



Evaluation of the prepaid card live test: Final report

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The Department for Work and Pensions (DWP) is interested in exploring new methods of payment to help claimants manage their benefit payments, particularly in the case of those who are vulnerable or need help with budgeting. To this end, DWP worked with Kent County Council (KCC) to deliver a 'proof of concept' small-scale test in Kent in spring/summer 2015, to test the viability of using prepaid card systems to make benefit payments to claimants. The live test was delivered by three providers under contract to KCC: Sanctuary Supported Living; Circle Housing; and two commissioned services in KCC (Salus and KCA). KCC had an existing contract with Prepaid Financial Services (PFS) to provide prepaid cards to make social care payments and these cards were also used for this test. Participation in the test was voluntary and did not involve any enforced restrictions on how the claimants could spend their benefits.

The aim of the prepaid card live test was to explore the feasibility of using prepaid cards to make benefit payments and to help identify any technical issues or opportunities to enhance financial inclusion presented by their use. As part of this, DWP considered that it was essential to examine and capture the experiences of card users, including how the card worked for them as individuals and their views on how useful they found prepaid cards as a budgeting tool.

The aims were to understand:

- the key challenges and opportunities for using prepaid cards to make benefit payments, including technical aspects;
- how claimants use the cards and to capture their experience of using the cards; and
- whether it was feasible to conduct a formal trial of using prepaid cards to support vulnerable claimants.

The evaluation

The evaluation was commissioned by DWP and conducted by a team at the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University between April and September 2015. It was a qualitative process evaluation focused on learning how the test was delivered, what went well and what could be improved. The evaluation comprised the following:

- *Qualitative, semi-structured interviews with 20 claimants having their benefit paid onto a prepaid card across three support providers.*
- *Short, structured interviews with seven 'non-participants', i.e. claimants who had been offered the opportunity to participate in the live test but declined to do so.*

- *Face-to-face interviews with two senior managers at KCC.*
- *Face-to-face interviews with 14 individuals from the contracted support providers, (six from Sanctuary, four from Circle, three from KCA and one from Salus) including four managers/coordinators and 10 front line support workers.*
- *Telephone interviews with officers in four other local authorities (LAs) – Trafford, Nottinghamshire, Bracknell Forest and Merton – using prepaid cards to provide a broader picture of the operation of different prepaid card systems and to identify potential issues and lessons transferable to the live test.*

Recruitment, participation and take-up of the prepaid card

The test was designed to run in KCC for a period of around six months in spring/summer 2015. Participants were recruited by support workers from one of the three support provider organisations sub-contracted by KCC. Relatively few claimants were recruited over the course of the live test. The project was funded to accommodate up to 150 claimants. In the event, 72 had volunteered by the end of test period, 55 of whom activated their cards and five of whom dropped out. In some cases, support workers could see the potential value of prepaid cards for their clients from the outset. The prepaid card was seen as an attractive option by many claimants who had difficulty in opening a normal bank account, had restrictions placed on their banking activity, or did not like carrying cash. Support workers often felt that those without bank accounts were most likely to be interested in the prepaid card and targeted the clients who they felt would benefit most. The card appealed to some claimants because it did not allow them to go overdrawn and there were no charges and they liked the convenience of being able to use the card in the shops and online.

A range of factors contributed to the low take-up of the prepaid card test. A key issue was the short duration of the test which appeared to encourage support workers, acting in the best interest of their clients, to target their efforts on those without bank accounts. These were the clients who might benefit most from using a prepaid card and be more likely to agree to participate. Many support providers also deemed prepaid cards inappropriate for 'banked' clients who had no pressing financial issues and these clients in turn saw no real value in a prepaid card. But, additionally, the characteristics of some clients made participation in the prepaid test less appropriate. Although an exit strategy was a key part of the design of the prepaid card test some delayed communication to support provider staff about what would happen after the test also reduced take-up. Because many support workers did not know that clients could transfer to a basic bank account at the end of the process, this diluted their confidence in the product they were supposed to 'sell'.

Technical feasibility of prepaid cards for benefit payment

Overall, the prepaid card technology appears to have been effective. Other LAs using prepaid cards for different purposes, confirmed that the cards are relatively straightforward to implement and not prohibitively expensive. The response of participants and stakeholders to the live test suggests that using prepaid card technology to pay benefits is technically feasible and relatively straightforward. The technical issues that did arise should be characterised as 'teething problems' rather than more fundamental barriers, and are issues that could be addressed in advance of a wider trial. 'Minor' technical problems (such as a payment being a day late, or the inability to pay a bill at the post office) can be the cause of significant practical and emotional difficulties for vulnerable claimants, and this can act as a deterrent against future use.

Views and experiences of the prepaid card

Overall, stakeholders and participants were positive about the prepaid card, pointing to a range of benefits that can accrue to claimants who participate. Participants expressed confidence that their money was securely stored and could be retrieved. Stakeholders thought that the card promoted financial inclusion as well as being a valuable tool to help people on low incomes manage their financial commitments. Support providers played a key role in helping participants activate the card, set up Direct Debits and become accustomed to using it. With this support in place, participants said that they generally found the card easy to use.

The way in which participants used the card varied widely. Some used it simply as a depository, withdrawing their benefit in cash once it was paid on to the card, while others used it like a fully functioning bank account, setting up Direct Debits, making card purchases, and checking balances and expenditure online. The test was designed to allow participants to voluntarily block certain merchant category codes if they wished to do so. However, none of the participants chose to do this, and some participants were unaware that such an option existed. For most participants the first point of contact was their support worker.

