



Department
for Work &
Pensions



Evaluation of the prepaid card live test

July 2016

Research Report No 926

A report of research carried out by The Centre for Regional Economic and Social Research at Sheffield Hallam University on behalf of the Department for Work and Pensions.

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First published July 2016.

ISBN 978 1 911003 40 3

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Summary

The Department for Work and Pensions (DWP) explored 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.

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

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 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.

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Acknowledgements

The evaluation was commissioned by the Department of Work and Pensions (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. In undertaking this study we would like to thank present (and former) DWP staff including Emma Dibb, George Poulton, Liz Vickers, Francesco Arzilli, and Michelle De Cort for their contribution. Thanks also go to Kent County Council (KCC) staff including Hugh Martyn and Mel Anthony for all their help, support and involvement in the evaluation, and to Jess Bamonte and Sarah Ward for their help with the report. We would like to acknowledge staff at the Support Provider organisations Sanctuary Supported Living, Circle Housing and KCC commissioned services (being Salus and KCA). We are particularly grateful to the managers, coordinators and support workers who assisted the organisation of the fieldwork and for their help with finding clients for the Research team to speak to. Support provider staff also contributed evidence to the evaluation. Finally special thanks go to all the participants who gave their time to take part in the study.

The authors

Ian Cole is Professor of Housing Studies in the Centre for Regional Economic and Social Research at Sheffield Hallam University.

Jan Gilbertson is a Senior Research Fellow in the Centre for Regional Economic and Social Research at Sheffield Hallam University.

Dr Kesia Reeve is a Principal Research Fellow in the Centre for Regional Economic and Social Research at Sheffield Hallam University.

Executive summary

Introduction

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 Kent County Council:

- 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.

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- **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 frontline support workers.
- **Telephone interviews with officers in four other local authorities** (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, there were no charges, and they liked the convenience of being able to use the card in 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. 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 local authorities 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-contracted 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, and 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 over and ownership of 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.

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 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.

1 Introduction

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 systems¹ to make benefit payments to claimants. Participants would be eligible if they were in receipt of Employment and Support Allowance (ESA), Jobseeker’s Allowance (JSA), Incapacity Benefit (IB), Severe Disablement Allowance (SDA) or Income Support (IS). Prepaid cards are already used by many local authorities, including KCC, for other purposes, in particular for health and social care payments.

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).

Participation in the test was voluntary and did not involve any enforced restrictions on how the claimants could spend their benefits. The claimants who volunteered to participate had their benefit paid onto a prepaid card and received associated one-to-one support from one of the provider organisations.

The prepaid card was provided by KCC’s prepaid card provider, Prepaid Financial Services (PFS), and had a number of facilities:

- Automated teller machine (ATM) cash withdrawals.
- Online purchases (that accept Mastercard).
- Chip and Pin purchases at retailers/over the phone (that accept Mastercard).
- Direct Debit (free of charge to the participant).
- PFS (the prepaid card supplier) customer service centre telephone helpline which was the same support provided for all its customers.
- Free purchase and fraud protection.
- Replacement card provided.
- Online up-to-date account information, including balances and transactions. This service worked in the same way that mainstream bank customers might bank online and view bank statements.

¹ Prepaid cards offer a means of storing money which can then be used at a later date. There are two main types of prepaid cards, so called ‘open loop’ and ‘closed loop’ systems. Closed loop cards are defined by being restricted to being accepted by certain merchants, for example, transport passes and gift cards. Open loop cards are often associated with an electronic payment network, such as Visa or Mastercard and can be used in the same manner as credit or debit cards. See (Hitczenko, Marcin; Tai, Mingzhu. (2014). *Measuring unfamiliar economic concepts: The case of prepaid card adoption*, Working Papers, Federal Reserve Bank of Boston, No. 14-9.

The cards had the facility to allow participants to place restrictions on how they could spend their benefit. Participants could opt to block certain merchants if they wished to discourage particular types of spending. As it turned out, none of the participants took up this option.

The aims of the 'proof of concept' test 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 live test was designed to run in KCC for a period of around six months. Cards were issued between March and May 2015 and claimants were transitioned off them from September onwards. Over the course of the live test, a total of 72 claimants consented to participate in the test, although five subsequently withdrew, and 55 of these claimants activated their cards.

This report presents the results from the evaluation of the live test, which was conducted by a team at the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University between April and September 2015.

2 The evaluation

The evaluation was commissioned by the Department for Work and Pensions (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 key aims of the evaluation were to:

- help determine the feasibility of paying benefits via prepaid cards;
- identify the key challenges and opportunities for using prepaid cards for benefit payments, for stakeholders (DWP, local providers) and claimants;
- take the learning from the test forward, to make recommendations for changes that would be required for the test to be scaled up/rolled out.

A series of research questions were devised by the research team and DWP around the main themes of: technical feasibility; participation; and user experiences.

The evaluation comprised the following:

- **Qualitative, semi-structured interviews with 20 claimants having their benefit paid onto a prepaid card** across three support providers. The majority (16) of these respondents were accessed through one of the three providers (Sanctuary), reflecting the much higher number of clients recruited by this organisation. Although a small sample, these 20 respondents represented just under half of all those who had activated their cards at the time fieldwork was conducted.² Interviews lasted approximately half an hour and were conducted either face-to-face in respondents' homes, face-to-face at the support provider's offices, or on the telephone, depending on respondent preference. The profile characteristics of these 20 claimants are presented in Appendix C.
- **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. Interviews lasted approximately 10 minutes, with some conducted face-to-face and some on the telephone, and were focused on respondents' reasons for declining to take part.
- **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 frontline 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. All four LAs were using prepaid cards for adult social care direct payments (personal budgets); two were also using prepaid cards for Court of Protection Appointees; and one was combining a prepaid system with a smart card used for many council services (such as libraries and leisure centres). (See Appendix D for a summary of the findings from these interviews).

² By the end of the live test 55 participants had activated their cards but fieldwork concluded a little earlier, when 42 claimants had activated their cards.

In the following chapter we examine how the prepaid live test worked in practice. Subsequent chapters (4-7) then assess issues such as participation in the test, technical feasibility, the support provided and claimant views and experiences. We review some of the key challenges and opportunities arising from the prepaid card live test in Chapter 8 and Chapter 9 sets out our conclusions and recommendations.

3 The prepaid card live test

The prepaid card live test was designed by the Department for Work and Pensions (DWP) and delivered by Kent County Council (KCC). Three organisations were contracted to KCC to provide support to claimants who volunteered to use the prepaid card – Sanctuary Supported Living, Circle Housing and KCC commissioned service (being Salus and KCA). KCC had recently established a new contract with a prepaid card provider – Prepaid Financial Services (PFS) – and so it made sense to use PFS for this test.

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 way that the project would work was developed over a period of time by DWP, in consultation with a number of local authorities (LAs) who already used prepaid cards successfully to pay adult social care or local welfare provision to their customers. The project made provision for customers' benefit to be paid onto prepaid cards. This was a new concept and method of payment, as well as an opportunity to promote greater financial inclusion. In the light of this, and taking into account the experiences of LAs, DWP felt there was a clear need both to support customers to use the cards and to help them with any money management issues they may have. Customer support, to complement the issue of prepaid cards, was therefore a key part of the project's design. There was a consensus between DWP and KCC that this 'on the ground' support for participants should be delivered by people in Kent who already had an existing relationship with potential customers.

KCC in turn had an established relationship with the three participating organisations and took responsibility for the day-to-day delivery of the project, including liaison with these organisations and their support workers. DWP funded and had high level oversight of the project. DWP was kept informed of progress through weekly meetings with KCC for the duration of the test. In addition there was a single point of contact in DWP available for more frequent contact or help if any issues arose, as well as safeguards to ensure that participants received their benefit payments on time.

The live test was not overly ambitious. The test was a small-scale 'proof of concept'³ test which was designed to demonstrate whether prepaid cards could be used successfully to make benefit payments to claimants and to capture the customer experience of using the cards. Given its size the test was not big enough to provide statistically significant results and customer experience could not be extrapolated to show that prepaid cards helped or did not help people to budget. KCC took the project forward in this context. As one manager explained in an interview: *"what they [DWP] wanted to do was just a proof of concept; is it possible to pay people benefit on their card and can they use it?"*

³ A proof of concept test is a demonstration, the purpose of which is to verify that certain projects, prototypes, concepts or theories have the potential for real-world application <https://www.techopedia.com/definition/4066/proof-of-concept-poc>.

Claimants were recruited for the live test by support provider organisations (see Chapter 4) and participation was entirely voluntary. Claimants who volunteered to take part were issued with a prepaid card which they had to activate once they wished to start using it. As with other types of prepaid cards, payment was made directly on to the card, rather than paying claimants' benefits into a bank or Post Office account or via the Simple Payment service.⁴ The card could be used to make payments in shops and online, it supported Direct Debits and standing orders and cash could be withdrawn at ATMs. Users could also deposit other funds onto the card. There were facilities for participants to manage their account and monitor balances and transactions online or over the telephone.

These features of the prepaid card provided users with a 'virtual bank account' but, importantly, the balance on the account could not fall below zero; users could not overdraw. Unlike a bank account, participants were given the option to block certain merchant category codes.⁵ There was some discussion about whether to offer participants the option to impose a cash withdrawal limit but it was not possible within the terms of KCC's contract with PFS and so could not be implemented.

As part of the test, participants signed a detailed consent form with attached fact sheet which set out the purpose and the end date of the test. Participants also received support from a support worker alongside the prepaid card. This involved assisting with setting up and using the card and help with budgeting. This was a key element of the live test design and KCC was funded by DWP to provide this support. The contracted organisations (as above) that provided this support had existing relationships with KCC, and were already offering a range of services directly to benefit claimants. This was advantageous in two key ways: a) the support providers were well-placed to recruit prepaid card volunteers, and b) participants would receive assistance from a support worker they already knew.

⁴ "A Simple Payment system is a means of paying benefit, pension or child maintenance payments to those who do not have a bank account. The system uses a Simple Payment card which is used to collect payment at PayPoint outlets" <https://www.gov.uk/simple-payment>

⁵ "A merchant category code is a four-digit number assigned to a business by credit or prepaid card companies when the business first starts accepting one of these cards as a form of payment. This code identifies the business by the type of goods or services they provide. Individual merchant categories can be blocked to restrict where the card is spent, but individual items cannot be blocked e.g. purchase of alcohol from a supermarket" (combined Wikipedia and Demos definition).

4 Recruitment, participation and take-up of the prepaid card

The prepaid card live test in Kent was designed to explore whether vulnerable claimants and those with budgeting needs could receive their benefits via a prepaid card and successfully manage their finances. Recruitment was, therefore, targeted towards existing benefit claimants who were already receiving (or assessed as being in need of) some kind of budgeting support from the contracted support organisations.

4.1 Participation in the prepaid card live test

Participants were recruited by support workers from one of the three support provider organisations sub-contracted by Kent County Council (KCC). In most cases this involved support workers offering and discussing the prepaid card with existing clients, following briefings and discussion with their managers and KCC. Support workers were given a relatively high degree of autonomy and discretion in how and who they recruited, in recognition of the relationship with their clients, and the understanding of the issues and vulnerabilities they had. Strict criteria or targets were not imposed. Support workers in one organisation were:

'Encouraged to speak to all of them about the scheme and the benefits of it and would they be willing to partake in it.'

(Support worker, organisation 1)

In another case, support workers talked to each other:

'To see, out of their clients, who might be eligible, who might be interested, and to ensure everyone was spoken to.'

(Coordinator, organisation 2)

Participation in the test was voluntary and individual support workers took a flexible approach to recruitment. They made judgements, based on their prior knowledge of the client's circumstances and capabilities, about who it would be appropriate to approach to volunteer for the live test.

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 the test period, 55 of whom activated their cards and five of whom dropped out. Support workers' client numbers monitoring data collected during the test indicated that around 600 were potentially eligible to participate in the test, but for one reason or another did not take part.⁶

⁶ These claimants are recorded in the Management Information (MI) data as 'refusals'. However, discussions with stakeholders and claimants strongly suggest that these figures comprise a combination of refusals and people for whom participation was deemed (by the support worker) to be inappropriate or of little value, with the latter group being the largest. As such, it has not been possible to calculate a figure of those who were eligible for and offered a prepaid card, but declined.

In some cases, support workers could see the potential value of prepaid cards for their clients from the outset. It would be potentially very helpful, for instance, for clients with anxiety, who found it difficult to leave the house. With the prepaid card, they could shop online and no longer had to carry large amounts of cash on their person.

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 (and presumably did not use a bank card). These reasons are illustrated in the comments below:

'I'd love to open a bank account, a normal bank account but I can't so I'll probably be stuck with you guys.'

(Participant)

'Well I heard through my support worker and I thought it was a good idea 'cos I've got a low credit rate so I can't get a bank to give me a debit card (...) so I heard about this scheme and I signed up.'

