Centre for **Responsible** Credit

Evaluation of Fair4All Finance's Covid-19 Resilience Fund

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About the Author

This independent evaluation was conducted by Damon Gibbons. Damon is the Executive Director of the Centre for Responsible Credit, a not-for-profit limited company focused on changing credit for good and improving support for people with debts.

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For further information concerning the Centre for Responsible Credit please visit the website at **responsible-credit.org.uk**

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Executive Summary

This report provides our independent evaluation of Fair4All Finance's Covid-19 Resilience Fund ('the Fund').

The Fund was designed at speed following the announcement of the first national lockdown in March 2020. The design phase included intensive consultation with community finance lenders and wider stakeholders to determine the risks facing the sector and their support needs. This led to the launch of the Fund, within one month, focused on two key objectives:

- Helping the community finance sector in England come out of the pandemic in a resilient position and capable of growth, and
- Enabling organisations to support customers in vulnerable circumstances through the crisis including by providing forbearance and continuing lending where appropriate.

We find that these objectives were entirely appropriate, and consistent with Fair4All Finance's long-term mission to increase the financial resilience and wellbeing of people in vulnerable circumstances by improving the availability of fair and accessible financial products and services.

The organisation acted both extremely rapidly and with clear strategic intent. After considering the available evidence, the Board directed that the Fund be focused on sustainable organisations with reach into customer groups in vulnerable circumstances, and that resources were directed to where there was an urgent requirement for intervention. We find the design of the Fund to demonstrate considerable best practice.

Launched in April 2020, the Fund provided around £3.9 million of support to thirty-one community finance lenders.

Assessing the outcomes, we find that the Fund's key objectives have clearly been met.

- Cumulative surpluses for grant recipients as of April 2020 to April 2021 were at £1.5 million, but without the Fund cumulative losses would have been £2.3 million over the same period. In some cases, the Fund provided a 'lifeline' to grant recipients and they may well not have survived the initial impacts of the pandemic without it.
- Several indicators also show that lending to customers in vulnerable circumstances recovered swiftly after an initial shock, and that this lending has since been sustained. Whilst the counterfactual is difficult to assess, it is likely that the Fund has played a critical role in this.

- The Fund has also enabled lenders to provide forbearance to customers and supported the development of several product and service innovations designed to better meet customer needs over the course of the pandemic. These have, for example, included low or no interest loans to keyworkers, and other groups experiencing financial pressure.

The core objectives have been met because the Fund provided support to address both the financial and operational risks that Fair4All Finance, working with wider stakeholders, correctly identified at the time:

- There were considerable risks of increased bad debt and lost revenue amongst credit unions and Community Development Finance Institutions ('CDFIs'), due to the financial pressures their customers faced, as well as constraints on consumption caused by the lockdown.

- Both types of lender also faced immediate operational challenges due to the lockdown itself. These included, in many cases, the need to swiftly pivot delivery away from face-to-face branch-based delivery and towards remote working, with greater on-line provision.

By providing grants for both financial and technical support, the Fund appears to have prevented the initial shock to the sector from becoming an entrenched slump. Whilst there was a significant dip in lending, both overall and to the target groups, in March and April 2020, there was a considerable post-grant recovery from June onwards. This recovery lasted until December 2020, when lending fell again due to renewed Covid-19 restrictions.

Despite the evident best practice in Fund design and its overall success, there are, nevertheless, some potential lessons for future programmes.

Initial expectations were for up to £5 million of support to be provided to around fifty organisations. In the event, twenty-nine organisations received grants for financial and/or technical support, with two others being assisted with mergers and acquisitions. Some support with business planning was also provided to two organisations who subsequently went onto receive grants.

The reasons for this lower than anticipated take-up are complex. For example, several larger credit union applicants (with loan books over £5 million) were rejected because of the Fund's focus on those who could demonstrate an urgent requirement for assistance. This was in line with the directions given by the Board.

However, we have also identified the following aspects of the Fund's implementation which could have unintentionally contributed to lower-than-expected take-up.

- **Potentially over-rigorous assessment processes and lack of capacity in the sector to meet these**. Balancing the need to move support out quickly to the sector with responsible due diligence requirements is not straightforward, especially given the previously identified need to strengthen financial modelling and demographic reporting within the sector. To enable organisations to better respond to future funding opportunities, as well as to aid Fair4All Finance's decision-making, there will therefore need to be a continued focus on building the capacity of the sector in these respects.

- **Use of 'hard stop' eligibility criteria**. Whilst appreciating the need for a continued strategic focus, and for resources to be channelled to those organisations with the potential for sustainable growth, there may also be a need to avoid the use of 'hard stop' eligibility criteria, such as loan book size thresholds.

- **Late communication of the support offer for lenders who were struggling to survive**. The take-up of support with mergers and acquisitions from the Fund was low because this support did not form part of the initial offer and only emerged during the application process. There may need to be a greater focus on providing this assistance moving forwards.

The sector is also not 'out of the woods' yet. Underlying risk has increased, and loan books and revenues have not recovered to pre-pandemic levels. Many of the challenges faced by community finance lenders remain the same to those at the start of the lockdown and a refresh of support needs is urgently required.

Whilst there may be a greater need to support mergers and acquisitions, in keeping with the organisation's overarching mission, most future funding for the community finance sector will need to be directed to organisations who are moving towards both sustainability and greater reach into the target groups.

To assist with the targeting of resources, further consultation with the sector may therefore now be needed to arrive at a common definition of 'sustainability', and to help determine how increased reach into Fair4All Finance's customer groups can best be achieved in the current economic climate.

About this evaluation

Our evaluation of the Fund has focused on three key elements: its design, implementation, and effectiveness. For each of these we created an evaluation framework drawing from the Directory of Social Change's 'Principles of Good Grant Making' and the evaluations from other Covid-19 related funding programmes.

Our fieldwork has involved:

- A review of written materials, applications and monitoring data provided to us by Fair4All Finance covering all stages of the Fund's design and subsequent implementation.

- Qualitative interviews with Fair4All Finance's Chief Executive, Sacha Romanovitch; its Executive Director and Director of Growth and Development Programmes, Kate Pender; with the Bank of England's Prudential Regulation Authority; the two main trade bodies for the sector, and six grant beneficiary organisations[1].

- Discussions with the Fair4All Finance team responsible for the implementation of the Fund, and

- A review of further information provided to us in writing from grant beneficiaries.

We recognise some limitations with this approach because it did not include interviews with rejected applicants. Engagement with this group may prove beneficial to inform the application and decision-making processes for future programmes.

1 These were Bradford District Credit Union, Fair Finance, Central Liverpool Credit Union, Lewisham Plus Credit Union, Street UK, and West Country Savings and Loans. These were selected as a broadly representative sample of grant recipients and following consideration of (i) the type of lender, (ii) the size of grant relative to loan book; (iii) the need to include recipients of both financial and technical support grants, (iv) the need to include a mix of lenders from across the country, and (v) the need to include organisations whose grant was less than the amount applied for.

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1 Introduction

This report provides our independent evaluation of Fair4All Finance's Covid-19 Resilience Fund.

Founded in 2019, and funded by dormant assets money for financial inclusion, Fair4All Finance has a mission to increase the financial resilience and wellbeing of people in vulnerable circumstances by improving the availability of fair and accessible financial products and services.

The Covid-19 pandemic, and the initial lockdown which came into effect in March 2020, posed an immediate threat to this mission.

Despite an unprecedented package of Government support for households and businesses[2], the economic impacts of the Covid-19 pandemic were both swift and severe, and ushered in the most severe recession in modern times[3]. As this report proceeds to detail, an urgent need for intervention to help the community finance sector was identified by Fair4All Finance during a rapid, and intense, consultation phase which started as soon as the national lockdown was announced.

These consultations identified a significant risk of failures which, if they had crystallised, would inevitably have had a knock-on impact on access to credit for people in vulnerable circumstances.

The risk of failures stemmed from three principal causes:

- There were concerns that the increasing financial pressures being experienced by many customers would feed through into missed payments, requests for forbearance, and rising bad debt levels. Negative income shocks for customers could also make it more difficult for lenders to make new loans if applicants struggled to satisfy their affordability criteria. This risk was particularly apparent amongst Community Development Finance Institutions ('CDFIs') whose lending portfolios are particularly targeted to lower income customers and those in more vulnerable circumstances.

- There were also risks of increased bad debt and lost revenue amongst

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[2] This included the implementation of the Coronavirus Job Retention Scheme; a £20 per week 'uplift to Universal Credit', and suspensions to the recovery of Council Tax and benefit overpayments, as well as to evictions for households living in rented accommodation. In addition, further funds were made available to local authorities to support hardship and local welfare payments, and the Financial Conduct Authority put in place requirements for consumer credit lenders to allow customers in financial difficulty and in vulnerable circumstances to defer payments towards their debts. For a comprehensive list of the support put in place by government, see **Coronavirus: Support for household finances - House of Commons Library (parliament.uk)**

[3] GDP contracted by 21.2% in the first six months of 2020. **GDP quarterly national accounts, UK - Office for National Statistics (ons.gov.uk)**

credit unions. Although these often have more balanced lending portfolios than CDFIs, their business models intermediate between relatively small sum savings and loans, and, following the lockdown, there was a risk that relatively better off customers would no longer have cause to borrow for consumption spending. There were also fears that many customers would withdraw savings to help cope with their immediate economic pressures, and

- Both types of lender faced immediate operational challenges due to the lockdown itself. These included, in many cases, the need to pivot delivery away from face-to-face branch-based delivery and towards remote working, with greater on-line provision.

In response to these risks, Fair4All Finance launched its Covid-19 Resilience Fund ('the Fund') in April 2020 with the intention of providing up to £5 million of grant support to the sector.

Given the identified need to act as a matter of urgency, the Fund's scale, design, and operational procedures, were all established at speed. The overall aim was to help those lenders with a track record of sustainable lending to Fair4All Finance's target groups both survive the immediate impacts of the pandemic and lay the ground for future growth.

