potentially unable to access the physical infrastructure that they rely on for routine financial transactions.¹¹

*'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'*¹²

18. 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?
19. There are already encouraging signs of increasing take up of technology by those in the very oldest age groups. For instance our report 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 a little over a third - 38% - of those currently aged 75 and over use the internet, with far fewer – approximately 11% - actually using it for internet banking as opposed to general social or leisure purposes, these figures are higher in younger cohorts. Around a third of 65-74 year olds use internet banking and approaching half of 55-64 year olds do so.¹³
20. 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 – an evolution not a revolution – suggesting that the industry can't rely on increased take up of digital banking by those in later old age to offer a sufficiently universal solution within the 5-15 year time span of this scenario. While attitudes are changing, Ofcom data show that only 3% of those aged 75 or over who don't already have the internet at home intend to change this situation.
21. Indeed in thinking about the implications for the sector it is salutary to consider that the one million people who will be over the age of ninety 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 a mindset in which they view the technology as

¹¹ In recognition of this the British Bankers Association (BBA) 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]

¹² Age UK (2011) *The Way We Pay: Payment Systems and Financial Inclusion*.

¹³ Ofcom (2015) *Internet use and attitudes*. Metrics Bulletin.

expensive, often unreliable and above all fundamentally insecure when it comes to money, it is unlikely that they will be persuaded to change in any great numbers.¹⁴

22. It is also worth bearing in mind that the decision not to migrate to technology-driven solutions may represent a positive choice, rather than just a reluctance to adapt. Older people have a very strong preference for face-to-face contact and a disinclination to use machines. 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 other people is known to contribute to overall physical and mental well-being in later life.
23. Moreover the barriers to widespread use of technology in older age may be even more deep-rooted. The fact that people in their 50s and 60s might be adept at using it for managing day-to-day finances, or with a little extra support could become adept, does not necessarily mean that this will continue into later life. Older people may at a certain point become less capable at these sorts of task and more likely to make mistakes. They are also known to be more vulnerable to scams, fraud or error, particularly online or over the phone, partly because they are deliberately targeted, but also because ageing brings subtle changes to the way information is processed and decisions made.¹⁵ This may actually expose them to greater risks of serious mistakes or sophisticated fraud when using technology than if they had stuck with conventional methods, based on cash and other more familiar forms of transfer that they are confident and secure in using.
24. Many older people may also have sensory and cognitive challenges, often combined with illness or frailty. If you are suffering from macular degeneration, semi-paralysed by a stroke or suffering the side effects of chemotherapy, using any form of self-operated technology 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. The confluence of all these factors risks creating a significant tranche of older people who may, unless new solutions are found, become financially excluded as they age.

What could influence the future and how could this play out?

25. In considering a range of future scenarios in which older people might be supported in staying in control of their day-to-day finances this paper will examine three key areas:
 - 1) Re-modelling and re-design 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 to support continuing access to services

¹⁴ Age UK concur with this analysis: 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'. Green, M., and Rossall, P. (2013) *Digital Inclusion Evidence Report*. Age UK.

¹⁵ Barker, L., and Hollingworth, C. (2016) Behavioural insights into the ageing mind, *Ageing Population and Financial Services*, Financial Conduct Authority Discussion Paper 16/1, pp 39-43.

Technology re-modelled to be age-inclusive

26. For the segment of the older population who would use technology if they could, 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 one of unfamiliarity or reluctance to use something new, rather than specific physical barriers, the more age-friendly the design, the greater the chance of take-up.
27. Already in the area of security, many of the things that older people currently find very stressful when using online, phone or card-based technology around remembering and entering passwords and PINs or responding to convoluted memory-based security questions may soon be dealt with by developments in bio-security such as fingerprint or face recognition or the expected roll out of voice recognition for phone services.
28. 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 branches close down, is already having an impact as talking ATMs and ear jacks for the blind or partially sighted become the norm. Nevertheless, our research suggests that there is also an unmet demand for other adaptations to ATMs, including bigger screens and more age-friendly buttons. Similarly laptops, tablets and smart phones specifically designed with the needs of older consumers in mind could make all the difference in enabling them to continue to operate online as faculties decline.
29. Perhaps the biggest opportunities, though, lie in imagining simpler solutions that more closely mimic how older people operate in other areas of their lives. For instance voice-activated technology – tapping into the simplest functional skill of speech, where cognitive decline appears to have less impact – could offer great potential for further innovation. Already voice activated ATMs are being developed 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, such as scanning their fridges to identify what food needs replacing, what if it could also be used to support them in managing financial matters?
30. Could a TV-sized screen set 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’ve 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 form of technology?

31. Obviously over the next 5 to 15 years the technological possibilities will have changed but the principle of intelligent technology to support 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 older people already voice with respect to current technologies.

Bringing carers on board

32. Our research with older people also included an online survey of 255 people who support people in their 80s and 90s with their finances. Our intention was to use the perspective of these informal carers - generally family members and friends - to garner further insights into how the older old manage day-to-day financial matters, to understand the concerns carers have and the sort of support they would like.