(Participant)

'Because I didn't have a bank account and I haven't had one for a good few years so I thought it might be a good idea to start off with this card and I could understand what it was like.'

(Participant)

'Cos I don't like carrying cash [...] it just saves carrying cash and losing cash, you lose the card and you know the money's still in the account.'

(Participant)

The card appealed to some claimants because it did not allow them to go overdrawn and there were no charges:

Interviewer: *'So you like the restriction it has in that you could not go over into an overdraft?'*

Participant: *'Yeah that's the appeal, plus they don't charge.'*

Interviewer: *'Was that important to you, not being able to go overdrawn?'*

Participant: *'God yeah, that's really important.'*

(Participant)

Claimants also liked the convenience of being able to use the card in the shops:

'Because of the convenience of it really, being able to use it in shops, with the Post Office card you can only go to the Post Office and get it out.'

(Participant)

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'I just thought it seemed a sensible way cos every now and again you do need a bit of cash to catch a bus or something like that but most of the time you go in a shop and providing you've got the money on the card you can just put the card in the machine and it's paid for, it just seemed an easier way of doing it.'

(Participant)

Stakeholders were asked about the process of signing up volunteers for the test. Stakeholders thought 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:

'I figured if people had an account they wouldn't be so interested but the two clients I had who already had bank accounts were interested. I wasn't really selling it to people who had a bank account already cos I thought they've got one, they're going to be happy, but these two people were interested 'cos it was a way they could sort out a small overdraft that they kept using and kept incurring quite significant bank charges, that was the main selling point for them. The other person it was that it gave him a card that he could withdraw money from really, 'cos he was finding it difficult to open a bank account.'

(Support worker, organisation 1)

'I was already thinking from when I first heard about it, who have I got on my caseload who could possibly benefit from this?'

(Coordinator, organisation 3)

'So I thought fabulous, I've got a few clients for that. I sold it to my clients to say 'you'll get a bank account at the end of this' and that's pretty much why they took it up.'

(Support worker, organisation 1)

Nevertheless, only a minority of those asked about using the prepaid card took up the offer. The following section explores the reasons for the relatively low take-up of the card.

4.2 Reasons for low take-up

The evaluation explored 'non-participation' in the test in some detail. It was important to establish, for example, whether there were specific features of the card that proved off-putting – features that could perhaps be altered in the event of a full trial. The evaluation also considered whether aspects of the process (such as the recruitment method or the exit strategy) were hindering participation, so that these could be addressed in advance of any wider trial. Interviews with stakeholders and non-participants revealed a number of potential explanations for the relatively low numbers recruited for the live test.

First, DWP had designed the prepaid card live test to be available to all benefit recipients with budgeting support needs. However, due to the short duration of the test, KCC and local support providers who were acting in the best interest of their clients, targeted the prepaid card at people who were 'unbanked', whose bank accounts were problematic, or who were in financial distress (for example, claimants who had unauthorised overdrafts or had charges levied on their bank accounts). This effectively reduced the number of potential participants.

Officers from KCC and the support providers felt that this group of benefit recipients would gain most from using the product. As a KCC manager and local support worker explained:

'The idea was the over 18s, unbanked, who were having difficulty with banks, i.e. every time their benefits go in it gets clawed back in charges, and the idea was to get them some control, stabilise them and then move them into a banked situation.'

(KCC Senior Manager)

'We looked at families who had financial difficulties and then we looked at how they received their money. We actually found that a lot of families do have bank accounts already, so that was one of the main criteria we used to get them onto it [the prepaid card], 'cos they do struggle to get bank accounts so we said 'if you haven't got one let's get you one'. And we didn't really know what the incentive would be [to use a prepaid card] if they already had a bank account other than the advice we could give, which we do in our role anyway. But it just made it a bit more focused.'

(Support worker, organisation 3)

It is important to note, however, that this focus on the 'unbanked' was not a blanket decision. Claimants with functioning bank accounts were not actively excluded from the live test, and interviews with support workers and with non-participants confirmed that such claimants were offered the opportunity to take part. One support worker, for example, said s/he *'discussed it with every one of my clients'*. Indeed, it was partly because of feedback from discussions with these claimants that it became clear to KCC and support providers that unbanked people and those in financial distress were those most likely to benefit from, and take up, a prepaid card. Those who did not participate explained that they could see little benefit in changing a financial product that worked well for them. Support workers also agreed that, if their clients' current financial products were adequate and the prepaid card offered no additional benefits or functionality, they saw little reason to encourage clients to use a prepaid card:

'I didn't use the card because [...] I was quite happy with how I was chugging along with my debit card [...] I just didn't feel the need.'

(Non-participant)

'The reason I've only got one client that wanted to use it at the moment was 'cos she hasn't got a bank account so she hasn't got those facilities that a bank account and debit card can provide. All our other residents at the moment had got bank accounts.'

(Support worker, organisation 2)

This brings us to the main reason for non-participation: that **people with adequate functioning bank accounts saw little value in, or incentive to take up, a prepaid card** and many claimants, even amongst those with budgeting support needs, did have functioning bank accounts they were satisfied with. Interviews with support providers indicated that, had they not targeted recruitment at unbanked clients, the numbers agreeing to participate may still have remained small. For example:

'We had a lot of people [Support workers] come back and said a lot of their families already had bank accounts so that's why they couldn't see where it would be useful for them, so that was probably the biggest block I found within our team.'

(Coordinator, organisation 4)

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'[we looked at] what was the feedback about the people that wasn't interested and what was that? A lot of that was around the fact they already had a bank account.'

(Coordinator, organisation 2)

'The main thing [detering people] is if people have got a bank account they're quite happy using that if it's not causing them major problems.'

(Support worker, organisation 1)

The fact that claimants with functioning bank accounts saw little reason to change to prepaid cards is an important finding from the evaluation, with clear implications for any wider test or roll out of the measure. For the most part, only those who were unbanked, or had serious problems with their current banking arrangements, were attracted to the idea of changing to prepaid cards.

A range of secondary factors also limited the numbers of those who were approached and then proved willing to volunteer for the test. **The circumstances and characteristics of the target client group**, for example, help to explain relatively low take-up. Support workers did not invite clients to participate if they thought they would not cope with a prepaid card, due to very poor budgeting skills and/or difficult personal and social problems. This did not, however, exclude some clients with significant vulnerabilities from having a prepaid card. Some claimants with learning disabilities, mental ill-health and poor literacy volunteered for the test and managed well, with support. However, support workers deemed certain clients to be 'too vulnerable' for the prepaid card test; some were considered 'too anxious' and fearful of change, while others had addictions (drug, alcohol or gambling) that rendered the 24/7 access to cash feature of this prepaid card unsuitable:⁷

'If they can only access [their cash] between 9 and 5 on a week day 'cos they've got a Post Office account that's brilliant, 'cos it keeps them in check. Whereas if they had access 24/7 there would be no point in me working with them, 'cos they'd be homeless before I knew it.'

(Support worker, organisation 1)

'I've only signed one lady up to the prepayment card; she was the only person I felt there would be some advantage for. She has learning difficulties and that impacts her ability to manage her budget so she's spending more than she's got coming in and would quite often have charges coming out of her bank account. There was another gentleman but I thought he was probably too vulnerable to be suitable for it.'

(Support worker, organisation 4)

⁷ The 24/7 access to cash feature was a design of the existing Kent contract that could not be altered for the prepaid card test. A key feature of prepaid cards is the ability to restrict cash withdrawal. Being able to choose to restrict cash withdrawal may enable more vulnerable claimants with addictions to participate in any future prepaid card test.

'There was another guy I really wanted to sign up, 'cos he had quite severe needs, he was an alcoholic and that was very good when he was sober, he was very involved and wanted to see things change and I thought he'd be perfect. But he was just so emotionally unstable and up and down on the alcohol that I couldn't get him still long enough.' [Interviewer: Do you think that would have been helpful to him if you'd got him onto it?] *I do think so, and if it went forwards in the future, if someone could pick him up six, 12 months down the line maybe; if he's a bit more stable.'*

(Support worker, organisation 1)

The above comment suggests that the prepaid card could potentially play a role in providing support (at an appropriate time) for the recovery of those with addictions.

Support workers also pointed out that some of their clients led chaotic lives and that it was **difficult to sustain engagement with them**. Several examples were given of clients being 'signed up' for a prepaid card but then disengaging from the service for some time. Others explained that many of their clients suffered from anxiety and were particularly **fearful of change** – especially those who had experience of delayed benefit payment – making them reluctant to participate. So, when they were offered the chance to volunteer, they declined:

'It was fear of something new and I think that's the thing with a lot of the clients we work with, there is a fear of the unknown and is this actually going to work...a lot of people were fearful of that and so wouldn't sign to it.'

(Manager, organisation 1)

'He was just a bit nervous about swapping it all over.'

(Support worker, organisation 1)

In some cases support workers were also extremely reluctant to make any changes for their clients. They prioritised the welfare of their clients over the promotion of the prepaid card because, as one put it: *'once everything is up and running, don't change it; it'll go wrong'*.

This concern was compounded by the **short timescale of the test**.⁸ Support workers felt that it would be too much of a 'hassle' or 'disruption' to get the account up and running if clients then had to switch back to previous accounts at the end. Those clients who were contacted once the test was already established would only have had their prepaid card for a few months before they had to revert back to a bank account. One KCC stakeholder reported that *'they were thinking "it's only for three months; all that disruption for three months."*

Although support providers appear to have offered or discussed the card with many of their clients, and some promoted the card enthusiastically to those they felt would benefit from it, others felt their role was not to 'persuade' clients to volunteer to take part. Participation in the live test was entirely voluntary and **some support workers felt uncomfortable about encouraging clients to use a prepaid card**. Several emphasised that the use of their services, as well as the prepaid cards, was a choice. They would not, therefore, pressurise a client to take part in the test if they sensed any reticence. For example:

⁸ The test was designed to run in KCC for a period of around six months in spring/summer 2015.

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'I felt I wasn't there to sell the card to people so I didn't massively push it. I raised it, but if people have already got a bank account that they're not having any difficulties with, they want to stay with what they know.'

(Support worker, organisation 1)

'...we can talk to them but if it's a flat 'no' we don't go there. If it comes up as an issue further down the line we can still offer it. But we review our support plans and if it comes up then we can offer, but we can't insist.'

(Support worker, organisation 1)

Caution about 'selling' the card was heightened by concerns and **uncertainty about the exit strategy** for the live test. Although an exit strategy was a key part of the design of the prepaid card test⁹ signed off by the Department for Work and Pensions (DWP) and KCC, support provider staff were unsure about it when the prepaid card went live and in particular whether or not they could inform participants they would move onto a basic bank account at the end of the test. Not all staff felt informed and reassured enough to promote the prepaid card to their clients. One manager speculated that more clients might have signed up if the exit strategy had been made clearer from the outset, and if support workers and clients had been made aware of the outcome at an earlier stage:

'there was no definite "you will be able to move on to a basic bank card afterwards" [...] these things came afterwards so it was quite hard; what was the benefit?'

(Support worker, organisation 1)

There was also a degree of **suspicion about the motives behind the introduction of the prepaid card test**, although this was not widespread. Some clients and stakeholders expressed concerns about whether DWP would be able to monitor spending behaviour or issue restrictions on certain goods and services. For support workers, more comprehensive information and training at the outset might have mitigated some of their suspicions and allowed them, in turn, to reassure their clients:

'there is...fear on the part of a lot of the clients that we work with as to what's behind all this. There's a suspicious on 'why do DWP want to be involved and are they wanting to take more control of what goes on, is this another way to ultimately reduce my benefits, are they going to start saying I can only spend money in a certain shop, [that] I can't spend it on certain things?'

(Support worker, organisation 1)

⁹ The exit strategy contained a number of 'end of test' steps for participants which were intended to make exiting the test as seamless as possible. These included moving to a simple payment or Post Office account, moving back or onto to a mainstream bank account.

'We realised there was an undercurrent from support workers who were very "I don't agree with any of this" [...] and we hadn't heard that from the management team really [...] We hadn't heard any of the support agencies coming back to us saying "there are a significant number of our workforce who have a moral objection to some of what's going on" [...] if we'd known we could have done something about it sooner.'

(Stakeholder, Kent County Council)

A range of factors therefore contributed to the low take-up of the prepaid card test. Partly it was because many support providers deemed it inappropriate for 'banked' clients with no pressing financial issues and these clients saw no real value in a prepaid card. But, additionally, the characteristics of some clients made participation in the prepaid test less appropriate, and 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'.

5 The technical feasibility of prepaid cards for benefit payment

One aim of the evaluation was to identify any technical strengths and weaknesses with the use of the prepaid card during the live test, so that any problems could be addressed in advance of any subsequent pilot programme or roll out of the initiative. **Overall, the prepaid card technology appears to have been effective.** Other local authorities using prepaid cards for different purposes, confirmed that the cards are relatively straightforward to implement and not prohibitively expensive (see Appendix D).