The Fund was therefore established with two key objectives:

- Helping the community finance sector in England come out of the pandemic in a resilient position and capable of growth, and
- Enabling organisations to support customers in vulnerable circumstances through the crisis including by providing forbearance and continuing lending where appropriate.

Methodology & Structure of this Report

Our evaluation of the Fund has focused on the following four key elements.

- **The Design of the Fund:** including the speed at which this was conducted, its scale, objectives, types of support to be provided, and the resourcing of its implementation.
- **The Implementation of the Fund:** whether the eligibility criteria, application, and decision-making processes were appropriate and proportionate, and how these impacted on the disbursement of the Fund.

- **The Effectiveness of the Fund:** how the Fund's impacts were monitored and whether the objectives were met. We also explore the counterfactual, although assessing this is hindered by wide variations in the starting positions of grant recipients, and in the size and nature of the support they received. The chapter also reports on the current challenges for grant holders and the wider sector.

- **Learning and Insights from the Fund:** draws out our conclusions and makes recommendations for the design and implementation of future programmes.

Each of these elements has a dedicated chapter in this report.

Our full evaluation framework is contained in Appendix 1. This sets out the success criteria and research questions used to assess each of the above elements.

The framework has particularly been informed by the Directory of Social Change's 'Principles of Good Grant Making'. However, we recognise that the pandemic impacted not only on potential applicants to the Fund but on the operations of Fair4All Finance itself.

In addition, the development of the Covid-19 pandemic, including its duration, and precise impacts on the community finance sector were not possible to predict with certainty from the outset. We therefore conducted a search for, and reviewed, the evaluations from other Covid-19 related funding programmes to identify key findings from these and incorporated these into our framework.

Finally, our fieldwork to explore the research questions has involved:

- **A review of written materials, applications and monitoring data** provided to us by Fair4All Finance covering all stages of the Fund's design and subsequent implementation.

- **Qualitative interviews** with Fair4All Finance's Chief Executive, Sacha Romanovitch; its Executive Director and Director of Growth and Development Programmes, Kate Pender; with the Bank of England's Prudential Regulation Authority; the two main trade bodies for the sector, and six grant beneficiary organisations[4].

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[4] These were Bradford District Credit Union, Fair Finance, Central Liverpool Credit Union, Lewisham Plus Credit Union, Street UK, and West Country Savings and Loans. These were selected as a broadly representative sample of grant recipients and following consideration of (i) the type of lender, (ii) the size of grant relative to loan book; (iii) the need to include recipients of both financial and technical support grants, (iv) the need to include a mix of lenders from across the country, and (v) the need to include organisations whose grant was less than the amount applied for.

- **Discussions with the Fair4All Finance team** responsible for the implementation of the Fund, and
- **A review of further information** provided to us in writing from grant beneficiaries.

We recognise that our evaluation has limitations because it does not include interviews with rejected applicants. This was beyond the scope of our brief, and engagement with this group may prove particularly beneficial to inform the application and decision-making processes for future programmes.

2 The Design of the Fund

This chapter first provides the context in which the Covid-19 Resilience Fund was designed. It then assesses the speed of response, and the considerations that Fair4All Finance gave to the Fund's scale, the types of support to be provided, and the resourcing of its implementation.

Summary of key findings in this chapter

- Fair4All Finance consulted rapidly and effectively with key stakeholders and pulled together information from both internal and external sources to identify the risks of the pandemic to the delivery of its strategic priorities.
- The Board also gave full and proper consideration to this evidence when setting the overarching objectives for the Fund and maintained the organisation's focus on its long-term mission when doing so. It directed that the Fund be focused on sustainable organisations with reach into customer groups in vulnerable circumstances, and that resources were focused where there was an urgent requirement for intervention.
- By providing grant funding to meet both financial and technical support needs, the Fund was clearly appropriate to the problems being identified by the sector at the time. Whilst the scale of support that was needed was highly uncertain, the Board's allocation of up to £5 million was significant and based on the best information available to it at the time.
- Fair4All Finance also gave full and proper consideration to the resource implications of establishing and implementing the Fund prior to its launch, including by pulling in external expertise. It also reflected on ways in which it could amend the procedures it had designed for its Affordable Credit Scale Up Programme to make the application process to the Fund easier, whilst seeking to balance this with its responsibilities for due diligence and risk management.

In assessing the approach that Fair4All Finance followed, we have had regard to the following principles of good grant making and findings from recent Covid related grant programme evaluations.

- At the design stage, funders should consult with relevant stakeholders to understand the market and identify needs and gaps. In the context of the pandemic, **Mackay et al, p.4**[5], identify best practice as follows:

> ***"If time permits, the approach should be strategic and aim to generate impact that is sustainable in the longer-term, recognising that this is not always possible or appropriate in the context of emergency funding."***

- Objectives should be clear; enabling the audience to be correctly targeted and ensuring that the outcomes being sought are relevant to the problem that has been identified.

- The level of resources available to the grant maker needs to be considered. This will inform the grant process, such as the level of applications that can be dealt with, the opportunity for questions, feedback, and frequency of payments. Experts should be brought in to support assessments where the skills/in depth subject knowledge are not available in-house.

- All communications need to be clear and targeted effectively to reach relevant audiences and support understanding.

Background to the Fund's development

The outbreak of Covid-19 led to an initial national lockdown on the 23rd March 2020. An unprecedented package of Government support was required to support this, which included the design and implementation of the Coronavirus Job Retention ('furlough') Scheme; a £20 per week 'uplift' to Universal Credit; and suspensions to the recovery of Council Tax and benefit overpayments, as well as to evictions for households in rented accommodation. In addition, further funds were made available to local authorities to support hardship and local welfare payments, and the Financial Conduct Authority put in place requirements for consumer credit lenders to allow customers in financial difficulty and in vulnerable circumstances to defer payments towards their debts.

Nevertheless, these measures did not prevent the national lockdown ushering in the most severe recession in modern times. This had a dramatic, and severely negative, impact on many people's finances.

[5] Mackay, S., Bierman, R., Craston, M., & Mastrogregori, E. (2021). 'Process Evaluation of the Coronavirus Community Support Fund'. Ipsos MORI. London.

The role of Fair4All Finance

Founded in 2019, and funded by dormant assets money for financial inclusion, Fair4All Finance has a mission to increase the financial resilience and wellbeing of people in vulnerable circumstances by improving the availability of fair and accessible financial products and services.

To achieve this mission, the organisation has identified the need to significantly scale up affordable and ethical providers to meet what Fair4All Finance has described as the "10x challenge" (high-cost lenders lend more than ten times the level of ethical providers).

Working towards this objective, Fair4All Finance decided to initially focus on scaling up the community finance sector and examined the barriers to this. Immediately prior to the lockdown, in February 2020, the organisation had published its Theory of Change together with a review of lessons learnt from their pilot Affordable Credit Scale-Up Programme launched in 2019. This had received over fifty applications; from which five providers[6] had been selected.

Through this earlier work, Fair4All Finance identified five key strategic challenges for the community finance sector (table 1, below).

Table 1: Strategic challenges facing community finance providers prior to Covid-19[7]

Focus area	Further details
Systems change and impact	There was a need to improve impact reporting in the sector and to better articulate the benefits of affordable credit.
Funding, finance and investment	There was a "pressing need" for long-term patient capital to enable investment in scale and secure balance sheets, as well as debt financing to lend directly to customers. There was also a need to strengthen financial modelling processes to secure the confidence of commercial investors, and to move the sector away from reliance on grant subsidy towards sustainable business models.

[6] 'Transforming Affordable Credit in the UK', Fair4All Finance, February 2020.

[7] CfRC summary of major issues for the sector within Fair4All Finance's 'Transforming Affordable Credit in the UK' report of February 2020 (p.17 - 21).

Operational excellence and capability	There were opportunities to share best practice with respect to ethical collections, and to automate some processes which did not need to be delivered face-to-face to reduce costs. However, few providers had developed robust plans to utilise new technology.
Governance, leadership, and talent	There was a need to develop a sector leadership development programme as well as to make use of seconded talent from outside the sector.
Markets, consumer insight and product design	There was a need to improve customer analysis, use this to gain behavioural insights, and aid the evolution of affordable credit products. Shared marketing approaches could also be developed and there was a need to gain further insight into the impact of benefits and employer-linked lending.

To take this agenda forwards Fair4All Finance had therefore already, prior to the lockdown being announced, designed an expanded Affordable Credit Scale-Up Programme. This had been scheduled for launch in April 2020 and aimed to provide packages of tailored support (including one or both of long-term patient capital and grant support to develop organisational capacity) for organisations who had the potential to sustainably scale provision, and which could help the sector develop an effective model for serving people in vulnerable circumstances.

However, at the start of the lockdown Fair4All Finance urgently needed to consider how the pandemic was likely to impact on this strategy, and what additional measures may have to be taken to protect its ability to deliver its longer-term mission.

Identifying the need for the Fund

In two respects Fair4All Finance was well-placed to swiftly identify the risks that the pandemic posed to the community finance sector and to people in vulnerable circumstances:

- From January 2020 onwards, Fair4All Finance's Chief Executive, Sacha Romanovitch, had been chairing the Affordable Credit Challenge Group established by the Money and Pensions Service. This included representatives from the sector's trade bodies, ABCUL and Responsible Finance, as well as other financial services providers and experts. As the pandemic broke, this group was tasked with urgently bringing forwards recommendations to address the pandemic's impacts on the delivery of the UK Strategy for Financial Well-Being.

- Fair4All Finance had also conducted a thorough assessment of the lessons learnt from its previous Pilot Affordable Credit Scale Up Programme and had presented these findings to its Board for consideration on 4th March 2020. These highlighted the need to focus future investments on that segment of the community finance sector which was both demonstrably serving people in vulnerable circumstances and capable of operating on a sustainable basis (i.e., without continued reliance on grant funding).