Supporting claimants using prepaid cards

All participants had a support worker from the sub-contacted organisations who provided budgeting advice and support. This was a key component of the live test and was funded by DWP. In most cases, there was a pre-existing relationship between the participant and worker, although a few participants were referred to the support provider when they volunteered for the prepaid card. Most participants were therefore already receiving help with money management.

Assisting clients with, and providing support alongside, the prepaid card did generate additional work for support providers, although they believed that there were positive outcomes from this extra investment of their time. How much additional work depended on the client as their needs varied widely. Support workers often assisted with all technical aspects of the card – they helped activate them, set up Direct Debits, showed people how to check statements online, phoned the helpline when problems were encountered, and reported lost cards. Support provided at the outset helped to empower clients and increase confidence in using the card, but that once the card was up and running some participants preferred to be self-sufficient while others were reassured knowing they could call on their support worker for help should they need it.

Additional support was also provided by KCC to ensure the smooth running of the live test and help overcome teething problems. Overall, the success of the prepaid card in Kent is partly attributable to support being available, both from support workers and KCC itself, but it is difficult to assess the extent to which additional resources are required, above and beyond those of, for example a floating support service.

Benefits and challenges in the use of prepaid cards

There were a variety of ways in which the prepaid card, as implemented in Kent, promoted financial inclusion, allowing people with restricted access to banking to access the features and facilities of a traditional bank account – for example, paying bills by standing order or Direct Debit, using a card for purchases, withdrawing small amounts of cash as needed, checking statements and balances on an ongoing basis. Some participants were unable to open a bank account, while others were reluctant to do so (due to concerns about overdrafts, bank charges or prior negative experiences). Others had

bank accounts that were problematic to use (for example, because they were overdrawn). The prepaid card provided these households with the equivalent of a banking product. Some of the main benefits identified included:

- The use of prepaid cards **provided a 'safe' financial environment** for people in debt whose benefits were otherwise being swallowed up by overdrafts or credit debt payments in their current bank account. The prepaid card allowed participants to protect some core income for essential and priority expenditure while working with their support worker to address their debts. **The prepaid card provided an important tool to help claimants and support workers address financial problems and help prevent debt.**
- The prepaid card was also found to **provide greater financial safety** for a few participants who had been exploited by previous or current partners or peers in the past.
- Many participants and support workers thought that the use of prepaid cards had **promoted financial independence and** clients spoke about having **more control and ownership over their finances.**
- Another perceived benefit of using the prepaid card was that it could bring **financial savings.** Participants could buy products and services online where cheap deals could be found, and could benefit from discounted utility bills by paying by monthly Direct Debit. Stakeholders and participants also pointed to the **convenience of the prepaid card.**
- Evidence also pointed to the **prestige, status, and sense of social inclusion** associated with having a prepaid card. These are important, if more intangible benefits that can feed into an enhanced sense of self-esteem. Clients spoke of being able to sign up for goods and services – like internet access, for instance – that they were unable to access before without a bank account and Direct Debit facilities.

Some of the difficulties and challenges identified included:

- Stakeholders and participants reported that **the helpline was inadequate** at times. Some stakeholders and participants reported difficulty getting through. The helpline was a general one provided for all customers of the card provider. Some helpline staff were unaware of the Kent test and so did not always have the requisite knowledge to answer queries or assist with the problem. As a result, the burden frequently fell on support workers to assist their clients instead.
- Support provider organisations felt the prepaid card test could have been introduced more effectively with clearer communication about how the process would work. However, despite the fact that Kent held seminars with managers and support workers and provided written guidance to each individual support worker on the project, stakeholders and participants felt that communication and the provision of information about the prepaid card was at times inadequate and ineffective. For example, frontline support workers felt there was insufficient coverage of technical aspects of the prepaid card in their training. Training focused more heavily on 'selling' the card and on advising on budgeting (which support workers already carried out as part of their daily work activities). Not all of the support workers were au fait with the features of the card. Some were unaware that the card supported standing orders, others did not know how to set up a Direct Debit on the card, and some did not know it was possible to manage the card 'online'. Some participants had only **partial understanding of the features of the prepaid card and the associated support provided.** Some were unaware, for example, that the card supported Direct Debits and standing orders, or that they could go online to check statements, or that a helpline existed to respond to queries or difficulties.

- The test tended **to underestimate the limited understanding of the general banking system** among many of the participants. Some of these difficulties could be categorised as 'technical' issues but for the fact that they are also common in the standard banking system (depending on the bank, the type of card, the type of transaction and so on).
- Despite an exit strategy being part of the design of the prepaid card test, at the time of the evaluation, participants and support workers were **uncertain about what would happen at the end of the live test**, causing concern and uncertainty. KCC officers indicated that a key priority was to ensure that participants were not negatively affected by their involvement in the live test, and were exploring an alternative financial product to offer instead. Some managers voiced concern about the potential switchover.

prepaid cards have the potential to promote financial inclusion and independence, helping people manage their money and debts and widening options for financial management. On this basis, the evaluation concludes that it would be feasible for DWP to carry out a more extensive trial of using prepaid cards to support vulnerable claimants.

Conclusions

The 'proof of concept' small-scale test in Kent has demonstrated, within the limited terms of the test and of the evaluation, the feasibility of using prepaid card technology to make benefit payments to claimants who, with support, were able to use prepaid cards to manage their money. The live test has also demonstrated that

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The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 911003 40 3. Research Report 926. July 2016).

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