However, there were a small number of technical features of the prepaid card that, in some instances, undermined its usability and capacity to help claimants manage their money. In particular, **this prepaid card is designated as a credit, rather than a debit, card** (it uses the Mastercard platform). As a result, it is not accepted for bill payments or cash withdrawal at the Post Office and cannot be used to access the 'cashback' facility in shops. This was particularly problematic for one respondent living in a remote rural location five miles from a cashpoint. In addition, when the cards are used in cash machines, a message is generated that a charge may be incurred. In fact, a charge is not incurred, but participants were not confident about this. The comments below illustrate the problems participants encountered as a result of the prepaid card being designated as a credit card:

'I went to the Post Office and I put my card in and they wouldn't let me draw no money out; apparently you can't use it there so I had to get on a bus and go into [Name] town.'

(Participant)

'I go to a different pay point now 'cos the one I go to... they charged me 'cos they said it's a credit card and I tried to explain to them it's a prepayment card. But they weren't having that and I got charged £2.50.'

(Participant)

'The biggest problem I've got with it [prepaid card] is that, 'cos it's all very well but as I say every now and again you do need a little bit of cash, and there isn't an ATM where I live. I don't actually drive but I do need to go to [Name of town] or places like that every now and again so I need cash for the bus fare. What I don't understand is if I go into the local shop and I know I've got enough money on there to cover it, say buy a tenner's worth of stuff and I say can I have cashback, like a tenner, it won't give it to me. If I buy 20 quid's worth of stuff it'll pay it, but it won't give me cash back.'

(Participant)

'There's been two issues that we've had so far. When she put her card in the machine it comes up saying she's going to be charged £2.50 so when we were told that won't be charged, that's just 'cos it comes up as a credit card, it would have been nice to have known that information before, 'cos it was a bit of shock for you'

(Support worker, organisation 3)

'Yeah I've had that, it says that on quite a lot of machines, but if you just press 'yes you don't mind being charged' I've found that it's free, it doesn't actually charge you. The only time it's charged me for using it was paying my council tax, they charged me 34p so whether they charge it like a credit card I don't know. That's the first instance I had, I paid £20 and it came to £20.34.'

(Participant with above support worker, organisation 3)

'For example cos it's a prepaid card you can't pay for your gas bill in a Post Office which is just rubbish. You can't do that, 'cos when the card is recognised in the reader it's recognised as a credit card, so you can't pay at the Post Office so that's a problem.'

(Support worker, organisation 3)

There were also isolated reports of a range of technical problems that did not appear widespread and could not definitively be attributed to the technical operation of the prepaid card, but may be worth exploring further for any future test. One respondent, for example, reported being unable to change the PIN number on his card – a problem for someone with poor memory:

'You can't change the PIN number on the card, you're given a PIN number and that's what you've got to stick by, I've got memory problems, I need to have a PIN number that I know and at the moment, even to this day I can't, it's just not possible to change the PIN number.'

(Support worker, organisation 1)

There were also several reports of Direct Debits not being activated, although the reason for this is not entirely clear – whether the problem lay with the Direct Debit instruction, the prepaid card provider or a user error. Similarly, respondents reported that the card was declined by some merchants, despite adequate funds being available. But again, it is not clear whether the error here was specific to the card or a more anomalous problem (such as a failed connection). In one instance, the prepaid card was not accepted as adequate for setting up a mobile phone contract, but it does not seem that this was a widespread issue.

Overall, 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 any wider trial. That stated, it is worth noting that for people on low incomes, in particular, even '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, and this can act as a very strong deterrent against future use. Teething problems in themselves, therefore, can become a significant barrier to the take-up and sustained use of a prepaid card. This underlines the importance of identifying and remedying any technical problems at a very early stage in the process.

6 Views and experiences of the prepaid card

6.1 Using 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 (see Chapter 8). They had a high level of confidence and trust in the card; this may compare favourably with claimant attitudes towards the administration of their benefits by the Department for Work and Pensions (DWP) or towards traditional banking products:

'We heard anecdotally that first of all they didn't trust that DWP wouldn't stuff it up and not get them their benefits on time and secondly they were worried about DWP monitoring what they were spending on the card.'

(Coordinator, organisation 2)

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 and debts. Prepaid cards enabled some participants to make regular payments into other bank accounts to clear overdrafts and in one or two instances had helped with other debts:

Interviewer: *'So it sounds like you've managed to clear some debts as a result of this?'*

Participant: *'Yeah television licence, council tax.'*

Interviewer: *'So you had some arrears on both those things?'*

Participant: *'Yes I did.'*

Interviewer: *So how has the card helped you to repay those? Is it organising your money?'*

Participant: *'It's organising my money. Before I wouldn't like to go and get it out and then go in the shop and go and do it like that, but with this card I can just do it online.'*

(Participant)

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 and some reported that, having been shown how to operate the card and set up Direct Debits, they would be able to do so without assistance in the future.

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.¹⁰

It was estimated by Kent County Council (KCC) that around 60 to 70 per cent of all transactions were cash withdrawals from an ATM, while around 30 per cent of transactions were Direct Debits or in store and online payments. Some participants said that they preferred to have cash on their person simply because it was the only accepted form of payment for some goods and with some merchants (such as markets). Others said they found budgeting to be much more manageable with physical cash, and this was borne out by support workers. Participants withdrawing cash in one go liked the fact that, in the words of one client, *'I knew where I was'*. As another participant explained, *'If you've got the cash you can afford it, if you haven't got the cash you can't'*. Support workers, managers and KCC officers acknowledged that this was a difficult habit to break with clients who had used this system for most of their lives:

'For 20 years they've taken money out and paid their bills at the Post Office, not overnight are you going to stop people from taking that money out and paying by cash.'

(Stakeholder, Kent County Council).

Where this was the case, support workers tailored their support accordingly:

'Benefits seem to work better with some people when they've got money in their hand 'cos they physically know how much they're spending and I always budget people to do it to pay their bills when their benefits are due.'

(Manager, organisation 1)

KCC reported that a relatively small number of test participants were using Direct Debits (at the time of the data collection six participants were doing so). The low take-up can be explained by a number of factors:

- some participants said that they were unaware of the facility to raise Direct Debits from their prepaid card:

Participant: *'No I didn't know you could set up a Direct Debit with that card...'*

Interviewer: *'Is that something you'd use if you could?'*

Participant: *'Yeah if I could I'd do it, I'd set it up with my council tax and TV licence cos I got a reminder notice the other day whereas if I'd done it by Direct Debit I wouldn't have to worry about it at all.'*

(Participant)

"...if I can do Direct Debits and stuff that's great and I'll be straight there."

(Participant)

¹⁰ The prepaid card provider Prepaid Financial Services (PFS) provided online access to view the prepaid transactions and balances, in the same way that bank customers might bank online and view bank statements.

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Or feared that they would lose control of their finances by using them:

'I just don't have any Direct Debits [Interviewer: Would you have like to have had Direct Debits, would that be useful?] Maybe but when bills come in I just pay them. I feel like I've got more control doing it that way.'

(Participant)

'No, I don't have no Direct Debits that causes problems and that. They'd like me to do it but I have a system with this dole office – sometimes the money goes in early, sometimes it goes in late – it can never be guaranteed and I can't chance it so I just do it on the pay point.'

(Participant)

- some participants (and their support workers) were reluctant to set up Direct Debits due to the short period of the test (although many participants interviewed did not appear to know that the test was time-limited).
- two participants had stopped using Direct Debits because of problems, although this was following the loss of the card in one case and due to the way Direct Debits had been set up, rather than an inherent problem with the system itself, in the second case.

*'The only thing was when I lost the card it cancelled all my Direct Debits as well and I was left in debt and I've only just paid the debt off.'*¹¹

(Participant)

- participants (and some support workers) were unfamiliar with Direct Debits and standing orders, or did not know the difference between them, or had never used them before. Some also did not trust that bills would be paid on time, or at a time when sufficient funds were available. This is shown in the comments of one of the participants and by two of the support workers interviewed, below.

'I stay away from all that; I don't let anyone take my money out [...] I like to be in control of my money and I don't like the way banks act, they just take what they want and if you haven't got the money in there they want to charge you'

(Participant)

'I think traditionally where they've incurred bank charges, limited income, people seem to think if it's not come on one day, people seem to have so many problems with Direct Debits and standing orders, keeping track of them. So unless people are pretty confident with their money and keeping an eye on their balance and bills I tend to ask people to set up a payment plan with say a water card where you just pay £5 on it every week or fortnight when they're paid. So I don't think people are using it as much as they could but then they probably don't use their bank accounts that way either.'

(Stakeholder, organisation 1)

¹¹ This situation was not supposed to happen as Direct Debits were transferred over to replacement cards. There may have been an issue with incorrect account or sort code information on the replacement card.

'I don't know if it's a fear of getting into further debt, although it's very clear that in this system that can't happen, I think 'cos these families that sometimes have had really long-term financial issues or have been turned down a lot, there's still that little bit of uncertainty, so I think it was almost let's see how this bit goes and then maybe we can work on that. So I think it's a confidence thing over time, self-esteem and confidence can have an impact on it.'

(Stakeholder, organisation 4)

- it was complex to set up Direct Debits where participants were receiving different benefits, at different payment intervals. The introduction of Universal Credit may help alleviate this problem, as banking processes such as Direct Debits may be better geared to monthly payment cycles.

The response of the minority of participants who were using Direct Debit, however, was largely positive, as one participant made clear:

'Yeah that [setting up a DD] was so easy, just give my details, I said to my support worker 'I hope they're not going to take it away.'

(Participant)

6.2 Views on the potential 'blocking' and limits of card payments

The test was designed to allow participants to voluntarily block certain merchant types if they wished to do so. For example, a user could request that the prepaid card was prevented from being used for 'theme parks'. KCC was initially reticent, but the facility was included in the final design. However, only some of the participants who embarked on the prepaid card test were given the option to choose to 'block' particular 'merchant category codes'.

None of the participants on the live test chose to take up the option and so, unfortunately, it was not possible to evaluate the effectiveness of merchant blocking. It is worth noting, however, that some stakeholders pointed to a couple of practical challenges associated with attempts to restrict certain types of expenditure through use of merchant blocking. Local authorities (LAs) using prepaid cards for other purposes, for example, stressed that it is impractical to restrict purchases of specific goods (alcohol, tobacco) which are available from a wide range of merchants – merchants that it would be highly problematic to block, such as supermarkets and local convenience stores. In addition, a stakeholder from KCC wondered how blocking might be enforced explaining that merchants could classify themselves in particular ways *'they get to pick their own code. So if I don't want to be registered as a betting shop and I want to be registered as a pawn broker I probably can'*.

Use of the prepaid card was restrictive in other ways: the account did not have an overdraft facility or permit the possibility to be overdrawn. This provoked a mixed response from respondents. Some participants were attracted to the prepaid card as an alternative to a bank account precisely because it did not have an overdraft facility. Many clients professed that they would rather *'go without'* or *'wait a couple of days'* than become overdrawn and have to pay bank charges.

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Most stakeholders also agreed that the restrictiveness of the prepaid card was one of its advantages; it forced clients to think about their spending habits more, to budget better and avoid debt. As one manager stated:

'it makes them stop and think about their shopping and what they're doing [...] having to think a bit more about having shopping lists, an old-fashioned thing maybe but if you're on a limited income you've got to be a bit more careful.'

(Manager, organisation 1)

Set against this, a minority of clients said that they would have liked the option to go overdrawn as a 'back-up', and saw a small overdraft as offering some form of 'leeway' – a way of accessing the remainder of the balance in the account which was too small to withdraw but essential nonetheless:

'It would come in handy. If you've got £4 like I've got, if you could go overdrawn £6 and take a tenner...'

(Participant)

'I think it would be nice to have the opportunity for an overdraft facility cos some months there's more month than there is money. To be honest it would be nice to have that facility.'

(Participant)

'I'm sure some of them were thinking "if I've only got £4.50 in there and my shopping comes to £7.50, why can't I get the shopping at £7.50? Why have I got to take back a packet of washing powder to get it to £4.50?'

(Manager, organisation 1)

Similarly, the option to put individual restrictions on daily cash withdrawals provoked both positive and negative responses. One participant, for example, said she would have welcomed further cash limits as it would help her to save but another felt that further restrictions on cash withdrawal would be an inconvenience:

'If I know there's money in there and if I needed some milk or something I know I can just take it quickly, run to the shop and get some.'

(Participant)

Another participant was frustrated by the standard limit of £250 ATM withdrawal, expressing the view that no limits at all should be in place. She wanted to withdraw all the benefits from the card as soon as it was paid in. This was an example of a user who had previously managed the household budget on a cash basis, and was reluctant to change this after signing up to the prepaid card. Conversely, several other participants suggested that a key advantage of the card was that it was no longer necessary to withdraw large amounts of cash at once. It is also worth noting that participants with little or no experience of banking facilities were unaware that daily cash limits are a common feature of most bank accounts.