However, there remained gaps in Fair4All Finance's knowledge of the sector. For example, it did not have any direct access to information regarding the financial position of providers. For example, although the Bank of England's Prudential Regulation Authority receives quarterly financial returns from credit unions, confidentiality issues prevented it from sharing a detailed analysis of these with Fair4All Finance, which could have potentially helped inform its assessment of risks.

Further actions were therefore taken by Fair4All Finance to fill the gaps in its existing knowledge. It established weekly meetings with the key trade bodies, ABCUL and Responsible Finance, which also stepped up their own engagement with their members. As the **Chief Executive of Responsible Finance, Theodora Hadjimichael,** told us:

> ***"In normal times we have quarterly meetings with our personal lending network, and we made those much more frequent. Lots of information was also being shared over Microsoft Teams and we held one-to-ones with our members to really understand how customers were responding to the pandemic and how that was impacting CDFI's. We were able to feed all of that into our weekly meetings with Fair4All Finance."***

Fair4All Finance also urgently consulted with the Bank of England's Prudential Regulation Authority, HM Treasury, and the Department for Digital, Culture, Media & Sport. Calls were also held with social investors and financial services providers both within the community finance sector and more broadly.

Finally, Fair4All Finance was also able to draw upon the, as then unpublished, analysis of a rapid survey concerning the impacts on the pandemic on providers, which had been commissioned by Carnegie UK[8].

This intense consultation and analysis of available data identified a significant risk of failures in the sector, stemming from three main causes:

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8 The survey and its analysis was conducted by Community Finance Solutions at the University of Salford and the findings were subsequently published by Carnegie UK at **Fear and Loaning - The Impact of Covid-19 on affordable credit providers serving financially vulnerable customers - Carnegie UK Trust**

- There were concerns that customers' ability to service loans would feed through into increased missed payments and rising requests for forbearance. Negative income shocks for customers could also make it more difficult for lenders to make new loans if applicants struggled to satisfy their affordability criteria. This risk was particularly apparent amongst Community Development Finance Institutions ('CDFIs') whose lending portfolios are particularly targeted to lower income and more vulnerable customers.

- There were also risks of increased bad debt and lost revenue amongst credit unions. Although these often have more balanced lending portfolios than CDFIs, their business models intermediate between relatively small sum savings and loans, and, following the lockdown, there was a risk that relatively better off customers would no longer have cause to borrow for consumption spending. There were also fears that many customers would withdraw savings to help cope with their immediate economic pressures.

- Both types of lender faced immediate operational challenges due to the lockdown itself. These included, in many cases, the need to pivot away from face-to-face branch-based delivery and towards remote working, with greater on-line provision.

To consider its response, a special meeting of the Fair4All Finance Board was held on 3rd April, where a summary of findings from its consultations and analysis was presented.

Considerations at Board level

Having been satisfied of the serious, potential, threats that the pandemic posed for Fair4All Finance's mission, the executive team brought forward proposals for the Board to consider at its meeting of 3rd April. At that point the Board were asked to (i) set the overall objectives for its intervention, (ii) determine whether to intervene by way of grants or loans, or through other forms of support, and (iii) decide how significant an intervention was required.

Setting the objectives

In considering the objectives, the Board identified two priorities. Firstly, to help the community finance sector emerge from the crisis in a resilient position and capable of growth. Secondly, to enable organisations to provide support to customers in vulnerable circumstances through the crisis, including by providing forbearance and continuing lending where appropriate.

Importantly, the Board gave a clear direction to ensure that support was only provided to organisations which had at least the potential to operate sustainably within a reasonable period once the pandemic had passed, and which were demonstrably serving customers in vulnerable circumstances, who are the focus of Fair4All Finance's overarching mission. The Board also directed that resources were focused where there was an urgent requirement for intervention.

Whilst, as we report in the following chapter, defining 'sustainable operations' and determining what constitutes 'demonstrable reach' into its target groups have proved to be challenging, the direction to use the Fund to support Fair4All Finance's existing strategic objectives was very clear.

Grants, loans, or other support?

To help businesses through the lockdown Government had announced the launch of a Coronavirus Business Interruption Loan Scheme ('CBILS') on 23rd March. However, whilst this was available to help CDFIs, its eligibility criteria excluded credit unions and it was not clear at the time of the Fund's development that any other significant level of support would be available to the sector.

As **Fair4All Finance's Chief Executive, Sacha Romanovitch**, told us, the Board did not consider loan funding for the sector to be the best response to the risks posed by the pandemic because:

> ***"Loans are appropriate if these can be invested in ways that will generate future incomes and cover the repayments. But that wasn't the case here. The sector was facing a loss of revenue and increased bad debts. These are sunk costs and having to repay loans to cover these would have placed organisations in a very difficult position moving forwards. Typically, we don't make grants, but on this occasion, we knew we had to be flexible and gear our support to the serious problems the sector was facing."***

The pandemic was also requiring many organisations to undertake a rapid pivot in the way that they operated: moving away from face-to-face, branch-based, provision and towards on-line or phone-based services.

Whilst these changes in delivery were, to some extent, already a feature of longer-term plans for many providers, the pandemic greatly accelerated the need for these transitions to take place, at least on a temporary basis. Grants were therefore needed to support this, as well as to facilitate the remote working of staff.

Size of the Fund

An allocation of up to £5 million was approved by the Board. In arriving at this figure, the Board identified the need for the level of investment to be significant enough to provide confidence to providers and existing investors. However, it also needed to balance this against its duty to make the best use of the overall resources available to it.

It was also recognised that the duration of the pandemic was unknown, and that many uncertainties as to how it would impact the sector remained. Because of this, the Board committed to reviewing the funding allocation, and the Fund's operation more generally, as things progressed.

Operational Challenges

Recognising the need to assist the sector as swiftly as possible, the Board meeting of 3rd April delegated most aspects of the Fund's delivery to the Chief Executive. These included finalising the eligibility criteria; putting in place the application, decision-making and monitoring processes, and creating a communications strategy to ensure take up.

These were considerable tasks, but the Board had already recognised that additional resources were required to support Fair4All Finance's operations and had approved the use of secondments to add capacity. As **Sacha Romanovitch** explained to us:

> ***"Two weeks before lockdown we had moved into our new offices, and we had just six permanent team members. Whilst we had already set ourselves up to accommodate remote working, and that transition was reasonably seamless, we knew we would need some additional staffing capacity to help us respond to the emerging pandemic. We quickly pulled in some really great secondees, and we were also able to bring PwC onboard to help with the due diligence aspects of the decision-making process."***

With this additional resource in place, and by drawing on the operational procedures that had already been developed for the planned Affordable Credit Scale-Up Programme, the Fund was launched alongside this Programme with the publication of a joint prospectus on 9th April.

Fair4All Finance's **Executive Director and Director of Growth and Development Programmes, Kate Pender**, relayed to us:

> *"Whilst we hadn't provided grants at this scale before, we had some experience of it and so we weren't starting entirely from scratch. We had also done a lot of work to develop the processes for the new Affordable Credit Scale-Up Programme and reviewed and streamlined those to facilitate a quicker application and decision-making process, whilst maintaining effective due diligence and risk management."*

We examine the balance that was struck between ease of application and the due diligence requirements in further detail in the following chapter. However, this earlier work, combined with the considerable dedication of the Fair4All Finance team, ensured a remarkably swift launch of the Fund. This took place just three weeks after the announcement of the lockdown.

By comparison, the Government's Coronavirus Community Support Fund which targeted third sector organisations in England, and which was distributed via the National Lottery's Community Fund, did not open for applications until 22nd May.

Communicating the Fund

The launch of the Fund was announced on Fair4All Finance's website and on Big Society Capital's Covid Response site. Fair4All Finance also promoted it through Twitter and LinkedIn as well as by direct mailings to its existing stakeholder network. The Fund was also promoted to credit union and CDFI members of ABCUL and Responsible Finance and was subsequently cascaded by these and other bodies.

The launch materials included both the joint prospectus for the Fund and the Affordable Credit Scale Up Programme, and a separate document providing more detailed guidance for applicants. A webinar to further explain the Fund, its eligibility criteria and application processes was also held on 14th April. The live event was attended by more than thirty people, with the recorded webinar viewed by more than fifty people by the end of the following day.

This publicity resulted in a total of fifty-three applications, which was broadly in line with the expectations as stated on the Fair4All Finance website at the time of the launch: "We expect to be able to support some 50 organisations with up to £5m of funding with grants that will range from £20,000-£350,000 in size" [9].

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[9] **Covid-19 Resilience Fund and Affordable Credit Scale-up Programme launch (fair4allfinance.org.uk)**

3 The Implementation of the Fund

Having reviewed the design of the Fund, this chapter now looks at the how the Fund was implemented and considers the extent to which the Fund's operational processes were appropriate to meet the objectives set for it by the Board.

Summary of key findings in this chapter

- The eligibility criteria and organisational requirements which were published at the time of the Fund's launch were in line with the objectives set by the Board but may also have dissuaded some organisations from applying.
- Some applicants may have been unable to provide the level of financial forecasting and the provision of demographic information required by Fair4All Finance. This may have contributed to the number of rejections.
- In practice an advertised £2 million minimum loan book threshold was not used as a hard cut-off and a pragmatic approach was taken for organisations with loan books close to this level who also met the other criteria. There were also trade-offs made between sustainability and reach into the target customer groups. Whilst every effort was made by Fair4All Finance to assess applications fairly, time-constraints meant that it was not possible to seek as much information as would have been liked.
- The more nuanced approach taken to assessing sustainability and acceptable reach into the target customer groups also meant that the decision-making process was resource intensive, and although most decisions could be taken by the Executive team, some needed to be referred to the Board's Chair for a final decision.
- In line with the Board's directions, several larger credit union applicants (with loan books over £5 million) were rejected because they could not demonstrate an urgent requirement for assistance.
- Following the Fund's launch, it was apparent that some organisations required support with business planning and/or to progress mergers and acquisitions. Although this was provided, it did not form part of the advertised offer and there may be greater demand for these types of assistance moving forwards.

