



**EMBARGOED UNTIL 0.01AM WEDNESDAY 1 SEPTEMBER 2010  
“PEOPLE TURNING TO COMMUNITY SAVINGS SCHEMES DUE TO  
UNEASE WITH MAINSTREAM BANKING”**

Dissatisfied with the experience of using mainstream banks, informal community savings schemes are becoming a popular alternative for some ethnic groups in the UK according to race equality think tank Runnymede.

In addition, Runnymede’s research has found that there are high levels of unease – and sometimes mistrust – towards mainstream banking among Britain’s minority ethnic communities, which has worsened since the banking crisis.

Entitled “Saving Beyond the High Street”, Runnymede’s report highlights that Bangladeshi, Caribbean and Chinese people are less likely to engage with formal or mainstream financial institutions than the white population, often because they lack trust in banks and are reluctant to get into debt.

Against this backdrop, many are turning to informal and traditional community savings schemes such as “pardnas” (among Caribbeans) and savings clubs – similar to Christmas clubs. These operate by a group of typically no more than 20 people agreeing to save a small amount of money, with each participant having the opportunity to get the whole “pot”.

Whilst there is no “return” on the investment, such savings clubs are proving popular amongst some of the UK’s minority ethnic communities as they are seen as instilling discipline in the saver and allow them to avoid credit.

In addition, others prefer to invest in property rather than rely on savings – or even pensions – particularly since the banking crisis. One interviewee stated that “it’s not safe to be dependent on savings...I think people investing in property are sensible...People have saved and had their pensions wiped out”.

Runnymede’s research found that these alternative saving decisions are not necessarily taking place due to poor financial understanding, but are rather a judgment that banks are unsafe, insecure or unethical. This perception, according to Runnymede’s research, has become more widespread following the banking crisis.

In response, banks need to recognize that some people reject the practices of the financial mainstream and therefore need to consider how to extend their support and expertise to community and local banking.

Rob Berkeley, Runnymede's Director said: "We now appreciate more than ever the central role that banks play in providing access to money for investment, but for some communities banks fail to offer appropriate services – meaning that they miss out on custom, but also that some groups may be missing out on investment opportunities. To serve all parts of society banks should do more to reach out or alternative solutions must be found".

## NOTES TO EDITORS:

### Case studies

- Henna\*, a Black Caribbean woman from Norwich in her 20s, told Runnymede that seeing "the lines outside Northern Rock" at the start of the banking crisis **convinced her never to put money in a bank** and instead prefers to invest her money elsewhere. She added that many of her friends and family are reluctant to use banks, including her sister who has recently begun saving through a pardna.
- Tamir\*, a Black Caribbean Muslim, said that in his view since the credit crunch Muslims **have doubted the competence of banks** and there is a desire amongst those in his community not to use banks where possible. He added that he would consider investing in commodities such as metal or oil before investing in a savings account. He added that pardnas has made him "a lot of money" in the past.
- Sam\*, from the Chinese community, said that in order to be less reliant on credit his friends and relatives **tend to put down as much deposit as they can when getting a mortgage**. He added that a friend of his recently put down 40% for a mortgage.
- Luke\*, from the Caribbean community, argued that he preferred to keep his money with people "he had a real connection with" rather than save in a bank.
- Jalal\*, a Bangladeshi living in London, told us that community saving is common amongst his friends and relatives. He mentioned that in order to help relatives in difficulty, both in the UK and Bangladesh, a bucket is passed between family member with everyone contributing what they can spare.

\* Not the participant's real name

## **Contact**

- 1) "Saving Beyond the High Street" will be published on Wednesday 1 September. For an advance copy of the report please contact Vicki Butler at [vicki@runnymedetrust.org](mailto:vicki@runnymedetrust.org) on 020 7377 9222 or 07534 929275
- 2) For press inquiries and to arrange interviews with the report's lead researcher Dr Omar Khan please contact Vicki Butler at [vicki@runnymedetrust.org](mailto:vicki@runnymedetrust.org) on 020 7377 9222 or 07534 929275

## **About the project and Runnymede**

- 1) Runnymede is a social policy research organisation focused on race equality and race relations. We work by:
  - Identifying barriers to race equality and good race relations
  - Enabling effective action for social change
  - Influencing policy at all levels through providing thought leadership and robust evidence

Further information is available on our website: <http://www.runnymedetrust.org/>

- 2) This research programme is funded by the Nationwide Foundation, a registered charity (no 1065552)