6.3 Use of online support and telephone helpline

For most participants the first point of contact was their support worker. Support workers helped claimants to access further support through the telephone helpline or online support. Some participants were unaware that there was a helpline or online facility or were not sure how to check their balances online. Other participants experienced barriers to using online and/or telephone support including not having access to a computer at home, feeling uncomfortable when checking balances on computers at the library or feeling that there were not good at using the phone. A couple of participants preferred to check their balances when they visited the ATM machine:

Interviewer: *'Do you use the online facility to check your account and look at your balance and things?'*

Participant: *'I don't quite know how to do that but I don't really check the balance online, I just go to the hole in the wall.'*

(Participant)

Some participants and stakeholders experienced difficulty in getting through to the helpline or had been kept on hold for long periods. A number of participants had been charged for using the helpline and had not been told that this would happen.

7 Supporting claimants using prepaid cards

All participants had a support worker from the sub-contracted organisations who provided budgeting advice and support. This was a key component of the live test and was funded by the Department for Work and Pensions (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. However, 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, whose needs varied widely as the following comment shows:

Interviewer: 'You mentioned that you go through the budget with your client each week and obviously you helped her to set up the card initially. Have you been involved in anything else specifically in supporting her with use of the card?'

Participant: 'No not really, we do the budget weekly, setting up the Direct Debits, and with the Direct Debits, they've just started coming out now so she checks, I think she checks most days cos she likes the idea of having this money in the account and it's nice for her to see that. But other than that no; purely because her needs weren't there. There would be others that might be heavily in debt and that would be a different issue.'

(Support worker, organisation 2)

Examples were given of support workers helping activate the card and set up Direct Debits, ringing the helpline¹² to deal with various issues around ATM withdrawal charges; liaising with benefits agencies on behalf of clients to transfer benefits payments on to the prepaid card; and working through online balances with clients to improve budgeting skills amongst other things. In particular, they supported clients in the following ways in relation to their prepaid card.

Support workers **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, as the following quote illustrates:

Interviewer: 'If you did experience any technical issues with it where would you go, would you ring your support worker?'

Participant: 'Yeah and he'd help me with anything I need to get sorted out with the card if need be, he'd talk me through it. If it was on my own I'd be flapping about like a loony and not realising what I'm supposed to be doing to get it sorted.'

(Participant)

¹² The telephone helpline was the customer support line that Prepaid Financial Services (PFS) provided for all its customers.

The **help and assistance provided at the outset**, when clients first received their prepaid card was crucial. Support workers reported that they usually made the necessary calls, with the client, to activate the card, helped them set up initial Direct Debits and showed the participants how to use the card. There was evidence that the 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, or felt more comfortable about doing it independently. For example:

'Well, my support worker did that [set up Direct Debits] for me, but after sitting with her and hearing how she's done it, it's quite straightforward.'

(Participant)

'Once we'd set up [the prepaid card] her confidence has increased definitely, and the fact that she's sorted out a Direct Debit on her own has been really good.'

(Support worker, organisation 3)

'I don't have my support worker 24/7 and I'm not going to have her all my life...I don't want to rely on her.'

(Participant)

This tendency for participants to become more independent once their prepaid card was up and running was echoed in some of the comments of stakeholders:

'It was more getting it set up and activating it. I think once you've activated it and the money's been paid on, I think most people are quite good with regards to knowing how they're going to spend their money. It was more about getting it transferred on and making sure that process was smooth, 'cos if there's any hiccups there, that's when people lose faith and trust in the system.'

(Manager, organisation 4)

Although support worker input was more intensive during the set-up period, respondents were reassured knowing they could call on their support worker for help should they need it. The amount of support needed inevitably varied, but participants said they benefited from knowing that support workers were on hand to sort out any issues arising from the use of the prepaid card.

As the example below shows, **support workers also played a vital role in advocating for participants**, explaining the use of prepaid card to other agencies, and perhaps being given more credibility than the participant might receive:

'I'd supported her to make the phone calls but a lot of the people we were talking to hadn't heard of it. And when we said it was a prepaid card 'no we don't transfer, you can't have the benefits transferred on to a credit card'. And we said 'it's not a credit card, it's a bank account', 'what's the name of the bank?' and of course we couldn't tell them, all we could say was it was a DWP prepaid. So it was more people not being aware of what the card was and how to transfer over [...] this was the actual benefits agencies. There were two we had trouble with, child tax credit and disability living allowance, but 'cos she was trying to do this herself, which is what we want people to

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do, I had to step in a couple of times and say 'I'm her support worker, this is what it's about.' And then they were listening, so it was a bit frustrating that they would listen to me but they wouldn't to her to start off with. [...] it was a bit frustrating, but it went ok in the end.'

(Support worker, organisation 3)

Although **budgeting and money management** already played a key role in support workers' day-to-day engagement with clients, the prepaid card proved to be a useful tool to facilitate those tasks. With clients on the prepaid card, support workers developed budget plans; and worked together alongside their clients to monitor spending via online accounts. As one support worker said:

'I go online and have a look and then we discuss it and work out where it [the money] did go and we've got it there in black and white.'

(Support worker, organisation 1)

It was possible for the card provider to issue information about expenditure to support workers to discuss spending habits but this facility was not being used extensively and, in any case, Management Information (MI) data also showed that a high percentage of transactions were cash withdrawals.

Additional support was also provided by Kent County Council (KCC) to ensure the smooth running of the live test and help overcome teething problems. This went beyond the usual remit of an administering/commissioning authority. Staff at KCC were involved in day-to-day operational issues: talking to participants at the KCC customer care centre, arranging for participants to receive replacement cards, arranging for cards to be unblocked when participants had entered an incorrect pin too many times, and so on.

If the live test had continued for longer, it is likely that the support activity would have diminished, once the set-up process had been completed and participants became more familiar with using the card. But the support provided for clients to manage their prepaid card initially was critical to the overall success of the live test.

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. Some of those directly involved in the test found it difficult to assess the 'added value' of the prepaid card and the support they received.

'In the initial stages when the card came to the clients, the staff were devoting considerable time to talking through how best they could use that and how they could change their patterns of spending to improve not just their money management but how that can improve other areas of their lives. So, if they do set up payment of the rent they know the money's not going to be there for them to waste elsewhere, so that actually safeguards their accommodation better. But in terms of whether, the clients benefit more from the support in a wider context or whether they do benefit in relation to the card, it's a difficult one to answer.'

(Support worker, organisation 1)

But the comments below of one the support workers reflect the dominant view – that the use of the card really helped to build the independence of the participants.

'Yeah, without the card my job would have been a hell of a lot harder 'cos I would have had to do something to try and get bank accounts for these people. But having the card has made my job easier 'cos I can do everything just there, easy. Without the card I wouldn't have been able to do half the stuff I've achieved with these clients. They certainly wouldn't be independent yet.'

(Support worker, organisation 1)

Finally, one support worker suggested that the role of the prepaid card in helping to build financial independence after a period of support could be extremely useful with the onset of Universal Credit (UC).

Interviewer: *'Do you think the support is the crucial element to the card and would you need to have that support offered alongside the cards or would the card just work on their own for people?'*

Support worker: *'Interesting one. I think support probably is a definite need, whether it's from us, the job centre or wherever, there needs to be someone available with people skills to go through with the individuals that do need it, some people will pick it up no problem but other people will need it.'*

Interviewer: *'So just issuing people with these cards and a set of instructions wouldn't be sufficient?'*

Support worker: *No. People are even getting very nervous about UC coming in so if there's going to be a big change it needs to be a phased and supported change.'*

(Support worker, organisation 1)

In the next chapter we review more generally the perceived benefits and problems associated with the live test.

8 Benefits and challenges in the use of prepaid cards

8.1 Key benefits of the prepaid card

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 for participants from the prepaid card test are considered below.

First, the use of 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. As one participant commented:

‘It’s the mirror of a debit card, but it’s a safe environment away from where you’ve got all the problems.’

(Participant)

Another said:

‘In a way it would be easier to have the prepaid cos then I won’t get the charges. Say my rent was going out and I didn’t have enough to cover it then I wouldn’t get charged ‘cos the money wouldn’t go out. Whereas at [Bank name], if I was to go over, if I didn’t get it within the limit within a day, I get charged £8 just for going over ‘cos I’m a bit short, but they’d still pay the rent.’

(Participant)

The prepaid card allowed respondents to protect some core income for essential and priority expenditure while working with their support worker to address their debts.

The short duration of the live test prohibits any assessment of whether the card improved overall levels of debt. However, one support worker reported that a client managed to pay off their overdraft and close down a bank account due to the savings they had made from having their benefits paid on to the prepaid card. Certainly, **the prepaid card provided an important tool to help claimants and support workers address financial problems and help prevent debt**. The Direct Debit and standing order facilities, and the fact that users could not overdraw were found to be particularly useful in this regard, as the following comments suggest:

‘I think it should be a regular thing for people on benefits ‘cos you can’t go overdrawn, you can’t get yourself into debt with it, so I think that is the way forward.’

(Participant)

'One of the biggest problems we have is getting people to pay their bills regularly. If you haven't got a card and you've got the cash, the chances are if you've got cash in your pocket you'll go and spend it where you shouldn't do, if you've got a card and you set up the payment plans and standing orders properly it increases the chances of you staying in the black.'

(Support worker, organisation 1)

'I do it [DD] for my telephone now whereas I was always getting cut off and had to pay charges.'

(Participant)

The importance of having access to Direct Debit facilities should not be understated. Stakeholders referred to two cases where participants had avoided eviction because they were able to provide the court with a Direct Debit to prove they would adhere to a rent arrears repayment plan:

'We're aware of at least two people who've had their evictions stopped 'cos they were able to say, not 'yes I promise I'll pay' and the judge saying 'yes, but you said that last time so on your bike'. But they're able to say 'yes I will pay and here's my Direct Debit mandate and I've signed it' and that was influential in stopping that eviction.'

(Manager, Kent County Council)

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, as illustrated by several cases shown below.

'With the card it's enabled some, a small percentage, to in effect help protect themselves. They're still vulnerable 'cos people will put pressure on them 'let's go to the hole in the wall and get some money out' but the fact that they've got that card gives them a potential to protect themselves a bit more from those individuals. That is something the staff have spoken to various clients about and how they can use that card as a means of protecting themselves from some of those people.'

(Stakeholder, organisation 1)

Interviewer: *'Do you like having the card?'*

Participant: *'Yeah, people can't tell you've got money'*

Support Worker: *'They could look in your purse then [...] now they don't need to, they can't see what she's got...for certain client groups we work with, they come under considerable pressure from their peers and if you're vulnerable there are other more preying individuals who are probably your associates, they know when you get your benefits and they know you're going to have cash so they become your friend on that day.'*

(Manager, organisation 1)

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As we have already seen, many participants and support workers thought that the use of prepaid cards had promoted financial independence. One participant, for example, found it had *'drawn a line and made me able to put my house in order'*. In a few cases, benefits had previously been paid into the bank account of a family member, friend or partner, because the claimant had no account of their own:

'I've not had a bank account for God knows how many years. I used to have to use my daughter's account'

(Participant)

And one participant with mobility problems was able to shop online with her own card, rather than asking friends if she could make purchases with theirs and refunding them in cash:

Interviewer: *'What do you use it [prepaid card] for?'*

Participant: *'Shopping online.'*

Interviewer: *'Is shopping online something that you couldn't do before?'*

Participant: *'Yeah, always had to use someone else's card and give them money which was difficult.'*

(Participant)

More generally, clients spoke about having **more control and ownership over their finances**, whereas before it was either that *'it's like the banks are in control of you'* – for overdrawn clients – or clients with Post Office accounts had time restrictions on when they could withdraw cash. This newfound sense of economic freedom and control translated into other areas of opportunity for some clients, who felt more included in society as a result:

'It's like a new start, to be honest.'

(Participant)

'I can go anywhere with it. If I want to go for a meal I can use it; it's brilliant.'

(Participant)

Financial independence and control was balanced by what one client referred to as 'enforced responsibility'. Without an overdraft, clients were encouraged to budget more carefully and take more responsibility over their spending:

'I think they're [my budgeting skills] a lot better now, I could rearrange my broadband cos it was all messed up, it was in the middle of the month and my mobile bill was at the end of the month, it was getting too hard and now I've cancelled the direct debit on the broadband and now they want it on 28th, same day as my mobile so I've managed to sync them so tomorrow I'll be ringing them up and paying them over the phone and then going back to normal so every month it'll be on 28th when my money comes out for my phone and my broadband.'

(Participant)

Other participants reinforced the advantages that having the card had brought:

'I know that what I've got is on the card and I can't go beyond that and I have to live within it.'