We first look at how the objectives were operationalised into eligibility criteria. We then examine whether the application and decision-making processes were proportionate and resulted in the Fund being taken up in line with original expectations.

In assessing Fair4All Finance's approach, we have had regard to the following principles of good grant making and findings from recent Covid related grant programme evaluations:

- Clear criteria should produce a better pool of applicants and avoid wasted time with ineligible applications. Clarity as to who can apply (including organisation size, location, and track record) as well as any exclusions, aids transparency and should sit alongside clear communications and guidance.
- It is necessary to strike the correct balance between the speed of response, and ensuring procedures adequately manage risk.
- All timescales need to be realistic both for the grant maker and the applicant. Appropriate time for planning, lead-in, application and spending the grant will all impact on the success of the grant programme.

Operationalising the Fund

At the time of launching the Fund in April 2020, Fair4All Finance published a detailed information pack for applicants. This set out the Fund's objectives, the amount of support available, the purposes to which this could be put, and provided detailed eligibility criteria, in the form of nine separate organisational requirements. These are set out in table 2 on the following page.

Whilst the objectives, amount of support available, and grant purposes were very clear, several of the organisational requirements lacked a precise definition within the applicant information pack.

For example, it was not clear as to what would or would not qualify as "sustainable operation", or what would constitute a qualifying level of "focus on serving vulnerable customer groups".

Conversely, in some respects the criteria was unequivocal, and could potentially be criticised for providing too little scope for discretion (for example, in respect of the requirements for a minimum loan book size of £2 million[10], and for applicants

[10] It should be noted that the detailed guidance for applicants published as part of the information pack clarified that organisations whose loan book was above £2 million within the previous few months, although under this currently, could still apply: "We will consider your future forecasts about the loan book. - You may also wish to provide explanations about what has led the loan book to dip and you may wish to provide audited accounts for additional years. - Our focus is on organisations that have sustainable operations and potential to scale up significantly. If you are unable to provide evidence to give strong confidence in your history and trajectory, your application may not be approved."

to be able to demonstrate that they could "return to sustainable trading within 6 months"). However, some further clarifications were provided by Fair4All Finance at the webinar held on 14th April. With respect to the minimum loan book size, it was stated that:

> ***"If your loan book size is very close to [the £2 million threshold], then that could be something we could look at. I don't think we will be completely black and white about it. If organisations are a few hundred thousand below the £2 million then we could look at the application."***

Table 2: Key advertised features and eligibility requirements of the Covid-19 Resilience Fund

Key features	Further details
Fund objectives	To help the affordable credit sector come out of the crisis in a resilient position and capable of growth. To enable organisations to support customers in vulnerable circumstances through the crisis including forbearance and continuing lending where appropriate.
Grant size	Between £20,000 and £350,000.
Grant purposes	Either or both of two areas: Technical assistance – grants to help move to a digital business model including scaling remote services, costs of branch closures, and adapting organisational structures. Financial resilience – short term liquidity to cover clearly time limited and temporary shortfalls in income where the organisation has a clear plan for, and a realistic prospect of, returning to sustainable trading within 6 months. This could cover shortfalls in revenue, particularly due to customer repayment holidays or waivers due to the Covid-19 crisis.

Organisational requirements	• Have a track record of sustainably serving customers in vulnerable circumstances without reliance on grant income. • Are focused on serving vulnerable groups in society, particularly those on low incomes, with lower financial resilience and little access to mainstream credit. • Be of scale to maximize the grant's impact: have a current loan book size of at least £2m. • Have a sustainable operation and a clear and realistic plan to use this support to both trade through the Covid-19 pandemic and to grow their lending operation following this period, returning to sustainable trading within 6 months. • Have a demonstrable urgent need for grant funding to deal with the impact of the Covid-19 crisis and their ability to serve new and existing customers. • Be committed to a partnership-based approach to deal with the current crisis and be successful beyond, collaborating both with Fair4All Finance and the rest of the affordable credit sector. • Be asset-locked and committed to social impact, demonstrated through their behaviour which is in line with Fair4All Finance's Affordable Credit Code of Good Practice. • Have the majority of their operations and lending in England due to the restrictions on our funding. • Non-credit union salary finance organisations will not be eligible for this fund.

Similarly, with respect to the requirement to return to sustainable trading within six months, the Fair4All Finance team indicated that they understood the uncertainty of the situation and that the priority was for organisations to demonstrate their "thinking processes as to how to return to sustainability given their predicted scenarios".

The webinar also provided explanations as to the requirements for an asset-lock, and the exclusion of non-credit union salary finance through limited companies, which was due to where the pressing risks to maintaining affordable credit provision were identified. However, limited companies were advised that they could still potentially be eligible for support through the Affordable Credit Scale Up Programme as that would be focused on growth and primarily loan-based support rather than resilience.

Finally, although neither the information pack nor the webinar provided a precise definition of the extent to which lenders were required to be serving customers in vulnerable circumstances, the application form sought information relating to the percentage of loans being made:

- With a value of less than £1,000
- On a term of 52 weeks or less.
- To borrowers in rented housing.
- To lone parents with dependent children.
- Within highly deprived postcodes, and
- Which are being recovered from state benefits.

The application form also required narrative information concerning the social purpose of the organisation; the challenges being faced because of the pandemic, and longer-term plans for achieving sustainability post Covid. Applicants were also asked to identify the amount of grant required; including how much of this request related to financial and technical support, and to set out what would be likely to happen to their organisations if a grant was not provided.

Timescales for submitting applications and use of Funds

The timescales for submitting applications and with respect to the use of Funds were published in the information pack as follows:

- The grants are designed to provide short term support over the next 1-3 months.
- Initial funding will be deployed before the end of April.
- The application process is rolling but we encourage organisations to

respond to our expression of interest by close of play on Thursday 16 April in order to receive a decision in April.

- Applications received after 16 April will be assessed on a rolling basis until the funds are used up or if the need for funds reduce.

Applications to the Fund

In total, there have been fifty-three applications to the Fund, with forty-four (83%) of these coming from credit unions; eight (15%) from CDFIs, and one (2%) from commercial providers. Just over half of these applications were received in April 2020, with the remainder received through to July that year.

However, three of the CDFI applicants were solely focused on business lending. Discounting these and the ineligible commercial provider, the total amount of grant support requested by credit unions and CDFIs[11] was just over £7.7 million. The Fund has therefore been over-subscribed by fifty-four percent.

Of the total applied for, requests for financial support amounted to just under £6.8 million (88%) with technical support grant requests accounting for the remainder.

Not all applicants applied for both types of support, and there were also variations in the reasons for application and the amounts requested:

- Credit unions applied for around £6.2 million of grant support. This was primarily sought to offset the directly financial impacts of the Covid-19 pandemic on the performance of their loan books and revenue base. Thirty-six applications were submitted for a total of £5.4 million (88%) in this respect. On average, the amount of financial support requested was equivalent to 3.9% of annual gross lending, but in four cases this was much higher, at over 10%. In addition, nineteen credit unions applied for technical support, totalling just short of £660,000 (an average of around £35,000).

- The five CDFIs focused on personal lending submitted applications for a total of just over £1.5 million. Four of these CDFIs requested financial support, with this totalling around £1.2 million. The average request in this respect was 4.2% of annual gross lending, with the highest at 6.5%. The primary reasons given were increased demand for forbearance amongst existing customers, together with a loss of revenues due to a combination of falling demand for new loans and/or a deterioration in the quality of new loan applications. In addition, all five of the CDFI applicants requested technical support totalling £382,000 (an average of £76,400).

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11 We have disregarded the application from the commercial provider who was clearly ineligible for support from the Fund.

Reasons for applying

The narrative information provided by applicants concerning the effects of the pandemic confirms that the use of grant funding to provide both financial and technical assistance was an appropriate response to existing pressures in the sector at the time.

For example, the CDFI, **Street UK**, indicated that their worst-case scenario was for a forty-five percent reduction in lending, and for projected bad debt provisions to increase by around one third, whilst **Bradford District Credit Union** stated:

> ***"From starting a strong year with predicted surplus, we are now predicting a deficit by year end September 2020 with increasing pressure on reserves. We are seeing a high level of desperate non-members asking for loans, and we are having to decline member loans due to the high level of risk on applications. Your support is needed to help us mitigate the risks associated with the pandemic and remain a viable financial organisation that puts disadvantaged people first".***

In addition to significant financial impacts, **Fair Finance** also highlighted the need to rapidly pivot its delivery model:

> ***"To ensure that we are able to operate in the current conditions we need to make significant changes to our operating structure. We have closed our branches; made several changes to our underwriting and collections policies and are now fast-tracking IT projects to support greater efficiency and a shift to online for customer interactions."***

And **Lewisham Plus Credit Union**, highlighted how they were being impacted by both operational and financial challenges:

"Fifty percent of staff had to work from home. We had to employ two young casual staff to fill the gaps in branch operations and as a contingency against further self-isolation. DWP has notified they will be suspending Eligible Loan Deduction Scheme for at least three months, which will reduce our income and we have set up home working. Our IT security had to be enhanced. We have also seen an immediate reduction in the value of loans issued and expect many members to seek payment holidays."

Decisions and Grant Awards

Despite the clear need for funding, both the overall amount of grant funding allocated, and the number of successful organisations, have been significantly lower than Fair4All Finance's original expectations.

In total twenty-nine organisations (54% of all applicants) have been awarded grants for financial and/or technical support, with these totalling just over £3.8 million (76% of the initial allocation). Table 3, below, provides a summary breakdown of the awards made by type of organisation and by grant purpose.