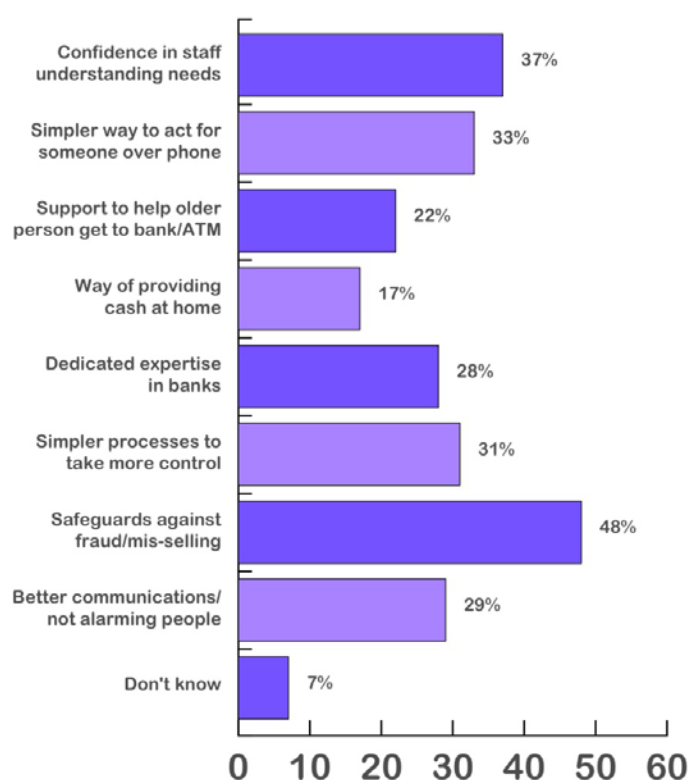
33. The main reasons why family or friends become more involved in helping with financial matters are: loss of physical capacity, the impact of bereavement and increased confusion or anxiety. Support ranges from routine matters such as going to the bank with them to more hands on tasks such as checking statements, setting up internet payments or writing cheques. Carers report a wide range of areas that older people struggle with, including understanding their income and outgoings, comparing tariffs, being caught out by small print or difficulties arising from accidentally miss payments.

34. As life expectancies extend further 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 industry adapts to support them. Yet a report by the FCA on vulnerable consumers 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 staff implement policies and sell products'.¹⁶

35. Carers in our survey reported that they find it difficult to get support or expert advice from banks in managing their role or taking greater control and they worry about older people's vulnerability to fraud, scams and mis-selling, their single highest priority issue.

¹⁶ Coppack, M., Raza, S., Sarkar, S., Scribbins, K. (2015) Consumer Vulnerability. Occasional Paper 8, Financial Conduct Authority, p.41.

Figure 3: Changes that would make most difference to carers



36. A particularly pressing issue raised by both older people and carers is how they might hand over some limited control, for instance if they are unable to leave their house, but in other respects retain full capacity to manage their finances. As Age UK have recently argued, this requires ‘a more sophisticated suite of solutions for carer banking, to fill the space between the debit card and a Lasting Power of Attorney’.¹⁷ Handing over debit cards exposes people to risk and contravenes their terms and conditions. Using an LPA, apart from the complexity and expense, may lead to a loss of independence as banks often withdraw products such as debit cards and cheque books once an LPA is activated.

37. The industry needs to think more creatively about possible solutions, bringing forward more products such as ‘configurable’ debit cards, where a carer might be able to use someone’s card in a specific situation, for instance in a supermarket, up to a certain limit at any given time. Other options to support carers might include making it easier to make phone calls for the older person, or perhaps join in a video-conference or skype call to resolve issues, or to be allowed to view an older person’s account online.¹⁸

¹⁷ 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*, Financial Conduct Authority Discussion Paper 16/1, pp 58-60.

¹⁸ 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*.

Maintaining a viable physical infrastructure

38. With the continued reductions expected in bank branches over the next 5 to 15 years one of the most problematic issues for older people will be continued access to an infrastructure that enables them not just to access cash but also to perform other tasks, such as accessing savings or transferring funds, that they may not be equipped to do online. Although some banks have expanded their use of mobile van services or set up banking hubs in facilities such as supermarkets, these still only offer the services of a single bank. The Post Office uniquely provides banking services on behalf of all the major banks, but these are rather limited in scope. A more robust long-term solution is required, therefore, to secure a national physical infrastructure that continues to include a face-to-face service for all customers who require it, enabling them to access the full services of their own bank in a convenient local outlet.
39. But even if this is delivered – and bearing in mind the one million nonagenarians who will live in the UK by 2030 – it is likely that there will be a core of older people who due to frailty, mobility or transport issues can no longer access bank or Post Office facilities however conveniently set up. Unless they decide to fully delegate their day to day finances to someone else, the options for people in this situation are straightforward: either a service comes to them or they must be taken to the service.
40. We could imagine a scenario in which banks routinely provide home visits to older customers, or a system being set up to deliver cash directly to people's home. This happens currently when people order foreign currency by courier – could it be extended in a cost effective manner to ordinary cash withdrawals? Or could services such as home shopping offer cashback so that when an older person receives their groceries on the doorstep, perhaps ordered online by someone else, they also get their cash delivered?
41. There may also be scope to set up one-stop pop up services in facilities already designed for older people, such as in retirement villages, sheltered housing units, care homes or community facilities that older people attend for leisure or social purposes. These could be offered perhaps once a week, just as other services such as hairdressing are, enabling older people to come in on a designated day and withdraw cash in comfortable surroundings without queuing and perhaps get help from trained staff with other tasks such as checking statements, paying bills or setting up direct debits. Crucially, given their likely mobility challenges, there would need to be an option for transport to be provided, perhaps through co-ordination with a community transport scheme such as Dial-a-Ride.
42. Whether funded via an industry levy or from charitable or public money, funding would need to be justified on a preventative rationale – by considering the greater costs of *not* providing older people with the means to stay financially independent, which could lead to earlier and more costly care needs for both society and individual families.