(Participant)

'It gave me freedom and subjected me to a bit of welcome discipline.'

(Participant)

'Just the ability to be able to control my money better than not being able to do it, with the card situation, I couldn't get a debit card and I needed a debit card bad. I had a very low credit rating and this new pilot scheme came along and I snapped it up; I thought it was a brilliant idea.'

(Participant)

Another perceived benefit of using the prepaid card was that it could bring **financial savings**. For example 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.

'So when we rang the electric and gas board, she's got dual fuel, they said the cheapest way is by Direct Debit. At the time she didn't have the card 'cos it hadn't come through yet so we had no choice but to do it another way. But then we rang up and said 'we've got this card now, can we change?' and they said yeah, so now she's reduced her bill even further cos she's paying by Direct Debit.'

(Support worker, organisation 2)

Since clients had 'enforced responsibility' with the card, they were budgeting better, and therefore found themselves to be better off financially in several cases. Other clients found that their money went further on the prepaid card than having large amounts in cash:

'I've managed to be better off, 'cos I get paid every fortnight but [...] 'cos I was getting the cash out I'd run out of money just after the first week. But now some weeks I'm able to save a little bit in there to cover my Direct Debits, but there's also a little bit for me the following week. It seems to go further [...] when you have cash it just goes so quickly.'

(Participant)

Stakeholders and participants also pointed to the **convenience of the prepaid card**. Participants were, for example, not restricted to Post Office opening hours to withdraw their benefit, and did not have to carry cash all the time. The prepaid card saved time; previously clients would have to queue up at The Post Office to withdraw cash before they made purchases elsewhere. Clients found that paying rent and bills was much simpler when taken out as a Direct Debit:

'the fact that I can have things like money come out and go straight to pay my rent, that was really good, I really liked the idea of that.'

(Participant)

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'It saves me having to worry about carrying that big amount of cash with me and getting my wallet nicked or something.'

(Participant)

Finally the 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. This point was more commonly emphasised by stakeholders than respondents, but one participant did comment that *'it looks like a proper credit card, it looks all posh, I feel a bit posh when I've got it'*. Another client referred to it as *'just another card'*, one that didn't stand out or *'make you feel like less of a person 'cos you're on benefits'*.

Stakeholders were very positive about the gain in status associated with using the card:

'I think it has given all my clients who have it independence, and also they're proud of having it, it's a smart card, it's a silver card and it gives some worth. They have a card, they may be on benefits but they have something that's the same as everybody else.'

(Support worker, organisation 1)

'I think one of the other things we spoke about was it was also a sense of feeling like everyone else, a sense of belonging, cos by having the card, I think there was a sense of feeling like 'I'm able to do certain things that I'm not able to do usually.'

(Coordinator, organisation 2)

'What we didn't realise is that it became, the major feedback we've started getting now is there's a prestige issue, so 'cos everybody lives in villages, so when you get into your shop on the housing estates and pay with a card, that says 'I'm not in debt, I'm one of you'. So that's the last thing I expected to hear, that the card gives you prestige.'

(Stakeholder, Kent County Council)

A couple of participants had negative experiences of using the card and found it to be embarrassing – one client said it added to her sense of stigma because of the words 'prepaid card' on the front. She even avoided using Chip and Pin devices in shops,

'..like the local Co-op will take the card off you and put it in the machine so you can get your electric, I just hate doing it.'

(Participant)

This was, however, a minority view.

8.2 Difficulties and challenges associated with using the prepaid card

The technical challenges associated with the prepaid card were discussed in Chapter 4. This chapter highlights a series of additional problems and challenges about the implementation and use of the prepaid card.

Stakeholders and participants reported that **the helpline was inadequate** at times: some stakeholders and participants reported difficulty getting through: one participant said s/he was placed on hold for an hour and a half, while another contacted the 'lost and stolen' number in desperation. Furthermore, as 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 clients instead. There was a cost attached to the helpline, noted by several respondents. The helpline was part of a contract that Kent County Council (KCC) had recently taken with the card provider, and stakeholders now thought that the problems were being ironed out. It should also be noted that several participants said that they did not know of the existence of the helpline.

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).

As one support worker commented:

'the training wasn't how to set up the card, it was more training on budgeting which was useful in a sense but most of us can do budgeting stuff with our clients, it's what we do all the time. We needed to know who to ring, what to do if this happens; but the people who were organising the training just assumed that we all knew that and it seemed very simple to them. And it is a very simple process, but 'cos it was simple to them they just went 'why do you need to be told what you're doing?'

(Support worker, organisation 3)

Support provider organisations felt the prepaid card test could have been introduced more effectively with clearer communication about how the process would work. Staff felt they needed to be better briefed about the scheme before recruiting clients. As one manager said

'We didn't feel we were fully in control at the outset of what was going on, we didn't have the full information at our fingertips to impart to staff how this was going to work.'

(Manager, organisation 1)

Another commented:

'I think the purpose of the card really needs to be set out at the beginning, what do they want to gain from it, is it to help people to monitor their spending and change their spending habits, or is it a gateway into getting a bank account, or is it, I don't know what else it could be.'

(Support worker, organisation 3)

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Other support workers spoke of the process as being 'rushed' and 'last minute', and mentioned the pressure of having to deliver the prepaid card test in addition to their existing workload, in such a short space of time.

'It was all a bit vague, all a bit 'what is this, why do we have to do it?' It all seemed very rushed.'

(Support worker, organisation 3)

'I think the main lessons would be clarity at the very outset of how it's going to be delivered and what the expectations are, there needs to be clarity for the client but if there is any support element going to come into this clarity for the organisation that's doing it, I think the phone numbers, very simple thing, but clients, if there is to be support lines for them to contact, they need to know that those support lines are available and they get through to talk to the right person. There are two or three occasions when we've not been able to get through or the person really hasn't known what we're talking about.'

(Stakeholder, organisation 1)

This meant 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'.

'One of the elements to me was some of the support workers don't actually know how to do this, which is an assumption that we shouldn't have made, that just 'cos you're employed in a responsible position that you know how the banking system works in terms of Direct Debits, standing orders and stuff like that. So there's been loads of learning come out of it.'

(Stakeholder, Kent County Council)

The support workers played a critical role in helping participants activate and manage their prepaid cards and were crucial to the success of the live test so limited baseline knowledge may have subsequently reduced the effectiveness of the card. Certainly some participants showed an inability to access online facilities or a lack of awareness about what was and was not possible.

Interviewer: *'So you haven't accessed your account online to check your balance or anything like that?'*

Participant: *'No, I didn't even know I could do that.'*

(Participant)

Another participant commented:

'At the beginning, I didn't really know, I thought it was like a normal bank card where you could get cashback. I thought you could do that but obviously you couldn't so it was a bit confusing.'

(Participant)

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 and hoped that information would be provided in sufficient time:

'Staff and, more importantly, clients need to know what the processes are going to be around a switchover [...] we need to know for definite which bank it is and what the card is and what the client has to do to instigate getting that card, what paperwork is involved, what ID is going to be needed.'

(Stakeholder, organisation 1)

Interviewer: *'So in terms of the exit strategy, have you any sense of what happens when the test ends?'*

Support worker: *'No, nothing. My client was really reluctant when I said you were coming down, she was 'well I don't even know when this is supposed to end, what am I supposed to say to them?' so I said 'say that to them'. I have been reassured by my manager that they won't be left with nothing. But I don't know what's happening.'*

(Support worker, organisation 1)

Interviewer: *'So one of the main ideas behind it is to transition people into bank accounts, what do you think she will do when this comes to an end?'*

Support worker: *'She doesn't want it to come to an end, she wants it to continue. She knows it's going to come to an end. We have a few people worrying at the moment that they're on the card and we've not heard anything about what's next. If what's next is a bank account that is as flexible as the card then she'll love it and she won't mind that it's a high street bank.'*

(Support worker, organisation 1)

Some participants were keen to move on to what they saw as the next stage in the process – a 'normal' bank account – and one indicated that the possibility of doing so was *'the only reason why I'm sticking with it [prepaid card]'*. However, for some participants who had previously experienced problems with banks, moving from the card to a bank account at the end of the test was not seen as a desirable outcome; many people in this group were therefore reluctant to let go of their cards:

'There's no way anyone's taking this card away from me.'

(Participant)

'I can see them saying "now you've had your card, you know how a bank account works so you can go and get yourself a bank account". That would be a waste of everybody's time 'cos people would just walk away and say "no, I don't want a bank account, that's why I went for the card.'

(Support worker, organisation 1)

One stakeholder stressed the need to have a clearer sense of how banks would respond when the test ended.

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'One of the dilemmas for us is that you or I would be able to visit the high street banks and make a choice about which of them are offering the things that we think are most important to us and suit us best, we really want it to be in that position for these individuals, I wanted to give them that sense... 'cos having that financial choice is a really important indicator I think of how included you are, you don't just get the thing that's handed down to you cos that's all that's on offer. So if we don't have more than a handful of banks that are willing to offer something that will be a regret [...] If we'd had longer I'm hoping what we would have been able to do is have a proper suite of options that people can pick and choose from, and to my regret I don't know that we're going to be in a position to do that, there's still time.'

(Stakeholder, Kent County Council)

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. Few of those interviewed for the evaluation said that knew from the outset that the live test was time limited, and several were anxious that the prepaid card – and the benefits of using it – would be taken away from them when the test period ended.

'This card's going to run out soon so I'm a bit worried about [...] going back to a Post Office account and all that.'

(Participant)

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). Participants were facing similar problems to those using a traditional bank account or credit/debit card. This raises questions about whether a prepaid card (or indeed a bank account) as a way of managing money is an appropriate way of managing money for some individuals. For example, some participants were concerned that a transaction would not appear on their statement for three days, and one was disappointed that there was a daily cash withdrawal limit of £250 – but these are not uncommon practices in any mainstream bank. Every penny can also count and so being unable to draw out small denominations (such as the final £6 on the card) was also a problem for some participants – but this too would be encountered with most banking products.

Others pointed to charges made in small shops for card purchases of less than £5 – again, common with any credit or debit card. The prepaid card does overcome many of the difficulties associated with traditional bank accounts (bank charges, overdraft facilities, difficulties in opening an account), but not all of them.

Finally, **the use of the prepaid card as a depository** (withdrawing their benefit in cash once it was paid onto the card) **or ancillary (secondary) account while still using another account for their main financial transactions, rather than as a fully functioning main bank account created difficulties**. These arrangements appeared to be less effective in helping to improve the budgeting practices of the participants, compared to those who used the card as their main financial product/account. In some cases, the participant had different benefits paid into different accounts, and different bills paid through different accounts, which often led to confusion and subsequent problems with budgeting.

9 Conclusions and recommendations

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 prepaid cards have the potential to promote financial inclusion and independence, helping people manage their money and debts and widening options for financial management. In Kent, prepaid cards offered an effective banking product for those who did not have access to alternatives, or had ‘problematic’ bank accounts.

On this basis, the evaluation concludes that it would be feasible for the Department for Work and Pensions (DWP) to carry out a more extensive trial of using prepaid cards to support vulnerable claimants. In doing so, it should consider the following key conclusions and recommendations.

- In the prepaid live test, direct contact with a support worker was found to be vital in successfully setting up the card, and sustaining longer term ‘trouble-free’ use of the card. Without this, it is likely that the prepaid card in Kent would not have brought the same benefits to participants and would not have been considered as easy to use. Support should, therefore, be integral to any future testing of prepaid cards.
- The fact that claimants with functioning bank accounts saw little reason to change to prepaid cards is an important finding from the evaluation, with clear implications for any wider test or roll out of the measure. For the most part, only those who were unbanked, or had serious problems with their current banking arrangements (a minority of claimants), were attracted to the idea of changing to prepaid cards. A future trial which attempts to offer a prepaid card to a wider group of claimants may, therefore, result in low take-up.
- Placing restrictions on what can and cannot be purchased with a prepaid card is unpopular with both participants and support workers and this would risk undermining the positive aspects of the prepaid card. Prepaid cards should, therefore, be developed and promoted in terms of their value to financial inclusion.
- There were few technical problems in the live test but the teething problems encountered are readily capable of being resolved before the next round of testing. Relatively minor technical difficulties, such as a late payment, a missed Direct Debit and a merchant refusal can have serious practical financial impacts for people on low incomes, and can thereby undermine confidence in the prepaid card system.
- In future tests a debit card, rather than a credit card platform, should be used in order to avoid the many disadvantages of credit card technology experienced by participants in Kent.