Table 3: Awards by organisation and purpose of grant

	Number successful	Total awarded (£ million)	Financial Support (£ million)	Technical Support (£ million)
Credit Unions	25	3.06	2.69	0.37
CDFI	4	0.77	0.52	0.25

The average total grant for credit unions was just over £122,000, and for CDFIs this was £192,000.

In addition, it should be noted that two successful grant applicants also received approximately £30,000 to assist with business planning, and around £45,000 was also provided to assist two further organisations with mergers and acquisitions. The total number of supported organisations was therefore thirty-one.

We have explored why the total amount awarded has fallen short of Fair4All Finance's initial expectations and consider that there were some aspects of the Fund's implementation which could have influenced both the number of applications received and the rejection rate.

- With reference to applications, it is possible that smaller organisations, who might otherwise have qualified for help, were dissuaded from applying to the Fund because they did not meet the £2 million loan-book threshold. There may also have been greater demand for support with business planning and with mergers and acquisitions. These needs were only identified after the Fund was launched and did not form part of the advertised offer. There may therefore be an unmet need within the sector for these types of assistance.

- With reference to rejection rates, seven of the rejected credit union applicants had loan books of more than £5 million in the year prior to the initial lockdown. Following assessment of their financial position, Fair4All Finance took the view that these applicants did not require urgent assistance. In these respects, the organisation was acting in line with the direction from the Board that resources be directed to those organisations who both met the strategic priorities for the Fund and who were in clear need of assistance. With reference to some of the remaining fifteen applicants who received no support of any kind, it may be that due diligence and decision-making processes were overly rigorous given the emergency nature of the Fund.

We provide more detail concerning these issues in turn.

The effect of the £2 million threshold

The decision to require applicants to satisfy a minimum loan book size was considered by the Board, and the initial thinking had been to set this at £3 million. However, following consultation this was subsequently revised downwards to £2 million. In setting the threshold Fair4All Finance considered that scale was a key determinant of sustainability, and that it would also ensure funding was focused on those providers capable of having the greatest impact for customers in vulnerable circumstances.

Although Fair4All Finance indicated that there would be some leeway with the application of the £2 million threshold at the webinar held on 14th April, its written communication materials do not appear to have been updated to reflect this position, and the **Chief Executive of ABCUL, Robert Kelly**, told us:

> ***"I think some organisations were dissuaded from applying. Some looked at it in a very black and white way and said, 'we're not eligible'. I do know some applied below that threshold and were given grants, but for some others they would have looked at that condition and definitely have decided not to apply."***

Whilst it is beyond the scope of this evaluation to explore how far non-applicants to the scheme were potentially dissuaded, this anecdotal evidence suggests that there is a need to ensure that advertised criteria of future programmes accurately reflect the decision-making processes which are being employed[12].

Support for business planning, and with mergers and acquisitions

12 We also note that in one case Fair4All Finance made a grant was for just £10,000, which was lower than the stated minimum award amount in the Fund information pack.

There were two instances where applicants to the Fund were provided with help to improve their business planning, which subsequently led to successful grant applications, and two instances were grant applicants were subsequently provided with help to pursue a merger or acquisition (also referred to as a 'transfer of obligations'). These types of assistance did not form part of the initial offer but were developed in response to feedback after the Fund's launch.

It may be that there Is an unmet need for more of these types of help. For example, we were told by stakeholders that the number of transfers of obligations has increased within the credit union sector since the start of the pandemic. The issue of support for smaller lenders more generally was also discussed at Fair4All Finance's AGM in September 2020, and there was a stated intention to provide more help to this part of the sector in 2021[13]:

> ***"The way we work with you could be different to some of the larger providers, where we aim for significant scale. It may be finding ways of consolidating by sharing assets and processes across providers, for example the model of credit union shares services. Or it may be some providers coming together. The key thing for us is sustainability. We recognise some providers would want to consolidate and some would want to stay local, so we'll have strands of work that cater for both.***
>
> ***From a practical perspective, given we are already working with over 50 organisations on our current programmes, this calendar year we will be making resources available online over the next few months and in 2021 we will be looking at a more tailored support programme for smaller providers."***

Due diligence and decision-making processes

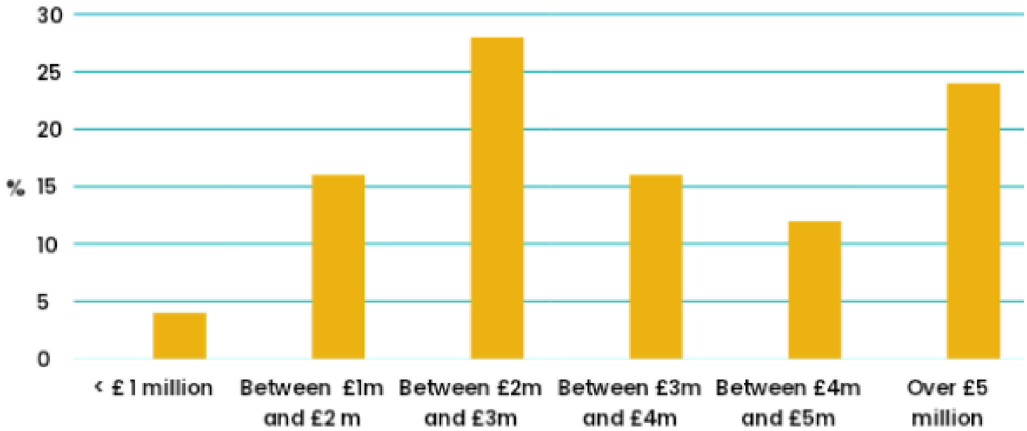
As clarified by Fair4All Finance at the webinar of 14th April, there was considerable discretion applied within the decision-making processes for the Fund. This message did get through to some smaller lenders. Eleven credit unions with loan books lower than £2 million applied to the Fund, and five of these were successful.

Our analysis (figure 1, below) also indicates that the size of loan book was unlikely to have been the main determining factor in Fair4All Finance's decision-making. Although the majority (52%) of successful credit union applicants had loan books

[13] Questions and answers from the Fair4All Finance AGM, 17 September 2020

over £3 million, one-fifth were below the £2 million threshold, and one successful applicant had a loan book of lower than £1 million.

Figure 1: Successful credit union applications by size of loan book



This indicates that, in practice, Fair4All Finance took a nuanced approach to the assessment of sustainability. However, this added complexities to the applications and decision-making process. In just under half of all cases, applications that were rejected were done so at the final 'moderation' stage of Fair4All Finance's decision-making process (see Appendix two). This indicates that they were difficult decisions, requiring the balancing of evidence regarding sustainability and reach into the target audience.

Striking the right balance?

To ensure that the Fund was directed towards sustainable organisations, Fair4All Finance asked PwC to help it assess applications using thirteen different financial metrics, which it derived from the accounts and forecasting information submitted by applicants[14].

However, building the capacity of the sector to undertake financial modelling had previously been identified as a key strategic priority by Fair4All Finance (see table 1, above).

ABCUL also told us of their members' concerns about Fair4All Finance's approach:

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14 These covered a range of issues including profitability and asset quality and involved a sustainability score based on the cost to income ratio, and year on year cost to income ratio. The calculation of these metrics was undertaken by deducting any grant income received, and PwC undertook both an assessment based on historical accounts as well as one based on the forecasts that were submitted by applicants.

> ***"The process was very robust and rigorous, and some of our members have said that it was overly so, especially given some of the sums involved. People, of course, have different opinions, and Fair4All Finance had to make a judgment call, but when you compare the approach taken to that of the Scottish Government[15], it was a far more rigorous process. I would say the balance needs to be found somewhere between the two, and I think the financial model that was applied by PwC to assess sustainability would, with hindsight, have benefitted from co-design with the involvement of the sector."***

Problems relating to the quality of some forecasts that underpinned the sustainability assessment were acknowledged in our interviews with Fair4All Finance. **Sacha Romanovitch** told us

> ***"We looked very carefully at how realistic the assumptions were in the forecasts that we received. In some cases, where we had concerns about these but felt this was because of a lack of capacity around financial forecasting, we refused the initial grant and offered some funding to help people conduct the exercise again and resubmit their request for a grant."***

This approach impacted on the time taken to make grant payments to some applicants. For example, **Jackie Simpson, General Manager of West Country Savings and Loans** told us:

"We had been in profit, sustainably, for a number of years. Then in 2018/19 we made a loss due to delinquency. That really shocked us, and we completely reassessed our lending criteria to address this prior to Covid. We had a loan book of just over £2 million. But the pandemic led to lower lending levels, and the applications we were receiving were from our more vulnerable customers, so although we were able to continue supporting our members the loan book dipped. We applied to the Fund but weren't initially seen as having a plan back to

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15 The Scottish Government launched a £15 million Scottish Community Lenders Fund on 24th February 2021. Social Investment Scotland (SIS) delivered this fund through direct invitation to all eligible affordable credit providers. By 31st March 2021, 77 grant awards have been made to 74 Credit Unions and 3 Community Development Finance Institutions (CDFIs) based or working in Scotland. Credit Union grants were awarded on tiered basis (six levels) aligned to total assets of each affordable credit provider. A summary of the tiers and the grantee organisation and their relevant tiers is available at **Scottish-Community-Lenders-Fund-Summary-Table-May-2021.pdf (socialinvestmentscotland.com)** . Each CDFI received £500k each.

sustainability. We were asked for a lot of different forecasts before being awarded a grant. Overall, it took six months before we received any support.”

However, it is important to note that difficulties in satisfying the forecasting requirements was the exception amongst the grant recipient organisations we spoke to. The **Chief Executive of Lewisham Plus Credit Union, Ravi Ravindran**, told us that in their case there were greater difficulties providing details of their customer base:

“We have quite a sophisticated financial management system, so providing forecasts wasn’t such a problem for us. But we had some difficulty with the demographic information they required. We don’t record ethnicity, for example, or information regarding the number of loans provided to lone parents. We had some information, because we had done some work for a Housing Association previously and undertaken research for that, so we extrapolated from that, but it didn’t cover everything.”

Whilst Fair4All Finance has indicated to us that information regarding ethnicity was optional, it appears that, at least in some cases, there may have been an impression that this was required. This may have created an additional burden on applicants at a time of crisis. As **ABCUL** told us:

“The data items that Fair4All Finance are keen to gather are absolutely relevant and really important, but there is a gap between the ability to collect this information and the desire to report it. Sometimes that is due to technology, sometimes it’s down to internal processes. There needed to be a review, to ask: ‘will we be able to obtain this information?’”

Difficulties providing this information appear to have been particularly apparent in respect of credit unions, and the initial indicator regarding the proportion of loans being repaid via state benefits was subsequently dropped from the assessment process due to a lack of response to that request from applicants.

Our analysis also indicates that, there was very wide variation on the other indicators used to assess the extent of reach into Fair4All Finance’s target customer groups. For example, even amongst successful applicants, the proportion of loans being made on terms of 52 weeks or less varied from just 2% of the loan book to 100%, and on the loans under £1,000 indicator, from just 12% to 100%. Similarly, with respect to lone parents and renters, the variations were between 9% and 69%, and 20% and 95% respectively.

Assessing both the sustainability of organisations and their reach into the target customer groups therefore proved to be difficult. Discussions with the Fair4All Finance team indicate that there were two key trade-offs taking place during the decision-making process:

- There was a trade-off with respect to sustainability and the focus on customers in vulnerable circumstances. We were told that the latter could potentially outweigh the former, due to the risk that a collapse of a lender would have a significant impact on the target group.

- There was also a trade-off between the scale of the applicant and the proportion of customers in vulnerable circumstances on their loan books. In this respect, even though the proportion of customers in vulnerable circumstances was low, the size of the organisation meant that their nominal reach to Fair4All Finance's target groups was often more significant than was the case for smaller providers with higher percentage reach.

There is a risk that trade-offs such as these can lead to a lack of consistency in decision-making. To address this, Fair4All Finance established Moderation Panels to make the final decisions and provided these with detailed information regarding each applicant. Ultimately, just under half of all rejections came down to finely balanced judgments by these Panels and it was noted by **Fair4All Finance's Kate Pender** that:

> ***"With the luxury of more time, I would have loved to have been able to spend forty-five minutes to an hour with each applicant on the phone. But with the volume of applications that we received it wasn't feasible to do that. We did follow up with e-mails and calls in relation to specific issues, but as a process I was very conscious that decisions were driven by the quality of information that we received in writing. We would have got a lot more colour and background to help inform our decisions if we had had the opportunity to talk."***

Finally, in some instances, where the evidence was particularly finely balanced, there was also a need for the Executive team to check their assessment and proposed decision with the Chair of the Board. This was, in our view, good practice, and ensured proper scrutiny of decision-making in these cases.

4 The Effectiveness of the Fund

This chapter now considers the effectiveness of the Fund and examines whether the objectives were met, both in terms of helping the sector to come out of the pandemic in a resilient position, and with respect to the extent to which it has enabled organisations to support customers in vulnerable circumstances through the crisis.

The chapter then proceeds to explore the counterfactual and whether the Fund has delivered value for money.

Finally, we consider the current challenges facing the sector, and identify a need to respond to these.

Summary of key findings in this chapter

- The Fund has met its objectives, both with respect to organisational resilience the by ensuring continued lending to customers in vulnerable circumstances over the course of the pandemic.

  - With respect to organisational resilience, cumulative surpluses as of April 2020 to April 2021 were at £1.5 million, but without the Fund cumulative losses would have been £2.3 million over the same period.

  - With respect to lending to customers in vulnerable circumstances, several indicators show that lending to these groups recovered swiftly after an initial shock and has since been sustained. Whilst the counterfactual is difficult to assess, it is likely that the Fund played a key role in this.

- In addition, it appears that the Fund was also used to provide considerable forbearance to customers, which was likely concentrated amongst Fair4All Finance’s target groups.

- However, there remain considerable uncertainties for the sector moving forwards. Underlying risk has increased, and loan books and revenues have not recovered to pre-pandemic levels. Many of the challenges faced by community finance providers remain the same to those at the start of the lockdown and a refresh of support needs is urgently required.

In assessing the approach followed by Fair4All Finance, we have had regard to the following principles of good grant making and findings from recent Covid related grant programme evaluations:

- Monitoring and evaluation need to be built in from the start. Where monitoring goes beyond a financial audit, there should be opportunities to use the information and share learning.
- There is a need to incorporate short feedback loops into monitoring processes to ensure that data collection meaningfully informs delivery in real time and can inform any adaptations which may be needed to the funding programme.
- There is an ongoing challenge to ensure that, in future, it is possible to understand what the sector looks like at any one time, and the value it brings.

Organisational Resilience

Fair4All Finance established a comprehensive set of indicators against which grant recipients were asked to make monthly reports. These included financial metrics to help determine the impact that the pandemic and the Fund was having on organisational resilience. In addition, Fair4All Finance also conducted three surveys of grant recipients covering the period from August 2020 through to April 2021 which asked for information regarding resilience.

Fair4All Finance undertook a quarterly analysis of this information and presented this to grant recipients in webinars held in October 2020, January 2021, and July 2021. The most recent analysis indicates:

- The pandemic resulted in reduced levels of lending and, although there were signs of improvement over time, in April 2021 loan book sizes were still a cumulative £10 million (7%) lower than pre-pandemic levels. This has reduced organisations' income and resilience to future shocks.
- Across all customer and loan types there was an increase in the number and value of new loans post-grant, and this was consistent amongst most providers.
- Cumulative surpluses as of April 2020 to April 2021 were at £1.5 million, but without the Fund cumulative losses would have been £2.3 million over the same period.
- All but two organisations reported to still be negatively impacted by Covid-19 – noting slower growth, reduced volume and value of loans, increased provisioning, and lower profitability.

- A high share (50%) of organisations "seem to be braced for impact" by having increased provisions as a percentage of the loan book since April 2020.

- Whilst technical support grants had been very helpful – often accelerating overdue technical changes – most grant recipients reported that they now also had additional technical support needs due to Covid-19 which are not being met.

Our interviews indicate that the Fund is likely to have been critical to the survival of some lenders. This appears to have particularly been the case amongst CDFI recipients. **Responsible Finance's Theodora Hadjimichael,** told us:

> ***"The Fund was a real lifeline for those who got grants. The impact on the CDFI sector was so dramatic. Even those who were on a scale-up trajectory before the pandemic lost so much income when the lockdown was put in place. Without the Fund I really doubt whether some of those organisations would have survived, and if they had they would be in a much different place right now."***

However, the extent to which the Fund provided a 'lifeline' will inevitably have varied depending on the starting position of the grant recipient, and some were in a more financially precarious position than others.

There was less evidence that the Fund was needed as a 'lifeline' amongst the credit unions we interviewed, although again many of these did urgently need funding to pivot their delivery models away from branch-based provision, or to put in place the PPE and other measures needed to keep branches open.

However, it is important to note that the impacts of the pandemic did not play out as originally expected with respect to credit unions. In particular, the initial assumption was that there would an outflow of savings as their customers came under financial pressure. In fact, the opposite occurred, with many credit union members increasing their savings levels due to constraints on consumption.

Whilst credit unions had initially applied to the Fund in anticipation of a liquidity problem, this did not, in fact, arise. As **Geoff McKay at Central Liverpool Credit Union** told us:

> ***"Within our grant request, we identified an amount to help with a forecasted liquidity problem, a reasonable request at the time, but the need for additional liquidity did not transpire as during lockdown members saved rather than borrowed. The tranche of money earmarked for liquidity was drawn down for an anticipated increase in bad debts and reduced income."***

In addition to this, **Ravi Ravindran of Lewisham Plus Credit Union** told us that their expected deterioration in collections was not as bad as first feared:

> ***"We expected loan delinquency to go up from about 5% to 6.4%, but interestingly over the course of the pandemic we are now recovering more money through the DWP's Eligible Loan Deduction Scheme. It used to average around £4,000 per month, but we are now averaging around £6,000 per month."***

Nevertheless, credit unions did experience a loss of earnings due to both lower levels of loans being made and an increase in risk profile, and the Fund offset this to some extent whilst also helping credit unions meet their reserves requirements which increased as savings rose.

Serving customers in vulnerable circumstances

Monitoring information with respect to lending to customers in vulnerable circumstances was sought using an extremely wide range of indicators. These comprised two key proxy metrics of the number of loans being made with values of less £1,000, and the number of loans being made with durations of less than 52 weeks, and well as optional indicators such as the number of loans being made to single parents with dependent children and the number being made to social housing tenants. Grant-holders were also invited to provide information regarding the ethnicity and income levels of their customers.

Whilst many organisations struggled to provide the optional information, the reporting against the key proxy measures was good, with twenty-four (83%) organisations able to provide this data for all months covered by their grant agreements.

The latest analysis of this data indicates that:

- The percentage of new loans granted to people in vulnerable circumstances remained stable until December 2020 despite overall lending trending downwards.
- In the first quarter of 2021, there was a five percent increase in the number of new loans being made for less than £1,000, and an eleven percent increase in the number of loans of less than 52 weeks duration.
- Nominal lending to lone parents with dependent children increased by thirteen percent in the first quarter of 2021 compared to the same period in 2020, and the percentage of new loans to this group increased by ten percent.

- In addition, it appears that the Fund was also used to provide considerable forbearance to customers, which was likely concentrated amongst vulnerable groups, with 76% of grant recipients reporting that they had used the Fund to make additional provisions for bad debt.

Despite the different starting points of grant recipients, our interviews consistently indicated that the Fund has played an important role in maintaining lending to customers in vulnerable circumstances over the course of the pandemic.