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- The evidence from this live test suggests that a robust implementation strategy is very important. A comprehensive and clear user guide, backed up by adequate support, should be considered when operating at a larger scale. As part of this implementation strategy it is important to ensure that all agencies and professionals who are involved have a robust understanding of all aspects of the prepaid cards, and that sufficient lead-in time is allowed. DWP should also examine closely the helpline (or similar) offer and ensure it is fit for purpose.
- Participants often had little experience of the banking system. Some of the problems encountered with their prepaid card will be recognised by those with more experience of banking products – missed Direct Debits, limits on cash withdrawals, unexplained card rejections. Therefore, it is imperative that those using prepaid cards learn to adapt to/are helped to understand these occasional vagaries of the financial system. Those who cannot adapt in this way are, perhaps, not suited to banking or prepaid card products.
- Financial products tend to work well on monthly budgeting cycles, particularly Direct Debit. Prepaid cards work best where income and outgoings are managed on a monthly basis, and therefore could provide a suitable banking product for claimants migrating to Universal Credit (UC). However, we recommend that claimants will require support and advice to adapt their budgeting strategies to fit with UC by taking advantage of the services the prepaid card offers.

Furthermore, we suggest that the following key benefits could be used to promote take-up of prepaid cards in subsequent testing:

- Prepaid cards promote financial and social inclusion by offering those who do not have a bank account, or have only a limited banking service, a virtual 'bank account' through which to access Direct Debits, standing orders, online shopping and such like.
- Prepaid cards are generally accessible by a wide range of service users, irrespective of their financial circumstances.
- Prepaid cards can reduce expenditure for claimants: for example, by allowing online shopping to buy cheaper goods and lower cost energy bills as a result of paying by Direct Debit.
- Prepaid cards avoid any stigmatisation and help to build self-esteem – as long as they look like any other debit card.
- Prepaid cards may make it easier for clients to budget effectively. In particular, they allow claimants to move away from a 'cash-based' money management system; and the ability to monitor transactions and balances online and by telephone gives greater control of personal and household budgets.
- Prepaid cards prevent funds being automatically used to pay off bank charges and overdrafts and can offer safety to vulnerable claimants who might be at risk of being financially exploited by others.

Appendix A

Interview topic guides

A.1 Participant interview schedule

1. Participation

- Why did you decide to volunteer for the prepaid card live test?
- Were you keen to volunteer from the outset, or did you have any initial concerns?
- *If initial concerns*, how were these overcome? (e.g. support worker explained more about the card, decided to do it despite concerns, pros outweighed the cons)
- Were you happy with the information you received about the prepaid card (how it would work etc.) and did you feel you received enough information in the right way for you to make a decision about volunteering?
- What aspect of the prepaid card **most** appealed to you?
- Have you activated the card?
- *If so*, when did you activate the card (establish how long the card has been fully active)?
- *If not activated the card*:
- Do you think you will activate your card? What are the reasons why you have not activated your card yet?

2. Set up process

- Was signing up for the card straightforward? Why/why not?
- What sort of help did you receive to set up the card?
- Do you think you would have been able to set up the card easily without that help?
- Did you have any problems setting up the card?
- *If so*, what would have helped prevent or overcome these problems?

3. Receiving benefit on the prepaid card

- How do you feel about receiving your benefits on a prepaid card?
- Do you prefer it to the way you were receiving your benefits previously? (establish how they were previously receiving benefits if not known) Why/why not?
- Have all your payments been received on time? (if not, how many were not received on time?)

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- Are the right payment amounts received? (if not, obtain details)
- As well as having benefits paid to the prepaid card do you have other payments (such as other benefits, tax credits or wages) paid in a different way (e.g. into a bank account)?
- *If other payments paid to a bank account/other:*
- What's it like having some of your income (i.e. benefits) paid to a prepaid card and receiving other income in a different way/in a bank account?
- Does having some of your income (i.e.) benefits paid to a prepaid card and other income (such as other benefits, tax credits or wages) to an existing bank account cause you any practical difficulties at all? Does it have any advantages?
- Would you like all your benefits paid to a prepaid card? Why/why not?
- Did you have any other money put onto the card apart from DWP benefits? If yes, what and how was this done (where from and how was the card loaded? Did you experience any problems with this?)

4. Using the prepaid card

Do you use your card:

- to withdraw cash from ATM machines? Yes/no (if not, why not?)
- to make Direct Debit payments? Yes/no (if not, why not? would you have considered doing this if the prepaid card test had been longer?)
- to make regular payments/standing orders? Yes/no (if not, why not? would you have considered doing this if the prepaid card test had been longer?)
- like a debit card, to make payments (in shops, over the phone) Yes/no (if not, why not?)
- other?

If withdraws cash:

- How important is having access to cash?
- Have you found you have needed cash less often since you started to use the card to pay for other things? Why/why not?
- Do you withdraw cash for anything in particular?
- If withdraws cash to pay bills, if there any reason why you do this rather than set up a Direct Debit?
- If you could, would you consider setting limits on the amount of cash you can withdraw? Why/why not? Do you think this is a good idea?
- Have you had any problems withdrawing cash?
- When withdrawing cash did you incur any charges?
- (ask all, even if no to previous Q) Were you told you would incur charges (by the machine or your support worker?) Were you told you would incur a charge and then did not?
- Does incurring charges for withdrawing cash discourage you from withdrawing cash?

If uses Direct Debit:

- Was this useful? Why/why not?
- Have you experienced any problems paying Direct Debits e.g. payments failing due to insufficient funds
- Had you previously been making these same payments by Direct Debit from a bank account? (i.e. establish whether the prepaid card has encouraged increased use of Direct Debit)

If uses standing order type payments:

- Was this useful? Why/why not?
- How did you previously make these payments?
- Why standing order rather than Direct Debit?
- Did these payments go out as they were supposed to? Any problems?

If pays for goods etc. on the card:

- Do you use the card in this way for certain types of spending?
- Would you consider blocking certain types of spending? Why/why not?/were you offered the option to block certain types of spending or to block spending at certain places?
- Have you experienced any problems using the card to pay in shops etc.? (prompt incurring charges, limits, refusals)

Lost and stolen cards:

- Have you lost your card or had it stolen?
- *If so*, how was this dealt with? Were you happy with the way things were handled?

5. Budgeting and budgeting support

- How do you usually budget? e.g. prompt, do you:
 - know or keep a record of all your incomings and outgoings?
 - make all your essential payments as soon as your money arrives?
 - prioritise certain payments?
 - set spending limits (e.g. for the week or for certain outgoings such as food)?
- Have any of the ways you usually budget changed since you started using the prepaid card? Why/why not?
- Are you currently behind with any bills or payments (including loans, credit and store cards, hire purchase, catalogues, rent)? Or are you struggling to make payments on loans, bills etc. (e.g. have to sacrifice essentials to make the payment or can't always pay on time)
- And was this the situation when you started using the card/has it changed since you started using the card (e.g. got better or worse, if so, why)?

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- In the past, i.e. before you started using the card, how easy or difficult did you find it to manage your money? If SUGGESTS SOME DIFFICULTY: What difficulties did you face in managing your money [Note to interviewer: try to establish if there are any specific issues that contributed to this]
- Has it been easier to think about or talk about budgeting as a result of using the prepaid card?
- Have you found it easier to budget/manage your money since having the prepaid card?
- If so, in what ways?
- Have you received any additional budgeting support while using the prepaid card through your support worker?

If received budgeting support:

- were you receiving any budgeting support before you volunteered for the prepaid card?
- are you receiving more, or different support since having the prepaid card? (if so, how much more/what support)
- What was this budgeting support like?
- Was it useful? Why/why not/has it helped you to do anything differently in terms of how you manage your money?
- Would you have volunteered for the prepaid card without the support that went with it?
- How important has the support been to your experience of having a prepaid card? (e.g. would they have still found it easy to use, helping them budget etc. without the support or is it the support that has made the difference?)
- Have you received any other support?

If received other support:

- What was this support like?
- Was it useful? Why/why not/has this support helped you do anything differently?

6. And generally.....

- How easy do you find using the card?
- Is it better/worse/the same as when you didn't have the card?
- Have you had any problems that you have not already mentioned using your prepaid card?
- Has using the prepaid card made you feel more in control of your finances or other things in your life?
- Has the experience of using the prepaid card helped you feel differently about finding work or staying in work?
- How would you like to have your benefits paid after the test? (POCA, Basic bank account, current account, other?)
- Overall what have been the main benefits of using the prepaid card?

A.2 Non-participant interview schedule

Background

- Would you mind telling me what benefits you are currently receiving? [how are they paid to you and at what intervals?]

Participation

- How were you approached about receiving benefits on a prepaid card? [How was contact made? how was it explained? what benefits were cited?]
- Why did you decide not to volunteer to have your benefits on the prepaid card? [probe: what held you back? specific concerns, were these discussed with the individual/organisation making the approach? Was any effort made to assuage concerns? Was the decision made quickly?]
- Are there any circumstances under which you would have volunteered for the prepaid card? (i.e. would they have volunteered if the concerns they raised in Q3 were addressed/ the card operated differently? this question may need to be tailored depending on the issues they raise at Q3)
- Would you consider taking part in something like this in the future? [Why/why not? what would have to change?]

A.3 Stakeholder topic guide

- For use during interviews with staff from: Kent County Council (KCC) and local providers
- Only ask appropriate questions for each stakeholder type.
- This is intended to be a topic guide, rather than a structured interview schedule, with questions acting as a prompt to wider discussion

1. Background

- What has been your role in the development and/or delivery of the prepaid card test? (use this question to determine the relevance of the remaining sections and questions to this particular stakeholder)

2. Technical feasibility

*KCC will have a **delivery** perspective on this and will be more able to discuss **technical/systems** aspects of the prepaid card. This section is, therefore, most applicable to KCC. However, support providers will have useful insights from a user **perspective**, based on their clients' experience of the prepaid card. Discussion – particularly for the first question below – will need tailoring to acknowledge these differences and not all prompts will be relevant to support providers. This section may not be applicable at all to support provider managers unless they have contact with clients.*

- Thinking about the technical side of the prepaid card, do you think the technology works effectively? [why/why not] probe:
 - what sorts of issues are being experienced? How widespread are they?

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- are these issues to do with system capabilities/glitches or other factors such as human error, incorrect information supplied by the client/support worker etc.
- were there any proposed/intended functions of the prepaid card that were abandoned because the system was not capable of delivering? what about the use of blocks and/or spending limits?
- how have problems been identified? reported by participants? identified internally?
- how have these problems impacted on participants?
- are any problems that have arisen easily rectified now they have been identified or not?
- As far as you are aware, are participants...
 - receiving their payments on time and receiving the correct amounts?
 - able to opt out successfully?
 - able access cash in sufficient amounts to meet their needs?
 - able to set up Direct Debits/standing orders via the card?
 - able to replace lost or stolen cards with ease?

[If not, what do you think is going wrong? how widespread are these problems? how have the problems been identified? reported by participants? identified internally? How have these problems impacted on participants?]

3. Implementation

This section is relevant to all, but 'implementation' will mean different things to different stakeholder groups. Further guidance and routing is provided in the questions below

- Could you give an overview of the approach you've taken to implementing the prepaid card? *for KCC 'implementation' will involve activities such as identifying, contracting, bringing on board, and working with support providers, their relationship, expectations and agreements with support providers, contracting the prepaid card provider, technical implementation (likely to be covered above); for support providers implementation will focus more on recruiting and supporting claimants.
- How has implementation of the live test gone so far, from your perspective? Probe:
 - what challenges have been encountered? e.g. securing buy in from support providers (KCC)? recruiting volunteers? set up process, technical problems?
 - What has the biggest challenge been?
 - were these anticipated?
 - were they/how were they overcome?
 - with hindsight is there anything that could have been done differently that might have mitigated/prevented these challenges from arising?
 - which aspects of implementation have gone particularly well? why is this? what factors helped?

- *[For support providers only]* How were potential participants identified to take part in the prepaid card test? [probe: how did you determine who might benefit from the card? whether issues like debt, addiction, any other issues were considered? did you have formal criteria? were there particular groups for whom you felt the card would not be appropriate? were decisions about who to approach made by individual support workers or managers or by all workers together?]
- *[For support providers only]* How did you go about recruiting for the prepaid card? [Mention it at next appointment or actively contact all those deemed suitable? was there an agreed procedure or was the process informal/up to each individual support worker?]
- *[For support providers only]* How actively would you say you tried to recruit people for the prepaid card? [we are trying to pick up here whether low numbers was due to resistance to recruiting on behalf of support providers. If evidence of this does emerge explore why they were reluctant]
- *[For support providers expressing reluctance to recruit]* Is there anything that would have made you more willing to recruit participants? e.g. having more say in development; any changes to the function of the card, or the test (longer time frame); better information and clarity to communicate to clients; reassurance about the purpose of the card)
- *[For KCC]* Do you think all the support providers were fully on board and supportive of the prepaid card test? If not why not? How do you know that? What impact did that have on recruitment? What did you do to secure buy-in from providers? What would have helped secure buy-in?
- *[For support providers]* How easy has it been to recruit volunteers for the test? Why do you think it has been easy/hard? what has motivated participants/held them back? *[for KCC]* Did you achieve the numbers on the prepaid card during the test that you had hoped? Why do you think that is? [probe how far they think low numbers was a provider issue, a process/design issue, or a client issue]
- *[For support providers]* What would have made it easier to recruit volunteers?
- *[most relevant for support providers but KCC may have views]* If participants have opted out, why do you think this is? [How do you know this? how do you think these issues could be overcome?]
- **What would you do differently if asked to implement prepaid cards again?**

4. Delivery of Support

- Can you explain the role of budgeting support in the prepaid card test and how it was intended to work [i.e. any specifications around level, type and extent of support]
- Have you been involved in providing support to those participating in the test? [If no, skip to next section]
- What support have you made available to those participating in the test? [Budgeting, money management etc., scale of provision, how are participants made aware of it? Who has provided this? do you offer the same support to everyone or is it tailored?]
- How does this differ, if at all, from the support you were providing to them before the prepaid card test?