For example, **Fair Finance** told us:

> ***"We would not have been able to continue lending and serving our customers as we did without the support that Fair4All Finance and others provided. Further to that, it enabled us to take time to undertake research with our customers to better understand their changing needs and how we needed to adapt to better serve them."***

We also found some examples of product innovation. For example, **Lewisham Plus Credit Union** created a new Covid Support Loan product. This provided loans of around £500 and was offered at an interest rate of just 1% per month, compared to a usual rate of 3% per month for new customers. **West Country Savings and Loans** also introduced a low interest rate keyworker loan, and **Bradford District Credit Union** introduced a new £500 Family Loan product.

This was promoted through the delivery of around 80,000 family activity packs, each of which promoted good financial health more generally, for example by providing information about loan sharks and gambling. As **Ian Brewer, Financial Inclusion and Business Development Officer at Bradford District Credit Union**, told us:

> ***"We had an army of volunteers distributing these packs in the community for us in a Covid secure way. They went out in eight tranches, with each pack focused on a different aspect of finances and included games and competitions. They also promoted the Family Loan which helped us maintain momentum and tell people about what our credit union is about and attracted many new members. They were smaller loans than we had previously been focused on, but we made a lot of them and that helped offset some of the lost revenue we experienced at the start of the pandemic."***

Bradford District Credit Union also partnered with the local council to provide a 0% loan as part of their Covid response. This dovetailed with grant support for people in vulnerable circumstances and was not credit scored, although an affordability check was conducted. The credit union were paid £40 for each of the 0% loans made, with these funds recycled into the underwriting of the £500 Family Loans which were launched at the same time.

Although funding for these innovations often came from other sources, the contribution of the Fund in providing confidence to lenders was clearly important. As Ian Brewer reported:

> ***"The grant from Fair4All Finance has underpinned our work this past year and gave us confidence 'to do what we do best' despite the challenges we faced in respect of staffing and loan defaults. It allowed us to continue serving our community through innovative partnership work and products."***

In addition to maintaining lending to customers, we were also told that the Fund enabled some of the recipients to improve other forms of support. At **Street UK** this included contacting customers on a bi-monthly basis to advise them of Government support that may be available to them; providing links to benefit calculators, and to debt advice services. Whilst at **Central Liverpool Credit Union**, they took steps to help their most vulnerable customers, including by delivering money and food parcels to their homes. They also waived their usual fee for Faster Payments when disbursing around 50,000 payments, as their members did not have an option of visiting the branch to obtain these.

What would have happened without the Fund?

A definitive assessment of the counterfactual is beyond the scope of this report and would be extremely complex to assess given the varied starting positions of grant recipients and differences in the extent to which the pandemic impacted their business models:

- Some were in a better financial position than others at the outset of pandemic; some had already progressed further towards remote lending operations than others, and some had more balanced loan portfolios than others.
- Risk profiles also varied depending on the product offering and different demographics of the customers being served.
- Finally, the grants provided by Fair4All Finance also varied considerably in size and there was appears to have been a considerable mix of additional support provided to organisations from other sources.

However, both Fair4All Finance's analysis and our interviews indicate that:

- Some providers may not have survived the initial shocks associated with the lockdown, which would have inevitably reduced the availability of affordable credit to Fair4All Finance's target groups.

- The impact of the pandemic on all grant recipients to date would have been worse, and would have impacted negatively on customers because:

  - Many needed grants to pivot their delivery models to on-line or phone-based services or ensure branch-based services met Covid regulations. Without technical assistance grants to support this activity, there could have been extremely significant interruptions to business operations with a knock-on impact on loan books and ongoing revenues. This would also have constrained lending to the target groups.

  - Financial support grants gave lenders confidence to plan ahead and, in some cases, gave rise to product innovations which were firmly centred on the needs of the target groups.

Value for money?

A full cost-benefit analysis for the Fund is beyond the scope of our evaluation. This would need to focus on the extent to which the Fund preserved lending capacity to support its target customer groups, and on the likely benefits that this delivered for those customers.

With respect to the extent to which the Fund preserved lending capacity to customers in vulnerable circumstances, Fair4All Finance analysis indicates that there was a significant dip in lending, both overall and to the target groups, in March and April 2020, and a recovery in lending after June. This recovery lasted until December 2020, when lending fell again due to renewed Covid-19 restrictions.

Over the initial period, the total number of loans made fell by around thirty percent. The value of loans being made per month averaged just £5.1 million compared to a pre-pandemic average of £7.2 million.

As regards loans to customers in Fair4All Finance's target groups, the proxy metrics indicate that the numbers of these fell by between one third and a half.

Given the evidence provided to this evaluation, it appears likely that without Fair4All Finance's intervention this fall in lending could have become entrenched. And there are also appears to be evidence that the Fund may have engendered a greater, sustained, focus on customers in vulnerable circumstances.

Lending volumes bounced back swiftly in July 2020, both in overall terms and in respect of the target groups. By July 2020 the number of loans being made on terms of less than 52 weeks was back to pre-pandemic levels, and they remained so for a sustained period. Across the subsequent period to March 2021, around 13,700 additional short-term loans were advanced by grant-holders relative to their pre-pandemic position. In terms of value, this is worth around £5.9 million.

That sum more than covers the actual cost of the Fund in itself, but a full-cost benefit analysis would also need to consider how many other additional loans, of longer durations or higher values, were also directed to Fair4All Finance's target groups, and to what extent that lending resulted in cost savings and positive social impacts for customers.

It is undoubtedly the case that many of those customers would otherwise have either had to pay a higher price for credit or have 'gone without' essentials. For example, average savings on CDFI loans compared to high-cost door to door lenders have been estimated to be in the region of 33p for every £1 lent[16]. Similarly, the social costs of customers 'going without' essentials, which may have occurred had credit not been available, can also be significant.

Whilst we are therefore not able to say how far the Fund has provided a return on investment, we can be highly confident that it has done so even after factoring in additional costs relating to its administration.

Current challenges

Whilst the rapid deployment of the Fund achieved its immediate objectives with respect to its grant recipients, our interviews also identified ongoing challenges for these, as well as for the broader sector. Interviewees particularly told us of considerable uncertainties in the quality of their loan books especially as Government support for households was reducing and living costs increasing.

Street UK told us that there were increasing numbers of people that they could not provide loans to, due to affordability concerns, and that the focus now needed to shift towards providing funding which could help the sector scale its impact on the target customer groups, rather than on financial returns for investors. This was particularly important now that some high-profile high-cost lenders including Provident Financial had collapsed. Its own research with declined applicants indicates that these are now turning in increasing numbers to Buy Now Pay Later providers.

Fair Finance told us that the pivot to on-line lending and the impact of Covid-19

[16] 'Gateway to Affordable Credit: Report of the Affordable Credit Working Group', Carnegie UK Trust, 2016, p.15.

on customers' finances means that managing risk has become more complex:

> *"The complexity of collections has increased, as we have gone from a handful of worked payment plans to much higher numbers. Not only that but understanding the risk profile of a changing customer group has become more complex. Investments made in the years preceding covid have provided capability and functionality to support us to manage this new challenge."*

Whilst both these organisations were greatly appreciative of the support provided by Fair4All Finance, they both noted that there was a lack of clarity about the support that would be on offer moving forwards, and how suitable this was to the new environment they were operating in.

The credit unions we spoke to also told us that although there had not been a liquidity problem as originally expected, they were still in a very uncertain position with respect to bad debts. For example, **West Country Savings and Loans** told us:

> *"The grant has mostly been used to offset delinquency which has increased, mainly because of higher levels of customers applying for IVAs and going into Debt Management Plans through StepChange. We also had to offset lost revenue due to a diminishing loan book. Getting that loan back to where it was will take time, and we are setting a target for September 2022. Over half our loans are for under £500 and to people on lower incomes. But to support that we need to get loans up amongst salaried members, and we have to keep a close eye on the impact of the removal of the Universal Credit uplift and rising living costs."*

Finally, the trade associations both told us that they were surprised that there has not yet been a refresh of the Fund to assess what more support is now required. **Responsible Finance** told us:

> *"There is definitely a case for a refresh of the Fund. We are not out of the woods yet. When the grants were made, nobody had expected the disruption to last as long as it has. We are now a large way through 2021, and the challenges are largely the same, but without the same level of direct support. CDFIs are being expected to raise investment and fill the gaps caused by the collapse of Provident Financial and other high-cost lenders, not to mention charge lower interest rates and be sustainable. That just isn't feasible without*

further bridging support between where they are and where they are expected to be. The reality is that investors aren't jumping in because of the perceived risk and other grant giving bodies formerly active in this field have withdrawn, leaving fewer options. Given the need from customers and huge impact the sector can have there is a strong impact case to review what the sector needs to be on track for scaling up after an incredibly disruptive period."

Similarly, **ABCUL** told us:

> "*Deposits have risen, but lending is down and the gap between the two has got bigger. Capital Asset ratios are under more pressure and balance sheets are less resilient. We are now starting to see the impacts of those loan books declining, because monthly incomes are declining, and we haven't yet seen the overall impact of bad debt yet. The PRA modifications to their rules are helpful, but it has thrown the problem further down the line. As we move into 2022, I think we will see more arrears and insolvencies. I actually think a new Covid Resilience Fund is more important than it was last year.*"

5 Learning and Insights from the Fund

In this chapter we now present our conclusions drawn from each of the previous sections of the report. We then proceed to make recommendations regarding the need for a refresh of support needs within the sector and to potentially improve the operational processes of future programmes.

Conclusions

We find that Fair4All Finance's initial **design of the Fund** reflected best practice.

- It consulted rapidly and effectively with key stakeholders and pulled together information from both internal and external sources to identify the risks of the pandemic to the delivery of its strategic priorities. The evidence that Fair4All Finance received ensured it had a firm grasp on both the financial and operational impacts of the pandemic as they were being experienced by affordable credit providers.