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- Did they make use of financial information available from the card for budgeting support? [if so how useful was it, if not why not?]
- Have participants taken up the support offered with the prepaid card? [If not, why not? have you made attempts to encourage them to take up the support? Have you discussed their reasons and tried to address concerns?]
- How effective do you think the support provided has been in helping participants access the benefits of prepaid cards, over and above the support they would have received anyway? [Why do you say that?]
- What aspects of the support have been most effective/useful?
- Would your clients have benefited/managed the prepaid card without the accompanying support?

5. Benefits/dis-benefits

- Which aspect of the prepaid card test has been most beneficial to participants, the card or the additional support? [Why do you think this?]
- What do you consider to be the main benefits for participants taking part in the test? [How have these been identified? Have you received participant feedback?]
- And to what extent do you think these outcomes/benefits could be achieved through other means/in other ways? [e.g. if the main benefit is the capacity for Direct Debits, then could this be achieved through easier access to basic bank accounts
- Are there any disadvantages for participants associated with taking part in the test? [How have these been identified? how might they be overcome?]
- Are there any benefits or disadvantages of operating a prepaid card like this for your organisation? [support providers/the Claimant Commitment (CC)]
- Do prepaid cards cause any practical difficulties for participants or for the organisations involved in delivery that we haven't already talked about?
- *[For support providers only]* To what extent do you think that taking part in the test has helped participants:
 - to feel more in control of their finances?
 - given them more direction in life?
 - think differently about finding or staying in work?
 - make any other behavioural changes?
 - [why do you think this? If yes, what specific aspects of the test have led to these changes?]

6. The future

- *[For KCC]* What is the 'exit strategy' for participants in the test? How would you like participants to transition at the end of the test? Are you anticipating any issues (e.g. technical) with switching participants back to a non-prepaid card system for receiving their benefit? Have you needed to put anything in place to mitigate potential issues?

- What support is being offered to participants at the end of the test/going forward? [e.g. to help them adjust back to the old system]
- Have any discussions taken place/plans put in place to continue or build on the benefits participants have gained from being part of the test? [if not what is preventing this?]
- Are there other groups of potential participants who didn't participate in the test who you feel would benefit from any future further trial of roll-out of prepaid card? Why would they like to expand prepaid cards to this/these groups?

7. Key lessons

- What are the main lessons to be learnt from this test, if prepaid cards were to be tested on a bigger scale?
- Are there any operational and/or delivery changes that would need to take place to enable the small prepaid card test to be scaled up or rolled out?

A.4 Other local authorities using prepaid cards topic guide

- This is intended to be a topic guide, rather than a structured interview schedule, with questions acting as a prompt to wider discussion

1. Background

- Can you explain the context in which prepaid cards have been used within your authority?
- Why did the authority start using prepaid cards?
- What problems was the local authority (LA) trying to solve by introducing prepaid cards?

2. Support and delivery

- Who is the card targeted at? [explore who are the main user groups? why the authority is targeting prepaid cards at these groups?]
- How are potential participants for prepaid cards identified?
- How do people sign up to the card?
- Is use of the card voluntary or compulsory? Does either approach create any issues or benefits?
- Is any support offered to those using prepaid cards? [if yes how does this work? Is this financial management/budgeting help or technical support? What's the aim of this support? How successful has it been?]
- How effective has the support provided been in helping participants access the benefits of prepaid cards?

3. Technical feasibility

- Thinking about the technical side of prepaid cards, do you think the technology works effectively? [why/why not? what sorts of issues are being experienced? how widespread are these problems? how have the problems been identified? reported by participants? identified internally? have these problems impacted on participants? What has the LA done in order to overcome technical issues and problems?
- Is it easy to tailor cards to individual needs/circumstances? [why/why not? what sort of issues?]
- Is it easy to monitor spending? [why/why not? what sort of issues? who is monitoring spending e.g. LAs or support workers or someone else? How do you go about doing this?]
- As far as you are aware, are participants...
 - receiving their payments on time and receiving the correct amounts?
 - able to opt out successfully?
 - [if relevant] able to access cash in sufficient amounts to meet their needs?
 - [if relevant] able to set up Direct Debits/standing orders via the card?
 - [if relevant] able to replace lost or stolen cards with ease?

[If not, what do you think is going wrong? how widespread are these problems? how have the problems been identified? reported by participants? identified internally? How have these problems impacted on participants?]

- [*Depending on use of card and if appropriate*] Do you think that using the prepaid cards helps participants to:
 - feel more in control of their finances?
 - given them more direction in life?
 - think differently about finding or staying in work?
 - make any other behavioural changes?

4. Key lessons/the future

- Has the LA done any formal analysis or evaluation of its use of prepaid cards? [if yes how did they go about this? what were the main findings from this work?]
- What are the main benefits of prepaid cards? [for LAs/for participants]
- What are the main challenges/difficulties implementing a prepaid card?
- What are the main lessons from your use of prepaid cards?
- What lessons from your use of prepaid cards might there be for using them to pay benefits on a wider scale?
- Are there other groups that the LA would like to expand its use of prepaid cards to? [If yes, why would they like to expand prepaid cards to this/these groups?]

Appendix B

Fieldwork details

The fieldwork took place over June, July and August 2015. Interviews were conducted face-to-face and by telephone, and were recorded and transcribed.

A total of 27 clients were interviewed: 20 who had participated in the prepaid card scheme, and 7 who had not.

A total of 14 stakeholders were interviewed.

Appendix C

Interviewee characteristics

A total of 27 clients were interviewed: 20 who had participated in the prepaid card scheme, and 7 who had not.

Table C.1 Interviewee characteristics

Group	Gender		Age						Economic Status						
	Male	Female	16-24	25-34	35-44	45-54	55-59	60-64	Looking after home	Long-term sick/disabled	Long-term sick/disabled and looking after home	Unemployed – seeking work	Unemployed – not seeking work	Voluntary work	Retired
Participants	8	12	2	6	5	4	1	2	2	9	1	4	3	1	0
Non-participants	3	4	2	0	1	3	0	1	0	4	0	2	0	0	1

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Figure C.1 Participant gender (n=20)

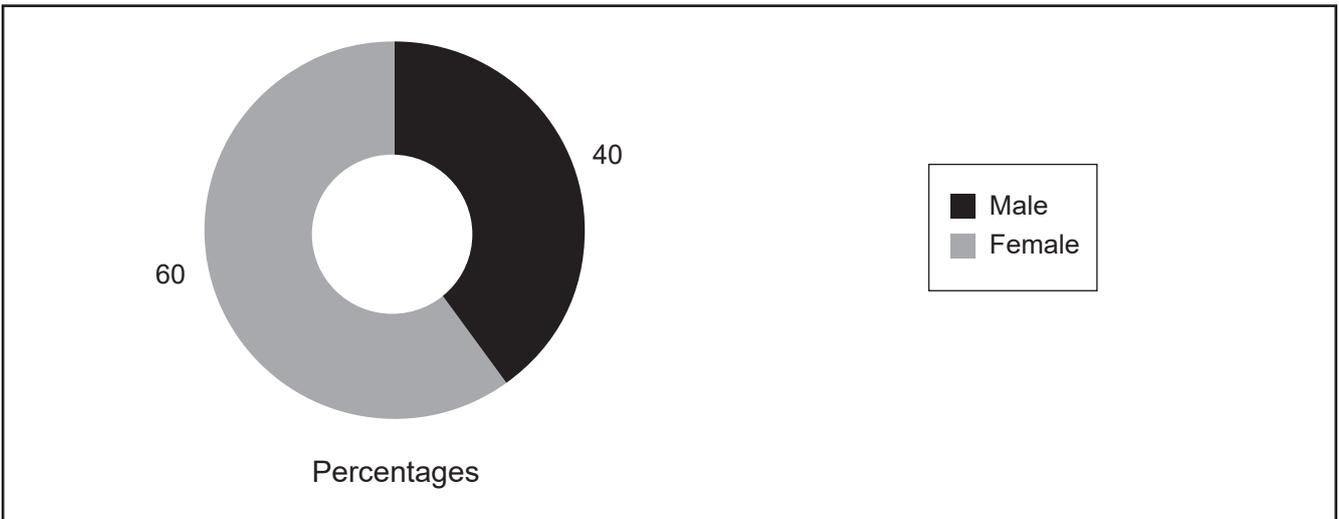


Figure C.2 Participant age (n=20)

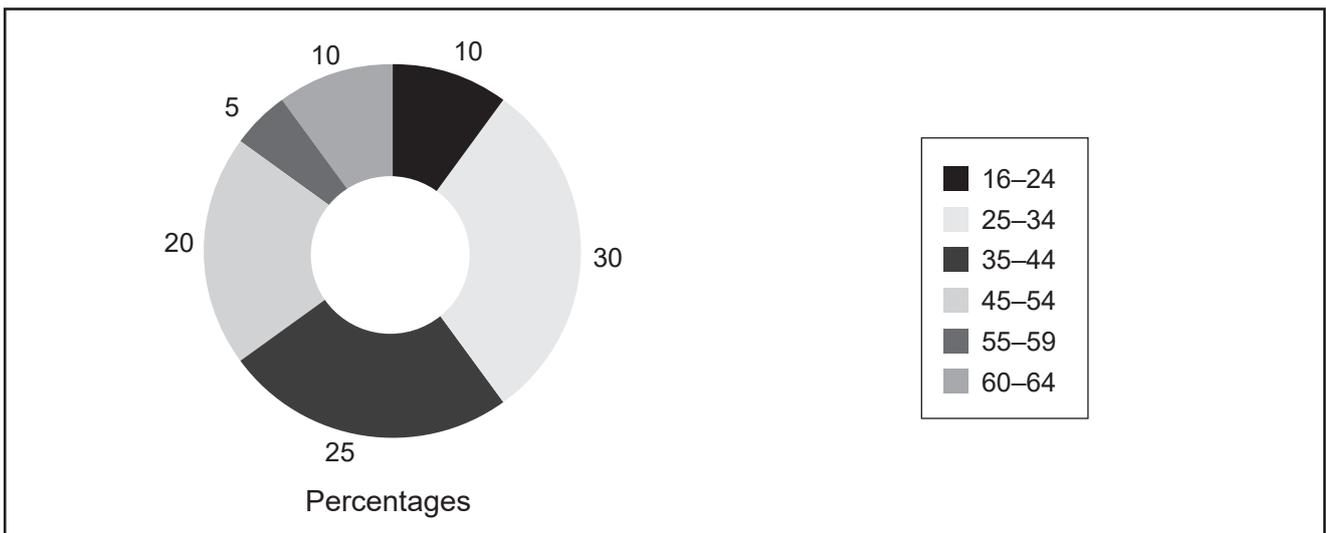
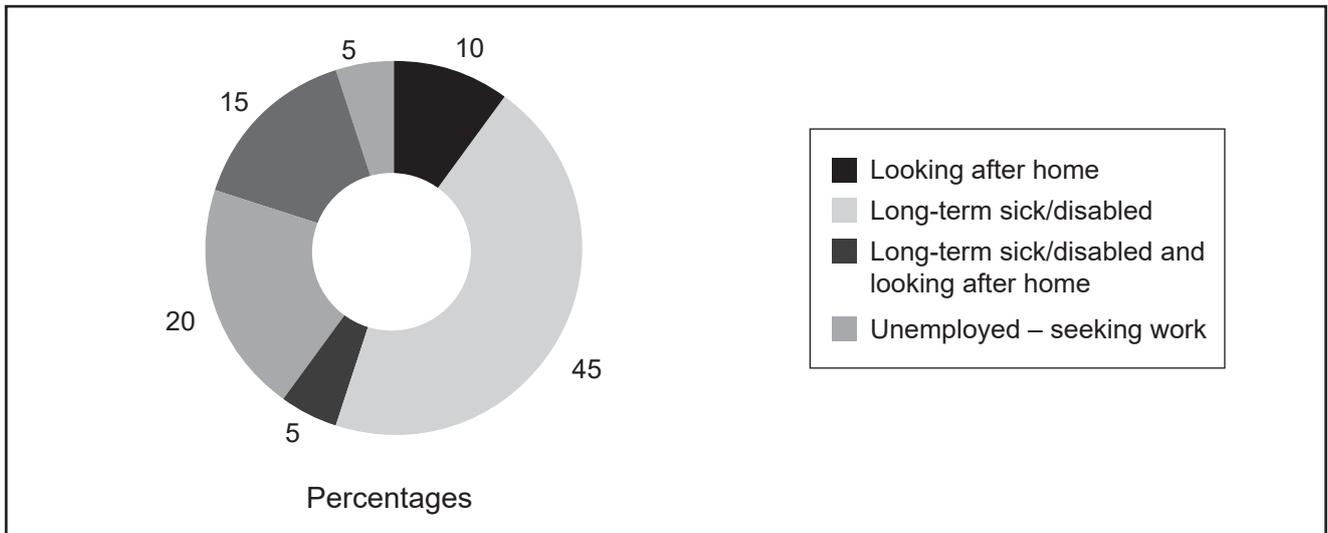
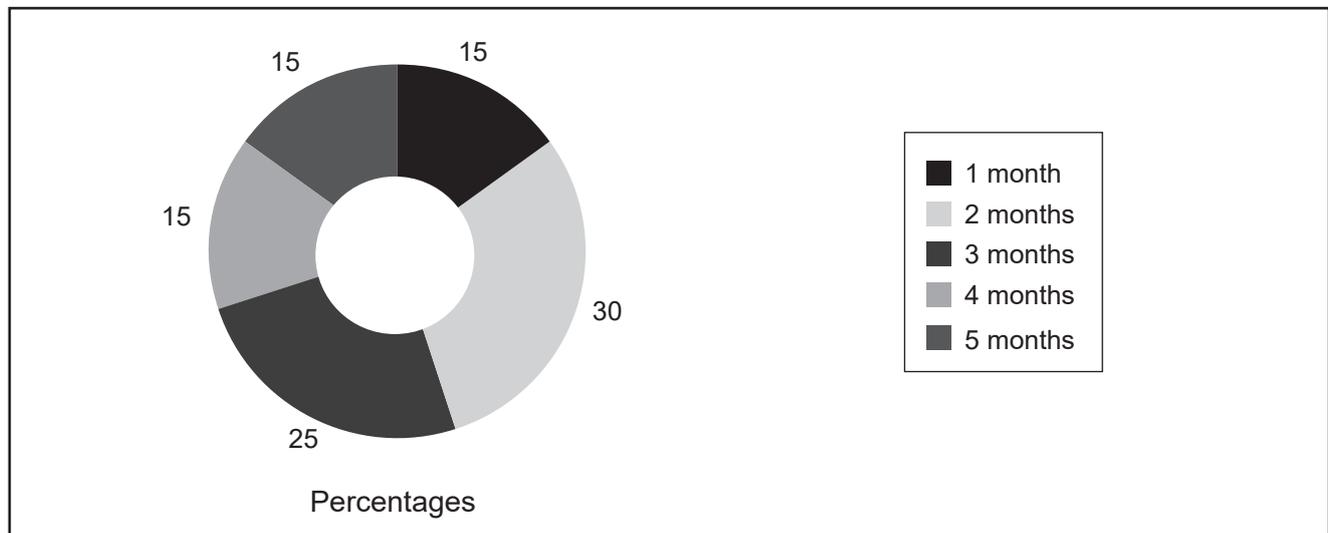


Figure C.3 Participant economic status (n=20)



The participants interviewed had been on the prepaid card scheme for a range of time periods, from 1–5 months.

Figure C.4 Time on PPC Test at date of interview (n=20)



Appendix D

The use of prepaid cards by local authorities

D.1 Introduction

Phone interviews were carried out with four local authorities (LAs) – Trafford, Nottinghamshire, Bracknell Forest and Merton – on 5 June 2015 to gather their experiences of using prepaid cards. All four LAs are using prepaid cards for adult social care direct payments (personal budgets), two are also using them for Court of Protection Appointees in cases where an individual cannot manage their own funds and one LA is combining a prepaid system with a smart card that is used for many council services (libraries and leisure centres for example). Although these are different to the Kent scheme in some ways, there are some key lessons to draw on. This brief paper highlights the key findings from these discussions.

Trafford Council uses a prepaid card for direct payments (DP) from adult social care. Having a card is not compulsory for those receiving DP (c. 600 clients) and around a third of clients currently receive DP by prepaid card.

Nottinghamshire County Council uses prepaid cards for DP and for appointees. “It’s a cost effective way of distributing cash, and [clients] can use it as a debit card, set up Direct Debits. So they have flexibility and more control of their finances”. Around a third of appointee clients have a card, and for DP, take-up is currently 18 per cent. DP started before the introduction of a prepaid cards, so clients are wary about switching, and Nottinghamshire County Council suggest that the Care Act would prevent them from making card use mandatory. However, it is acknowledged that some LAs do so. But, Nottinghamshire County Council is now looking to increase the proportion of clients on cards, stressing the benefits to clients and to the LA.

Bracknell Forest Council has pioneered the use of ‘smart cards’ to provide a range of LA services to its citizens, following its involvement in the National Smart Card Project in 2001. The Council’s ‘e+’ card¹³ can be used for library services, leisure facilities and as a bus pass. The council has trialled an ‘e-purse’ system, but has more recently begun to implement a prepaid card function via e+ for DP from adult social care.

Merton Council uses a prepaid card for DP payments from social care. The council is looking to put the majority of its DP clients on a card, and have been promoting its benefits to service users.

¹³ <https://eplus.smartcitizen.net/public/start>

D.2 Prepaid card systems

Prepaid cards in the four LAs generally operate in the same way. Three use a system supplied by APS, and one uses its own bespoke system, supported by AllPay. A client is issued a card with instructions on its use (and helpline support). Funds are uploaded to the card by the council and/or the client, and then the card can be used in the same way as a debit or credit card. However, some restrictions can be placed on the card. Cash withdrawals can be blocked; certain 'Merchant Codes' can be restricted; and the balance on the card cannot fall below zero. However, the cards can also be used to set up Direct Debits and standing orders; they can be managed online or over the phone; and users can monitor their balance and transactions – making them 'virtual bank accounts'. The councils receive weekly reports on transactions and can monitor these. IT systems appear to be able to 'flag up' anomalies, allowing officers to tailor their monitoring.

It is important to note that the council remains the owner of the card and has ownership of the funds placed on it. This allows them to easily retrieve funds, for instance when someone dies or an overpayment has been made. The costs associated with cards were discussed during the discussions with LAs. Participants stated slightly different figures. The annual charge for the card was between £30 and £50, each transaction was around 12 pence, and cash withdrawals was 99 pence. The LAs differed in the way these costs were covered.

- Three LAs passed on the costs to the service user, which was supported by an additional amount of direct payment to cover it.
- However, one LA was paying the fees centrally, in order to 'make the card more attractive to service users'. This was achieved by offsetting the costs against the savings made to administration.

D.3 Benefits to the LA (or fund holder)

The interviews highlighted a number of ways that LAs benefited from using prepaid cards to distribute funds:

- **Reduced administration costs** was regarded to be the key benefit. Under direct payments, service users are required to demonstrate how they spend funding. When paid into a bank account this means they have to provide receipts and statements to the LA, which represents a significant administrative burden. On prepaid cards, the LA receives a report of transactions weekly allowing them to monitor spending more efficiently. Furthermore, IT systems are designed to flag up anomalies, meaning that officers and key workers can identify when a particular service user is having difficulties, rather than having to monitor every account.
- **It significantly reduces cash handling** by LAs, which can be a significant administrative burden and can pose some safety concerns for staff (DPs range from £30 to £2,000 a month).
- **Unspent funds can be recovered easily.** For example, when someone dies or has been overpaid, the council can claw back unspent funds easily. The cards remain the property of the council as do the funds on it. This provides a 'sound legal footing' to do this. Under other arrangements, LAs would have to reclaim through probate, which is expensive and time-consuming – and, in practice, the LA would not deem it to be worthwhile in many cases.

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- **Prepaid cards are relatively straightforward to implement, and are not prohibitively expensive to put in place.**
- **Prepaid cards can make care and support for citizens more effective.** Monitoring the accounts of DP recipients more effectively leads to better health and wellbeing outcomes for service users. Key workers were able to identify financial issues sooner. Participants also suggested that prepaid cards made it easier for key workers to identify safeguarding issues – for example, it is easier to identify if another family member or carer is using funds in a manner unrelated to the service user's needs.

D.4 Benefits for clients/service users

The interviewees all reported that prepaid cards were beneficial for service users, and suggested a range of ways in which this was so:

- **Prepaid cards promote financial and social inclusion.**
 - Prepaid cards are generally accessible by a wide range of service users, irrespective of their financial circumstances.
 - For people who do not have a bank account, or have a limited banking service, prepaid cards can act as a virtual bank account that gives people access to Direct Debits, standing orders, online shopping etc. Therefore, they had more choice which often gave access to lower prices.
 - Prepaid cards avoid any stigmatisation – as long as they look like any other credit/debit card.
 - Prepaid cards can help individuals to achieve a better credit rating.
- **Prepaid cards can make it easier for clients to budget effectively.** Participants believed that clients were able to manage their money more effectively with a prepaid card, and did not need to use and manage cash as often. It was suggested that clients' ability to monitor transactions and balances online and by telephone gave them more control of their budgets.
- **Prepaid cards provide quicker access to funds.** LA participants stated that funds could be transferred to service users' cards within a few hours and that it did not necessitate the client have to collect cash from, for example, a Post Office account.
- **Prepaid cards prevent funds being automatically used to pay off bank charges and overdrafts.**

D.5 Restricting the use of prepaid cards

LA participants reported that certain functions of the prepaid card can be 'turned on and off'. For example, the fund-holder can decide whether to allow ATM cash withdrawals and 'cash-back'. They can also place a cap on the amount of cash that can be withdrawn. Also, the fund-holder can restrict certain merchant codes – known as 'merchant blocking' – so that cards cannot be used to purchase certain products and cannot be used at certain retailers/services. For example, one LA placed restrictions on things such as adult entertainment, gambling and theme parks.

However, LA participants stated that these restrictions were not always clear cut. All of the LAs interviewed did restrict cash withdrawals as a default – three completely, and one placed a cap on the amount of cash withdrawals. There was some need for flexibility in this respect. While officers stated that prepaid cards often replaced the need for cash and made budgeting easier for clients, they accepted that there were good reasons for having some cash. In two LAs, it was possible for key workers (a social worker for example) to adjust the cash restriction on a case-by-case basis. The other two stated that they did not ‘change the card settings’ on an individual level. One LA restricted cash because it limited the ability to efficiently audit clients’ spending, and would require them to submit receipts.

On merchant blocking, LA respondents pointed out that while certain merchant codes could be blocked, it was not possible to restrict access to goods (such as tobacco, alcohol, gambling) that are widely available in different retailers. Using prepaid cards as a way of determining what people spend money on would therefore be difficult.

D.6 Good practice

Participants briefly discussed good practice, and made some suggestions:

- An implementation strategy is very important. Get the user guide right, and roll-out gradually so that officers are not overwhelmed. One LA suggested that the system should be trialled with clients with more complex needs/lives first, allowing the systems to be properly stress tested (and on the understanding that clients with less complex needs would then manage the system well).
- Fully understand all the costs, and work out how these are to be borne (by whom, and in what way). For example, one LA had not appreciated that the suppliers’ helpline was a premium rate call. (NB that costs are coming down, as the ‘market’ grows and LAs grow a business relationship with suppliers).

D.7 Using prepaid cards for distribution of welfare benefits

All four LA participants stated that prepaid cards could be applied to benefits distribution, and, given their experience of them, were supportive of such an initiative. In general, they believed that it could work well from a systems point of view; that suppliers, IT systems and customer care services were suitable (and were continuing to evolve and improve).

However, they cautioned that the biggest hurdle to overcome would be a political one – how the cards were interpreted by the fund-holder (say, DWP) and the client.

- If the fund-holder wanted to closely monitor spending, or place restrictions of certain types of expenditure (including cash withdrawals), this could undermine confidence in the cards and outweigh the many benefits to the service user.
- Under DP, the fund-holder retains ownership of funds even when it is allocated to a card. This enables them to claw back. But, how would this operate for out of work benefits?

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Below are paraphrased quotations from one LA participant:

'So the main difficulty is a political one – what the limitations are. HOWEVER, merchant blocking can be done, BUT you are never going to get to a system that can stop people doing 'bad' things. And if you try to use it in that way, people will be turned-off. It must be drafted as ENABLING not CONTROLLING.'

'The merchant blocking won't work. You can't block everywhere that sells alcohol for instance. But, the prepaid cards could help a key worker to support the individual.'

'Need to convince the benefit claimant that it isn't about control and sanction, but it can be a source of support.'

(LA participant)