- The Board also gave full and proper consideration to this evidence when setting the overarching objectives for the Fund and maintained the organisation's focus on its long-term mission when doing so.

- By providing grant funding to meet both financial and technical support needs, the Fund was clearly appropriate to the problems being identified by the sector at the time. Whilst the scale of support that was needed was highly uncertain, the Board's allocation of up to £5 million was significant and based on the best information available to it at the time. It also committed to further reviews to take place as matters progressed.

- We also find that Fair4All Finance gave full and proper consideration to the resource implications of establishing and implementing the Fund prior to its launch. It pulled in external expertise, both in the form of external secondees and PwC, to assist with the development and subsequent implementation of the Fund's processes. It also reflected on ways in which it could amend the procedures it had designed for its Affordable Credit Scale Up Programme to make the application process to the Fund easier, whilst seeking to balance this with its responsibilities for due diligence and risk management.

However, we find that there were **significant challenges in the implementation of the Fund**. In particular:

- The eligibility criteria and organisational requirements published at the time of the Fund's launch may have dissuaded some organisations from applying.

- Some applicants may also have been unable to provide the level of financial forecasting and the provision of demographic information required by Fair4All Finance. This may have contributed to the number of rejections. These limitations also appear to have flowed over into some providers being unable to provide the required level of monitoring information.

- In practice the £2 million loan book threshold was not observed, and there were also trade-offs made between sustainability and reach into the target customer groups. No precise definitions of either 'sustainable operations', or what constituted an acceptable level of reach into vulnerable customer groups were provided. Whilst every effort was made by Fair4All Finance to assess applications fairly, including by submitting very finely balanced decisions to the scrutiny of the Chair, time-constraints meant that it was not possible to seek as much information as would have been liked, and this may again have fed through into the number of rejections.

- The more nuanced approach taken to assessing sustainability and acceptable reach into the target customer groups also meant that the decision-making process was resource intensive.

These factors are possible explanations for the Fund delivering just over £3.8 million of financial and technical support grants to twenty-nine organisations compared to an initial expectation of £5 million of funding to fifty lenders.

However, it has not been within the scope of our evaluation to assess whether non-applicants were, in fact, deterred by the eligibility and application procedures, or whether refused applicants could understand and accept the decisions that were made. Neither are we able to definitively state that seeking additional information from applicants would have materially impacted the rejection rate.

Finally, there was also a limited take-up of other forms of support, with around £30,000 provided to assist two of the grant recipients with business planning, and a further £45,000 provided to help two organisations with mergers and acquisitions. The need for these types of support was only identified after the Fund was launched, and there may be an unmet need for more of these types of assistance moving forwards.

Despite these operational issues **it is clear to us that the Fund has been used effectively** by its grant recipients and the Fund has met its key objectives.

- The Fund has clearly met its objective with respect to organisational resilience. Cumulative surpluses as of April 2020 to April 2021 were at £1.5 million, but without the Fund cumulative losses would have been £2.3 million over the same period. In some cases, the Fund provided a 'lifeline' to grant recipients and they may well not have survived the initial impacts of the pandemic without it.

- The Fund also enabled organisations to swiftly pivot their business models to incorporate digital and telephony into their delivery, and without this funding there would likely have been very significant disruptions to lending.
- The Fund appears to have had a very positive impact on maintaining lending to customers in vulnerable circumstances, with several indicators showing that lending to these groups recovered swiftly after an initial shock and has since been sustained.
- In addition, it appears that the Fund was also used to provide considerable forbearance to customers, which was likely concentrated amongst the target groups.
- But there remain considerable uncertainties. Underlying risk has increased, and loan books and revenues have not recovered to pre-pandemic levels. Many of the challenges faced by community finance providers remain the same to those at the start of the lockdown and a refresh of support needs is urgently required.

Recommendations

Fair4All Finance's long-term mission extends beyond scaling up the community finance sector, although this has been a clear initial focus for its strategy to meet the "10x challenge".

In the context of increased underlying risk for lending to people in vulnerable circumstances, and with several major high-cost lenders having exited the market, there is now perhaps a need to refresh its strategy more generally, and to consider how best to utilise its resources moving forwards.

Nevertheless, strengthening community finance providers with the potential to increase provision to customers in vulnerable circumstances is likely to remain a key objective, and there is a need to consider how this can best be achieved in the current climate.

Further discussion may need to take place with the sector regarding what a reasonable pathway to sustainably serving the target groups now looks like (not only current grant recipients, but more broadly).

We also recommend that Fair4All Finance refresh its view of what affordable credit as a product might need, to scale and be sustainable in the future.

This refresh could focus on:

- What mixture of grant and other funding needs to be put in place to help providers progress towards sustainably serving the target groups.
- Assessing the further need for short-term assistance in the event of an increase in bad debts.
- Clarifying the offer of assistance that is to be made available to smaller providers, including, but not limited to, help with mergers and acquisitions.
- Supporting capacity building interventions to improve business planning, financial modelling, and impact reporting across the sector.

We also make the following recommendations to assist with the implementation of any future funding programmes:

- To avoid dissuading potential applicants, there may be a need for Fair4All Finance to better communicate its pragmatic approach to decision-making with consideration of its strategic goals.
- Hard stop eligibility criteria such as loan book size thresholds could perhaps be avoided in favour of long-term 'direction of travel' indicators. Perhaps the test should be whether organisations are moving towards both sustainability and greater reach into the target groups.
- Pending greater capacity being built within the sector to improve business planning and impact reporting, the information to be required on application, and through subsequent monitoring processes, may need to be simplified further.
- More time for one-to-one discussion may also be needed at application stage, although we recognise that this was simply not possible due to time constraints and the emergency nature of the Fund. Moving forwards greater staffing capacity within Fair4All Finance may be needed to support this.
- Finally, we recommend that more resources are provided for future evaluation so that rejected applicants can also feedback their experiences. It may be that future programmes could also embed evaluation teams into their delivery to obtain insights and make recommendations throughout the course of their roll-out.

Appendix 1: Evaluation Framework

Evaluation Element	Best practice	Research questions
Design of the Fund	Ideally take a strategic approach and aim to generate impact that is sustainable over the longer term although recognise that this may not always be possible or appropriate in the context of emergency funding. Consult with relevant stakeholders to understand the market and identify needs and gaps. Objectives should be clear, enabling the audience to be correctly targeted and ensuring outcomes are relevant to the problem that has been identified. The level of resources available to the grant maker should be considered and experts should be brought in to support assessments where the skills/ in depth subject knowledge are not available in house. Communications need to be clear and targeted effectively to reach relevant audiences and support understanding.	What were the challenges faced by Fair4All Finance at the time of the lockdown? How quickly did it respond? What was the consultation process with stakeholder like? What gaps in information were there? What implications did the context have for the approach followed, and particularly with respect to the strategic use of funds, its communications strategy, and reach into the sector?

Implementation of the Fund	Clear criteria should produce a better pool of applicants and avoid wasted time with ineligible applications. Clarity as to who can apply (including organisation size, location, and track record) as well as any exclusions, aids transparency and should sit alongside clear communications and guidance. Strike the correct balance between the speed of response, and ensuring procedures adequately manage risk. All timescales need to be realistic both for the grant maker and the applicant. Appropriate time for planning, lead-in, application and spending the grant will all impact on the success of the grant programme. All application and reporting processes should be proportionate to the grant requested/awarded – information should only be asked for where it will be used.	Were the objectives set for the Fund the correct ones? Were the timescales, criteria and processes for applications, monitoring and evaluation proportionate? Did they strike the right balance between enabling access to the Fund and the need for effective risk management?

Effectiveness of the Fund	Monitoring and evaluation need to be built in from the start. Where monitoring goes beyond a financial audit, there should be opportunities to use the information and share learning. Effective grant processes respond to need so have to be flexible to adapt to this. Incorporate short feedback loops into monitoring processes to ensure that data collection meaningfully informs delivery in real time and can inform any adaptations which may be needed to the funding programme.	Was there sufficient resource within both Fair4All Finance and beneficiary organisations to monitor and evaluate to an appropriate level? How has the monitoring information been used? Were the objectives met both in terms of expected impact on grant beneficiaries and their customers? Was the Fund sufficiently flexible to respond to changes in the sector's need for support over the duration of the pandemic? Has it provided value for money? Is there more needed to evaluate the Fund, the challenges now being faced, and to share learning effectively?

Appendix 2: Decision-making process

To make decisions on grant applications, Fair4All Finance introduced a five-stage process comprising:

- **Initial checks**, to ensure the application form had been completed in line with the guidance provided.
- **Social purpose checks**, which included interrogation of constitutional documents to determine whether the organisation had a clearly defined social purpose to "increase the financial resilience and well-being of people in vulnerable circumstances" as well as an assessment of policies with respect to post-tax profit distribution, payment of the real living wage, and progress being made to assess the social impact of provision.
- **(Initial) Accounting Review**. Undertaken by PwC as the external accounting partner, this was designed as a "rapid sustainability check". Although the methodology to be used at this stage was not published in the information to applicants, this was based on two previously published reports.
- **Full scoring**, which involved detailed assessment of the answers provided in the application forms including with respect to whether the organisations was sufficiently serving people in vulnerable circumstances and had an appropriate product offer. A deeper financial review of recent bank statements and audited accounts was also conducted at this stage by PwC to assess profitability, sustainability, and the quality of assets. For both the financial support and technical support applications, support from the external accounting partner was required to check that the amount sought (e.g., for forbearance / technology investment) was mirrored in the forecasts submitted and matched the scale of the impact projected in the forecasts.
- **Moderation**, which involved a panel discussion of the merits of each application and provided an opportunity to increase or decrease recommended grant awards. Moderation panels also provided an opportunity to examine the case for exceptional awards where there had been a failure to meet all eligibility criteria but where there was nevertheless a strong strategic impetus for assistance to be provided.

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